



**Monday, October 1, 2012**

**9:00 AM - 10:30 AM**

**900 – Hot Topics in IP — Epic Battles:  
Patent Wars, Trademark Throwdowns and  
Copyright Clashes — How Increasing  
Litigation Affects the Industry and Your  
Company**

**Cynthia Beverage**  
*Litigation Counsel*  
ST Ericsson

**Sheri Gates McGaughy**  
*Vice President, Legal*  
The Weather Channel, LLC

**Joseph Petersen**  
*Partner*  
Kilpatrick Townsend

**Monica Winghart**  
*EVP and General Counsel*  
Article One Partners

900 Hot Topics in IP - Epic Battles: Patent Wars, Trademark Throwdowns and Copyright Clashes - How Increasing Litigation Affects the Industry and Your Company

## Faculty Biographies

### **Cynthia Beverage**

Cynthia Lopez Beverage is director of litigation and licensing at ST-Ericsson, a joint venture between STMicroelectronics and Ericsson.

Prior to joining ST-Ericsson, she was in private practice at an international A-List firm where she engaged in the negotiation and drafting of technology licenses and the valuation of patent portfolios, and represented a wide range of clients in patent litigation matters before federal courts, the International Trade Commission, and the Court of Appeals for the Federal Circuit. Ms. Beverage served as a judicial clerk for the Honorable Randall R. Rader on the Court of Appeals for the Federal Circuit.

She obtained her law degree at the Southern Methodist University in Texas, and her LLM in intellectual property law at The George Washington University Law School. Ms. Beverage has also served as a legal fellow working for the House Subcommittee on Courts, the Internet, and intellectual property, working on patent reform issues.

### **Sheri Gates McGaughy**

Sheri Gates McGaughy serves as the vice president, legal for The Weather Channel, LLC in Atlanta, GA. In her position, she oversees the legal work for all areas of The Weather Channel, including The Weather Channel(R) network and the weather.com(R) website. She also supervises the team that manages the company's content. Ms. McGaughy has a strong legal and technical background, with expertise in interactive, mobile and network distribution transactions, technology transactions, data privacy, advertising, trademarks and domains, litigation management, social media, and user generated content.

Previously, she was assistant vice president and senior attorney at ChoicePoint Inc. where she had responsibility for the business unit that provided the majority of the company's revenue. Ms. McGaughy also handled complex litigation at a large national law firm, and clerked for Judge Joel F. Dubina on the United States Court of Appeals for the Eleventh Circuit.

She currently serves on the boards of directors for the ACC's Atlanta Chapter, and the Southeast Chapter of Women in cable telecommunications. She is an alumna of the cable industry's premier leadership program, the Betsy Magness Leadership Institute.

Ms. McGaughy earned her BBA degree in management science and information technology from The University of Georgia, where she graduated with high honors from its honors program. After working as a computer programmer, she returned to The University of Georgia where she earned her JD, cum laude, from the School of Law and served as a research editor on the *Law Review*.

900 Hot Topics in IP - Epic Battles: Patent Wars, Trademark Throwdowns and Copyright Clashes - How Increasing Litigation Affects the Industry and Your Company

### **Joseph Petersen**

Joseph Petersen is a partner in the New York office of Kilpatrick Townsend & Stockton LLP. He focuses his practice in representing technology and digital media companies in the enforcement and protection of their copyrights and trademarks. In addition to his broad copyright and trademark litigation experience, Mr. Petersen possesses unique experience in federal court litigation establishing fee structures for the public performance of musical works. Beyond his litigation experience, Mr. Petersen also routinely counsels clients on the protection, enforcement and licensing of their intellectual property assets.

Mr. Petersen was recommended for his copyright expertise in the prestigious 2011 *Legal 500 U.S.* where Mr. Petersen was praised as "well regarded" for his knowledge of "cutting edge" copyright issues. Mr. Petersen was similarly praised in the 2008 Chambers USA: America's leading lawyers for business for IP trademark copyright as being "well versed in copyright and trademark infringement claims, trade secret litigation and domain disputes."

Mr. Petersen received a BS from the University at Albany, State University of New York and is a graduate of Vanderbilt School of Law.

### **Monica Winghart**


Monica Winghart is executive vice president and general counsel for Article One Partners in Palo Alto, CA. As a member of the executive leadership team, she is responsible for oversight of all legal, risk management and compliance functions and is involved in corporate strategy, public policy, business development and a variety of other matters.

Previously, she was senior corporate counsel for The Clorox Company, where over her tenure she served as director of IP litigation, performed patent clearance and portfolio management, was lead counsel for three of the company's business units, and was a part of Clorox's M&A, licensing and transactions teams. Earlier in her legal career, she was in private practice advising on IP litigation, patent and trademark prosecution, and licensing and technology acquisitions with large firms in Los Angeles and Atlanta. Before attending law school, she worked as an engineer with Procter & Gamble and was the principle in an engineering consulting firm.

Ms. Winghart currently serves as chair of the ACC's Intellectual Property Committee and is involved with several community service and pro bono projects in the San Francisco/Silicon Valley area.

Ms. Winghart earned her JD from Tulane Law School and received a BS in chemical engineering and a BS in pulp and paper technology from NC State University.

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## Session 900

# Epic Battles: Patent Wars, Trademark Throwdowns and Copyright Clashes

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**Presenters:**

**Patents:** Cynthia Beverage, ST Ericsson  
**Copyrights:** Sheri Gates McGaughy, The Weather Channel  
**Trademarks:** Joe Petersen, Kilpatrick Townsend & Stockton LLP


**Moderator:**

Monica Winghart, Article One Partners


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## Patent Law Update

Recent Developments in 2011-2012:  
New Laws, Court Rulings, and  
the America Invents Act


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## Inequitable Conduct

- *Therasense, Inc. v. Becton, Dickinson & Co.* (Fed. Cir. 2011)
  - Conduct in question: withheld briefs presented to EPO
  - Raised bar for establishment of inequitable conduct defense
  - Two prerequisite findings required:
    - clear and convincing evidence, that the patentee acted with the specific intent to deceive the PTO;
    - If withheld information, then must be of the nature that if disclosed, it would have prevented the application from issuing as a patent.
  - *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324 (Fed. Cir. 2012)

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## Joint/Divided Infringement

- McKesson:** [healthcare provider and a patient]

  - no infringement because users not acting under the “control and direction”

method of communicating that included “initiating a communication by one of the plurality of users to the provider” and, among other things, “returning the response to the communication automatically...”
- Akamai:** [content distributor and customers]

  - no infringement because no facts to support **attribution** to content deliverer

“content delivery method” that involved “distributing a set of page objects across a network” and “tagging at least some of the embedded objects of the page”
- Centillion:** [service provider and end user]

  - remand to district court because one *does not have to exercise control over each element of the claim to “use” a system claim*, but simply “the ability to place the system as a whole into service.”

“a system for presenting information ...to a user” comprising, among other things, “storage means for storing individual transaction records prepared by said service provider,” and personal computer “data processing means generating preprocessed summary reports as specified by the user from said individual transaction records”

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## Patentable Subject Matter (1)

- Mayo v. Prometheus (S. Ct. Mar. 2012)**

USP No. 6,355,623, Figure 1

- Claim 1 of Prometheus’ patent states: if the levels of 6–TG in the blood (of a patient who has taken a dose of a thiopurine drug) exceed about 400 pmol per 8x10(8) red blood cells, then the administered dose is likely to produce toxic side effects.
- 35 U.S.C. § 101 Inventions patentable.

  - Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

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## Patentable Subject Matter (2)

- Mayo Collaborative Services v. Prometheus Labs Inc. (S.Ct. Mar. 2012)
  - Supreme Court:
    - “The claims **purport to apply natural laws** describing the relationships between the concentration in the blood of certain thiopurine metabolites and the likelihood that the drug dosage will be ineffective or induce harmful side-effects.”
    - YET the law of *Diehr* that “**an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.**”
    - BUT, the “application” must be “significant,” not “too broadly preempt” use of the law, and include other elements that constitute an “inventive concept” that is significant and separate from the natural law itself.
- Association for Molecular Pathology v. PTO: S. Ct. vacated and ordered CAFC to reconsider its decision in light of Mayo. Oral argument was held on July 20, 2012 before CAFC.

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## America Invents Act (1)

- Main Provisions are changes to:
  - funding for the PTO, [in effect]
  - proceedings before the PTO, [effective 9/16/2012]
  - changes in substantive patent law [in effect], and
  - patent litigation reforms [effective 3/16/2012].
- Funding for the PTO -
  - PTO director has fee setting authority
  - Fee reductions, fee surcharges, and incentive fees
  - Less likelihood of diversions of fees collected
  - Prioritized examination (\$4,800)

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## America Invents Act (2)

- Proceedings Before the PTO

Proceeding	Threshold	Prior Art	Estoppel?
Third party pre-issuance submissions <i>New</i>	N/A	Patents/printed pubs	N/A
Post-grant review (9 month window) <i>New</i>	More likely than not that at least 1 claim unpatentable	Any ground	Raised or could have raised
Inter partes review (after P.G.R.)	Reasonable likelihood that petitioner would prevail on at least 1 claim <i>Previously</i> substantial new question of patentability	Patents/printed pubs	Raised or could have raised
Ex parte reexam (unchanged)	Substantial new question of patentability	Patents/printed pubs	None (although courts may differ)
Supplemental Examination	Substantial new question of patentability	Any information	N/A
Derivation Proceedings ( <i>Previously</i> inter partes interference)	Claimed invention derived from another	N/A	N/A

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## America Invents Act (3)

- Changes in Substantive Patent Law
  - From first-to-invent → first-inventor-to-file, but it is not a pure first-to-file system
    - Derivation Proceedings
    - One year grace period for disclosures of inventor or others who derived invention
  - Expansion of Prior Art
    - Foreign prior art can invalidate
      - “in this country”
    - Effective filing date
      - “was *effectively filed* before the effective filing date of the claimed invention”



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## America Invents Act (4)

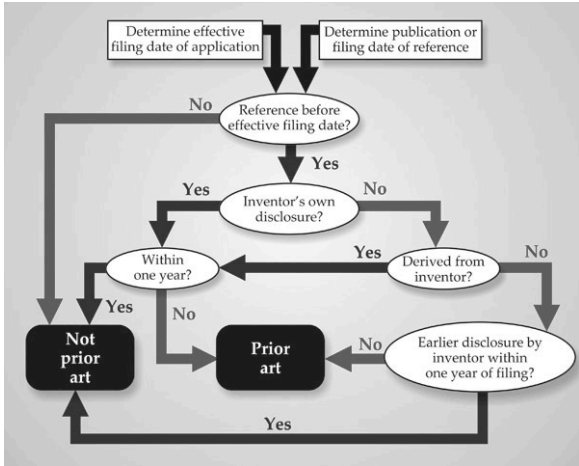
- Changes in Substantive Patent Law

**FROM** FIRST-TO-INVENT **TO** FIRST-TO-FILE

Alexander Graham Bell  
vs.  
Elisha Gray



Valentine's Day in 1876:  
Conspiratorial fraud,  
bribery and intellectual  
theft at the Patent Office



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## America Invents Act (5)

- Patent Litigation Reforms
  - No **false marking** private suits without competitive injury
  - Virtual marking permitted** by reference to internet address
  - Joinder of parties restricted** to:
    - Same transaction, occurrence, or series thereof related to same accused product or process, and
    - Questions of fact are common to all defendants
  - Best mode** defense is gone (though still req'd for patentability)
  - The failure to obtain or present the **advice of counsel** may not be used to prove willfulness or inducement
  - Prior user defense is expanded** from only certain business methods claims to manufacturing/commercial processes, and any machine, manufacture or composition of matter used therein
    - In U.S. only
    - Commercial use only



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# Trademark Update

Joseph Petersen  
Partner  
Kilpatrick Townsend & Stockton LLP


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## Recent updates include:

- Where does the doctrine of aesthetic functionality stand?;
- How to apply the functionality doctrine to Google AdWords?;
- Is the presumption of irreparable harm upon a showing of likely success on the merits still viable in trademark and false advertising litigation after *eBay* and *Winter*?;




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## Recent updates include (cont.):

- How much fame needed to prove trademark dilution claims?;
- How should courts determine the amount of statutory damages awarded against willful trademark infringement?;
- Does a licensee lose the ability to use licensed intellectual-property when the license is rejected in bankruptcy?; and
- How related are goods for Section 2(d) purposes?









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## *Nike v. Already, LLC,* 663 F. 3d 89 (2d Cir. 2011)



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## Article III – Case and Controversies

**Question presented:**

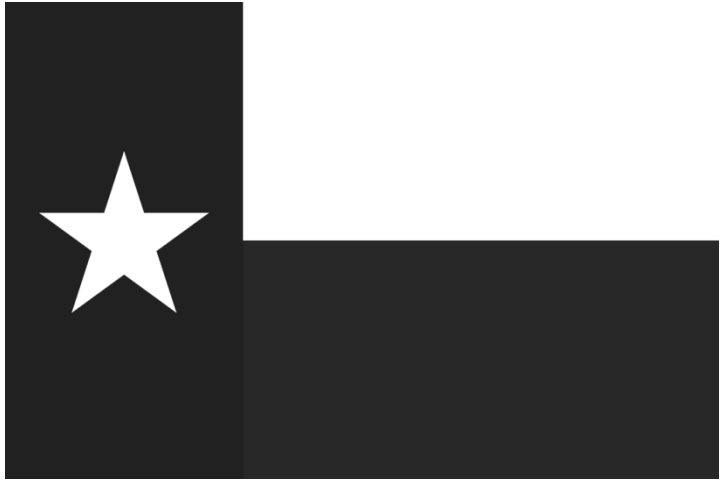
“Whether a federal district court is divested of Article III jurisdiction over a party’s challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party’s then-existing commercial activities.”

Petition for writ of certiorari, *Already, LLC v. Nike, Inc.*, No. 11-982, 2012 WL 441275.







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*T. Marzetti Company v. Roskam Baking Company,*  
680 F.3d 629 (6<sup>th</sup> Cir. 2012)









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*T. Marzetti Company v. Roskam Baking Company,*  
 680 F.3d 629 (6<sup>th</sup> Cir. 2012)

- 2007 - Plaintiff, T. Marzetti Company, sells frozen Texas toast under the mark “New York Brand the Original Texas Toast,” and began using the mark on its croutons.
- Shortly after - Defendant, Roskam Baking Company added a “Texas Toast” variety of crouton to its line of croutons.
- February 2009- Marzetti filed trademark applications for TEXAS TOAST and THE ORIGINAL TEXAS TOAST with the USPTO.
- July 2010 - Roskam filed oppositions against Marzetti’s applications claiming that the mark is generic.

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*T. Marzetti Company v. Roskam Baking Company,*  
 680 F.3d 629 (6<sup>th</sup> Cir. 2012)

The Sixth Circuit, in an appeal from a bench finding that the words “Texas toast” were generic for oversized bread and croutons, concluded “the evidence supports the . . . conclusion that the term ‘Texas Toast’ is primarily associated with a type of product rather than the producer,” and affirmed.


*T. Marzetti Company*, 680 F.3d at 634.

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*Maker's Mark Distillery, Inc. v. Diageo N. Am.,  
679 F.3d 410 (6th Cir. 2012)*




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*Maker's Mark Distillery, Inc. v. Diageo N. Am.,  
679 F.3d 410 (6th Cir. 2012)*




- Maker's Mark Distillery, Inc. brought state and federal trademark infringement and federal trademark dilution claims against Casa Cuervo, S.A. de C.V.'s Reserva de la Familia for use of Maker's Mark's signature red dripping wax seal on its tequila bottles.
- Defendant Casa Cuervo counterclaimed for cancellation of Marker's Mark's trademark based on the theory that the mark was aesthetically functional.

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*Maker's Mark Distillery, Inc. v. Diageo N. Am.,*  
 679 F.3d 410 (6th Cir. 2012)




- **Is Maker's Mark Distillery, Inc.'s registered trademark consisting of signature red dripping wax seal aesthetically functional?**
- Two tests used to determine whether is trademark is functional under the competition theory in the Sixth Circuit:
  1. The test for comparable alternatives; and
  2. The effective competition test.

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*Maker's Mark Distillery, Inc. v. Diageo N. Am.,*  
 679 F.3d 410 (6th Cir. 2012)



- Defendant Cuervo fails both tests:
- “There is more than one way to seal a bottle with wax to make it look appealing, and so Cuervo fails the comparable alternatives test. As to the effective competition test, the district court found that “red wax is not the only pleasing color of wax . . . nor does it put competitors at a significant non-reputation related disadvantage to be prevented from using red dripping wax.”


*Maker's, 679 F.3d 410 at 419.*

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*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

A screenshot of the Google homepage as it appeared in 2012. The browser address bar shows a URL starting with 'refos: a&th=org.mozilla:en-US:official&channel=s&th=en&source=hp&btnG=Google+Search'. The main content of the page is the word 'Google' in its signature font, with a search bar below it. Two buttons are visible: 'Google Search' and 'I'm Feeling Lucky'.

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*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).


- Plaintiff, Rosetta Stone brought suit against Google contending that Google's trademark use policy in connection with keywords and in ad text led to both likelihood of confusion and actual confusion.
- Rosetta Stone asserted claims of direct trademark infringement, contributory trademark infringement, vicarious trademark infringement, trademark dilution and unjust enrichment.
- The district court granted Google's motion for summary judgment for all the claims, except the unjust enrichment claim.










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*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012)

- **How to apply the functionality doctrine to Google AdWords?**
- The district court, in addition to finding that Rosetta Stone failed to establish a likelihood of confusion, held that Google's use of the ROSETTA STONE marks as keywords was non-infringing because the use was protected by the "functionality doctrine". 







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*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012)

- **How to apply the functionality doctrine to Google AdWords?**
- The Fourth Circuit held that the district court incorrectly applied the functionality doctrine because the inquiry is not whether Google's use of the trademarks was functional as applied to its AdWords program, but rather, whether Rosetta Stone's use of its trademarks is functional.
- The court determined that Rosetta Stone's use is not functional and Google may not use the functionality doctrine as a defense for its use of Rosetta Stone's marks. 

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*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

- “Once it is determined that the product feature—the word mark ROSETTA STONE in this case—is not functional, then the functionality doctrine has no application, and it is irrelevant whether Google’s computer program functions better by use of Rosetta Stone’s nonfunctional mark.”

*Rosetta Stone*, 676 F.3d at 161.

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*Suzuki Motor Corp. v. Jiunjiang Hison Motor Boat Mfg. Co.*,  
102 U.S.P.Q.2d 1555 (S.D. Fla. 2012)



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*Suzuki Motor Corp. v. Jiunjiang Hison Motor Boat Mfg. Co.*,  
 102 U.S.P.Q.2d 1555 (S.D. Fla. 2012)

- Plaintiffs, Suzuki Motor Corporation and American Suzuki Motor Corporation, brought a trademark infringement suit against defendant, Jiunjiang Hison Motor Boat Manufacturing Co., Ltd. (“Hison”) for infringing use of Plaintiff’s SUZUKI trademark.
- Pursuant to its claims of trademark infringement, Plaintiffs moved for a preliminary injunction “to enjoin what they contend are Hison’s false suggestions to the consuming public: (a) that it has an affiliation with [Plaintiffs] and (b) that it has the authority to advertise, promote, and sell products containing genuine Suzuki-brand engines.”

*Suzuki Motor Corp.*, 102 U.S.P.Q.2d at 1555.

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*Suzuki Motor Corp. v. Jiunjiang Hison Motor Boat Mfg. Co.*,  
 102 U.S.P.Q.2d 1555 (S.D. Fla. 2012)

- Is the presumption of irreparable harm upon a showing of likely success on the merits still viable in trademark and false advertising litigation after *eBay* and *Winter*?

**Yes**

- “[I]n cases involving copyright or trademark infringement, a plaintiff is not held to the usual requirement of showing irreparable injury if a prima facie case of infringement is made out.”


*Suzuki Motor Corp.*, 102 U.S.P.Q.2d at 1559 (internal quotation marks omitted).

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*Coach Servs., Inc. v. Triumph Learning LLC,*  
 668 F.3d 1356 (Fed. Cir. 2012)



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*Coach Servs., Inc. v. Triumph Learning LLC,*  
 668 F.3d 1356 (Fed. Cir. 2012)

- The standard for establishing the fame of a mark:
- Likelihood of confusion analysis:
  - fame is one factor considered in weighing several factors that establish likelihood of confusion.
  - “It is well-established that fame is insufficient, standing alone, to establish likelihood of confusion.”

*Coach Servs., Inc.*, 668 F.3d at 1367.

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*Coach Servs., Inc. v. Triumph Learning LLC,*  
 668 F.3d 1356 (Fed. Cir. 2012)

- The standard for establishing the fame of a mark:
- Dilution analysis:
  - A threshold question in a federal dilution claim is whether the mark at issue is "famous."
  - As noted, fame for dilution requires widespread recognition by the general public. To establish the requisite level of fame, the "mark's owner must demonstrate that the common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner's use of the mark."

*Coach Servs., Inc.*, 668 F.3d at 1373.

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*Coach Servs., Inc. v. Triumph Learning LLC,*  
 668 F.3d 1356 (Fed. Cir. 2012)

- While fame for dilution "is an either/or proposition" — it either exists or does not — fame for likelihood of confusion is a matter of degree along a continuum.

*Coach Servs., Inc.*, 668 F.3d 1356 at 1373.

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But, how much fame needed to prove trademark dilution claims?

Measured by the positive response rate among survey respondents:

- 30.5% is not probative of likely dilution, as this amount was found to be “relatively small.” See *Starbucks Corp. v. Wolfe’s Borough Coffee Inc.*, 101 U.S.P.Q.2d 1212, 1216 (S.D.N.Y. 2011).
- 42% is not probative of likely dilution, as it is still “insufficient to prove a likelihood of dilution.” See *Rolux Watch U.S.A. Inc. v. AFP Imaging Corp.*, 101 U.S.P.Q.2d 1188, 1195 (T.T.A.B. 2011).

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*Coach, Inc. v. Allen*, No. 11-Civ.-3590, 2012 WL 2952890 (S.D.N.Y. Jun. 29, 2012)










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*Coach, Inc. v. Allen*, No. 11-Cov.-3590, 2012 WL 2952890 (S.D.N.Y. Jun. 29, 2012) **\$\$\$**

- Plaintiffs, Coach, Inc. and Coach Services, Inc., brought suit against several defendants, including Linda and Courtney Allen for unlawfully selling counterfeit Coach products via their website *BellaFashions.net*.
- Coach is entitled to statutory damages for defendants' willful trademark counterfeiting.
- "Section 1117(c) of the Lanham Act was created to give victims of trademark infringement and unfair competition an avenue for recovering damages when a defendant hinders, alters, or destroys records." *Allen*, 2012 WL 2952890 at \*8







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*Coach, Inc. v. Allen*, No. 11-Cov.-3590, 2012 WL 2952890 (S.D.N.Y. Jun. 29, 2012) **\$\$\$**

- **How should court determine the amount of statutory damages awarded against willful trademark infringement?**
- According to 15 U.S.C. § 1117(c), when willful infringement can be established, plaintiffs can recover anywhere between \$1,000 - \$2,000,000 per mark per type of good.
- "Although the Lanham Act does not provide guidelines for courts to consider in awarding statutory damages, courts look to the analogous provision of the Copyright Act, which gives the court wide discretion to determine what amount of damages should be awarded within the minimum and maximum bounds proscribed under the Lanham Act." *Allen*, 2012 WL 2952890 at \*9

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*Coach, Inc. v. Allen*, No. 11-Cov.-3590 , 2012 WL 2952890 (S.D.N.Y. Jun. 29, 2012)

**\$\$\$**


- The standard for willful infringement is whether the defendant had “knowledge that a [his/her] conduct represented infringement or perhaps recklessly disregarded the possibility.”  
*Allen*, 2012 WL 2952890 at \*9
- Factors that suggested willful infringement:
  - Operating a website that offers counterfeit products for sale;
  - Describing counterfeit goods as “not original”;
  - Failing to come forth with evidence during discovery; and
  - Prior lawsuits against defendant for trademark counterfeiting and infringement.
- Coach was awarded the maximum award of statutory damages.

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*Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC*,  
 No. 11-3920, 2012 WL 2687939 (7th Cir. July 9, 2012)





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*Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC, No. 11-3920, 2012 WL 2687939 (7th Cir. July 9, 2012)*

- Lakewood Engineering & Manufacturing Co. (“Lakewood”) entered into a contract with Chicago American Manufacturing (“CAM”) in which CAM was authorized to use Lakewood’s patents and trademarks in connection with manufacturing box fans. As Lakewood was facing financial distress, Lakewood provided CAM with assurances by authorizing CAM to sell 2009 box fans for its own account if Lakewood did not purchase them.
- After several creditors filed an involuntary bankruptcy petition against Lakewood, the appointed trustee sold Lakewood’s assets to Sunbeam Products, doing business as Jarden Consumer Solutions (“Jarden”), rejecting the executory portion of the CAM contract under 11 U.S.C. §365(a).

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*Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC, No. 11-3920, 2012 WL 2687939 (7th Cir. July 9, 2012)*

- CAM continued to manufacture and sell its Lakewood-branded fans and as a result, Jarden filed suit against CAM for patent and trademark infringement.
- The bankruptcy court ruled in favor of CAM.

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*Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC*, No. 11-3920, 2012 WL 2687939 (7th Cir. July 9, 2012)

- On appeal, the Seventh Circuit noted that three years after the Fourth Circuit case *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043 (4th Cir. 1985), which held that “when an intellectual-property license is rejected in bankruptcy, the licensee loses the ability to use any licensed copyrights, trademarks, and patents,” congress enacted a law which allows for a licensee to retain the ability to used licensed intellectual property under certain conditions if the licensor declares bankruptcy.  
*Sunbeam*, 2012 WL 2687939 at \* 1.

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*Sunbeam Products, Inc. v. Chicago American Manufacturing, LLC*, No. 11-3920, 2012 WL 2687939 (7th Cir. July 9, 2012)

- In noting that “a licensor's breach does not terminate a licensee's right to use intellectual property” outside of the bankruptcy context, the Seventh Circuit found that CAM negotiated certain assurances in its contract with Lakewood, and thus, “the trustee's rejection of Lakewood's contract with CAM did not abrogate CAM's contractual rights, [and] this adversary proceeding properly ended with a judgment in CAM's favor.”  
*Sunbeam*, 2012 WL 2687939 at \* 4.

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Valentino S.p.A. v. Matsuda & Co., Opposition No. 91174169 (T.T.A.B. 2012)

The image shows a golf bag on the left and a group of models in elegant dresses on the right, with an equals sign between them, illustrating the relationship between the goods in the trademark dispute.







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Valentino S.p.A. v. Matsuda & Co., Opposition No. 91174169 (T.T.A.B. 2012)

- The Owner of the VALENTINO trademarks brought opposition actions against six trademark applications for the mark VALENTINO RUDY, filed by Matsuda & Co (“Matsuda”).
- One of Matsuda’s applications was for class 28 goods and the goods description included “sporting equipment, namely, golf clubs, golf irons, golf bags.”
- The T.T.A.B. found that although the Opposer does not use its mark in connection with these goods, third-party registrations and website evidence sufficiently proved that clothing and golf paraphernalia are related for purposes of Section 2(d).

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*Valentino S.p.A. v. Matsuda & Co.*, Opposition No. 91174169 (July 18, 2012)

- As to the “third-party uses” *du Pont* factor, although the TTAB held that there are a “sizeable number of third-party uses of ‘Valentino,’” the Board drew “an inference that consumers have come to recognize that several other entities use the term VALENTINO as part of their mark in connection with products that may be used to accessorize clothing items.”
- The Board still found that “the existence of these third-party uses has not rendered Opposer’s mark weak.”

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“There is nothing permanent except change.”

- Heraclitus

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# Epic Copyright Battles

**Sheri Gates McGaughy**  
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\*The opinions expressed herein are those of the author and do not necessarily reflect the views of The Weather Channel, LLC.

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# The Village People Are Back (at least one is)




*Scorpio Music S.A. v. Willis* (S.D. Calif, May 7, 2012)

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## You Can Turn Back Time (as long as Congress permits it)



If I could turn back time  
 If I could find a way  
 I'd take back [that copyright]...

*"If I could Turn Back Time"  
 Cher (song by Diane Warren)*

If I could turn, turn back the hands of time  
 Then [copyright] you, you'd still be mine


*"If I could Turn Back the Hands of Time" R. Kelly (song by R. Kelly, Jack Daniels and Bonnie Thompson)*

*Golan v. Holder*, SCOTUS 2012

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## It Can Get Bloody When Giants Fight




Larry E. vs. Larry P.

*Oracle America, Inc. v. Google, Inc.* (USDC N.D.CA, May 31, 2012)

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# Why Was This Man Surprised?




*United States v. Kim Dotcom, et al.*, (USDC E.D. Va.)

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# Is Butters in Trouble?



Not according to the 7<sup>th</sup> Circuit

*Brownmark Films, LLC v. Comedy Partners*, (7th Cir. 2012)

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## Viacom and Google – Frenemies?



*Viacom International, Inc. v. YouTube, Inc.* (2d Cir. April 5, 2012)



**PATENT LAW UPDATE: RECENT DEVELOPMENTS IN 2011-2012**

by  
Cynthia Lopez Beverage<sup>1</sup>

**I. INEQUITABLE CONDUCT**

Though previously described as “the atomic bomb” of patent defense by Chief Judge Randall Rader (see *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting), in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc), the on May 25, 2011, the Federal Circuit raised the bar for an inequitable defense claim. By establishing two stricter prerequisite findings for such a defense, Judge William Alsup of the Northern District of California described the Federal Circuit’s en banc *Therasense* opinion as having “worked a seismic shift in the law of inequitable conduct.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 2012 U.S. Dist. LEXIS 42100 \*11, 102 U.S.P.Q.2d 1510 (N.D. Cal., Mar. 27, 2012) (“*Therasense Remand Opinion*”). Since the *Therasense*, the Federal Circuit has only found inequitable conduct in one other case: *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324 (Fed. Cir. 2012). Below is a discussion of *Therasense*, what happened in *Therasense* on remand, and *Aventis*.

In *Therasense*, the Court of Appeals for the Federal Circuit changed the landscape of the inequitable conduct-based patent defense. At issue in *Therasense* was the unenforceability of U.S. Patent No. 5,820,551 (“’551 patent”) owned by Becton, Dickinson & Co. District Court Judge Alsup found the ’551 patent unenforceable due to inequitable conduct, and the Federal Circuit panel affirmed. However, three (3) months later, the Federal Circuit decided to vacate the panel’s opinion and hear the case en banc. The Federal Circuit, sitting en banc, disagreed with the standards applied by Judge Alsup in reaching his judgment of unenforceability, and thus it vacated Judge Alsup’s ruling and remanded for application of the new standard set out by the Federal Circuit en banc opinion.

The conduct in question in *Therasense* involved the patentee’s failure to disclose to the United States Patent and Trademark Office (“PTO”) directly contrary arguments it had made to the European Patent Office (“EPO”) in briefs submitted during revocation proceedings for the European counterpart to U.S. Patent No. 4,545,382 (“’382 patent”). During the ’551 patent’s prosecution before the PTO, the examiner was citing the ’382 patent as prior art against the ’551 patent.

Before *Therasense* was considered by the en banc court, the Federal Circuit panel considered the materiality of the withheld briefs in view of the PTO’s disclosure rule, 37 C.F.R. §1.56, and it agreed with the district court that the patentee’s statements to the EPO about the ’382 patent were highly material. The patentee’s statements to the EPO were contradictory to the patentee’s subsequent representations made to the PTO during prosecution of the ’551 patent to overcome the ’382 patent as prior art. The panel also found that the district court did not clearly err in finding deceptive intent based on the importance of the statements to the PTO in overcoming the ’382 patent as prior art, the contradictory nature of the statements to the EPO, and the patentee’s representatives’ knowledge of the EPO statements and failure to provide a credible explanation for not disclosing them to the PTO.

Following the rehearing en banc, the Federal Circuit established a new “but for” materiality standard and clarified the kind of conduct that would rise to the level of intentional. Thus, because the district court found inequitable conduct as a result of the

patentee's failure to disclose under the PTO's Rule 56 materiality standard, the Federal Circuit vacated the district court's findings of materiality. On remand, the Federal Circuit instructed the district court to determine whether the PTO would not have granted the patent but for the patentee's failure to disclose the EPO briefs. In particular, the Federal Circuit directed the district court to determine whether the PTO would have found a declaration filed by the patentee and an accompanying submission from its patent prosecution attorney unpersuasive in overcoming the obviousness rejection over the '382 patent if the patentee had disclosed the EPO briefs.

Under the new standard, first, the accused infringer must prove, by clear and convincing evidence, that the patentee acted with the specific intent to deceive the PTO. A finding that a misrepresentation or omission by the patentee rises only to the level of gross negligence or negligence under the "should have known" standard previously explained in *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988), does not meet the specific intent to deceive standard. Similarly, if the act in question is the nondisclosure of information, to establish specific intent to deceive the accused infringer must show clear and convincing evidence that the applicant made a deliberate decision to withhold a known material reference as held in *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179-80 (Fed. Cir. 1995). Second, for an undisclosed reference to qualify under an inequitable conduct analysis, it must be one that, but for the failure to disclose, the subject patent would not have issued. Thus, in order to rise to the level of inequitable conduct the behavior in question must be close to egregious, intentional behavior on the part of patentees during prosecution of the patent, and then, in addition, the withheld information must be of the nature that if disclosed, it would have prevented the application from issuing as a patent.

On remand to the district court, Judge Alsup applied the new standard set forth in *Therasense*, and found that the patentee did engage in inequitable conduct. Specifically, Judge Alsup found that if the EPO briefs had been disclosed to the PTO, the examiner would not have allowed the '551 patent to issue. He also found that the patentee knew of the materiality of the EPO briefs, but chose, nonetheless, not to disclose the briefs to the PTO. Finally, because the patentee knew of the materiality of the EPO briefs, but made the conscious decision to withhold the briefs from the PTO, Judge Alsup concluded: "On the overall evidence . . . intent to deceive is the single most reasonable inference." *Therasense Remand Opinion*, 2012 U.S. Dist. LEXIS 42100, at \*35.

On April 9, 2012, for the first time since *Therasense*, the Federal Circuit found a patent unenforceable due to inequitable conduct. In *Aventis*, the applicant failed to notify the USPTO about a known reference that impacted patentability. With respect to the materiality prong, the court found that several of the claims were invalid as obvious over the withheld reference, and that this fact alone was enough to show materiality. Regarding the intent prong, the court held that specific intent to deceive can be proven by inference, but only if that inference is the single most reasonable inference that is able to be drawn. Here, the inventor argued that the reference was not disclosed because it only explained failed experiments. However, the Federal Circuit affirmed the trial court's ruling that the inventor lacked credibility and that the inventor appeared to have learned valuable information from the reference.

## II. JOINT/DIVIDED INFRINGEMENT

The general rule of infringement on patented methods is that infringement can only occur when a single entity performs all steps of the claimed method. However, the issue of joint or divided patent infringement arises when multiple entities perform the steps or elements that, in totality, if performed by a single entity, would amount to “direct” patent infringement. Actions by third parties may count toward infringement if those parties are acting as agents of or under the control and direction of the single direct infringer. The three (3) most recent cases that have addressed the question of joint or divided infringement are: *McKesson Tech. Inc. v. Epic Sys. Corp.*, 2011 U.S. App. LEXIS 7531, 98 U.S.P.Q. 2D 1281 (Fed. Cir. 2011); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010); and *Centillion Data Sys., LLC v. Qwest Communications Int’l, Inc.*, 631 F.3d 1279 (Fed. Cir. 2011). Other recent cases on point include *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007) and *Muniauction, Inc. v. Thomson Corp.*, 552 F.3d 1318 (Fed. Cir. 2008). Many believe that the rulings are inconsistent.

In *McKesson*, the Federal Circuit’s panel opinion held that there was no infringement because the patient users were not acting under the “control and direction” of the health care provider. At issue was a patented communications method that required action from a health care provider as well as multiple users. The claims at issue in *McKesson* were directed to a method of communicating between a healthcare provider and a patient, which included “initiating a communication by one of the plurality of users to the provider” and, among other things, “returning the response to the communication automatically...” (U.S. Patent No. 6,757,898, Claim 1). The defendant licensed the accused software to healthcare providers who then offered the software to patients. The question, then, was whether there was an act of direct infringement, jointly by the healthcare providers and the patients, which could support a finding of inducement by the defendant. The plaintiff, McKesson, argued that the special doctor-patient relationship was sufficient to support joint liability. Contrary to McKesson’s argument, the Federal Circuit panel held that the “doctor-patient relationship does not by itself give rise to an agency relationship or impose on patients a contractual obligation such that the voluntary actions of patients can be said to represent the vicarious actions of their doctors.” 2001 U.S. App. LEXIS 7531 at \*11. The Court affirmed the holding of no indirect infringement because there was no underlying act of direct infringement. Thus, *McKesson* stands for the proposition that there can only be joint infringement when there is an agency relationship between the parties who perform the method steps, or when one party is contractually obligated to the other to perform the steps. Furthermore, *McKesson* also means that there can be no finding of inducing infringement absent a finding that at least one party has committed direct infringement. This ruling, however, may change.

A little over one month later, the Federal Circuit decided to re-hear the *McKesson* case en banc. In its order granting the petition for rehearing en banc, the Federal Circuit instructed the parties to address:

1. If separate entities each perform separate steps of a method claim, under what circumstances, if any, would either entity or any third party be liable for inducing infringement or for contributory infringement? *See Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983).

2. Does the nature of the relationship between the relevant actors—e.g., service provider/user; doctor/patient—affect the question of direct or indirect infringement liability?

*McKesson Tech. Inc. v. Epic Sys. Corp.*, 463 Fed. Appx. 906 (Fed. Cir. 2011).

The claims at issue in *Akamai* were directed to a “content delivery method” that involved “distributing a set of page objects across a network” and “tagging at least some of the embedded objects of the page.” (U.S. Patent No. 6,108,703, Claim 34). In its panel opinion, the Federal Circuit held that defendant Limelight did not infringe because it did not perform all the steps of the asserted method claims, and there were no facts to support attribution of Limelight’s customers’ actions back to Limelight. Factually, Limelight’s customer contracts specified that Limelight would provide the content distribution/delivery, but the customers had to select which embedded objects Limelight would serve and to “tag the URL of each chosen object as instructed by Limelight.” 629 F.3d at 1316. After addressing the “direction or control” standard from *BMC* and *Muniauction*, the Federal Circuit stated that “what is essential is not merely the exercise of control or the providing of instructions, but whether the relationship between the parties is such that acts of one may be attributed to the other” for example, “when the relationship between the accused infringer and another party performing a method step is that of principal and agent.” *Id.* at 1319. With respect to liability resulting from contractual relationships, “joint infringement occurs when a party is contractually obligated to the accused infringer to perform a method step.” *Id.* The Court determined, however, that Limelight’s customer contracts only gave customers the option to perform certain steps and were therefore insufficient to establish direction or control.

However, four months later, the Federal Circuit decided to re-hear the *Akamai* case en banc. In its order granting the petition for rehearing en banc, the Federal Circuit instructed the parties to address:

If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?

*Akamai Techs., Inc. v. Limelight Networks, Inc.*, 419 Fed. Appx. 989 (Fed. Cir. 2011)

Contrast *McKesson’s* and *Akamai’s* standard for method claims to the seemingly contrary standard for system claims. According to *Centillion*, a single actor may be found to directly infringe a system claim by putting an entire system into use, even though portions of that system may be controlled or used by others. 631 F.3d at 1285. In *Centillion*, the Federal Circuit held that the district court erred in holding that in order to “use” a system under § 271(a), a party must exercise physical or direct control over each individual element of the system. *Id.* The asserted claims in *Centillion* were directed to “a system for presenting information ...to a user” comprising, among other things, “storage means for storing individual transaction records prepared by said service provider,” and personal computer “data processing means generating preprocessed summary reports as specified by the user from said individual transaction records.” (U.S. Patent No. 5,287,270, Claim1). For its part, “Centillion concede[d] that the claim includes both a ‘back-end’ system maintained by the service provider” (e.g., “storage means”), “and a ‘front-end’ system maintained by an end-user” (e.g., “data processing means”). 631 F.3d at 1281. The Federal Circuit held that in

order to “use” a system claim, a party did not have to exercise control over each element of the claim, but simply had to have “the ability to place the system as a whole into service.” *Id.* at 1284. Because the customers, via the front-end system, had the ability to place the system as a whole into service, they were found to directly infringe. The Federal Circuit remanded the case back to the district court because the district court improperly skipped over the task of comparing the accused system to the claim limitations, instead incorrectly ruling that, as a matter of law, no single party could be liable for “use” of the patented invention. *Id.*

Thus, *Centillion* has arguably lowered the bar for one form of infringement, namely that of involving the “use” of patented systems, as distinguished from a patented method. Some have even argued that the *Centillion* holding is inconsistent with the Federal Circuit’s prior rulings on joint or divided infringement.

### III. PATENTABLE SUBJECT MATTER

The *Bilski v. Kappos*, 130 S. Ct. 3218 (U.S. 2010) opinion handed down by Supreme Court has created the fodder to fuel patentable subject matter challenges to patent claims directed toward isolated DNA, diagnostics, and treatment methods. Because of the lack of a bright-line rule in the *Bilski* opinion, its reverberations are now being felt in other fields.

Briefly, in *Bilski*, the Supreme Court held that the “machine-or-transformation” test is not the exclusive test for determining whether a method is directed to statutory patentable subject matter under 35 U.S.C. § 101. However, the Supreme Court did not establish a bright line rule for determining whether a claimed invention is patentable subject matter. As a result, patent practitioners have attempted in vain to find some certainty that the inventions they are attempting to patent are patentable subject matter under 35 U.S.C. § 101 through a comparison of their claims not only to the PTO rules and guidelines, but also to the vague parameters of the *Bilski* opinion.

Adding to the alarm and confusion created by *Bilski*, Judge Sweet of the Southern District of New York’s federal district court issued a summary judgment decision in *Ass’n for Molecular Pathology v. U.S.P.T.O.*, 702 F. Supp. 2d 181 (S.D.N.Y. 2010) (*Molecular Pathology I*) finding claims directed to isolated DNA sequences and a comparison of gene sequences was not patentable subject matter. The patents at issue in *Molecular Pathology I*, were directed to (1) isolated DNA containing all or portions of the BRCA1 and BRCA2 gene sequence and (2) methods for “comparing” or “analyzing” BRCA1 and BRCA2 gene sequences to identify the presence of mutations correlating with a predisposition to breast or ovarian cancer. In *Molecular Pathology I*, Judge Sweet held that the patents at issue that were directed to “‘isolated DNA’ containing sequences found in nature [we]re unsustainable as a matter of law and [we]re deemed unpatentable subject matter under 35 U.S.C. § 101,” and that because “the claimed comparisons of DNA sequences [we]re abstract mental processes, they also constitute[d] unpatentable subject matter under § 101.” 702 F. Supp. 2d at 185. Judge Sweet’s ruling was appealed.

The Federal Circuit addressed Judge Sweet’s summary judgment decision, affirming that claims directed to a comparison of gene sequences was not patentable subject matter, but reversing on the ruling that the claims related directed to isolated DNA and screening by cell growth rates were not patentable subject matter. *Ass’n for Molecular Pathology v. U.S.P.T.O.*, 653 F.3d 1329 (Fed. Cir. 2011) (*Molecular Pathology II*). The Court held that a

method for screening a sample for a mutation that only recited a “comparing” and “analyzing” steps was not within the scope of statutory patentable subject matter. Because the claim did not include the step of “determining” the sequence of BRCA genes by, e.g., isolating the genes from a blood sample and sequencing them, or any other necessarily transformative step, it was not patentable subject matter. 653 F.3d 1356-57. However, the Court reversed the lower’s isolated DNA and screening method ruling, because it found that isolated DNA and screening methods were patentable subject matter. Specifically, the Federal Circuit noted that isolated DNAs exist in a distinctive chemical form—as distinctive chemical molecules—from native DNAs that are found in the human body because native DNA (in the human body) exists as one of forty-six large contiguous DNA molecules as contrasted with isolated DNA that is a free-standing portion of a native DNA, typically a single gene, that has been cleaved or synthesized to consist of just a fraction of a naturally occurring DNA molecule. *Id.* at 1351. As for the screening claim, because the screening method included the steps of “growing” transformed cells and “determining” the growth rates of those cells, which necessarily involved the physical manipulation of cells, the Federal Circuit found that it was patentable subject matter as it was more than just an abstract mental step. *Id.* at 1357.

Around the same time as the Federal Circuit was ruling on *Molecular Pathology II*, the Supreme Court decided to review the Federal Circuit’s *Prometheus Labs., Inc. v. Mayo Collaborative Servs.* decision, a decision that the Federal Circuit relied on in reaching its conclusion that isolated DNA and screening methods were patentable subject matter in its *Molecular Pathology II* decision. 628 F.3d 1347 (Fed. Cir. 2010) (*Prometheus I*), cert. granted, 131 S. Ct. 3027 (U.S. 2011). In *Prometheus I*, the Federal Circuit ruled that the screening method claim at issue was patentable subject matter because it had additional steps outside of mental steps that required the administration of a drug and determining the level of the drug’s metabolite, and then comparing the level of metabolite to a predetermined level to optimize a drug dosage. 628 F.3d at 1357. On that basis, the Federal Circuit held that the administration and determination steps were sufficiently transformative to satisfy the standards for patentable subject matter. *Id.*

In *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (U.S. 2012) (“*Mayo*”), the Supreme Court reversed the Federal Circuit’s decision in *Prometheus I*. In *Mayo*, the Supreme Court held that patents claims reciting a method for determining the right dosage of thiopurine to administer to a patient in order to fight certain autoimmune diseases was not patentable subject matter under 35 U.S.C. § 101. 132 S. Ct. 1294. At issue, was Prometheus’ ownership of a patent that covered a method of analyzing the effectiveness of thiopurine drugs for treating gastrointestinal disorders. Claim 1 of the relevant patent read as follows:

“A method of optimizing therapeutic efficacy for treatment of an immune-mediated gastrointestinal disorder, comprising:

- (a) administering a drug providing 6-thioguanine to a subject having said immune-mediated gastrointestinal disorder; and
- (b) determining the level of 6-thioguanine in said subject having said immune-mediated gastrointestinal disorder,

wherein the level of 6-thioguanine less than about 230 pmol per 8x10<sup>8</sup> red blood cells indicates a need to increase the amount of said drug subsequently administered to said subject and

wherein the level of 6-thioguanine greater than about 400 pmol per 8x10<sup>8</sup> red blood cells indicates a need to decrease the amount of said drug subsequently administered to said subject. '623 patent, col. 20, ll. 10-20, 2 App. 16.”

132 S. Ct. 1295. Prometheus offered a blood test that analyzed metabolite levels in patients. Mayo sought to offer a competing blood test at a lower price. Prometheus promptly sued Mayo for infringement. According to the Supreme Court, the first two of the claimed steps—administering a drug and analyzing a blood sample—were “well understood, routine, conventional activity already engaged in by the scientific community” at the time of the patent applications. 132 S. Ct. 1294. As a result, the Supreme Court concluded that the claimed subject matter of the patent was not eligible for patenting under 35 U.S.C. §101.

However, in reaching the decision that the subject matter of the claim was not patentable subject matter the Supreme Court made statements that did not provide any clear guidance or rational support for its holding. The Court stated that “[t]he claims purport to apply natural laws describing the relationships between the concentration in the blood of certain thiopurine metabolites and the likelihood that the drug dosage will be ineffective or induce harmful side-effects.” 132 S. Ct. 1293 (citing *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)). Yet the law of *Diehr* is that “an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.” 132 S. Ct. 1294-95. And though the Court also noted that the “application” must be “significant,” not “too broadly preempt” use of the law, and include other elements that constitute an “inventive concept” that is significant and separate from the natural law itself, it never connected the dots between why Prometheus patent was not “significant” and did not “too broadly preempt” the use of law. The Court merely stated that it believed the claimed steps were well understood and routine. Well understood and routine concepts might invalidate a patent, but certain not take it out of 35 U.S.C. § 101.

Furthermore, in a continuing rebuke to the Federal Circuit, a unanimous U.S. Supreme Court issued an order on March 26, 2012 vacating and remanding *Molecular Pathology II* for further consideration in light of its holding in *Mayo* that Prometheus Laboratories’ claims to methods of administering drugs to treat gastrointestinal autoimmune diseases do not meet the patentable subject matter standard of section 101 of the Patent Act. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (U.S. 2012) (citing *Mayo*). On July 20, 2012, Judges Lourie, Bryson and Moore heard oral argument in the remand of *Molecular Pathology II*.

#### **IV. AMERICA INVENTS ACT – CHANGES TO PTO PROCEEDINGS & PATENT LAW**

The Leahy-Smith America Invents Act, H.R. 1249 (“AIA”), was enacted into law on September 16, 2011. Its changes to current law are, generally, in four different areas: funding for the PTO, proceedings before the PTO, changes in substantive patent law, and patent litigation reforms. Generally, all of the patent litigation reforms became effective upon enactment of the AIA. Most the changes to the proceedings before the PTO become

effective on September 16, 2012. The changes to substantive patent law, such as changing the law to first-inventor-to-file will become effective on March 16, 2013.

#### **A. Funding for the PTO**

Section 10 of the AIA authorizes the PTO Director to set all patent and trademark fees established, authorized, or charged under 15 U.S.C. § 1051 et seq. In addition, beginning on September 26, 2011 at 12:00 a.m., the AIA increased patent fees by 15%. A list of fee schedules is available at: [www.uspto.gov/about/offices/cfo/finance/fees.jsp](http://www.uspto.gov/about/offices/cfo/finance/fees.jsp).

Also, in addition to the increase in the patent fees, the act also created a “micro entity” fee structure, which will most commonly be used by independent inventors. A “micro entity” is any small entity that has filed no more than four applications, and has an income that is less than certain specified limits. Micro entities are charged significantly lower fees that are only 25% of the large entity fee (i.e. \$250 for filing, examination and search fees). The AIA also provides for an additional fee of \$400 (\$200 for small entities) that will need to be paid for each application for an original patent that is not filed by electronic means (i.e., mailed or hand delivered). Finally, a prioritized examination is also available under the AIA. The goal of a prioritized examination is to provide a final disposition within 12 months, on average, of a prioritized status being granted. The PTO will only grant a maximum of 10,000 requests for prioritized examination, per fiscal year, although the PTO can revise that cap in the future. Prioritized examination is available at the time of filing an original utility or plant application under 35 U.S.C. 111(a), or a request for continued examination.

#### **B. Proceedings Before the PTO**

##### **1. Third Party Submissions of Invalidity While Application Pending**

Third parties may now submit patents, published patent applications or other publications of potential relevance to the PTO during examination of a pending patent application if the third party making the submission provides a concise explanation of the asserted relevance of each submitted document. Third party submissions may be made (1) by the later of (a) 6 months after the date of publication, or (b) the date of a first Office action on the merits that is rejecting any claims; or (2) before the date of a notice of allowance, if earlier. Third party submissions can start being made on September 16, 2012.

##### **2. Post Grant & Inter Partes Review To Cancel Claims in a Granted Patent**

The most anticipated feature of the AIA is its creation of new proceedings before the PTO to challenge issued patents. The two new separate proceedings created by the AIA are a “post-grant review,” and an “inter partes review.”

###### **a. Post Grant Review**

The “post-grant review” (“PGR”) procedure permits cancellation of a patent claim(s) by any third party on any ground in the Patent statute (the current Title 35). Under a PGR, a



third party<sup>1</sup> may petition the PTO to review the validity of the grant of an issued patent as long as it is requested within nine (9) months of the patent's grant or the issuance of a reissue patent. The PGR rules go into effect September 16, 2012 and are applicable to business method patents under the transitional program, but the PGR process goes into effect only as to "first-to-file" patents, which are patents that are filed on or after March 16, 2013.

To petition to cancel a claim of a patent through a PRG, the third party petitioner will be required to demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. Alternatively, the petitioner may also show that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. A third party petitioner can assert any claim of a patent should be cancelled on the basis of any grounds of patentability that one could raise as a defense in civil action for patent infringement, including failure of the claims to define eligible subject matter, a lack of novelty, obviousness, indefiniteness and a failure to provide a written description or enablement (but not best mode). Further, the burden of proof before the PTO in a PGR proceeding is lower than the burden of proof before in a civil action: the burden of proving invalidity before the PTO is under "a preponderance of the evidence" standard in contrast to the higher "clear and convincing" evidentiary standard that applies in a civil action. However, PGR is not available if the party challenging the validity of a patent has already initiated a civil action.

The Board of Patent Appeals and Interferences (soon to be renamed the Patent Trial and Appeal Board) ("Board") will decide petitions for PRG and conduct any ensuing reviews. In instituting a review, the Board may take into account whether, and reject the petition or request because, the same or substantially same prior art or arguments previously were presented to the PTO.

Once the Board renders a final decision in a PGR, a petitioner will be estopped from requesting or maintaining any subsequent proceedings before the PTO on any challenged patent claim on any ground that was raised or reasonably could have been raised in the PGR. Similarly, a petitioner in a PGR may not assert in a subsequent district court or ITC action that any claim previously challenged in a PGR is invalid on any ground that the petitioner raised or reasonably could have been raised in the PGR.

PGR proceedings may be terminated either by settlement with the petitioner or by a final written decision of the Board.

#### **b. Inter Partes Review**

The "inter partes review" ("IPR") permits allegations of invalidity over prior art. The effective date for an IPR is September 16, 2012, which means patents issuing under both the first-inventor-to-file and first-to-invent provisions in the Patent statute can be challenged through an IPR. A third party may petition for an IPR only (a) nine (9) months after the grant of a patent or issuance of a reissue of a patent; or (b) after the date of termination of a PRG of the patent in question.

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<sup>1</sup> A person who is not the patent owner and has not previously filed a civil action challenging the validity of a claim of the patent may petition.

To petition to invalidate a claim of a patent through an IPR, the third party petitioner will be required to demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is invalid. A third party petitioner can assert any claim of a patent should be invalidated because it lacks novelty or for being obvious, but only through reliance on prior art consisting of patents or printed publications.

The Board will decide petitions for IPR and conduct any ensuing reviews, and in deciding whether to institute a review, as with PGRs, the Board may also take into account whether to reject the petition or request because the same or substantially same prior art or arguments were already previously presented to the PTO. Likewise, as with PGRs, the same estoppel rules apply to any petitioner who petitions for and obtains an IPR. In addition, IPR proceedings may be terminated by settlement or a final written decision of the Board.

### **3. Ex Parte Reexaminations**

Ex parte reexamination procedures remain largely unchanged. The current standard of a “substantial new question of patentability” will remain. A request for an ex parte reexamination will continue to need to include a statement pointing out each substantial new question of patentability based on prior patents and printed publications, and that this substantial new question of patentability is substantially different from those raised in any previous examinations of the patent before the PTO.

### **4. Supplemental Examinations**

The AIA also provides patent owners the option to request supplemental examination (“SE”) of a patent. The effective date for the SE provision in the AIA is September 16, 2012. The patent owner may request an SE of any patent so that the PTO can “consider, reconsider, or correct information believed to be relevant to the patent.” An SE is also an additional avenue that patent owners can utilize to satisfy their duty of disclosure after a patent has issued. Thus, the information a patent owner may present is not limited to patents or printed publications, but can include information concerning any ground of patentability. Therefore, patent owners may utilize SE to eliminate defenses based on inequitable conduct that may likely be raised against the patent during litigation. However, if the PTO discovers a substantial new question of patentability during a supplemental examination, a re-examination will be ordered using the current re-examination procedure.

### **5. Derivation Proceedings**

The AIA also establishes a new derivation proceeding (“DP”), based on existing interference principles, to determine whether the inventor named in an earlier filed application derived the claimed invention from the inventor of an application filed later. The effective date of the DP provisions is March 16, 2013, and DPs are available for applications and patents that are not entitled to the benefit of a filing date prior to the effective date of the AIA (September 16, 2011).

To file a petition for a DP, the petitioner must support a claim that an inventor named in an earlier application derived the claimed invention from the petitioner with substantial evidence. The DP must be made under oath. The DP must be filed within one (1) year of the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention. The Board will hear and decide DP

petitions, and it will issue a written decision determining whether an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application without authorization. However, the parties to a DP may settle, or avoid a DP entirely by agreeing to a binding arbitration to determine inventorship.

### **C. Changes in Substantive Patent Law**

#### **1. First-Inventor-to-File**

The AIA will be making a major transformation to the U.S. patent system by changing it from a first-to-invent system to a first-inventor-to-file system. The first-inventor-to-file system goes into effect on March 16, 2013. However, it is not a pure first-inventor-to-file system as there remain a few twists relevant to patent protection in the United States. First, as mentioned above, there are derivation proceedings available to the inventor who files a later application believing that the subject matter of a previously filed application was derived from the inventor who files the later application. Second, inventors still have a one-year grace period during which the inventor's own disclosures or disclosures of others who derived their invention from the inventor may not be used as prior art if they occurred within 12 months prior to the effective filing date of the invention.

#### **2. Expansion of Prior Art**

The AIA expands the scope of materials that may be considered prior art. It amends 35 U.S.C. § 102 to eliminate the "in this country" limitation on prior art. The amendments to § 102 will take effect on March 16, 2012.

Also, under the new first-inventor-to-file system, the "effective filing date" is the chief determinant for whether an invention is patentable. The effective filing date is defined under amended 35 U.S.C. § 100(i)(1) as the earliest priority date for a claimed invention or the actual filing date if there is no priority claim to an earlier application. Priority dates can come either from parent applications in the U.S. or from earlier-filed corresponding applications filed abroad. However, the AIA's first-inventor-to-file system also provides inventors with the benefit of a one-year grace period intended to encourage early disclosure of new inventions. Notably, the shift to a first-inventor-to-file system means that patent applicants can no longer use earlier inventive work to antedate earlier-filed applications by another.

At present, only U.S. patents and published applications are prior art as of their effective filing date in the U.S., regardless of foreign priority claim. The law currently states that:

A person shall be entitled to a patent unless -

(a) the invention was known or used by others *in this country*, or patented or described in a printed publication in this or a foreign country, *before the invention* thereof by the applicant for patent,

35 U.S.C. §102(a) (emphases added). The current § 102 defines some types of prior art as related to the application filing date, and some, as related to the date of invention. However,

the new § 102 eliminates this distinction, instead defining prior art exclusively in terms of the effective filing date. The new § 102 will state:

(a) A person shall be entitled to a patent unless:

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public [anywhere] before the effective filing date [not the invention date] of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was *effectively filed* before the effective filing date of the claimed invention.

Under the new subsection (1), there will no longer be a distinction between activities conducted “in this country” or “in this or a foreign country.” Any public disclosure anywhere will negate the ability to obtain a patent. Also, a patent will be considered “available” if the invention was patented, described in a publication, in public use, on sale, or otherwise available to the public before the effective filing date of the application.

The new subsection (2) will also preclude a patent if the earlier application was “effectively filed” before the later-filed application. This would suggest that earlier filed patent applications will now be prior art as of their earliest priority date even if filed outside the US.

## **D. Patent Litigation Reforms**

### **1. False Marking Claims Diminished**

*Qui tam* “false marking” actions have been greatly limited. Before the AIA, under 35 U.S.C. § 292(a), could bring a *qui tam* action based on products that are mismarked as covered by a patent. § 292 provided for fines of \$500 “per offense,” which could add up to hundreds of millions of dollars for popular consumer products. Under the AIA, only the U.S. government will be able to sue for false marking statutory damages, and a private party will only be able to recover compensatory damages if that party suffered “competitive injury” as a result of the false marking. The AIA false marking provisions took effect on September 16, 2011, meaning that all cases pending on, or commenced on or after, that date are governed by the new provisions.

### **2. Joinder of Parties**

The AIA restricts the joinder of accused infringers in one action. Previously, patent plaintiffs could file a single lawsuit against as many different defendants as they wanted as long as the named defendants were being accused of infringing the same patent(s). The new restrictive joinder provisions took effect on September 16, 2011. The AIA expressly states that the mere allegation of infringement of the same patent(s) by multiple defendants is an insufficient basis for joinder of those defendants into one lawsuit. Specifically, it states:

(a) Joinder of Accused Infringers- With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers

may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if--

- (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
- (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

(b) Allegations Insufficient for Joinder- For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

Patent plaintiffs can now only join defendants into a single lawsuit if the infringement accusation being made by the named defendants “aris[e] out of the same transaction, occurrence, or series of transactions or occurrences,” relate to the “same accused product or process” and there are “questions of fact common to all defendants.”

### **3. Best Mode**

The failure to disclose a best mode in a patent application has been eliminated as an invalidity defense. The AIA amends 35 U.S.C. §112 to eliminate the best mode invalidity defense, preventing one accused of infringing a patent from mounting a defense based on the failure to disclose best mode. However, patent examiners will retain the right (rarely exercised) to reject claims under examination for failure to disclose the best mode. This provision took effect on September 16, 2011

### **4. Failure to Obtain Opinion of Counsel**

The failure to obtain the advice of counsel or to present such advice in defense of a willful infringement allegation in a lawsuit “may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.” This provision took effect on September 16, 2011.

### **5. Prior User Defense**

Previously, a defense to infringement based on prior commercial use was limited to business method patents, but under the AIA, it has been expanded to all inventions. This provision took effect on September 16, 2011. The AIA provides a broader “prior use” defense, for use in cases in which a business is using a process or machine as part of a process, and has been doing so for more than one year prior to the effective filing date of a patent that would cover the process or machine. The defense is personal to the user, and can only be transferred with the business to which the process or machine relates. The defense addresses situations in which private first-users have been accused of infringement of another’s later-filed patent, where the non-public first use cannot be used to invalidate the patent. Thus, if an inventor owns the invention as a trade secret and subsequently a patent application is filed on the same invention by another entity and issues as a patent, then the trade secret owner is provided with the “prior user defense” against a patent infringement claim.

To successfully use the prior user defense, one will need to demonstrate that there was internal commercial use or sale of the subject matter by the trade secret owner, in good faith, at least one year prior to the effective filing date of the claimed invention. The person asserting a prior user defense under this section must establish the defense under the “clear and convincing” evidentiary standard for proving invalidity.

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<sup>i</sup> Cynthia Lopez Beverage is Director of Litigation and Licensing at ST-Ericsson, a joint venture between STMicroelectronics and Ericsson. Prior to joining ST-Ericsson, she was in private practice at an international A-List firm where she represented national and international companies in the licensing of their technology and intellectual property portfolios, as well as in patent matters before federal and state courts, the International Trade Commission, and the Court of Appeals for the Federal Circuit. Ms. Beverage has served as a judicial clerk for the Honorable Randall R. Rader on the Court of Appeals for the Federal Circuit, and also as a legal fellow working for the House Subcommittee on Courts, the Internet, and Intellectual Property on patent reform issues. She obtained her law degree at the Southern Methodist University in Texas, and her Master of Laws degree in Intellectual Property Law at The George Washington University Law School.

LEXSEE



Caution

As of: Aug 17, 2012

**NIKE, INC., Plaintiff-Counter-Defendant-Appellee, v. ALREADY, LLC d/b/a  
YUMS, Defendant-Counter-Claimant-Appellant.**

**Docket No. 11-314-cv**

**UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT**

**663 F.3d 89; 2011 U.S. App. LEXIS 22788; 100 U.S.P.Q.2D (BNA) 1621**

**June 20, 2011, Argued  
November 10, 2011, Decided**

**SUBSEQUENT HISTORY:** US Supreme Court certiorari granted by [V. Nike, 2012 U.S. LEXIS 4718 \(U.S., June 25, 2012\)](#)

**PRIOR HISTORY:** [Nike, Inc. v. Already, LLC, 2011 U.S. Dist. LEXIS 9626 \(S.D.N.Y., Jan. 20, 2011\)](#)

**DISPOSITION:** [\*\*1] Plaintiff filed suit alleging that two shoe lines manufactured by defendant infringed plaintiff's trademark. Defendant counterclaimed under the Declaratory Judgment Act and [15 U.S.C. § 1119](#). After plaintiff delivered a covenant not to sue, the district court (Richard J. Sullivan, J.) held that the covenant ended the case or controversy between the parties and dismissed defendant's counterclaims for lack of subject matter jurisdiction. We affirm.

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** In a trademark infringement case, defendant competitor counterclaimed under the Declaratory Judgment Act and [15 U.S.C.S. § 1119](#). After plaintiff trademark registrant delivered a covenant not to sue, the U.S. District Court for the Southern District of New York found no case or controversy existed under U.S. Const. art. III, and dismissed the counterclaims for lack of subject matter jurisdiction. The competitor appealed.

**OVERVIEW:** The delivery of the covenant to the competitor divested the district court of subject matter jurisdiction. The covenant covered both present and future products, thus rendering the threat of litigation remote or nonexistent. The mere fact that the complaint asserted infringement, given that a claim relating to that infringement could not be asserted, did not create a case or controversy; a "continuing libel" claim failed. The limiting phrase "in any action involving a registered mark" in [§ 1119](#) plainly narrowed the circumstances in which cancellation could be sought: in connection with a properly instituted and otherwise jurisdictionally supportable action involving a registered mark. It required a controversy as to the validity of or interference with a registered mark before a district court had jurisdiction to grant cancellation. [Section 1119](#) provided no independent basis for jurisdiction. A claim for cancellation under [§ 1119](#) was insufficient to support federal jurisdiction where a covenant not to sue resolved the underlying infringement action. Although the action was properly instituted, it was no longer jurisdictionally supportable after the covenant was delivered.

**OUTCOME:** The district court's judgment was affirmed.

**LexisNexis(R) Headnotes**

663 F.3d 89, \*; 2011 U.S. App. LEXIS 22788, \*\*1;  
100 U.S.P.Q.2D (BNA) 1621

***Civil Procedure > Jurisdiction > Subject Matter Jurisdiction > General Overview***

***Civil Procedure > Appeals > Standards of Review > General Overview***

[HN1]An appellate court determines the existence of subject matter jurisdiction before addressing other threshold issues.

***Civil Procedure > Jurisdiction > Subject Matter Jurisdiction > General Overview***

***Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review***

***Civil Procedure > Appeals > Standards of Review > De Novo Review***

***Civil Procedure > Appeals > Standards of Review > Fact & Law Issues***

[HN2]Where a district court dismisses an action for lack of subject matter jurisdiction, an appellate court reviews factual findings for clear error and legal conclusions de novo.

***Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Motions to Dismiss***

[HN3]A case is properly dismissed for lack of subject matter jurisdiction under [Fed. R. Civ. P. 12\(b\)\(1\)](#) when the district court lacks the statutory or constitutional power to adjudicate it.

***Civil Procedure > Dismissals > Voluntary Dismissals > Court Orders > Motions***

[HN4]See [Fed. R. Civ. P. 41\(a\)\(2\)](#).

***Civil Procedure > Dismissals > Voluntary Dismissals > Court Orders > Motions***

***Constitutional Law > The Judiciary > Case or Controversy > General Overview***

[HN5]When a plaintiff seeks to withdraw its claims pursuant to [Fed. R. Civ. P. 41\(a\)\(2\)](#), but another event independently deprives the district court of a U.S. Const. art. III case or controversy involving the defendant's counterclaims, [Rule 41\(a\)\(2\)](#) is irrelevant.

***Constitutional Law > The Judiciary > Case or Controversy > General Overview***

[HN6]In order to qualify as a justiciable "case or controversy" under U.S. Const. art. III, the controversy must be definite and concrete, touching the legal relations

of parties having adverse legal interests. The "case or controversy" requirement is not satisfied by a difference or dispute of a hypothetical or abstract character.

***Civil Procedure > Jurisdiction > Subject Matter Jurisdiction > General Overview***

***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > General Overview***

***Constitutional Law > The Judiciary > Case or Controversy > General Overview***

***Trademark Law > Infringement Actions > Jurisdiction > General Overview***

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview***

[HN7]In trademark cases seeking relief under either the Declaratory Judgment Act, [28 U.S.C.S. § 2201\(a\)](#), or § 37 of the Lanham Act, [15 U.S.C.S. § 1119](#), a valid covenant not to sue may strip district courts of jurisdiction.

***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > Scope***

[HN8]See [28 U.S.C.S. § 2201\(a\)](#).

***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > Scope***

***Constitutional Law > The Judiciary > Case or Controversy > General Overview***

[HN9]The Declaratory Judgment Act, [28 U.S.C.S. § 2201\(a\)](#), does not expand the subject matter jurisdiction of the federal courts. The phrase "case of actual controversy" in the Act refers to the type of "Cases" and "Controversies" that are justiciable under U.S. Const. art. III. A totality of the circumstances test is used for determining whether a party seeking relief under the Act has demonstrated that a justiciable "controversy" exists. Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. The difference between an abstract question and a "controversy" contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy.



***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > Scope******Constitutional Law > The Judiciary > Case or Controversy > General Overview******Trademark Law > Infringement Actions > Jurisdiction > General Overview***

[HN10]Courts, in a declaratory judgment action involving trademarks and the "actual case or controversy" requirement, consider only whether the adversity of legal interests that exists between the parties is "real and substantial" and admits of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts. The threat of future litigation remains relevant in determining whether an actual controversy exists.

***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > Scope******Constitutional Law > The Judiciary > Case or Controversy > General Overview******Trademark Law > Infringement Actions > Jurisdiction > General Overview***

[HN11]In determining whether a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action involving a trademark, district courts applying the totality of the circumstances test should especially consider, in addition to other factors: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products, and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.

***Civil Procedure > Declaratory Judgment Actions > Federal Judgments > Scope******Constitutional Law > The Judiciary > Case or Controversy > General Overview******Trademark Law > Infringement Actions > Jurisdiction > General Overview***

[HN12]In a trial court, of course, a party seeking a declaratory judgment has the burden of establishing the existence of an actual case or controversy.

***Constitutional Law > The Judiciary > Case or Controversy > General Overview******Trademark Law > Protection of Rights > Registration > Power of Courts******Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview***

[HN13]Under the Lanham Act, district courts are authorized to cancel registrations, but only in any action involving a registered mark. [15 U.S.C.S. § 1119](#). The limiting phrase "in any action involving a registered mark" plainly narrows the circumstances in which cancellation may be sought -- namely, in connection with a properly instituted and otherwise jurisdictionally supportable action involving a registered mark. [Section 1119](#) therefore creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction. By its plain terms, this provision requires that a controversy as to the validity of or interference with a registered mark exist before a district court has jurisdiction to grant the cancellation remedy.

***Trademark Law > Protection of Rights > Registration > Power of Courts******Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview***

[HN14]See [15 U.S.C.S. § 1119](#).

***Trademark Law > Infringement Actions > Jurisdiction > General Overview******Trademark Law > Protection of Rights > Registration > Power of Courts******Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview***

[HN15]A petition to the Patent and Trademark Office is the primary means of securing a cancellation, and [15 U.S.C.S. § 1119](#) provides no independent basis for jurisdiction.

***Constitutional Law > The Judiciary > Case or Controversy > General Overview***

[HN16]The case-or-controversy requirement subsists through all stages of federal judicial proceedings.

***Trademark Law > Infringement Actions > Remedies > Attorney Fees******Trademark Law > Infringement Actions > Standards of Review > Abuse of Discretion***

[HN17]An appellate court reviews an order denying attorneys' fees under the Lanham Act for abuse of

discretion.

**Trademark Law > Infringement Actions > Remedies > Attorney Fees**

[HN18]Attorneys' fees under the Lanham Act are available only in "exceptional cases," which generally means that fees will be awarded to the defendant only if the plaintiff filed the action in bad faith.

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**JUDGES:** Before: LEVAL, LIVINGSTON and LOHIER, Circuit Judges.

**OPINION BY:** LOHIER

**OPINION**

[\*91] LOHIER, Circuit Judge:

This appeal requires us to decide whether a trademark registrant's delivery of a covenant not to sue, and voluntary dismissal of its trademark claims, divests a federal court of subject matter jurisdiction over a [\*2] defendant's counterclaims for a declaratory judgment and cancellation of the trademark's registration. After considering the breadth of the plaintiff's covenant not to sue and the improbability of future infringement, the United States District Court for the Southern District of New York (Richard J. Sullivan, J.) dismissed the defendant's counterclaims because no case or controversy existed under Article III of the United States Constitution. We affirm.

**BACKGROUND**

1. The Complaint and Counterclaims

In July 2009, plaintiff Nike, Inc. filed a complaint

against defendant Already, LLC d/b/a Yums ("Yums"), alleging trademark infringement, false designation of origin, unfair competition, and trademark dilution in violation of [15 U.S.C. §§ 1114\(1\)](#), [1125\(a\)](#), and [1125\(c\)](#), and related claims under New York common law and [New York General Business Law § 360](#). According to the complaint, in 1982, Nike [\*92] designed a shoe called the Air Force 1, which it has since produced in more than 1,700 color combinations, selling millions of pairs each year. The complaint alleged that the Air Force 1 shoe has a distinctive appearance for which Nike owns several federal trademark registrations, including U.S. Trademark [\*3] Registration Number 3,451,905, registered with the United States Patent and Trademark Office on June 24, 2008 (hereinafter the "'905 Registration"), for "the design of the stitching on the exterior of the shoe, the design of the material panels that form the exterior body of the shoe, the design of the wavy panel on the top of the shoe that encompasses the eyelets for the shoe laces, the design of the vertical ridge pattern on the sides of the sole of the shoe, and the relative position of these elements to each other." Compl. ¶ 11 (quoting the '905 Registration). It further alleged that Yums was selling "footwear bearing a confusingly similar imitation" of the Air Force 1 shoe, including shoes known as Sugar and Soulja Boy. Id. at ¶¶ 14-15.

In November 2009, Yums filed counterclaims for a declaratory judgment that the '905 Registration was not in fact a "trademark" under [15 U.S.C. § 1127](#) or New York law, and for cancellation of the '905 Registration pursuant to the cancellation provisions of the Lanham Act, [15 U.S.C. § 1119](#). Yums also alleged that an "actual controversy" existed regarding whether Yums had infringed any rights Nike had in the purported trademark.

2. The Covenant Not [\*4] To Sue

In March 2010, Nike delivered a "Covenant Not to Sue" (the "Covenant") to Yums. The Covenant's preamble stated as follows:

NIKE has recently learned that [Yums]'s actions complained of in the Complaint no longer infringe or dilute the NIKE Mark at a level sufficient to warrant the substantial time and expense of continued litigation and NIKE wishes to conserve resources relating to its enforcement of the NIKE Mark.

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The Covenant obligated Nike as follows:

to refrain from making any claim(s) or demand(s), or from commencing, causing, or permitting to be prosecuted any action in law or equity, against [Yums] or any of its [successors or related entities and their customers], on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law in the United States [sic] relating to the NIKE Mark based on the appearance of any of [Yums]'s current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant.

### 3. The [\*\*5] District Court Proceedings and Decision

In April 2010, a month after Nike delivered the Covenant, the District Court held a hearing to determine whether the Covenant divested it of subject matter jurisdiction over Yums's counterclaims. Although Nike conceded during the hearing that it would be bound by the Covenant even if Yums became a competitive threat, Yums argued that a case or controversy persisted because Nike's litigation -- and the '905 Registration itself -- constituted a "continuing libel" against Yums by making it appear that Yums had infringed and continued to infringe Nike's trademark. In the course of its argument, Yums acknowledged that it had not previously sought to cancel the '905 Registration, which had been filed nearly two years earlier.

[\*93] After the hearing, Nike moved pursuant to [Rule 12\(b\)\(1\) of the Federal Rules of Civil Procedure](#) to dismiss Yums's counterclaims without prejudice on the ground that the District Court lacked subject matter jurisdiction. Nike also moved to dismiss its own claims voluntarily and with prejudice, pursuant to [Rule 41\(a\)\(2\)](#).

In response, Yums argued that Nike's claims should be dismissed with prejudice by summary judgment under [Rule 56\(b\)](#) [\*\*6] rather than [Rule 41\(a\)\(2\)](#) to allow the

action, insofar as it included Yums's counterclaims, to proceed. Yums argued that its counterclaims were not subject to dismissal along with Nike's claims because, under the Declaratory Judgment Act, they created an independent controversy over whether Nike had violated Yums's rights by improperly obtaining a trademark registration.

To demonstrate the existence of an actual controversy notwithstanding the Covenant's broad language, Yums filed affidavits from prospective investors who suggested that Nike's lawsuit had deterred them from investing in Yums or had prompted them to withdraw prior investments. A former investor in Yums, for example, stated that he resold his stock to Yums at a loss after learning of Nike's lawsuit, which he feared would tarnish Yums's reputation and deter other investors from investing in the company. The investor explained that the Covenant provided inadequate assurance that Nike could not "assert its trademarks against" Yums in the future over the sales of shoes similar to Air Force 1.

On January 20, 2011, the District Court dismissed Nike's claims with prejudice and Yums's counterclaims without prejudice. See [Nike, Inc. v. Already, LLC, d/b/a Yums, No. 09 Civ. 6366 \(RJS\), 2011 U.S. Dist. LEXIS 9626, 2011 WL 310321, at \\*1, \\*8 \(S.D.N.Y. Jan. 20, 2011\)](#). [\*\*7] In dismissing Nike's claims "on consent," the District Court explained that Yums had "consent[ed] to" dismissal of these claims but did not specify which rule, if any, it was invoking. [2011 U.S. Dist. LEXIS 9626, \[WL\] at \\*2](#).

Turning to Yums's counterclaims and relying on [MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604 \(2007\)](#), the District Court first concluded that Yums's declaratory judgment action failed to create a justiciable "case or controversy," since a declaratory judgment claimant "must, 'under all the circumstances,' demonstrate 'a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" [Nike, Inc., 2011 U.S. Dist. LEXIS 9626, 2011 WL 310321, at \\*4](#) (quoting [MedImmune, 549 U.S. at 127](#)). The District Court held that Yums's counterclaims did not meet this standard in light of the Covenant. In reaching this conclusion, the District Court considered the Covenant's language and broad scope, id., Yums's failure to show that it had taken meaningful steps to create new shoes not covered by the

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Covenant, *id.* (quoting [Diamonds.net LLC v. Idex Online, Ltd.](#), 590 F. Supp. 2d 593, 600 (S.D.N.Y. 2008)), and the absence of prior litigation between [\*8] Nike and Yums. 2011 U.S. Dist. LEXIS 9626, [WL] at \*5 (citing [ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp.](#), 699 F. Supp. 2d 664, 670-71 (S.D.N.Y. 2010) (Chin, J.)). The District Court then ruled that Yums's counterclaim for cancellation of the '905 Registration under [15 U.S.C. § 1119](#) failed to confer subject matter jurisdiction because such a claim can arise only as part of a separate, independently supportable action. 2011 U.S. Dist. LEXIS 9626, [WL] at \*6-7. Lastly, without holding an evidentiary hearing, the District Court rejected Yums's application for attorneys' fees under the Lanham Act, [15 U.S.C. § 1117\(a\)](#), because the case was not "exceptional" as required by the Act. 2011 U.S. Dist. LEXIS 9626, [WL] at \*8.

[\*94] Yums timely appealed, challenging both the District Court's dismissal of its claims and the court's denial of Yums's motion for attorneys' fees without an evidentiary hearing.

## DISCUSSION

[HN1]We determine the existence of subject matter jurisdiction before addressing other threshold issues. [HN2]Where a district court dismisses an action "for lack of subject matter jurisdiction, we review factual findings for clear error and legal conclusions de novo." [Maloney v. Soc. Sec. Admin.](#), 517 F.3d 70, 74 (2d Cir. 2008). [HN3]A "case is properly dismissed for lack of subject [\*9] matter jurisdiction under [Rule 12\(b\)\(1\)](#) when the district court lacks the statutory or constitutional power to adjudicate it." [Makarova v. United States](#), 201 F.3d 110, 113 (2d Cir. 2000).

### 1. [Rule 41\(a\)\(2\)](#)

Because the District Court's conclusion that it lacked jurisdiction followed its dismissal of Nike's claims under [Rule 41\(a\)\(2\)](#), Yums urges us to review in the first instance whether the District Court complied with that rule, which provides, in relevant part:

[HN4]Except as provided in [Rule 41\(a\)\(1\)](#), an action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper. If a defendant has pleaded a counterclaim before being served with the plaintiff's

motion to dismiss, the action may be dismissed over the defendant's objection only if the counterclaim can remain pending for independent adjudication.

[Fed. R. Civ. P. 41\(a\)\(2\)](#). Yums claims that it did not consent to dismissal of its counterclaims, and that the District Court's dismissal of the entire action in fact occurred "over the defendant's objection" in violation of the second sentence of the rule.

[HN5]When a plaintiff seeks to withdraw its claims pursuant to [Rule 41\(a\)\(2\)](#), but another event independently [\*10] deprives the district court of an Article III case or controversy involving the defendant's counterclaims, [Rule 41\(a\)\(2\)](#) is irrelevant. See [Super Sack Mfg. Corp. v. Chase Packaging Corp.](#), 57 F.3d 1054, 1057 n.2 (Fed. Cir. 1995) (finding it unnecessary to consider whether dismissal pursuant to [Rule 41\(a\)\(2\)](#) was proper where dismissal was clearly proper because of the absence of an Article III case or controversy), abrogated on other grounds by [MedImmune](#), 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604; see also [Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.](#), 248 F.3d 1333, 1340 & n.6 (Fed. Cir. 2001) (affirming a dismissal of a counterclaim based on a lack of Article III case or controversy even though the district court had not indicated any reliance on [Rule 41\(a\)\(2\)](#) or a statement of non-liability, and the record failed to show whether the defendant consented to [Rule 41\(a\)\(2\)](#) relief). Accordingly, we need not further address [Rule 41\(a\)\(2\)](#) because we conclude, as a matter of law, that Nike's delivery of the Covenant to Yums divested the District Court of subject matter jurisdiction, and we affirm on that basis.

### 2. The Covenant Not To Sue

[HN6]In order to qualify as a justiciable "case or controversy" under [\*11] Article III, "[t]he controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests." [Aetna Life Ins. Co. v. Haworth](#), 300 U.S. 227, 240-41, 57 S. Ct. 461, 81 L. Ed. 617 (1937). The "case or controversy" requirement is not satisfied by a "difference or dispute of a hypothetical or abstract character." [Id.](#) at 240. [HN7]In trademark cases seeking relief under either the Declaratory Judgment Act, [28 U.S.C. § 2201\(a\)](#), or Section 37 of the Lanham [\*95] Act, [15 U.S.C. § 1119](#), a valid covenant not to sue may strip district courts of

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jurisdiction. We review the jurisdictional effect of such a covenant under both Acts in turn.

#### a. Declaratory Judgment Act

We turn first to the effect of such a covenant in trademark cases involving the Declaratory Judgment Act, which provides in relevant part:

[HN8]In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.

[28 U.S.C. § 2201\(a\)](#). [HN9]The Declaratory Judgment Act does not expand the subject matter jurisdiction of the federal [\*\*12] courts. See [PDK Labs, Inc. v. Friedlander](#), [103 F.3d 1105, 1110 \(2d Cir. 1997\)](#). In *Aetna*, the Supreme Court "explained that the phrase 'case of actual controversy' in the Act refers to the type of 'Cases' and 'Controversies' that are justiciable under Article III." [MedImmune](#), [549 U.S. at 127](#) (citing [Aetna](#), [300 U.S. at 240](#)). Its pronouncement in *Aetna* was refined four years later in [Maryland Casualty Co. v. Pacific Coal & Oil Co.](#), [312 U.S. 270, 273, 61 S. Ct. 510, 85 L. Ed. 826 \(1941\)](#), in which the Supreme Court endorsed a totality of the circumstances test for determining whether a party seeking relief under the Act has demonstrated that a justiciable "controversy" exists. The Court in *Maryland Casualty* explained that "[b]asically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* In adopting this test, the Supreme Court recognized that "[t]he difference between an abstract question and a 'controversy' contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, [\*\*13] if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy." *Id.*

We did not apply the *Maryland Casualty* test in a trademark case until [Starter Corp. v. Converse, Inc.](#), [84 F.3d 592, 595 \(2d Cir. 1996\)](#) (per curiam). In that case,

we employed a two-pronged test for determining whether subject matter jurisdiction exists:

[i]n a declaratory judgment action involving trademarks, the test for an "actual case or controversy" has two prongs, both of which must be satisfied in order to establish declaratory judgment jurisdiction: (1) has the defendant's conduct created a real and reasonable apprehension of liability on the part of the plaintiff, and (2) has the plaintiff engaged in a course of conduct which has brought it into adversarial conflict with the defendant.

[Id. at 595](#).

After our decision in *Starter*, the Supreme Court decided *MedImmune*, which confirmed that *Maryland Casualty's* totality of the circumstances test for declaratory judgment actions applied in intellectual property cases, see [549 U.S. at 126-27](#), but which rejected *Starter's* reasonable apprehension requirement, [id. at 122, 132](#) (quoting [Gen-Probe Inc. v. Vysis, Inc.](#), [359 F.3d 1376, 1381 \(Fed. Cir. 2004\)](#)). [\*\*14] *MedImmune* requires that [HN10]we consider only whether the adversity of legal interests that exists between the parties is "real and substantial" and "admi[ts] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising [\*96] what the law would be upon a hypothetical state of facts." [Id. at 127](#) (quoting [Aetna Life Ins., Co.](#), [300 U.S. at 241](#)).<sup>1</sup> The Court also suggested that the threat of future litigation remains relevant in determining whether an actual controversy exists. As in *MedImmune*, for example, simply holding litigation in abeyance, where a party could forestall litigation indefinitely by paying licensing fees, does not eliminate the case or controversy. [Id. at 128](#) ("[The declaratory judgment plaintiff]'s own acts . . . eliminate the imminent threat of harm [and] [t]he question before us is whether this causes the dispute no longer to be a case or controversy within the meaning of Article III.").

<sup>1</sup> See also [Bruce Winston Gem Corp. v. Harry Winston, Inc.](#), No. 09 Civ. 7352 (JGK), 2010 U.S. Dist. LEXIS 96974, 2010 WL 3629592, at \*4 (S.D.N.Y. Sept. 16, 2010) ("the first prong of the *Starter* test cannot survive because the Supreme

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Court [in MedImmune] has made it clear that [\*\*15] there need not be an imminent threat of liability," but "the second prong . . . should survive because it is anchored in the requirement of the specificity and immediacy of the dispute which the Court reaffirmed in MedImmune.").

Until now, we have not applied MedImmune in an intellectual property case. However, a few of our sister circuits have done so in the context of declaratory judgment actions involving patents, which we have described as sufficiently "analogous" to those involving trademarks that "principles applicable to declaratory judgment actions involving patents are generally applicable with respect to trademarks." [Starter Corp., 84 F.3d at 596](#); see also [Revolution Eyewear, Inc. v. Aspex Eyewear, Inc., 556 F.3d 1294, 1298-99 \(Fed. Cir. 2009\)](#) (applying MedImmune to declaratory judgment action involving patents).<sup>2</sup>

2 Some district courts in our Circuit have already extended the holding in [Revolution Eyewear](#) to trademark cases, holding that a covenant not to sue can deprive a federal court of jurisdiction in such cases where there is no evidence of "sufficient intent and apparent ability" to engage in infringing activity. See [Bruce Winston Gem Corp., 2010 U.S. Dist. LEXIS 96974, 2010 WL 3629592, at \\*4](#); [ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp., 699 F. Supp. 2d 664, 669 \(S.D.N.Y. 2010\)](#) [\*\*16] (Chin, J.) (quoting [Diamonds.net LLC, 590 F. Supp. 2d at 600](#)).

[HN11]In determining whether a covenant not to sue eliminates a justiciable case or controversy in a declaratory judgment action involving a trademark, district courts applying the MedImmune totality of the circumstances test should especially consider, in addition to other factors: (1) the language of the covenant, (2) whether the covenant covers future, as well as past, activity and products,<sup>3</sup> and (3) evidence of intention or lack of intention, on the part of the party asserting jurisdiction, to engage in new activity or to develop new potentially infringing products that arguably are not covered by the covenant.<sup>4</sup>

3 In referring to both activities and products, we recognize that a covenant not to sue may be limited in the sense that it renounces claims with respect to future activity, but not future products.

4 In its opinion, the District Court also

considered the lack of a history of litigation between the parties. See [Nike, Inc., 2011 U.S. Dist. LEXIS 9626, 2011 WL 310321 at \\*5](#). Yums does not contend that any history of litigation between these parties would, standing alone, create a case or controversy if none exists based on the other factors discussed [\*\*17] above. In any event, we conclude that the factors enumerated in our decision suffice to resolve this case. We do not consider whether a particularly contentious litigation history between two parties could preserve a case or controversy where a covenant not to sue would ordinarily eliminate it. Cf. [Diamonds.net, 590 F. Supp. 2d at 598](#) ("While a threat of suit is not necessary to declaratory judgment jurisdiction, an aggressive litigation strategy . . . may signal the existence of an actual controversy." (internal citation omitted)).

[\*97] Applying these factors here, we agree with the District Court that it had no actual case or controversy before it. The language of the Covenant is broad, covering both present and future products: Nike "unconditionally" and permanently renounced its right to claim, demand or "commenc[e], caus[e] or permit[]" to be prosecuted any action in law or in equity" with respect to any shoe currently made by Yums, including the Sugar and Soulja Boy shoes, and all colorable imitations thereof. [Nike, Inc., 2011 U.S. Dist. LEXIS 9626, 2011 WL 310321, at \\*1-2](#). The breadth of the Covenant renders the threat of litigation remote or nonexistent even if Yums continues to market and sell these shoes or [\*\*18] significantly increases their production. Given the similarity of Yums's designs to the '905 mark and the breadth of the Covenant, it is hard to imagine a scenario that would potentially infringe the '905 mark and yet not fall under the Covenant. Yums has not asserted any intention to market any such shoe. [Nike, Inc., 2011 U.S. Dist. LEXIS 9626, 2011 WL 310321, at \\*4](#).

In [Revolution Eyewear, 556 F.3d at 1296](#), the Federal Circuit concluded that a controversy persisted when the plaintiff delivered a covenant that promised not to sue only as to prior sales of the allegedly infringing product. The crucial difference between [Revolution Eyewear](#) and this case is the scope of the two covenants. In [Revolution Eyewear](#), it was undisputed that the covenant did not protect the defendant from suit for any future marketing. *Id.* Here, the Covenant is far broader. It covers both past sales and future sales of both existing

products and colorable imitations. Given the breadth of the Covenant, no controversy exists.<sup>5</sup>

5 To be sure, the Covenant has not made future litigation between the parties impossible: at oral argument on appeal, counsel for Nike acknowledged that if Yums were to manufacture an exact copy of the Air Force 1 shoe [\*\*19] (which presumably would include not only Nike's claimed trade dress, but also its trademark), Nike could claim that the Covenant permits an infringement suit on the ground that a counterfeit differs from a colorable imitation under the Lanham Act. But given the absence of record evidence that Yums intends to make any arguably infringing shoe that is not unambiguously covered by the Covenant, this hypothetical possibility does not create a "definite and concrete" dispute. [Aetna, 300 U.S. at 240](#). Because no justiciable actual controversy existed after the District Court dismissed Nike's claims, any ruling by the District Court based on either the potential investors' affidavits or Nike's reservations of its rights to sue over a future counterfeit shoe would have been advisory.

Yums nevertheless urges that a justiciable controversy persists because Nike's litigation continues to have an injurious effect. Pointing to the affidavits of various investors, Yums alleges harm from the potential loss of investments by investors who fear infringement lawsuits in the future and for that reason have refrained from further investing or have withdrawn their investments. In this case, potential investor [\*\*20] concerns about infringement lawsuits against the company, despite Nike's broad Covenant, fail to establish the sort of genuinely adverse legal interests between Nike and Yums that *MedImmune* requires. In addition, Yums contends that the Covenant is a "continuing libel" against it because the Covenant asserts Yums's ongoing de minimis infringement of Nike's trademark. Yums did not file a counterclaim alleging libel, however, and in any event we reject the contention that the mere existence of a document asserting infringement -- where the registrant cannot assert a claim relating to that infringement -- creates a case or controversy.

Relying on [Cardinal Chemical Co. v. Morton International, Inc., 508 U.S. 83, 96, 99-103, 113 S. Ct. 1967, 124 L. Ed. 2d 1 \(1993\)](#), Yums also argues that a

finding of [\*\*98] non-infringement does not deprive a court of jurisdiction to rule on the validity of a trademark or patent. Cardinal Chemical is inapposite, however, as it "concern[s] the jurisdiction of an intermediate appellate court, not a trial court." [Giese v. Pierce Chem. Co., 43 F. Supp. 2d 98, 112 n.14 \(D. Mass. 1999\)](#); see also [Lamb-Weston, Inc. v. McCain Foods, Ltd., 78 F.3d 540, 546 \(Fed. Cir. 1996\)](#) ("The Supreme Court's decision in [\*\*21] Cardinal Chemical is limited to the specific facts of that case[:]; [s]pecifically, [that] an affirmance by th[e] court [of appeals] of a finding of noninfringement is not, by itself, enough to vacate a declaratory judgment holding the patent invalid."). Moreover, unlike the trial court in Cardinal Chemical, the District Court here made no "finding[s]" on the merits of Yums's declaratory judgment action. See [Cardinal Chemical, 508 U.S. at 86, 95](#) (emphasizing that the only issue before the Court was the circuit court's jurisdiction, and that [HN12]"[i]n the trial court, of course, a party seeking a declaratory judgment has the burden of establishing the existence of an actual case or controversy").

Yums also makes much of the District Court's exercise of subject matter jurisdiction over Nike's claims, which Yums contends was inconsistent with the District Court's determination that a case or controversy no longer existed. We have already acknowledged that the District Court could have dismissed Nike's claims either for lack of subject matter jurisdiction or "on consent." See supra at 6-7. But Yums has not appealed the District Court's exercise of jurisdiction over Nike's claims, which resulted [\*\*22] in a ruling favorable to Yums, and in the part of the District Court order that is before us there is no error.

#### b. The Lanham Act

We turn next to the Lanham Act, [15 U.S.C. § 1119](#), which Yums contends provides an independent basis of federal subject matter jurisdiction, notwithstanding the dismissal of the underlying trademark claim.<sup>6</sup> [HN13]Under the Lanham Act, district courts are authorized to cancel registrations, but only "[i]n any action involving a registered mark." [15 U.S.C. § 1119](#). The limiting phrase "[i]n any action involving a registered mark" plainly narrows the circumstances in which cancellation may be sought -- namely, in connection with "a properly instituted and otherwise jurisdictionally supportable action involving a registered mark." [Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp., 185 F. Supp. 257, 260 \(S.D.N.Y. 1960\)](#).

6 [Section 1119](#) reads in full:

[HN14]In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified [\*\*23] by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

[15 U.S.C. § 1119](#).

[Section 1119](#) therefore creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction. Both the Third Circuit and the Federal Circuit have held that, by its plain terms, this provision requires that "a controversy as to the validity of or interference with a registered mark . . . exist before a district court has jurisdiction to grant the cancellation remedy." [Ditri v. Coldwell Banker Residential Affiliates, Inc.](#), 954 F.2d 869, 873 (3d Cir. 1992); see id. (noting that [HN15]a petition to the Patent and Trademark Office is the "primary means of securing a cancellation," and that [\*99] [§ 1119](#) provides no independent basis for jurisdiction) (citing [Universal Sewing Mach. Co.](#), 185 F. Supp. at 260); [Windsurfing Int'l, Inc. v. AMF Inc.](#), 828 F.2d 755, 758-59 (Fed. Cir. 1987); see also McCarthy on Trademarks and Unfair Competition § 30:110 (4th ed. 2010) ("[[Section 1119](#)] alone does not create grounds for federal jurisdiction."). We agree with their analysis, and hold that a claim for trademark cancellation [\*\*24] under [§ 1119](#) is insufficient to support federal jurisdiction where a covenant not to sue has resolved the underlying infringement action.

Yums cites only one case, [Bancroft & Masters, Inc. v. Augusta National Inc.](#), 223 F.3d 1082 (9th Cir. 2000), in support of its argument that a court may retain jurisdiction over a [§ 1119](#) claim notwithstanding the end of a case or controversy with respect to the rest of the action. The Ninth Circuit in [Bancroft & Masters](#),

however, concluded that the promise not to sue in that case failed to end the case or controversy. [Id. at 1085](#). Its pronouncement that even an unqualified promise "would not have mooted [the] separate request for [ [§ 1119](#)] cancellation of [the] trademarks" is therefore dictum. *Id.* In addition, the Ninth Circuit in [Bancroft](#) failed to consider the language in [§ 1119](#) that renders that section remedial, not jurisdictional. Accordingly, we find its opinion unpersuasive.

Yums next characterizes Nike's original lawsuit as a "properly instituted and otherwise jurisdictionally supportable action" and contends that this fact alone provided a basis for the District Court to retain jurisdiction over Yums's [§ 1119](#) cancellation counterclaim notwithstanding [\*\*25] the Covenant. Yums's argument ignores the settled rule that [HN16]the "case-or-controversy requirement . . . subsists through all stages of federal judicial proceedings." [White River Amusement Pub. Inc. v. Town of Hartford](#), 481 F.3d 163, 167 (2d Cir. 2007) (internal quotation marks omitted) (citing [Spencer v. Kemna](#), 523 U.S. 1, 7, 118 S. Ct. 978, 140 L. Ed. 2d 43 (1998)). Although Nike's action was "properly instituted," it was no longer "jurisdictionally supportable" after the Covenant was delivered.

### 3. Attorneys' Fees

[HN17]We review an order denying attorneys' fees under the Lanham Act for abuse of discretion. See [Gordon & Breach Science Publishers S.A. v. Am. Inst. of Physics](#), 166 F.3d 438, 439 (2d Cir. 1999) (per curiam). [HN18]Such fees are available only in "exceptional cases," which generally means that fees will be awarded to the defendant only if the plaintiff filed the action in bad faith. See [Banff, Ltd. v. Colberts, Inc.](#), 996 F.2d 33, 36 (2d Cir. 1993). Here, Nike filed its action pursuant to its own registered trademark and withdrew the action quickly. On the record before us, we cannot say that the District Court abused its discretion when it found that Nike had not acted in bad faith, and Yums fails to identify what additional [\*\*26] information the District Court needed to make an informed decision about attorneys' fees. Accordingly, we find no abuse of discretion in its decision to deny fees without a hearing.

### CONCLUSION

We affirm the judgment of the District Court.



For Opinion See [80 USLW 3480](#)

Supreme Court of the United States.  
ALREADY, LLC d/b/a YUMS, Petitioner,  
v.  
NIKE, INC., Respondent.  
No. 11-982.  
February 8, 2012.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

Petition for a Writ of Certiorari

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#### QUESTION PRESENTED

Whether a federal district court is divested of Article III jurisdiction over a party's challenge to the validity of a federally registered trademark if the registrant promises not to assert its mark against the party's then-existing commercial activities.

#### \*II RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, petitioner states that it has no parent corporation and no publicly held company owns 10% or more of petitioner's stock.

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\*1 Already, LLC d/b/a YUMS hereby petitions for  
a writ of certiorari to review the judgment of the  
Court of Appeals for the Second Circuit in this ac-  
tion.

#### OPINIONS BELOW

The opinion of the Court of Appeals is reported at  
663 F.3d 89 and is reproduced in Appendix A. The  
opinion of the District Court is unreported and is  
reproduced in Appendix B.

#### JURISDICTION

The Court of Appeals entered final judgment on  
November 10, 2011. No petition for rehearing was  
filed. This Court's jurisdiction is invoked under 28  
U.S.C. § 1254(1).

The district court had subject matter jurisdiction to  
hear this action under at least 28 U.S.C. §§ 1331  
and 1367(a). The Second Circuit had appellate jur-  
isdiction under 28 U.S.C. § 1291.

#### CONSTITUTIONAL AND STATUTORY PROVI- SIONS INVOLVED

Article III of the U.S. Constitution provides in rel-  
evant part:

The judicial Power shall extend to all Cases, in Law  
and Equity, arising under this Constitution, the  
Laws of the United States, and Treaties made, or  
which shall be made, under their Authority....

28 U.S.C. § 1331 provides:

The district courts shall have original jurisdiction of  
all civil actions arising under the Constitution,  
laws, or treaties of the United States.

28 U.S.C. § 1367(a) provides in part:

[I]n any civil action of which the district courts  
have original jurisdiction, the district courts shall  
have supplemental jurisdiction over all other claims  
that are so related to claims in the action within  
such original jurisdiction that they form part of the  
same case or controversy under Article III of the  
United States Constitution.

\*2 15 U.S.C. § 1119 provides:

In any action involving a registered mark the court  
may determine the right to registration, order the  
cancelation of registrations, in whole or in part, re-  
store canceled registrations, and otherwise rectify  
the register with respect to the registrations of any  
party to the action. Decrees and orders shall be cer-  
tified by the court to the Director, who shall make  
appropriate entry upon the records of the Patent and  
Trademark Office, and shall be controlled thereby.

## STATEMENT OF THE CASE

This case presents a specific question concerning the scope of a federal court's Article III jurisdiction to hear challenges to the validity of federally registered trademarks. A clear circuit split has developed on the question; the question has practical importance for the enforcement and administration of intellectual property law; and, since it concerns the constitutional scope of Article III jurisdiction, the question cannot be resolved by legislation.

Federal trademark registrations are issued in the name of the United States of America, under the seal of the United States Patent and Trademark Office (the "PTO"), and constitute "prima facie evidence of the validity of the registered mark,..., the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce ...." 15 U.S.C. § 1115(a). Cf. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (construing corresponding provision of Patent Act, 35 U.S.C. § 282, which provides that claimed inventions disclosed in issued patents are "presumed valid.").

When a person is accused of infringing a federally registered trademark, the accused infringer may ask a federal court to award judgment declaring that the asserted mark is invalid and ordering cancellation of the mark's registration. 15 U.S.C. § 1119 provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in \*3 part,... and otherwise rectify the register with respect to the registrations of any party to the action."

When the validity of a federally registered trademark is challenged in a federal court action, the registrant may have a strong motivation to try and prevent the court from reaching the merits of the validity issue. This motivation may be especially strong where a claimed trademark is a product configuration whose eligibility for trademark protection is highly suspect. Cf. *Compu Corp. v. Day-*

*Brite Lighting, Inc.*, 376 U.S. 234, 237-38 (1964) (configuration of lighting fixture held ineligible for trademark protection notwithstanding that configuration was found to have "secondary meaning" and was "nonfunctional").

One strategy for attempting to prevent a federal court from reaching the merits of an invalidity challenge is (i) to promise not to assert a registered trademark against any of the challenger's existing activities; and then (ii) to argue that, because the trademark owner has voluntarily waived all then-existing infringement claims against the challenger, the court has been divested of Article III jurisdiction.

If that strategy is successful in preventing the federal court from deciding the validity issue, the trademark owner maintains its registration and can continue to assert it in the future both against other potential parties (who may lack the resources to mount a federal court challenge to the mark's validity) and against the future activities of the challenger (who might again have to justify the expense of mounting a challenge to the trademark, with the possibility that the trademark registrant might once again deprive the federal court of jurisdiction by agreeing to refrain from asserting the trademark in the immediate circumstances).

The success of this possible strategy hinges on the question whether a federal district court is divested of Article III jurisdiction to hear an accused infringer's claim challenging the validity of an asserted federally registered trademark if, following the commencement of an action involving the asserted trademark, the registrant elects to waive its existing claims and provides a covenant not to assert the registered trademark against then-existing activities of the accused infringer. The Ninth Circuit and the Second Circuit (in the decision\*4 below) have offered divergent answers to this question.

In *Bancroft & Masters, Inc. v. Augusta National Inc.*, 223 F.3d 1082 (9th Cir. 2000), the Ninth Circuit held that a promise not to assert a registered

trademark against an accused infringer's existing activities did not divest the district court of Article III jurisdiction to hear the accused infringer's claim challenging the validity of the asserted mark. In reaching this conclusion, the Ninth Circuit applied this Court's standard for determining postcommencement mootness, namely, whether the registrant had made an "absolutely clear" showing that it would "never renew its allegedly wrongful behavior." *Id.* at 1085 (citation omitted). This stringent standard was not met, the Ninth Circuit held, because the registrant's promise in *Bancroft* did not eliminate all risk that the registered mark might be asserted against the challenger in the future and so was "incomplete and qualified." *Id.* Further, with regard to the accused infringer's separate claim for cancellation relief, the Ninth Circuit held that "even if [the registrant's] promise had been unqualified, it would not have mooted [the challenger's] separate request for cancellation" since the "trademark cancellation count [wa]s separate from the declaratory judgment count in the complaint and d[id] not appear to be obviously meritless." *Id.*

In the decision below, the Second Circuit stated that it found the Ninth Circuit's reasoning in *Bancroft* "unpersuasive." Pet. App. 19a. The Second Circuit expressly rejected the Ninth Circuit's conclusion that a federal court can hear a claim seeking cancellation of a federal trademark registration even if the registrant makes an "unqualified promise" not to assert the registered trademark against the challenger. *Id.* The Second Circuit also rejected the Ninth Circuit's test that, to render moot a pending claim challenging the validity of a federal trademark registration, the registrant must make an "absolutely clear" showing that "it will never renew its allegedly wrongful behavior." *Id.* (emphasis added). To the contrary, the Second Circuit expressly recognized that respondent here was reserving its rights to sue petitioner in the future. *Id.* at 15a n.5.

\*5 The jurisdiction of federal courts to hear claims challenging the validity of federal intellectual prop-

erty rights is a matter of public importance. This Court has repeatedly noted "the strong federal policy favoring the full and free use of ideas in the public domain," *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969), and has disapproved doctrines that restricted litigants' ability to raise invalidity challenges to intellectual property rights in federal court. See, e.g., *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n. 11 (2007) (overturning doctrine that federal court lacked jurisdiction to hear invalidity challenge if challenger was not in "reasonable apprehension of suit" for alleged infringement); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100-101 (1993) (overturning doctrine that validity challenge was rendered "moot" by affirmance of judgment of non-infringement); *Lear*, 395 U.S. at 670-71 (overturning doctrine that licensee was estopped from challenging validity of licensed patent); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256-58 (1945) (overturning doctrine that assignor was estopped from challenging validity of assigned patent).

The jurisdictional rule applied below severely weakens the authority of federal courts to police statutory limits on what can and cannot rightly be the subject of perpetual "trademark" protection. Cf. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37 (2003) (rejecting interpretation of trademark law that would create "a species of perpetual patent"). To the extent that the owner of a federal trademark registration can unilaterally divest a federal court of jurisdiction to hear a challenge to the registration's validity, the registration can remain on the PTO principal register as a "scarecrow." *Cardinal Chemical*, 508 U.S. at 96 (quoting *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943) (L. Hand, J.)).

This case well illustrates the soundness of the "absolutely clear" standard that the Ninth Circuit applied in *Bancroft* (which standard is grounded in this Court's post-commencement mootness precedents), and the unsoundness of the conflicting reasoning that the Second Circuit applied to dismiss pe-

petitioner's challenge to the validity of the registration that respondent asserted in this case.

#### \*6 A. Respondent's Suit Against Petitioner

In 2009, respondent sued petitioner for alleged infringement and dilution of the purported "trademark" set forth below:

Asserted "Trademark"

2613

The YUMS-branded shoes produced by petitioner, whose sale was alleged to infringe or dilute the respondent's registered trademark, embodied the design depicted below:

Accused Shoe

2613

\*7 Respondent alleged that by selling YUMS-branded shoes embodying the design depicted above, petitioner allegedly infringed or diluted the so-called "trademark" depicted at top. In support of its claim, respondent cited and relied on certificate of registration No. 3,451,905 (the "905 Registration").

Petitioner served an answer to respondent's complaint, denied infringement, and asserted a compulsory counterclaim for cancelation of the '905 Registration. Petitioner's counterclaim alleged in part:

47. The purported "mark" depicted and described in the '905 Registration is not, in fact, a "trademark" within the meaning of [15 U.S.C. § 1127](#).

48. The purported "mark" depicted and described in the '905 Registration is not a "symbol" or a "device" used "on" or "in connection with" "goods" within the meaning of [15 U.S.C. § 1125\(a\)\(1\)](#), but rather consists of integral features of "goods" sold by plaintiff.

In December 2009, respondent served an answer to petitioner's counterclaim. Respondent denied petitioner's allegations challenging the validity of the '905 Registration, but admitted that there was, at

the time of its answer, an "actual controversy" between the parties concerning whether the PTO acted unlawfully in issuing the '905 Registration.

#### B. Respondent Reverses Field and Seeks to Destroy the District Court's Jurisdiction

In mid-March 2010, respondent abruptly delivered a document styled "Covenant Not to Sue." In this "covenant," respondent undertook to "refrain" from asserting the '905 Registration against "any of Already's *current* and/or *previous* footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced, distributed, offered for sale, advertised, sold, or otherwise used in commerce before or after the Effective Date of this Covenant" (emphasis added).

Immediately following delivery of the above-described "covenant," respondent moved the district court for an order (i) dismissing respondent's own complaint against petitioner with prejudice, and (ii) dismissing petitioner's compulsory \*8 counterclaim for alleged lack of subject matter jurisdiction. Respondent asserted that by waiving and voluntarily dismissing its own claims, respondent had divested the district court of subject matter jurisdiction to hear petitioner's compulsory counterclaim challenging the validity of the '905 Registration and seeking its court-ordered cancellation.

In its response to respondent's motion, petitioner agreed that respondent's (meritless) claims in this action should be dismissed with prejudice, but petitioner contended that the dismissal of respondent's claims had no effect on the court's jurisdiction to hear petitioner's compulsory counterclaim.

#### C. The District Court's Decision

In January 2011, the district court dismissed respondent's complaint with prejudice, thereby adjudicating and extinguishing all of the claims that respondent had asserted against petitioner in this action.<sup>[FN1]</sup> The district court also held that respondent's "covenant not to sue" had "stripped" the court

of its “ability to order cancellation of a registered trademark pursuant to [Section 1119](#).” Pet. App. 35a-36a.

FN1. “A dismissal with prejudice has the effect of a final adjudication on the merits favorable to defendant and bars future suits brought by plaintiff upon the same cause of action.” *Samuels v. Northern Telecom, Inc.*, 942 F.2d 834, 836 (1991) (quoting *Nemaizer v. Baker*, 793 F.2d 58, 60 (2d Cir. 1986)).

Rather than ask whether *respondent* had carried “the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur,” *Friends of the Earth, Inc v. Laidlaw Env'tl. Servs. (TOC) Inc.*, 528 U.S. 167, 190 (2000), the district court analyzed the jurisdictional issue in terms of whether *petitioner*, immediately following delivery of respondent's “covenant not to sue,” had carried a burden of demonstrating that it was still then exposed to a non-frivolous claim for alleged infringement such that the invalidity of the '905 Registration could be raised as a *defense* to such claim. The district court acknowledged that its analysis of the jurisdictional issue was contrary to that which the Ninth Circuit applied in *Bancroft*. See Pet. App. 36a (“some courts in other districts have agreed with Defendant's argument”) (citing *Bancroft*).

In dictum, the district court suggested that respondent's “covenant” would not prevent petitioner from instituting an administrative “cancellation” proceeding in the PTO. The district court acknowledged that “some inefficiency results from requiring Defendant to now institute an administrative proceeding before the Patent and Trademark Office in order to seek cancellation of the '905 Registration.” Pet. App. 37a. But the court considered that it had no choice in the matter because the constitutional terms, “Cases” and “Controversies,” U.S. Const. art. III, § 2, were thought by the district court not to include a civil action in which the only pending claim was a compulsory counterclaim chal-

lenging the lawfulness of a PTO registration decision. Pet. App. 38a

#### D. The Second Circuit's Decision

Petitioner timely appealed the dismissal of its compulsory counterclaim to the Second Circuit. Petitioner argued that its statutory right to seek cancellation of the '905 Registration under [15 U.S.C. § 1119](#) was independent of petitioner's right to raise invalidity as a defense to respondent's infringement claims; that the jurisdictional standard was the “absolutely clear” standard that this Court stated and applied in *Friends of the Earth*, 528 U.S. at 190; and that respondent had not met this standard, just as the registrant in *Bancroft* had not. Petitioner further argued that there was no principled difference between its position in this case and the position of the counterclaimant in *Cardinal Chemical*, wherein this Court held that a judgment of non-infringement did not divest a federal court of jurisdiction to hear a counterclaim for judgment declaring that the non-infringed patent was invalid. 508 U.S. at 96, 99-103.

The Second Circuit stated that *Cardinal Chemical* was “inapposite” to this case because it concerned the jurisdiction of “an intermediate appellate court, not a trial court.” Pet. App. 16a (quoting *Giese v. Pierce Chem. Co.*, 43 F. Supp. 2d 98, 112 n.14 (D. Mass. 1999)). The court further stated: “The Supreme Court's decision in *Cardinal Chemical* is limited to \*10 the specific facts of that case.” *Id.* (quoting *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 546 (Fed. Cir. 1996)). Like the district court, the Second Circuit did not ask whether *respondent* had demonstrated that its voluntary action met the stringent standard for establishing “postcommencement mootness,” *Friends of the Earth*, 528 U.S. at 174, but rather asked whether *petitioner* had demonstrated that, immediately following delivery of respondent's “covenant not to sue,” there then remained any actual or threatened claim which the invalidity of the '905 Registration could be raised as a *defense*.

In a similar vein, the Second Circuit stated that “[Section 1119](#) ... creates a *remedy* for *trademark infringement*,” Pet. App. 18a (emphasis added); and from this clearly erroneous premise (which neither side advocated below),<sup>[FN2]</sup> the court held that “a claim for trademark cancellation under [§ 1119](#) is insufficient to support federal jurisdiction where a covenant not to sue has *resolved* the underlying *infringement* action.” Pet. App. 19a (emphasis added). The court did not analyze whether [28 U.S.C. § 1367\(a\)](#) supported petitioner's compulsory counterclaim for cancellation relief.

FN2. Section 37 of the Lanham Act vests district courts with authority to “rectify the register” maintained by the PTO, not to remedy “infringement.” The unlawful registration of trademark-ineligible subject matter is not an act of “infringement,” and cancellation of such a registration is not a “remedy” for “infringement.”

Like the district court, the Second Circuit recognized that its holding was contrary to the Ninth Circuit's *Bancroft* decision. The Second Circuit stated: “the Ninth Circuit in *Bancroft* failed to consider the language in [§ 1119](#) that renders that section remedial, not jurisdictional. Accordingly, we find its opinion unpersuasive.” Pet. App. 19a. In fact, the *Bancroft* opinion does not characterize [§ 1119](#) as “jurisdictional” (which it is not), but rather holds - correctly - that in order for a waiver of claims to render moot a pending challenge\***11** to the previously-asserted claims' validity, the party asserting mootness must show that it is “absolutely clear” that the allegedly wrongful conduct (the assertion of an allegedly invalid federally registered trademark) will never be renewed. [223 F.3d at 1085](#). That is to say, whether a post-suit covenant not to sue renders a case moot is governed by the stringent standard for establishing postcommencement mootness. *Friends of the Earth*, [528 U.S. at 190](#).

The decision below purports to follow this Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, [549 U.S. 118](#) (2007), but clearly misapprehends the

*MedImmune* decision. In *MedImmune*, this Court disapproved what was then called “the Federal Circuit's ‘reasonable apprehension of suit’ test.” *Id.* at 132 n.11. Yet it was this very “test” that gave birth to the evasive maneuver that respondent utilized in this case: a post-suit “covenant” that eliminates “apprehension” of suit for alleged infringement and thus, supposedly, ousts a federal court of supplemental jurisdiction to hear a compulsory counterclaim for a declaratory judgment of invalidity. See *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, [57 F.3d 1054, 1058](#) (Fed. Cir. 1995).

Shortly following this Court's *MedImmune* decision, the continued viability of the *Super Sack* rule in the patent context was openly questioned by Federal Circuit Judge Dyk. See *Benitec Australia, Ltd. v. Nucleonics, Inc.*, [497 F.3d 1340, 1350-55](#) (Fed. Cir. 2007) (Dyk, J., dissenting). Judge Dyk wrote: (i) “[t]here is a strong public interest in permitting accused infringers to challenge invalid or unenforceable patents,” *id.* at 1350; (ii) under this Court's precedents, “once declaratory jurisdiction has been established, the burden shifts to the party seeking to divest the court of jurisdiction to prove that there is no longer a current case or controversy,” *id.* at 1352; and (iii) “[i]t is particularly inappropriate to place the burden of establishing continuing jurisdiction on declaratory plaintiffs where, as here, the claim of mootness is the result of the opposing party's acts designed, at least in part, to defeat declaratory jurisdiction.” *Id.* at 1353. Judge Dyk concluded that the stringent postcommencement mootness standard - the standard that the Ninth Circuit applied in *Bancroft* - controlled whether a federal court could proceed to \***12** decide a validity challenge following receipt of a covenant not to sue. *Id.* at 1353-54.

As the present case illustrates, however, the *Benitec* majority opinion has led to the continued and widespread use of “covenants” to evade adjudication of challenges to asserted patents and registered trademarks. That rule stands in clear conflict with the Ninth Circuit's *Bancroft* decision, is recurring and



persistent, and warrants review by this Court.

#### REASONS FOR GRANTING THE PETITION

The Court should grant certiorari in this case for several reasons.

First, there is an acknowledged circuit split. The Ninth Circuit and the Second Circuit have both addressed the question presented by this Petition and have provided directly conflicting answers. In the Ninth Circuit, a registrant's delivery of a covenant not to sue is, without more, insufficient to divest a district court of jurisdiction to hear a pending claim challenging the validity of an asserted federally registered trademark. In the Second Circuit, precisely the opposite is true.

Second, the legal standard applied below conflicts with multiple precedents of this Court construing federal court jurisdiction. A federal court's jurisdiction to hear a compulsory counterclaim has never depended on the fate of a plaintiff's claims establishing original jurisdiction. And in *Cardinal Chemical*, this Court specifically held that the failure of a plaintiff's infringement claim *did not* divest a federal court of jurisdiction to hear a counterclaim challenging the validity of an asserted intellectual property right.

Third, the legal standard applied below subverts “the strong federal policy favoring the full and free use of ideas in the public domain,” *Lear*, 395 U.S. at 674, and enables entities to protect “scarecrow” intellectual property rights, *Cardinal Chemical*, 508 U.S. at 96, from federal court validity challenges. The unlawful registration of trademark-ineligible subject matter has enormous potential to inhibit or suppress lawful competition. The Lanham Act assigns federal courts an important role in the enforcement of statutory conditions for trademark registrability, both in the context of direct review\*13 of PTO registration decisions under 15 U.S.C. § 1071 and in the context of entertaining validity challenges to such decisions pursuant to the cancellation right provided under 15 U.S.C. § 1119.

Fourth, while this Article III jurisdictional issue arises in both the patent and trademark contexts and is generally important to the system of presumptively valid intellectual property rights administered by the PTO, this case - a trademark case - is the appropriate vehicle for resolving the issue because the issue is cleanly presented and the circuit split has arisen in the trademark context. While the jurisdictional issue has also divided the judges of the Federal Circuit, with a strong dissenting opinion by Judge Dyk, the issue cannot generate a circuit split in the patent area because of the exclusive jurisdiction of the Federal Circuit.

#### I. THERE IS AN ACKNOWLEDGED CIRCUIT SPLIT

As set forth above, the decision below openly disagrees with the Ninth Circuit's *Bancroft* decision and “find[s] its opinion unpersuasive.” Pet. App. 19a. The decision below takes a decidedly narrower view of federal court jurisdiction to hear claims challenging the validity of federal trademark registrations than the Ninth Circuit took in *Bancroft*. That clear circuit split warrants review and resolution by this Court.

The decision below and the Ninth Circuit's *Bancroft* decision apply conflicting and very different legal standards. In *Bancroft*, the sponsor of the well-known MASTERS golf tournament, August National Inc. (“ANI”), accused a California company named Bancroft & Masters, Inc. (“B&M”) of having engaged in trademark infringement, dilution, and unfair competition by using MASTERS.COM as an Internet domain name. B&M then sued ANI in California for (i) a declaratory judgment of non-liability and (ii) for cancellation of certain federal registrations that ANI had procured.

In an attempt to extricate itself from the California lawsuit by destroying federal court jurisdiction to hear B&M's claim, ANI “offered to waive all trademark infringement, dilution,\*14 and unfair competition claims against B&M, so long as B&M stays out of the golf business.” 223 F.3d at 1085. The

question raised to the Ninth Circuit was whether this waiver of claims by ANI rendered moot and divested the court of subject matter jurisdiction to hear B&M's claims. The Ninth Circuit answered this question "no," based on its application of this Court's stringent standard for postcommencement mootness.

To the extent that there is any factual distinction to be drawn between the present case and *Bancroft*, the case for federal court jurisdiction here is stronger, not weaker, than was the case for jurisdiction in *Bancroft*. The respondent's covenant in this case was limited to products that petitioner had made or sold prior to March 19, 2010. By contrast, the promise given in *Bancroft* extended to the accused infringer itself and extended for "so long as B&M stays out of the golf business." 223 F.3d at 1085. The promise given in *Bancroft* was broader, not narrower, than the promise that was given in this case.

Consistently with the dissenting opinion of Judge Dyk in *Benitec*, the Ninth Circuit in *Bancroft* analyzed the jurisdictional effect of a post-suit covenant not to sue by reference to the standard for determining postcommencement mootness articulated in such precedents as *Friends of the Earth*, 528 U.S. at 190. Where, as here, a party contends that its own post-suit voluntary acts render an opposing party's claim moot, the party claiming mootness is rightly assigned the stringent burden of demonstrating that it is "absolutely clear" that the challenged unlawful action will never again recur or harm the challenger. 223 F.3d at 1085.

In sharp contrast, the decision below analyzes the jurisdictional effect of a post-suit covenant not to sue by reference to whether the party challenging the validity of an asserted registration can point to some actual or threatened claim for alleged infringement to which invalidity could be pleaded as a defense. As the present case amply demonstrates, such a test of Article III jurisdiction enables a trademark registrant to threaten to bring, or as here to bring, infringement suits that inflict heavy costs

on a rival business that must prepare for trial and then, if unexpected resistance is encountered, \*15 deliver a "covenant not to sue" and evade any prompt or cost-effective test of the validity of the asserted registration.

## II. THE DECISION BELOW CONFLICTS WITH MULTIPLE PRECEDENTS OF THIS COURT CONSTRUING AND APPLYING FEDERAL COURT JURISDICTION

28 U.S.C. § 1331 vests federal courts with "original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." Whether a civil action is one "arising under" federal law depends on what is stated on the face of a plaintiff's well-pleaded complaint. *See, e.g., Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002). Here it is undisputed that respondent's complaint invoked the original jurisdiction conferred by at least 28 U.S.C. § 1331.

28 U.S.C. § 1367(a) provides, with exceptions not relevant here, that "in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution." It is undisputed that petitioner's compulsory counterclaim for cancellation of the respondent's trademark registration under 15 U.S.C. § 1119 fell within the supplemental jurisdiction conferred by 28 U.S.C. § 1367(a) at the time of its assertion.

In holding that respondent's abandonment of its own claims divested the district court of jurisdiction to hear petitioner's compulsory counterclaim, the decision below conflicts with long-standing contrary precedent. In *Moore v. New York Cotton Exchange*, 270 U.S. 593, 607-610 (1926), a plaintiff's federal antitrust complaint was dismissed, but this fact was held irrelevant to the court's continuing jurisdiction to hear the defendant's state law compulsory counterclaim:

A complaint setting forth a substantial claim under a federal statute presents a case within the jurisdiction of the court as a federal court; and this jurisdiction cannot be made to stand or fall upon the way the court may chance to decide an issue as to the legal sufficiency of the facts alleged any more than upon **\*16** the way it may decide as to the legal sufficiency of the facts proven.

*Moore*, 270 U.S. at 608 (quoting *Binderup v. Pathe Exch., Inc.*, 263 U.S. 291, 305 (1923)).

Under *Moore* and 28 U.S.C. § 1367(a), respondent's waiver or dismissal of its claims against petitioner was irrelevant to the district court's jurisdiction to hear petitioner's compulsory counterclaim. The district court's jurisdiction to hear petitioner of compulsory counterclaim was furnished by 28 U.S.C. § 1367(a). Nothing in the text of the Lanham Act, and certainly nothing in 15 U.S.C. § 1119, purports to divest federal courts of supplemental jurisdiction that 28 U.S.C. § 1367(a) confers.

To the contrary, § 1119 makes federal court judgments *binding* on the Director of the PTO even though he is not a party to an action between a registrant and a challenger. In this respect, § 1119 is similar in operation to 15 U.S.C. § 1071(b)(2), which provides that in district court actions seeking direct review of PTO agency actions in “inter partes” cases, the Director of the PTO “shall not be made a party.” *Id.* A statute that *extends* the effect of federal court judgment is not sensibly interpreted as *divesting* federal courts of subject matter jurisdiction that 28 U.S.C. § 1367(a) otherwise confers.

Federal courts have long held and exercised jurisdiction to review PTO decisions to refuse cancellation of issued registrations under 15 U.S.C. § 1071(b), *even without proof* that the party challenging the trademark registration was currently under threat of being sued for trademark infringement. *See, e.g., Aktieselskabet AF 21 v. Fame Jeans Inc.*, 525 F.3d 8, 13-14 (D.C. Cir. 2008) (adjudicating a challenge to a trademark registration without any demonstration that the challenger was subject to

any currently existing claim of infringement). Such review would be constitutionally impossible if a federal court's Article III jurisdiction to hear a claim for cancellation relief was dependent on the existence of a pending non-frivolous claim for alleged infringement against the challenger.

The present case well illustrates the importance of upholding traditional principles of federal court jurisdiction as **\*17** applied to a challenge to an allegedly invalid trademark registration. The alleged “trademark” depicted in the '905 Registration is “in the public domain” under patent law and as such “can be copied in every detail by whoever pleases.” *Compco*, 376 U.S. at 238. The PTO's issuance of the '905 Registration was in direct opposition to this Court's patent precedents and “the strong federal policy favoring the full and free use of ideas in the public domain,” *Lear*, 395 U.S. at 674. The '905 Registration purports to impose a direct restraint on the conduct of petitioner's athletic footwear business. Yet according to the decision below, respondent is able to evade judicial review of the validity of the purported “trademark” depicted in the '905 Registration and maintain that registration for possible use against future lines of petitioner's products, because respondent's delivery of a “covenant not to sue” supposedly ousted the district court of Article III jurisdiction to hear petitioner's compulsory counterclaim for cancellation of the asserted registration.

Thus, under the decision below, the respondent may continue to assert its '905 Registration against competitors, charging them with infringement with each new line of shoes they produce. Yet after the competitor has been put through the expense of preparing its defenses to a trademark infringement suit and preparing its compulsory counterclaim for trademark cancellation, the trademark owner can unilaterally “pull the plug” on the entire litigation, maintaining the presumptively valid “scarecrow” intellectual property right to assert anew ad infinitum. (Unlike patents, trademarks have no term limit.)

Under this Court's precedents, a plaintiff's strategic abandonment of its claims has never been recognized as a basis for extinguishing either original jurisdiction under 28 U.S.C. § 1331 or supplemental jurisdiction under 28 U.S.C. § 1367(a). To the contrary, in *Cardinal Chemical*, the Court held that the *failure* of an infringement plaintiffs claims *did not* operate to render moot a compulsory counterclaim for a declaratory judgment of invalidity.

**\*18 III. THE ISSUE IS IMPORTANT AND MERITS THIS COURT'S ATTENTION**

**A. The Use of "Covenants" to Thwart Invalidity Challenges Is Widespread and Recurring**

Strategic use of "covenants" to shut off invalidity challenges in federal court is a recurring and widespread problem.<sup>[FN3]</sup> The practice dates back to the 1995 *Super Sack* decision in the Federal Circuit and has persisted despite the disapproval, in *MedImmune*, of the "reasonable apprehension of suit" standard that gave birth to the practice, and despite the \*19 criticism of the practice in Judge Dyk's dissenting opinion in *Benitec*, 497 F.3d at 1550.

FN3. See, e.g., *Dow Jones & Co. v. Ab-laise Ltd.*, 606 F.3d 1338, 1345 - 49 (Fed. Cir. 2010) (covenant not to sue held to divest district court of Article III jurisdiction to hear validity challenge); *Frontline Technologies, Inc. v. CRS, Inc.*, No. 07-2457, 2011 WL 6747460 (E.D. Pa. 2011) (same); *American Technology Inc. v. Velocity Micro, Inc.*, No. 6:11-cv-109 (M.D. Fla. June 28, 2011) (same); *Tequila Cuervo La Rojena, S.A. de C.V. v. Jim Beam Brands Co.*, No. 1:10-cv-00203 (S.D.N.Y. Feb. 8, 2011), slip op. at 5 (same); *Barco N.V. v. Tech. Props. Ltd.*, No. 08-5398, 2010 WL 604673, at \*2 (N.D. Cal. 2010) (same); *International Automated Systems, Inc. v. IBM*, 595 F. Supp. 2d 1197 (D. Utah 2009) (same); *Dodge-Regupol, Inc. v. RB Rubber Prods., Inc.*, 585 F. Supp. 2d 645, 649-55

(M.D. Pa. 2008) (same); *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268 RSL, 2008 WL 4380439, at \*3 - 4 (W.D. Wash. Sep. 22, 2008) (same); *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1122 - 24 (N.D. Cal. 2007) (same); *Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 590 - 92 (E.D. Mo. 2007) (same); *SGS Tools Co. v. Step Tools Unlimited, Inc.*, No. 5:04CV1315, 2006 WL 2849771 (N.D. Ohio 2006) (same); *Ciber, Inc v. Ciber Consulting, Inc.*, 326 F. Supp. 2d 886, 887 - 93 (N.D. Ill. 2004) (same); *Arista Techs., Inc. v. Arthur D. Little Enters., Inc.*, 125 F. Supp. 2d 641, 655 (E.D.N.Y. 2000) (same).

The importance of the issue is magnified by its procedural nature. Often, an accused infringer will not have the financial ability or incentive to litigate the issue past the district court stage. The great majority of the "covenant" decisions are patent cases that are subject to the Federal Circuit's exclusive appellate jurisdiction and case law precedent such as the *Benitec* majority opinion. Cases subject to a single court of appeals would not be expected to diverge from its doctrine. But the same is not true of trademark cases. Because regional circuits continue to have appellate jurisdiction in trademark cases, instability and circuit splits are still possible in the trademark field as has occurred here. This case provides an appropriate vehicle for resolving the issue.

Furthermore, the two circuits involved in the split here - the Second and the Ninth - are *the* leading trademark circuits in the country. Indeed, one recent empirical study of trademark cases demonstrated that district court trademark decisions in those two circuits account for nearly half of all trademark litigation in the country. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Cal. L. Rev. 1581, 1596 (2006) (Table 2) (reporting that, out of a sample of 331 district court trademark cases de-

cided between 2000-2004, the Second and Ninth Circuits accounted for the most and second most, respectively, trademark cases per circuit and that together the two circuits accounted for 48.3% of all trademark cases in the national sample).

The question presented by the petition here involves the same type of Article III jurisdictional limitation that the Court considered in *MedImmune* and *Cardinal Chemical*. The Court in this case has the opportunity to make an incremental development in its case law construing federal court jurisdiction in the context of PTO grant decisions.

#### B. The Rule Applied Below Subverts Strong Public Interests in Permitting Validity Challenges

The unlawful registration of trademark-eligible subject matter is deemed, by statute, to constitute an invasion of the \*20 legal rights of “any person who believes that he is or will be damaged ... by the registration.” 15 U.S.C. § 1064. This broad definition of statutory injury reflects both (i) the inherent potential of invalid trademark registrations to cause competitive harm, and (ii) “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear*, 395 U.S. at 670. “Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all - and in the free exercise of which the consuming public is deeply interested.” *Sears, Roebuck & Co. v. Stiffel Co.* 376 U.S. 225, 231 (1964) (quoting *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938)). See also *Compco*, 376 U.S. 234.

The alleged “trademark” at issue is a shoe configuration that entered the public domain nearly 30 years ago. Whether that shoe configuration can rightly be deemed a “trademark,” and as such protected against imitation in perpetuity, is a question in which “the consuming public is deeply interested,” *Sears*, 376 U.S. at 231 (quoting *Kellogg*, 305 U.S. at 122), and that Article III of the Constitution permits a federal court to answer.

#### CONCLUSION

For the reasons set forth above, this Petition for a Writ of Certiorari should be granted.

Already, LLC v. Nike, Inc.  
2012 WL 441275 (U.S. ) (Appellate Petition, Motion and Filing )

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LEXSEE



Analysis

As of: Aug 17, 2012

**T. MARZETTI COMPANY, Plaintiff-Appellant, v. ROSKAM BAKING  
COMPANY, Defendant-Appellee.**

No. 10-3784

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

**12a0157p.06; 680 F.3d 629; 2012 U.S. App. LEXIS 10621; 2012 FED App. 0157P  
(6th Cir.); 102 U.S.P.Q.2D (BNA) 1801**

November 30, 2011, Argued

May 25, 2012, Decided

May 25, 2012, Filed

**PRIOR HISTORY:** [\*\*1]

Appeal from the United States District Court for the Southern District of Ohio at Columbus. No. 09-00584--Algenon L. Marbley, District Judge.

[T. Marzetti Co. v. Roskam Baking Co., 2010 U.S. Dist. LEXIS 61500 \(S.D. Ohio, May 27, 2010\)](#)

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Appellant Ohio corporation appealed the judgment of the United States District Court for the Southern District of Ohio in favor of appellee Michigan corporation in an action for trademark infringement under § 43(a) of the Lanham Act, [15 U.S.C.S. § 1125\(a\)](#), that alleged the Michigan corporation's use of the mark "Texas Toast" on its packaged croutons infringed a protectable mark and created a likelihood of confusion among consumers.

**OVERVIEW:** The court held that it agreed with the district court's decision that the mark "Texas Toast" was not entitled to trademark protection because the terminology was generic when describing a type of crouton. The mark had come to mean a bread product that was larger than normal, including sliced bread, frozen garlic bread, or croutons. Witness testimony established

that Texas toast was commonly understood to describe a large bread product, not a producer of bread products. Since the district court's determination that "Texas Toast" was a generic designation when applied to croutons was plausible in light of the entire record, the court found no basis on which to overturn it. The district court found that the primary association of the public was that "Texas Toast" conveyed something about size. As a result, the district court's holding that the term "Texas Toast" was generic for certain bread products could be upheld under both the primary significance test and the test normally used in the Sixth Circuit.

**OUTCOME:** The judgment was affirmed.

**LexisNexis(R) Headnotes**

*Trademark Law > Infringement Actions > Determinations*

*Trademark Law > Protection of Rights > Registration > Evidence*

[HN1]Only a mark that has been registered on the Principal Register is entitled to a presumption of validity. [15 U.S.C.S. § 1057\(b\)](#). When the patent office examiner has not considered all of the evidence before the district

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court, an appellate court need not give any weight to the examiner's decision.

*Civil Procedure > Trials > Bench Trials*

*Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review*

*Civil Procedure > Appeals > Standards of Review > De Novo Review*

*Civil Procedure > Appeals > Standards of Review > Fact & Law Issues*

[HN2]In an appeal from a judgment entered after a bench trial, an appellate court reviews the district court's findings of fact for clear error and its conclusions of law de novo. Mixed questions of law and fact are also subject to de novo review. A finding of fact will only be clearly erroneous when, although there may be some evidence to support the finding, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed. If the district court's account of the evidence is plausible in light of the entire record, the appellate court may not reverse that accounting, even if convinced that, had it been sitting as trier of fact, it would have weighed the evidence differently. This is so even when the district court's findings do not rest on credibility determinations, but are based instead on physical or documentary evidence or inferences from other facts.

*Trademark Law > Infringement Actions > Burdens of Proof*

*Trademark Law > Infringement Actions > Determinations*

*Trademark Law > Likelihood of Confusion > General Overview*

*Trademark Law > Protection of Rights > General Overview*

[HN3]Section 43(a) of the Lanham Act, [15 U.S.C.S. § 1125\(a\)](#), creates a federal cause of action for infringement of marks and trade dress that have not obtained federal registration. When evaluating a Lanham Act claim for infringement of an unregistered mark, courts must determine whether the mark is protectable, and if so, whether there is a likelihood of confusion as a result of the would-be infringer's use of the mark. Obviously, if the mark is not protectable, the court's inquiry ends there. In order to receive protection under federal law, a plaintiff must first demonstrate possession of a protectable mark.

*Trademark Law > Infringement Actions > Defenses > Genericness*

*Trademark Law > Infringement Actions > Standards of Review > Clearly Erroneous Review*

[HN4]Whether a mark is generic is a question of fact, reviewed for clear error.

*Trademark Law > Infringement Actions > Defenses > Genericness*

*Trademark Law > Subject Matter > Distinctiveness > Determinations*

[HN5]Trademark protection is determined by where the mark falls along the established spectrum of distinctiveness. Marks are classified in the following categories of increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. A generic term is the weakest type of mark and cannot become a trademark under any circumstances. The test for whether a term is generic and therefore ineligible for trademark protection is whether the public perceives the term primarily as the designation of the article. If a mark is primarily associated with a type of product rather than with the producer, it is generic.

*Trademark Law > Infringement Actions > Defenses > Genericness*

*Trademark Law > Infringement Actions > Standards of Review > Clearly Erroneous Review*

[HN6]The clearly-erroneous standard, under Sixth Circuit precedent, is applied to a district court's factual determination of genericness. The primary significance test is used in some circuits and requires a two-step analysis: a determination, first, of the genus of the product at issue and, second, the primary significance of the mark at issue to the relevant public when used in the genus of products. However, Sixth Circuit precedent does not require rigid adherence to the primary significance test. The test for genericness is whether the public perceives the term primarily as the designation of the article.

**COUNSEL:** ARGUED: Brian J. Downey, FROST BROWN TODD LLC, Columbus, Ohio, for Appellant.

Matthew J. Gipson, PRICE, HENEVELD, COOPER, DEWITT & LITTON, LLP, Grand Rapids, Michigan, for Appellee.

ON BRIEF: Brian J. Downey, FROST BROWN TODD

680 F.3d 629, \*, 2012 U.S. App. LEXIS 10621, \*\*1;  
2012 FED App. 0157P (6th Cir.), \*\*\*; 102 U.S.P.Q.2D (BNA) 1801

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**JUDGES:** Before: DAUGHTREY, MOORE, and McKEAGUE, Circuit Judges.

**OPINION BY:** MARTHA CRAIG DAUGHTREY

## OPINION

[\*630] [\*\*\*1] MARTHA CRAIG DAUGHTREY, Circuit Judge. In this action for trademark infringement under section 43(a), [15 U.S.C. § 1125\(a\)](#), plaintiff T. Marzetti Company appeals the judgment of the district court in favor of defendant Roskam Baking Company. The alleged infringement involved Roskam's use of the mark "Texas Toast" [\*\*\*2] on its packaged croutons. Marzetti contended that the term "Texas Toast" is a protectable mark and that Roskam's use created a likelihood [\*\*2] of confusion among consumers. Roskam responded that, because the terminology is generic when describing a type of crouton, the mark "Texas Toast" is not entitled to trademark protection. After a bench trial,<sup>1</sup> the district court determined that "Texas Toast" is, in fact, generic when applied to croutons. Moreover, the district court held that even if "Texas Toast" were considered a protectable mark, Roskam's use did not create a likelihood of confusion among consumers. We agree with the court's decision on the generic quality of the mark and, therefore, find it unnecessary to discuss likelihood of confusion. We therefore affirm.

<sup>1</sup> The district court conducted a four-day bench trial, heard live testimony from eight witnesses, examined the deposition testimony of three additional witnesses, and considered 60 pages of post-trial briefs and approximately 140 pages of proposed findings of fact and conclusions of law. Much of the evidence concerned the issue of likelihood of confusion, leading to what we conclude was a correct ruling by the district court on this question, although we find it unnecessary to address the issue in view of our ultimate

conclusion that the district court was also [\*\*\*3] correct in ruling that the trademark in this case is not entitled to protection under the Lanham Act.

## FACTUAL AND PROCEDURAL BACKGROUND

The evidence in the record indicates that Marzetti, an Ohio corporation, sells salad [\*631] dressings, frozen garlic bread, noodles, vegetable dips, apple dips, mustard, and croutons. Roskam, a Michigan corporation, sells breads, caramel corn, candy bars, chocolate bars, doughnuts -- and croutons. Marzetti and Roskam thus compete in the retail crouton business; in fact, Marzetti croutons and Roskam croutons are sold side-by-side in many food stores. Evidence at trial established that Texas toast is a large, square, thickly-sliced loaf of bread that has been baked in homes and sold commercially for many years. Marzetti, Walmart, Meijer, Pepperidge Farms, and several other brands currently produce frozen Texas toast, which is sold side-by-side in the freezer section of retail stores. Marzetti sells its frozen Texas toast under the housemark "New York Brand the Original Texas Toast." Although Marzetti began selling frozen garlic bread in 1995, it has never tried to register "Texas Toast" and "The Original Texas Toast" as trademarks or taken legal action against [\*\*4] its competitors over marks applied to bread.

[\*\*\*3] Hoping to tie the success of its "New York Brand the Original Texas Toast" frozen bread to its crouton products, Marzetti began selling croutons under that name in 2007 and, at the time of trial, offered five different varieties of "New York Brand the Original Texas Toast" croutons. Marzetti's Texas toast croutons are not necessarily larger than other Marzetti brand croutons, although the "Texas Toast" packages contain only the two largest sizes of croutons produced by the company. The croutons are not made from actual Texas toast, but their packaging promises consumers "a bigger bite" and a "Texas Toast cut." The packaging also states that the croutons are made by cutting loaves of bread into "Texas-Sized bites." According to the record, "Texas-Sized" is intended to convey the expectation of a larger crouton.

Eight months after introducing the "Texas Toast" croutons, Marzetti conducted a consumer awareness survey. The results showed that none of the 675 individuals surveyed had unaided awareness of the "New York Brand The Original Texas Toast" croutons. In other words, when prompted to identify crouton brands, not

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one person identified Marzetti's [\*\*5] "New York Brand the Original Texas Toast." Only 11 percent of consumers surveyed had aided awareness. This survey is the only data available to measure consumer awareness, and Marzetti used and relied upon the data gathered.

In 2007, Cameron Roskam, a management-level employee at Roskam, saw Marzetti's "Texas Toast" croutons at a grocery store and suggested that the company develop and market a similar product under their existing Rothbury Farms brand name. Each of the eight types of croutons sold by Roskam carried the Rothbury Farms logo in the same size and same gold-colored font. Below the logo were words describing the type of crouton contained in the package, such as "Cheese Garlic," "Italian Style," or "Fat Free," in large white font. The font style for the words "Texas Toast" was similar to that of the other types of Rothbury Farms croutons. The evidence indicated that Roskam used the term "Texas Toast" to convey to consumers something about the size of the croutons; the words were not intended as a brand name. The label "Texas Toast" on Roskam's packages looks substantially different from the words "Original Texas Toast" on Marzetti's packages.

[\*\*4] In February 2009, Marzetti filed [\*\*6] two trademark applications with the United States Patent and Trademark Office. The first application sought to register "Texas Toast" for use on croutons and tortilla strips. The second application sought to register "The Original Texas Toast" in [\*632] connection with croutons and tortilla strips. The Patent Office denied both trademark applications because of the potential likelihood of confusion with the mark Texas toast for bakery goods. Marzetti submitted responses to the decisions, and the Patent Office examiner withdrew the refusals to both applications in November 2009. The Patent Office completed its final review of the "Texas Toast" and "The Original Texas Toast" trademark applications and approved them for publication, finding them to be, at a minimum, suggestive.<sup>2</sup> Both marks were published for opposition, and Roskam filed oppositions to the trademark applications in July, 2010.

<sup>2</sup> Marzetti argues that this court should give deference to the patent office's approval, but [HN1]only a mark that has been registered on the Principal Register is entitled to a presumption of validity. See 15. U.S.C. § 1057(b). When the patent office examiner has not considered all of

the evidence before the [\*\*7] district court, we need not give any weight to the examiner's decision. See Marketing Displays, Inc. v. Traffix Devices, Inc., 200 F.3d 929, 934 (6th Cir. 1999), *rev'd on other grounds*, 532 U.S. 23, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001).

In its internal documents, Marzetti has referred to its "Texas Toast" croutons as simply "the New York croutons," and in its 2008 annual report it indicated that "New York Brand" is one of its registered brands and that "Texas Toast croutons" is one of its products. On the packages for Marzetti's "Texas Toast" products, which include frozen bread and croutons, the words "Texas Toast" and "The Original Texas Toast" always appear with the registered housemark "New York Brand." Witnesses for Marzetti could not cite any instances of actual confusion between Marzetti's "Texas Toast" croutons and Roskam's "Texas Toast" croutons.

After becoming aware of the Rothbury Farms "Texas Toast" croutons, Marzetti contacted Roskam through counsel and demanded that Roskam "immediately and forever cease and desist any and all use of TEXAS TOAST for croutons and other salad toppings, or any other name confusingly similar to TEXAS TOAST." When Roskam continued producing the croutons, Marzetti brought suit [\*\*8] in federal court, alleging the following five causes of action: (1) violation of section 43(a) of the Lanham Act; (2) violation of the Ohio Uniform Deceptive Trade Practices Act; (3) a common-law [\*\*5] trademark infringement claim; (4) a common-law unfair competition claim; and (5) a common-law dilution claim. Roskam filed an amended answer with counterclaims, seeking a declaratory judgment of non-violation regarding all of Marzetti's claims and an order finding Marzetti in violation of common-law unfair competition. Roskam also sought an award for damages and other relief. Prior to trial, Marzetti voluntarily dropped the common-law dilution claim and, at trial, Roskam agreed not to seek a declaratory judgment on its claim for dilution.

After conducting a bench trial, the district court held: (1) the mark "Texas Toast" is generic as applied to croutons; therefore, the mark does not qualify for trademark protection; and (2) Roskam's use of the words "Texas Toast" in the marketing of its croutons does not create a likelihood of confusion. The court also held that Marzetti had not engaged in unfair competition, and that

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Roskam was not entitled to damages or other relief. The district court [\*\*9] entered judgment in favor of Roskam granting: a declaratory judgment of non-violation of section 43(a) of the Lanham Act; a declaratory judgment of non-violation of the Ohio Uniform Deceptive Trade Practices Act; a declaratory judgment of non-infringement of common-law trademark; and a declaratory judgment of non-violation under common- [\*\*633] law of unfair competition. The plaintiff filed this timely appeal.

## DISCUSSION

[HN2]In an appeal from a judgment entered after a bench trial, we review the district court's findings of fact for clear error and its conclusions of law *de novo*. See [Beaven v. U.S. Dep't of Justice](#), 622 F.3d 540, 547 (6th Cir. 2010). Mixed questions of law and fact are also subject to *de novo* review. See [Thoroughbred Software Int'l, Inc. v. Dice Corp.](#), 488 F.3d 352, 358 (6th Cir. 2007). "A finding of fact will only be clearly erroneous when, although there may be some evidence to support the finding, 'the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.'" [United States v. Darwich](#), 337 F.3d 645, 663 (6th Cir. 2003) (quoting [Anderson v. City of Bessemer](#), 470 U.S. 564, 573, 105 S. Ct. 1504, 84 L. Ed. 2d 518 (1985)). "If the district court's account [\*\*10] of the evidence is plausible in light of the entire record, this court may [\*\*\*6] not reverse that accounting, even if convinced that, had it been sitting as trier of fact, it would have weighed the evidence differently." [Harlamert v. World Finer Foods, Inc.](#), 489 F.3d 767, 771 (6th Cir. 2007) (citing [Anderson](#), 470 U.S. at 574-75). "This is so even when the district court's findings do not rest on credibility determinations, but are based instead on physical or documentary evidence or inferences from other facts." [Anderson](#), 470 U.S. at 574.

[HN3]Section 43(a) of the Lanham Act, [15 U.S.C. § 1125\(a\)](#), creates a "federal cause of action for infringement of marks and trade dress that have not obtained federal registration." [Tumblebus v. Cranmer](#), 399 F.3d 754, 760-61 (6th Cir. 2005). "When evaluating a Lanham Act claim for infringement of an unregistered mark, courts must determine whether the mark is protectable, and if so, whether there is a likelihood of confusion as a result of the would-be infringer's use of the mark." [Id.](#) at 761. Obviously, if the mark is not protectable, our inquiry ends there. See [Leelanau Wine](#)

[Cellars, Ltd. v. Black & Red, Inc.](#), 502 F.3d 504, 512-13 (6th Cir. 2007) (requiring [\*\*11] that, in order to receive protection under federal law, a plaintiff must first demonstrate possession of a protectable mark.)

The district court determined that the mark "Texas Toast" was generic and, thus, not protectable. [HN4]Whether a mark is generic is a question of fact, reviewed for clear error. See [Bath & Body Works, Inc. v. Luzier Personalized Cosmetics, Inc.](#), 76 F.3d 743, 748 (6th Cir. 1996). Because the mark in this case was not federally registered and because Roskam raised "genericness" as a defense, it was Marzetti's burden to prove that the mark at issue was, in fact, not generic. See *id.*

As the district court acknowledged, [HN5]trademark protection "is determined by where the mark falls along the established spectrum of distinctiveness." [DeGidio v. West Group Corp.](#), 355 F.3d 506, 510 (6th Cir. 2004) (internal citations omitted). Marks are classified in the following categories of increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. See generally [Tumblebus](#), 399 F.3d at 761-62 (defining the five levels of distinctiveness). "A generic term is the weakest type of mark . . . and cannot become a trademark under any circumstances." [\*\*\*7] [\*\*12] [Champions Golf Club, Inc. v. The Champions Golf Club, Inc.](#), 78 F.3d 1111 (6th Cir. 1996). "[T]he test for whether a term is generic and therefore ineligible for trademark protection is 'whether the public perceives the term primarily as the designation of the article.'" [General Conference Corp. of Seventh-Day Adventists v. McGill](#), 617 F.3d 402, 413 (6th Cir. 2010) [\*634] (quoting [Bath & Body Works](#), 76 F.3d at 748). "If a mark is primarily associated with a type of product rather than with the producer, it is generic." [Nartron Corp. v. STMicroelectronics, Inc.](#), 305 F.3d 397, 404 (6th Cir. 2002). The district court held that, because it "has come to mean a bread product that is larger than normal, including sliced bread, frozen garlic bread, or croutons," the term "Texas Toast" is generic. We conclude that this determination is fully supported by the record.

Witness testimony established that Texas toast is commonly understood to describe a large bread product, not a producer of bread products. Marzetti acknowledged that Roskam and other companies selling Texas toast frozen bread and garlic bread use the designation generically. Indeed, Marzetti itself invokes the generic

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2012 FED App. 0157P (6th Cir.), \*\*\*7; 102 U.S.P.Q.2D (BNA) 1801

use of Texas toast, to [\*\*13] the extent that the back of its crouton packages refers to "bigger bites" and "Texas-Sized bites." Documents in the record show that restaurants, recipes, and internet sites frequently use the term Texas toast to describe a type of crouton. Additionally, Marzetti's FY 2008 Annual Report referred to Texas toast croutons as a type of product, not a brand, and Marzetti's consumer awareness survey revealed that the relevant public did not identify Texas toast as a brand of croutons. Because the district court's determination that "Texas Toast" is a generic designation when applied to croutons is "plausible in light of the entire record," we find no basis on which to overturn it.

Finally, we address Marzetti's allegation that the district court "failed to apply the proper test to determine whether 'Texas Toast' is generic for croutons." That issue presents a question of law, one that would require *de novo* review. In the context of this appeal, however, it appears to be an effort to circumvent [HN6]the clearly-erroneous standard that, under Sixth Circuit precedent, we apply to the district court's factual determination of "genericness." Moreover, Marzetti would require a strict application of [\*\*14] the "primary [\*\*\*8] significance test," which is used in some circuits and requires a two-step analysis: a determination, first, of the "genus" of the product at issue and, second, the primary significance of the mark at issue to the relevant public when used in the genus of products. *See, e.g., E.T. Browne Drug Co. v. Cococare Products, Inc.*, 538 F.3d 185, 192 (3d Cir. 2008). However, Sixth Circuit

precedent does not require rigid adherence to the primary significance test. *See Bath & Body Works*, 76 F.3d at 748 (stating that the "test for genericness is whether the public perceives the term primarily as the designation of the article"). As noted above, the district court properly applied the law of this circuit, and the evidence supports the court's conclusion that the term "Texas Toast" is primarily associated with a type of product rather than the producer.

Moreover, the district court's discussion clearly indicates that it defined the "genus" as Texas toast and determined that the parties' products were "species." The court found that the "primary association of the public [was] that 'Texas Toast' conveys something about size." As a result, the district court's holding that the term "Texas [\*\*15] Toast" is generic for certain bread products, including sliced bread, frozen garlic bread, and croutons, can be upheld under both the primary significance test and the test normally used in this circuit.

## CONCLUSION

Because the plaintiff must establish both a protectable mark and a likelihood of confusion in order to prevail in an infringement action, and because we have [\*635] concluded that the mark in this case is not protectable, we need not address the likelihood of confusion. We therefore AFFIRM the district court's judgment in favor of defendant Roskam Baking Company.

LEXSEE



Positive

As of: Aug 17, 2012

**MAKER'S MARK DISTILLERY, INC., Plaintiff-Appellee, v. DIAGEO NORTH AMERICA, INC., Defendant, TEQUILA CUERVO LA ROJEÑA, S.A. DE C.V.; JOSE CUERVO INTERNATIONAL, INC.; CASA CUERVO, S.A. DE C.V., Defendants-Appellants. No. 10-5508; MAKER'S MARK DISTILLERY, INC., Plaintiff-Appellee, v. DIAGEO NORTH AMERICA, INC., Defendant-Appellant, TEQUILA CUERVO LA ROJEÑA, S.A. DE C.V.; JOSE CUERVO INTERNATIONAL, INC.; CASA CUERVO, S.A. DE C.V., Defendants. No. 10-5586; MAKER'S MARK DISTILLERY, INC., Plaintiff-Appellee, v. DIAGEO NORTH AMERICA, INC.; TEQUILA CUERVO LA ROJEÑA, S.A. DE C.V.; JOSE CUERVO INTERNATIONAL, INC.; CASA CUERVO, S.A. DE C.V., Defendants-Appellants. No. 10-5819**

**Nos. 10-5508, 10-5586, 10-5819**

**UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT**

**12a0126p.06; 679 F.3d 410; 2012 U.S. App. LEXIS 9403; 2012 FED App. 0126P (6th Cir.); 102 U.S.P.Q.2D (BNA) 1693**

**December 1, 2011, Argued**

**May 9, 2012, Decided**

**May 9, 2012, Filed**

**PRIOR HISTORY:** [\*\*1]

Appeal from the United States District Court for the Western District of Kentucky at Louisville. No. 03-cv-00093--John G. Heyburn II, District Judge.

[Maker's Mark Distillery, Inc. v. Diageo N. Am., Inc., 2010 U.S. Dist. LEXIS 64776 \(W.D. Ky., June 30, 2010\)](#)  
[Maker's Mark Distillery, Inc. v. Diageo N. Am., Inc., 703 F. Supp. 2d 671, 2010 U.S. Dist. LEXIS 32810 \(W.D. Ky., 2010\)](#)

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Defendant tequila producer appealed a decision of the United States District Court for the Western District of Kentucky, which found that the tequila producer had infringed upon plaintiff bourbon producer's trademark.

**OVERVIEW:** The bourbon producer had used a red dripping wax seal on its bourbon bottles since 1958. Advertising efforts by the bourbon producer usually focused directly on the red dripping wax seal. It registered a trademark in 1985 for the dripping-wax-seal element of its trade dress. The tequila producer began selling a premium tequila in the United States in bottles with a red dripping wax seal reminiscent of the bourbon producer's red dripping wax seal. The court held that the district court did not err in concluding that the bourbon producer's red dripping wax seal on its bottles was not functional because there was more than one way to seal a bottle with wax to make it look appealing, and red wax was not the only pleasing color of wax, nor did it put competitors at a significant non-reputation related disadvantage to be prevented from using red dripping wax. The court also held that there was a likelihood of confusion between the products, based in large part on

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the extreme strength of the bourbon producer's mark, due to its unique design and the bourbon producer's singular marketing efforts, and the similarity of the two marks.

**OUTCOME:** The court affirmed the district court's decision.

#### **LexisNexis(R) Headnotes**

##### ***Trademark Law > Infringement Actions > Standards of Review > Clearly Erroneous Review***

##### ***Trademark Law > Infringement Actions > Standards of Review > De Novo Review***

[HN1]In a trademark case, a court of appeals reviews a district court's factual findings for clear error and legal conclusions de novo.

##### ***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Functionality Defense***

##### ***Trademark Law > Protection of Rights > Registration > Incontestability > Continuing Use Requirement***

[HN2]For a trademark to be enforceable, it must be valid; one way to show a mark's validity is through its "incontestability." A trademark registered for five or more years becomes "incontestable" under [15 U.S.C.S. § 1065](#). Incontestability is conclusive evidence of the validity of the registered mark, [15 U.S.C.S. § 1115\(b\)](#), except as to certain statutorily enumerated challenges, including the functionality of the mark, [15 U.S.C.S. § 1115\(b\)\(8\)](#). A registered mark may be found invalid if it is "functional." [15 U.S.C.S. § 1052\(e\)\(5\)](#). A trademark is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. A trademark may be determined to be functional under traditional functionality doctrine.

##### ***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Functionality Defense***

[HN3]Under the competition theory of functionality adopted by the U.S. Court of Appeals for the Sixth Circuit, two different tests have been considered to determine whether a trademark is functional and, thus, not enforceable: The test for comparable alternatives asks whether trade-dress protection of certain features would

nevertheless leave a variety of comparable alternative features that competitors may use to compete in the market. If such alternatives do not exist, the feature is functional; but if such alternatives do exist, then the feature is not functional. The effective competition test asks whether trade dress protection for a product's feature would hinder the ability of another manufacturer to compete effectively in the market for the product. If such hindrance is probable, then the feature is functional and unsuitable for protection. If the feature is not a likely impediment to market competition, then the feature is nonfunctional and may receive trademark protection. The inquiry in both tests is factual in nature.

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

[HN4]Confusion of sponsorship occurs where the goods do not directly compete. In this situation, the goods are unrelated enough that no inference arises that they originated from the same source, but the similarity of the trademarks erroneously suggests a connection between the sources. In any case, a court considering a claim for trademark infringement must determine the likelihood of consumer confusion. The factors the court should consider are: (1) strength of the plaintiff's mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines.

##### ***Trademark Law > Infringement Actions > Standards of Review > Clearly Erroneous Review***

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

[HN5]The court of appeals reviews the district court's factual findings under Frisch for clear error. It assesses each factor with respect to the relevant consumer market; potential buyers of the "junior" product are the relevant consumers.

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

[HN6]To evaluate the strength factor under the Frisch analysis, the court focuses on the distinctiveness of a mark and its recognition among the public. This encompasses two separate components: (1) conceptual strength, or placement of the mark on the spectrum of

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marks, which encapsulates the question of inherent distinctiveness; and (2) commercial strength or the marketplace recognition value of the mark. In other words, a mark is strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of a particular source; it can become so because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN7]Because the strength of a trademark for purposes of the likelihood-of-confusion analysis depends on the interplay between conceptual and commercial strength, the existence of inherent distinctiveness is not the end of the inquiry. Thus, although inherent distinctiveness may provide powerful support for the strength of a mark, the full extent of that support nonetheless depends on the scope of commercial recognition.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
***Trademark Law > Likelihood of Confusion > Consumer Confusion > Surveys***  
[HN8]While survey evidence is the most direct and persuasive evidence of whether a mark has acquired secondary meaning, consumer surveys are not a prerequisite to establishing secondary meaning. Nor is such evidence indispensable to the broader question of commercial recognition.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
***Trademark Law > Likelihood of Confusion > Similarity > General Overview***  
[HN9]In assessing similarity, courts must determine whether a given mark would confuse the public when viewed alone, in order to account for the possibility that sufficiently similar marks may confuse consumers who do not have both marks before them but who may have a general, vague, or even hazy, impression or recollection of the other party's mark.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN10]The presence of a house mark can decrease the likelihood of confusion.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN11]The presence of a house mark is more significant in a palming off case than in an association case. In an association case when the two products are related enough one might associate with or sponsor the other and still use their own house mark.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN12]Though evidence of actual confusion is undoubtedly the best evidence of likelihood of confusion, a lack of such evidence is rarely significant.

***Trademark Law > Infringement Actions > Standards of Review > De Novo Review***  
***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN13]The court of appeals reviews de novo the legal question of whether the district court's Frisch factual findings constitute a likelihood of confusion.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
[HN14]The strength of the mark supplies the weight it should be accorded in balancing. In general, the stronger the mark, all else equal, the greater the likelihood of confusion.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
***Trademark Law > Likelihood of Confusion > Similarity > Relatedness***  
[HN15]Where the goods are somewhat related but not competitive, the likelihood of confusion will turn on other factors.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***  
***Trademark Law > Likelihood of Confusion > Similarity > General Overview***  
[HN16]The similarity of the senior and junior marks is a factor of considerable weight.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

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[HN17]A lack of evidence of actual confusion is rarely significant, and the factor of actual confusion is weighted heavily only where there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court Trademark Law > Likelihood of Confusion > Similarity > General Overview***

[HN18]Confusingly similar marks may lead a purchaser who is extremely careful and knowledgeable to assume nonetheless that the seller is affiliated with or identical to the other party.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court Trademark Law > Likelihood of Confusion > Intent > General Overview***

[HN19]Intent is an issue whose resolution may benefit only the cause of the senior user, not of an alleged infringer.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

[HN20]Because a strong possibility that either party will expand his business to compete with the other will weigh in favor of finding that the present use is infringing, a finding of little evidence of expansion plans is accorded little to no weight.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 6th Circuit Court***

[HN21]The most important Frisch factors are similarity and strength of the mark.

***Civil Procedure > Remedies > Costs & Attorney Fees > Attorney Expenses & Fees > General Overview***

***Civil Procedure > Appeals > Standards of Review > Abuse of Discretion***

[HN22]The U.S. Court of Appeals for the Sixth Circuit reviews a district court's decision to award costs under an abuse of discretion standard. Generally, finding an abuse of discretion would require the lower court ignoring the criteria set by the Sixth Circuit or otherwise a certainty on the Court's part that a clear error in judgment was committed.

***Civil Procedure > Remedies > Costs & Attorney Fees > Attorney Expenses & Fees > Reasonable Fees***

[HN23][Fed. R. Civ. P. 54\(d\)](#) provides that costs--other than attorney's fees--should be allowed to the prevailing party. A party is the prevailing party where (1) it receives at least some relief on the merits of its claim, and (2) there is a judicially sanctioned change in the legal relationship of the parties.

**COUNSEL:** ARGUED: Michael Aschen, ABELMAN FRAYNE & SCHWAB, New York, New York, J. Kevin Fee, MORGAN, LEWIS & BOCKIUS LLP, Washington, D.C., for Appellants.

Edward T. Colbert, KENYON & KENYON LLP, Washington, D.C., for Appellee.

ON BRIEF: Michael Aschen, Anthony A. Coppola, ABELMAN FRAYNE & SCHWAB, New York, New York, J. Kevin Fee, MORGAN, LEWIS & BOCKIUS LLP, Washington, D.C., Michael A. Valenti, John E. Hanley, VALENTI HANLEY & ROBINSON, PLLC, Louisville, Kentucky, John S. Reed, REED WEITKAMP SCHELL & VICE, PLLC, Louisville, Kentucky for Appellants.

Edward T. Colbert, KENYON & KENYON LLP, Washington, D.C., R. Gregg Hovious, John David Dyche, FULTZ, MADDOX, HOVIOUS & DICKENS PLC, Louisville, Kentucky, for Appellee.

**JUDGES:** Before: MARTIN, MOORE, and COOK, Circuit Judges.

**OPINION BY:** BOYCE F. MARTIN, JR.

**OPINION**

[\*414] [\*\*\*2] BOYCE F. MARTIN, JR., Circuit Judge. Justice Hugo Black once wrote, "I was brought up to believe that Scotch whisky would need a tax preference to survive in competition with Kentucky bourbon." [Dep't of Revenue v. James B. Beam Distilling Co.](#), 377 U.S. 341, 348-49, 84 S. Ct. 1247, 12 L. Ed. 2d 362 (1964) [\*\*2] (Black, J., dissenting). While there may be some truth to Justice Black's statement that paints Kentucky bourbon as such an economic force that its competitors need government protection or preference to compete with it, it does not mean a Kentucky bourbon distiller may not also avail itself of our laws to protect its assets. This brings us to the question before us today:

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whether the bourbon producer Maker's Mark Distillery, Inc.'s registered trademark consisting of its signature trade dress element--a red dripping wax seal--is due protection, in the form of an injunction, from a similar trade dress element on Casa Cuervo, S.A. de C.V.'s Reserva de la Familia tequila bottles. We hold that it is. The judgments of the district court in this trademark infringement case are **AFFIRMED**.

[\*\*3] I.

All bourbon is whiskey, but not all whiskey is bourbon.<sup>1</sup> Whiskey, like other distilled spirits, begins as a fermentable mash, composed of water and grains or other fermentable ingredients. The mash is heated and then cooled, yeast is introduced to ferment the sugars in the mash, and the yeast turns the sugars into alcohol and carbon dioxide. This now-alcoholic liquid is then distilled to concentrate the alcohol. [\*\*3] Gary Regan & Mardee Haidin Regan, *The Bourbon Companion* 32-33 (1998). The composition of the mash, and the aging, treating, and flavoring of the distilled alcohol, determine the flavor, color, and character of the distilled spirit. In the case of bourbon, the corn-based mash [\*415] and aging in charred new oak barrels impart a distinct mellow flavor and caramel color. Distillers compete intensely on flavor, but also through branding and marketing; the history of bourbon, in particular, illustrates why strong branding and differentiation is important in the distilled spirits market.

1 Even the spelling of the word "whiskey" has engendered impassioned debate. *See, e.g.,* Nick Fox, *For Whiskey, Everything in its Place*, N.Y. Times Diner's J. (Feb. 9, 2009, 6:16 PM), <http://dinersjournal.blogs.nytimes.com/2009/02/09/for-whiskey-everything-in-its-place>; Eric Asimov, *Whiskey Versus Whisky*, N.Y. Times Diner's J. (Dec. 4, 2008, 1:56 PM), <http://dinersjournal.blogs.nytimes.com/2008/12/04/whiskey-versus-whisky>. "Whiskey" is the typical spelling in the United States, but in Scotland and Canada, "whisky" is the preferred spelling. *Id.*

The legend of the birth of bourbon is not without controversy: "As many [\*\*4] counties of Kentucky claim the first production of Bourbon as Greek cities quarrel over the birthplace of Homer." H.F. Willkie, *Beverage Spirits in America--A Brief History* 19 (3d ed. 1949). The generally accepted and oft-repeated story is that "the first

Bourbon whiskey . . . made from a mash containing at least fifty percent corn, is usually credited to a Baptist minister, The Reverend Elijah Craig, in 1789, at Georgetown, [Kentucky]," just prior to Kentucky's joining the Union as a state in 1792. *Id.* But it is more likely that Kentucky whiskey was first distilled at Fort Harrod, the first permanent European settlement in what is now Kentucky, in 1774. Charles K. Cowdery, *Bourbon, Straight: The Uncut and Unfiltered Story of American Whiskey* 3-4 (2004); *accord* Willkie, *supra*, at 19. Kentucky's settlers distilled whiskey using methods similar to those "used in Scotland and Ireland for hundreds of [\*\*\*4] years," Willkie, *supra*, at 20, except that Kentucky whiskey was made mostly from corn, a crop unknown to Europeans before Columbus ventured to America. Cowdery, *Bourbon, Straight, supra*, at 2. Though "most [American] colonial whiskey was made from rye," *id.* at 3, corn was easy to grow in Kentucky [\*\*5] soil, and surplus corn was often used to make whiskey. *Id.* at 4.

The name "bourbon" itself is easier to trace: one of the original nine counties of Kentucky was Bourbon County, Willkie, *supra*, at 20, named in honor of the French royal family. Charles K. Cowdery, *How Bourbon Whiskey Really Got Its Famous Name*, *Bourbon Country Reader*, July 1996. "[Kentucky] whiskey was shipped from Limestone, a riverside port in Bourbon County," down the Ohio river to the Mississippi, bound for New Orleans. Regan & Regan, *supra*, at 14. Whiskey shipped from the port in Bourbon County came to be known as "Old Bourbon," and later, simply "Bourbon," to distinguish it from Pennsylvania Rye or other whiskeys. Cowdery, *How Bourbon Whiskey Really Got Its Famous Name, supra*. The name "bourbon" at that time meant whiskey made from mostly corn in Kentucky or points west. But it was likely not until "sometime between 1823 and . . . 1845" that Dr. James Crow "perfect[ed] the sour-mash method of whiskey-making"--the dominant process in use today that, when coupled with aging in charred new oak barrels, produces modern bourbon's familiar caramel color and distinctive taste. Regan & Regan, *supra*, at 15.

While in the early [\*\*6] years "[w]hiskey was whiskey, as everybody knew," some bourbon distillers began to brand their bourbons to capitalize on the differences between "[g]ood Kentucky Bourbon" and all the rest. Willkie, *supra*, at 22. Dr. Crow, a Kentuckian by way of Scotland, "insist[ed] upon strict sanitation in his



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manufacture," and branded his bourbon with his name; other Kentucky families followed suit in an effort to differentiate their products. *Id.* Crow's branding tactics seem to have worked, as his bourbon accumulated prominent fans. For example, bourbon drinker Ulysses S. Grant preferred Old Crow over other bourbons, Julia Reed, *Bourbon's Beauty*, Newsweek, Dec. 21, 2008, as did all three of Congress's "Great Triumvirate," Henry [\*\*\*5] Clay, John C. Calhoun, and Daniel Webster. Gerald Carson & Mike Veach, *The Social History of Bourbon* 47 (2010).

[\*416] Success attracts imitators, and in the late nineteenth century "rectifiers" began to crowd the market, selling "a product that they would call 'Kentucky Bourbon' using neutral spirits, flavoring agents and artificial coloring with only some aged whiskey in the product." Mike Veach, *The Taft Decision*, *The Filson*, Winter 2009, at 4. A hotly contested legal and lobbying [\*\*7] war between the rectifiers and traditional "straight whiskey" distillers erupted, culminating in President William Taft's official interpretation, in 1909, of the 1906 Pure Food and Drug Act; Taft's interpretation settled the question of what spirits could be labeled as "whiskey." *Id.* The rectifiers lost and were required to label their product "imitation whiskey." *See id.*; *see also* H. Parker Willis, *What Whiskey Is*, McClure's Magazine, 1909-10, at 687-903. The ruling only increased distillers' incentives to differentiate themselves and their products. "Before the Taft ruling, few brands were nationally known . . . . But, under the new regulations, labels had to tell both the process and materials of manufacture. Whiskey . . . now began to appear under distinctive labels, competing with other brands on its own merits." Willkie, *supra*, at 26. After Prohibition was repealed, the distilled spirits industry consolidated and matured, *id.* at 27, and bourbon continued to attract notable adherents. Ian Fleming, the writer who created the James Bond character that famously favored martinis, switched from martinis to bourbon as his drink of choice. John Pearson, *Rough Rise of a Dream Hero*, *Life*, [\*\*8] Oct. 14, 1966, at 113, 126. And Harry S. Truman started his day with a walk followed by "a rubdown, a shot of bourbon, and a light breakfast." Univ. of Va. Miller Cntr., *Harry S. Truman: Family Life*, <http://millercenter.org/president/truman/essays/biography/7>.

In recognition of bourbon's unique place in American culture and commerce, and in the spirit of the

Taft decision, Congress in 1964 designated bourbon as a "distinctive product[] of the United States," [27 C.F.R. § 5.22\(d\)\(1\)](#), and prescribed restrictions on which distilled spirits may bear the label "bourbon." Federal regulations require that bourbon whiskey to, among other things, be aged in charred new oak barrels, contain [\*\*\*6] certain proportions of mash ingredients, and be barreled and bottled at certain proofs. [§ 5.22\(b\)](#). Importantly, whiskey made for consumption within the United States cannot be called bourbon unless it is made in the United States. [§ 5.22\(d\)\(1\)](#). While bourbon is strongly associated with Kentucky, and while "[ninety-five] percent of the world's supply of bourbon comes from Kentucky," Jessie Halladay, *Kentucky's Libation Vacations*, *Courier-J.*, [\*\*9] Feb. 26, 2012, at D1, some notable bourbons are made in other states.<sup>2</sup>

2 For example, the A. Smith Bowman Distillery produces its "Virginia Gentleman" bourbon in Fredericksburg, Virginia. Regan & Regan, *supra*, at 146.

Maker's Mark occupies a central place in the modern story of bourbon. The Samuels family, founder of the Maker's Mark distillery in Loretto, Kentucky, has produced whiskey in Kentucky nearly continuously from the eighteenth century through today. Regan & Regan, *supra*, at 161-62. Indeed, Robert Samuels (along with Jacob Beam, Basil Hayden, and Daniel Weller, all of whose surnames are familiar to bourbon connoisseurs) was one of Kentucky's early settlers. Cowdery, Bourbon, Straight, *supra*, at 4. Bill Samuels, Sr. formulated the recipe for Maker's Mark bourbon in 1953. His wife, Margie, conceived of the red dripping wax seal and used the family deep fryer to perfect the process of applying it. The company has [\*417] bottled bourbon for commercial sale under the Maker's Mark name, and has used a red dripping wax seal on its Maker's Mark bourbon bottles, since 1958. Maker's Mark, and craft bourbon generally, garnered national attention when the *Wall Street Journal* published a front-page [\*\*10] article about the bourbon, the red dripping wax seal, and the family behind it. David P. Garino, *Maker's Mark Goes Against the Grain to Make its Mark*, *Wall St. J.*, Aug. 1, 1980, at 1. In 1985, Maker's Mark registered a trademark for the dripping-wax-seal element of its trade dress, which it described as a "wax-like coating covering the cap of the bottle and trickling down the neck of the bottle in a freeform irregular pattern." The trademark is silent as to color, but Maker's Mark conceded in submissions

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before the district court that it sought only to enforce it as applied to the red dripping wax seal.

[\*\*\*7] Jose Cuervo produced a premium tequila, "Reserva de la Familia," beginning in 1995. The tequila bottle had a wax seal that was straight-edged and did not initially feature drips. By 2001, Cuervo had begun selling this tequila in the United States in bottles with a red dripping wax seal reminiscent of the Maker's Mark red dripping wax seal. In 2003, Maker's Mark instituted this suit against Casa Cuervo S.A. de C.V., Jose Cuervo International, Inc., Tequila Cuervo La Rojeña S.A. de C.V., and Diageo North America, Inc. claiming state and federal trademark infringement and federal trademark [\*\*11] dilution; sometime thereafter, Cuervo discontinued use of the red dripping wax seal and reverted to a red straight-edged wax seal. In its suit, Maker's Mark sought damages, injunctions against dilution and infringement, and costs. Cuervo counterclaimed for cancellation of the Maker's Mark trademark.

After a six-day bench trial, the district court found that Maker's Mark's red dripping wax seal is a valid trademark and that Cuervo had infringed that trademark. Based on those findings, the district court enjoined Cuervo permanently "from using red dripping wax on the cap of a bottle in the sale, offering for sale, distribution or advertising of Cuervo tequila products at any locality within the United States." The district court found that Cuervo had not diluted the mark and denied Maker's Mark's claim for damages; the district court also denied Cuervo's counterclaim for cancellation of the mark. In a separate opinion, the district court awarded Maker's Mark some of its costs.

Cuervo appeals the district court's determination that the red dripping wax seal is not aesthetically functional, some of the district court's factual findings, its balancing of those findings in determining Cuervo [\*\*12] had infringed, and its award of some of Maker's Mark's costs. Cuervo does not appeal the scope of the injunction.

## II.

### A. Aesthetic Functionality

[HN1]In a trademark case, this Court reviews a district court's factual findings for clear error and legal conclusions de novo. Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1186 (6th [\*\*\*8] Cir. 1988). [HN2]For a

trademark to be enforceable, it must be valid; one way to show a mark's validity is through its "incontestability." A trademark registered for five or more years becomes "incontestable" under 15 U.S.C. § 1065. Incontestability is "conclusive evidence of the validity of the registered mark," *id.* § 1115(b), except as to certain statutorily enumerated challenges, including the functionality of the mark, *id.* § 1115(b)(8). A registered mark may be found invalid if it is "functional." *See id.*; *id.* § 1052(e)(5). A trademark is functional [\*418] "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 165, 115 S. Ct. 1300, 131 L. Ed. 2d 248 (1995) (internal quotation marks omitted). A trademark may be determined to be functional under traditional functionality doctrine, as in Qualitex. Cuervo also argued [\*\*13] the seal was functional under an additional functionality doctrine, "aesthetic functionality." The district court concluded that the red dripping wax seal was not functional under either doctrine and that the mark was valid.

Cuervo appeals only the district court's ruling as to aesthetic functionality, arguing that the red dripping wax seal is aesthetically functional, and therefore the mark is not enforceable. The Supreme Court has discussed the concept of aesthetic functionality in dicta, noting that "[i]t is proper to inquire into a significant non-reputation-related disadvantage in cases of [aesthetic] functionality." Traffix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 33, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001) (internal quotation marks omitted). We have interpreted this dicta to propose that, "where an aesthetic feature (like color), serves a significant function . . . courts should examine whether the exclusive use of that feature by one supplier would interfere with legitimate competition." Antioch Co. v. W. Trimming Corp., 347 F.3d 150, 155 (6th Cir. 2003). It seems we have not yet plainly stated which test we would apply under aesthetic functionality doctrine, *see* Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc., 280 F.3d 619, 641 n.16 [\*\*14] and 642-43, or that we have even adopted aesthetic functionality doctrine at all, Antioch Co., 347 F.3d at 155-56 (questioning the validity of aesthetic functionality doctrine in the Sixth Circuit). We need not decide these questions today.

[\*\*\*9] [HN3]Under the competition theory of functionality adopted by the Sixth Circuit, we have considered two different tests, Abercrombie, 280 F.3d at

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[641 n.16](#) and [642](#) (citations and internal quotation marks omitted), to determine whether a trademark is functional and, thus, not enforceable:

The test for comparable alternatives asks whether trade-dress protection of certain features would nevertheless leave a variety of comparable alternative features that competitors may use to compete in the market. If such alternatives do not exist, the feature is functional; but if such alternatives do exist, then the feature is not functional . . . . The effective competition test asks . . . whether trade dress protection for a product's feature would hinder the ability of another manufacturer to compete effectively in the market for the product. If such hindrance is probable, then the feature is functional and unsuitable for protection. If the feature is not a likely [\*\*15] impediment to market competition, then the feature is nonfunctional and may receive trademark protection.

The inquiry in both tests is factual in nature. *See id.*

Even assuming we were to recognize aesthetic functionality doctrine, regardless of which test we would apply under that doctrine, the outcome is the same. Under either test, Cuervo's appeal on this claim does not succeed. The district court was not convinced "that it would be difficult or costly for competitors to design around" the mark and we do not disagree. There is more than one way to seal a bottle with wax to make it look appealing, and so Cuervo fails the comparable alternatives test. As to the effective competition test, the district court found that "red wax is not the only pleasing color of wax . . . nor [\*419] does it put competitors at a significant non-reputation related disadvantage to be prevented from using red dripping wax." The district court's findings are not clearly erroneous, and, based on those findings, Cuervo fails either test.

#### B. Factual Findings under *Frisch*

We have recognized four kinds of trademark infringement: palming off, confusion of sponsorship (also known as "association"), reverse confusion of sponsorship, [\*\*16] and dilution. [Ameritech, Inc. v. Am. Info. Techs. Corp.](#), 811 F.2d 960, 964-65 (6th Cir. 1987).

As the district court correctly noted, Maker's Mark focuses on [\*\*\*10] "confusion of sponsorship." Maker's Mark does not appeal the district court's adverse ruling on its dilution claim. [HN4]Confusion of sponsorship "occurs where the goods do not directly compete. In this situation, the goods are unrelated enough that no inference arises that they originated from the same source, but the similarity of the trademarks erroneously suggests a connection between the sources." *Id.* at 964. In any case, a court considering a claim for trademark infringement must determine the likelihood of consumer confusion. The factors the court should consider are: "1. strength of the plaintiff's mark; 2. relatedness of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5. marketing channels used; 6. likely degree of purchaser care; 7. defendant's intent in selecting the mark; [and] 8. likelihood of expansion of the product lines." [Frisch's Rests., Inc. v. Elby's Big Boy, Inc.](#), 670 F.2d 642, 648 (6th Cir. 1982) (quoting [Toho Co., Ltd. v. Sears, Roebuck & Co.](#), 645 F.2d 788, 790 (9th Cir. 1981)).

[HN5]We review [\*\*17] the district court's factual findings under *Frisch* for clear error. [Tumblebus Inc. v. Cranmer](#), 399 F.3d 754, 764 (6th Cir. 2005). We assess each factor with respect to the relevant consumer market; potential buyers of the "junior" product (here, Cuervo's Reserva de la Familia) are the relevant consumers. [Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.](#), 502 F.3d 504, 518 (6th Cir. 2007). Cuervo appeals the district court's findings on only three of the eight *Frisch* factors: strength, similarity, and actual confusion.

#### 1. Strength

[HN6]To evaluate the strength factor under the *Frisch* analysis, this Court "focuses on the distinctiveness of a mark and its recognition among the public." [Therma-Scan, Inc. v. Thermoscan, Inc.](#), 295 F.3d 623, 631 (6th Cir. 2002). One leading commentator usefully characterizes this evaluation as encompassing two separate components: (1) "conceptual strength," or "placement of the mark on the spectrum of marks," which encapsulates the question of inherent distinctiveness; and (2) "commercial strength" or "the marketplace recognition value of the mark." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11.83 (4th ed.). In other words, "[a] mark is [\*\*18] strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of [\*\*\*11] a particular source;

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it can become so because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both." [Homeowners Grp. v. Home Mktg. Specialists, Inc.](#), 931 F.2d 1100, 1107 (6th Cir. 1991) (internal quotation marks omitted).

[HN7]Because the strength of a trademark for purposes of the likelihood-of-confusion analysis depends on the interplay between conceptual and commercial strength, the existence of inherent distinctiveness is not the end of the inquiry. See [Therma-Scan, Inc.](#), 295 F.3d at 631-32 (noting that a mark can be inherently distinctive but not especially strong if it fails to attain broad public recognition); [Homeowners \[\\*\\*420\] Grp., Inc.](#), 931 F.2d at 1107 ("The District Court's finding that HMS was an arbitrary and inherently distinctive mark is only a first step in determining the strength of a mark in the marketplace."); see also McCarthy, *supra* § 11:83 ("[T]he true relative strength of a mark can only fully be determined by weighing [both] aspects of strength."). Thus, although inherent distinctiveness may provide powerful support [\*\*19] for the strength of a mark, the full extent of that support nonetheless depends on the scope of commercial recognition.

Here, the district court appropriately evaluated both components of the strength factor. From the physical characteristics of the mark, the district court specifically found the red dripping wax seal to be inherently distinctive based on its uniqueness and its potential to "draw in the customer" in an unusual manner. This finding of conceptual strength is bolstered by the mark's status as "incontestable," which entitles it to a presumption of strength, though the relative import of that presumption within the overall strength analysis still requires an analysis of "whether the mark is distinctive and well-known in the general population." [Therma-Scan, Inc.](#), 295 F.3d at 632; see also [Wynn Oil](#), 839 F.2d at 1187. As to commercial recognition, the district court found the seal "acquired secondary meaning through fifty years of use, extensive advertising and consumer recognition."<sup>3</sup> The district court also found that Maker's Mark's advertising [\*\*\*12] was intensive, citing the extent of its advertising budget that "focuses almost entirely on branding the red dripping wax," as well [\*\*20] as the significant public attention that the wax seal has received through the media. In further support of these findings, the district court also cited studies showing significant amounts of consumer dialogue about the brand, as well as a high level of recognition among

both whiskey drinkers and distilled-spirits drinkers more generally.

3 In light of the district court's finding that the mark is inherently distinctive, it did not need to consider secondary meaning. See [Two Pesos, Inc. v. Taco Cabana, Inc.](#), 505 U.S. 763, 769, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992) ("The general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning."). The district court's findings on secondary meaning, however, are nonetheless relevant to the broader questions of commercial recognition and overall strength. See McCarthy, *supra* § 11:83 (distinguishing between the analyses used to determine secondary meaning and strength).

Cuervo argues that the district court erred in its evaluation of the strength of the mark by (1) disregarding third-party use of red dripping wax seals; (2) failing [\*\*21] to give proper weight to the lack of a survey regarding recognition of the red dripping wax seal; (3) relying in its analysis on Maker's Mark's advertisements without apparent evidence of their dates or circulation; and (4) relying on evidence of the strength of the mark in the overbroad group of distilled spirits drinkers instead of prospective Reserva purchasers.

We recognize that "extensive third-party uses of a trademark [may] substantially weaken the strength of a mark." [Homeowners Grp.](#), 931 F.2d at 1108; [Herman Miller, Inc. v. Palazzetti Imps. & Exps., Inc.](#), 270 F.3d 298, 317 (6th Cir. 2001) (noting the possibility that the strength of a plaintiff's mark may be "weakened" by widespread use in the market, "causing the mark to "lose its significance as an indication of source." (quoting McCarthy, *supra* § 17:17)). Contrary to Cuervo's argument, the district court *did* consider evidence of third-party [\*421] use of similar seals on distilled spirits, but rejected that evidence as limited and unconvincing because it concerned seals used on all distilled spirits; the court found that the relevant use of the seals is limited to the "relevant market," and not among all distilled spirits. We [\*\*22] agree with the district court's finding and reasoning.

Next, [HN8]while "survey evidence is the most direct and persuasive evidence" of whether a mark has

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acquired secondary meaning, "consumer surveys . . . are not a [\*\*\*13] prerequisite to establishing secondary meaning." [Herman Miller, Inc., 270 F.3d at 312, 315](#) (citations and internal quotation marks omitted). Nor is such evidence indispensable to the broader question of commercial recognition. In light of the abundance of other evidence demonstrating market recognition, such as Maker's Mark's extensive marketing efforts focusing on the red dripping wax seal and its widespread publicity, it was not clear error for the district court to overlook the lack of survey evidence because that evidence was not determinative of the strength of the mark.

As to the district court's consideration of advertising evidence, the district court discussed the nature of the advertising and found that advertising efforts by Maker's Mark usually focus directly on the red dripping wax seal. As the record and the district court's opinion show, the district court had before it, and considered, an abundance of Maker's Mark advertisements that specifically feature the [\*\*23] red dripping wax seal. Moreover, these advertisements were recent, relevant, and strong enough to convince *Business Week*, in 2002, to declare the dripping wax seal "one of the most recognizable branding symbols in the world," and CBS Sunday Morning, in 2008, to refer to the process by which the seal is applied as the "famous dip in red sealing wax." These findings support the district court's ultimate conclusion regarding the breadth of market recognition of Maker's Mark's trademarked red dripping wax seal.

Finally, as to the district court's discussion of evidence of the mark's strength within the broader group of distilled spirits drinkers, the district court considered, but did not rest its holding on, this evidence. Instead, the district court based its holding primarily on the seal's "unique design and [Maker's Mark's] singular marketing efforts." We therefore find no error here.

In sum, none of Cuervo's arguments undermines the district court's finding "that the Maker's Mark red dripping wax seal is an extremely strong mark due to its unique design and the company's singular marketing efforts." We therefore conclude that the district court did not clearly err in its evaluation [\*\*24] of the strength of the red dripping wax seal.

#### [\*\*\*14] 2. Similarity

[HN9]In assessing similarity, "courts must determine whether a given mark would confuse the public when

viewed alone, in order to account for the possibility that sufficiently similar marks may confuse consumers who do not have both marks before them but who may have a general, vague, or even hazy, impression or recollection of the other party's mark." [Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Cntr., 109 F.3d 275, 283 \(6th Cir. 1997\)](#) (internal quotation marks omitted). The district court found this factor "narrowly favor[s] Maker's Mark," and found that, though "[v]ery few consumers . . . would buy one product believing it was the other," the seals were facially similar. The district court examined the two seals and found that "nothing on the products *other than* the red dripping wax . . . would suggest an association between the two."

[\*422] Cuervo focuses its argument on the relevance of the house marks--product labels identifying the name of the manufacturer--on the bottles. We have held that [HN10]the presence of a house mark can decrease the likelihood of confusion. [Therma-Scan, Inc., 295 F.3d at 634](#) ("[T]he presence of [a [\*\*25] house mark on a product] does not eliminate the similarity between the trademarks. Instead, this labeling diminishes the likelihood of confusion created by the comparable marks and reduces the importance of this factor."); [AutoZone, Inc. v. Tandy Corp., 373 F.3d 786, 797 \(6th Cir. 2004\)](#) ("The co-appearance of a junior mark and a house mark is not dispositive of dissimilarity, but it is persuasive."). The district court concluded that this consideration is not "as important in an association case, when the two products are related enough that one might associate with or sponsor the other and still use their own house mark."

In *AutoZone*, we found that the proximity of the Radio Shack house mark to the "POWERZONE" mark would alleviate any confusion between POWERZONE and AUTOZONE marks. *AutoZone* does not, however, stand for the proposition that the presence of a house mark always has significant weight in the similarity analysis; it merely states that presence of a house mark is a factor to be considered in the evaluation of similarity and, depending on the facts of the case, may be significant to the overall [\*\*\*15] likelihood of confusion. [AutoZone, Inc., 373 F.3d at 796-97](#). Furthermore, the [\*\*26] district court's analysis in this case highlights two factors that diminish the significance of the house marks in the present context. First, testimony in the record indicates that many consumers are unaware of the affiliations between brands of distilled spirits, and

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that some companies produce multiple types of distilled spirits, which supports the district court's assessment here. Second, [HN11]the presence of a house mark, as the district court correctly noted, is more significant in a palming off case than in an association case--as the district court reasoned, in an association case "when the two products are related enough . . . one might associate with or sponsor the other and still use their own house mark." Accordingly, the district court did not clearly err in its factual findings under this factor, and we adopt its findings.

### 3. Actual Confusion

The district court stated that "neither party produced meaningful evidence related to actual confusion" and concluded that the lack of evidence was "neutral." The district court reasoned that, though evidence of actual confusion might have been obtainable if it existed, Cuervo sold Reserva for a limited time and in limited quantities, and [\*\*27] so the district court did not place weight on the fact that Maker's Mark did not furnish "meaningful" evidence of actual confusion. Despite Cuervo's arguments to the contrary, this finding falls squarely within this Circuit's case law. [HN12]Though "[e]vidence of actual confusion is undoubtedly the best evidence of likelihood of confusion . . . a lack of such evidence is rarely significant." [Daddy's, 109 F.3d at 284](#) (citation and internal quotation marks omitted). Here, the Reserva product was sold for a short time and in limited quantities; under these circumstances, it is reasonable that no meaningful evidence of actual confusion was available. The district court did not clearly err in finding the lack of actual confusion evidence non-determinative, and we adopt its findings.

### C. Balancing the *Frisch* Factors

[HN13]We "review *de novo* the legal question of whether [the district court's *Frisch* factual findings] constitute a likelihood [\*\*423] of confusion." [Tumblebus Inc., 399 F.3d at 764](#) (quoting [Champions Golf Club, Inc. v. The Champions Golf Club, Inc., 78 F.3d 1111, \[\\*\\*\\*16\] 1116 \(6th Cir. 1996\)](#)) (internal quotation marks omitted). Because we find above that the district court did not reversibly err in its factual [\*\*28] findings on the three disputed factors--strength, similarity, and actual confusion--and because the parties do not dispute the district court's factual findings under the remaining five factors, we adopt all of the district court's factual findings and balance them *de novo*.

**1. Strength.** The district court found the evidence of the strength of the mark heavily favored Maker's Mark. We have held that [HN14]the strength of the mark supplies the weight it should be accorded in balancing. In general, "[t]he stronger the mark, all else equal, the greater the likelihood of confusion." [AutoZone, 373 F.3d at 794](#) (alteration in original) (quoting [Homeowners Grp., Inc., 931 F.2d at 1107](#)). Because the district court found the mark at issue here to be "extremely strong," the strength factor is weighed very heavily.

**2. Relatedness of the goods.** The district court found the goods were somewhat related because they were part of the same broad category of high-end distilled spirits, but not fully related because the Cuervo product was priced at \$100 per bottle, while Maker's Mark sold for \$24 per bottle. [HN15]Where the goods are "somewhat related but not competitive, the likelihood of confusion will turn on other [\*\*29] factors." [Daddy's, 109 F.3d at 282](#). Here, the district court found that the products are somewhat related. We accord this factor little weight because the products are competitive only within a very broad category and are only somewhat related; it is thus more appropriate to concentrate the weight of our balancing analysis on other factors.

**3. Similarity.** The district court found the similarity factor "narrowly favors Maker's [Mark]." "[HN16]The similarity of the senior and junior marks is 'a factor of considerable weight.'" [AutoZone, 373 F.3d at 795](#) (quoting [Daddy's, 109 F.3d at 283](#)).

**4. Actual confusion.** As discussed above, "[HN17]a lack of such evidence is rarely significant, and the factor of actual confusion is weighted heavily only where there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available." [Daddy's, 109 F.3d at 284](#) (internal quotation [\*\*\*17] marks omitted). The district court found that this factor was neutral. As we noted, the Reserva product was sold for a short time and in limited quantities; under these circumstances, we give the lack of evidence of actual confusion little weight.

**5. Marketing channels used by the [\*\*30] parties.** The court found the channels "similar in some ways and dissimilar in others. Perhaps this factor marginally favors Maker's Mark." The weight of this factor will not add much to a finding of infringement because of the equivocal nature of the district court's factual findings. We accord this factor very little weight.

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**6. Likely degree of purchaser care.** The district court found this factor "clearly favors" Cuervo because of the degree of care potential tequila customers would exercise in purchasing a \$100 bottle of Reserva; knowledgeable bourbon customers would also exercise similar care and, further, know that Maker's Mark sells only one kind of liquor. This factor, though strongly in favor of Cuervo, is not dispositive. "[HN18][C]onfusingly similar marks may lead a purchaser who is extremely careful and knowledgeable . . . to assume nonetheless that the seller is affiliated with or identical to the other party." *Id.* at 286. [\*424] For these reasons, we give this factor substantial weight.

**7. Intent.** The district court found Cuervo did not intend to infringe, but we give no weight to this finding because [HN19]"[i]ntent is an issue whose resolution may benefit only the cause of the senior user, [\*31] not of an alleged infringer." *Leelanau*, 502 F.3d at 520 (internal quotation marks omitted).

**8. Likelihood of expansion of product lines.** The district court found this factor was neutral where neither party put forth evidence of significant expansion plans.[HN20] Because a "strong possibility that either party will expand his business to compete with the other . . . will weigh in favor of finding that the present use is infringing," *Daddy's*, 109 F.3d at 287 (internal quotation marks omitted), a finding of little evidence of expansion plans is accorded little to no weight, but does not weigh against Maker's Mark, who, by this test, would benefit by any significant evidentiary showing under this [\*\*\*18] factor, no matter which of the parties intended to expand. For these reasons, we give this factor no weight.

The balance of the factors compels a finding of infringement. Excluding the neutral factors, the majority of the factors--strength, relatedness of the goods, similarity, and marketing channels--favor Maker's Mark. The district court found that Maker's Mark's trademark is "extremely strong," and we have adopted that finding. Further, we have said that [HN21]the "most important *Frisch* factors" are similarity [\*32] and strength of the mark, *Gray v. Meijer, Inc.*, 295 F.3d 641, 646 (6th Cir. 2002); both of these factors favor Maker's Mark. The "likely degree of purchaser care" factor "clearly" favors Cuervo. Though this factor is given substantial weight, this factor alone cannot override the "extreme" strength of the mark that, when coupled with similarity (which itself is given "considerable weight"), and combined with

the two other factors weighing in favor of Maker's Mark, together favor a finding of infringement. Buttressing this determination is that, in its briefing, Cuervo complains of errors in the district court's factual determinations, but does not argue that, even given the factual findings made by the district court, a de novo balancing under *Frisch* should come out in Cuervo's favor. While Cuervo disputes the factual findings themselves and the related *outcome* of the balancing, it does not argue that the weight given the factors should have been different.

We conclude that there is a likelihood of confusion between the products and that Cuervo has infringed.

### III.

In a separate memorandum opinion and order, the district court awarded Maker's Mark \$66,749.21 of the \$72,670.44 in costs [\*33] it requested. Cuervo argues that Maker's Mark is not a "prevailing party" under [Federal Rule of Civil Procedure 54\(d\)](#) because the district court only awarded Maker's Mark a permanent injunction, but not damages, on its infringement claim, and denied its request for a permanent injunction on its dilution claim. Cuervo argues that Maker's Mark should have either been awarded no costs or that the costs should have been apportioned.

[\*\*\*19] [HN22]This Court reviews a district court's decision to award costs under an abuse of discretion standard. *Singleton v. Smith*, 241 F.3d 534, 539-40 (6th Cir. 2001). "Generally, [finding an abuse of discretion] would require the lower court ignoring the criteria set by [the] Sixth Circuit or otherwise a certainty on [this Court's] part that a clear error in judgment was committed." *Id.* (citation omitted).

[\*425] [HN23][Rule 54\(d\)](#) provides that "costs--other than attorney's fees--should be allowed to the prevailing party." Under *Buckhannon Board and Care Home v. West Virginia Department of Health and Human Resources*, 532 U.S. 598, 121 S. Ct. 1835, 149 L. Ed. 2d 855 (2001), a party is the prevailing party where (1) it receives "at least some relief on the merits of [its] claim," and (2) there is a "judicially sanctioned [\*34] change in the legal relationship of the parties." *Id.* at 603, 605. Here, the district court did not abuse its discretion in awarding costs to Maker's Mark where Maker's Mark secured an injunction against Cuervo. Maker's Mark won on the merits of its infringement claim and the permanent injunction is a judicially sanctioned change in the

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relationship between the parties. [Andretti v. Borla Performance Indus., Inc.](#), 426 F.3d 824, 836 (6th Cir. 2005) (holding that even voluntary agreement to injunction "can support a determination that a party prevailed"). Maker's Mark did not need to win every claim to be considered the prevailing party. See [Lewis v. Pennington](#), 400 F.2d 806, 820 (6th Cir. 1968). Cuervo does not dispute the particulars of the district court's decision about which costs to allow and which costs to disallow, but merely seeks wholesale denial or apportionment of costs. The district court did not abuse its discretion in awarding some costs to the prevailing

party.

#### IV.

The district court did not reversibly err in its decisions regarding aesthetic functionality and in its factual findings under *Frisch*. We conclude that the *Frisch* factors weigh in Maker's Mark's favor. Further, [\*\*35] we hold the district court did not abuse its discretion in awarding some of Marker's Mark's costs. The judgments of the district court are **AFFIRMED**.



LEXSEE



Positive

As of: Aug 17, 2012

**ROSETTA STONE LTD, Plaintiff-Appellant, v. GOOGLE, INCORPORATED, Defendant-Appellee. THE UK INTELLECTUAL PROPERTY LAW SOCIETY, Amicus Curiae, ERIC GOLDMAN; PUBLIC CITIZEN; MARTIN SCHWIMMER, Limited Intervenors. INTERNATIONAL TRADEMARK ASSOCIATION; BLUES DESTINY RECORDS, LLC; CARFAX, INCORPORATED; FORD MOTOR COMPANY; HARMON INTERNATIONAL INDUSTRIES, INCORPORATED; THE MEDIA INSTITUTE; VIACOM, INC.; BURLINGTON COAT FACTORY WAREHOUSE CORPORATION; BUSINESS SOFTWARE ALLIANCE; CHANEL, INCORPORATED; COACH, INCORPORATED; GOVERNMENT EMPLOYEES INSURANCE COMPANY; HARRAH'S ENTERTAINMENT, INCORPORATED; LONGCHAMP USA, INCORPORATED; NATIONAL FOOTBALL LEAGUE; OAKLEY, INCORPORATED; PROFESSIONAL GOLFERS' ASSOCIATION OF AMERICA, INCORPORATED; ROLLS-ROYCE NORTH AMERICA, INCORPORATED; S.A.S. JEAN CASSEGRAIN; SUNKIST GROWERS, INCORPORATED; SWAROVSKI NORTH AMERICA, LTD.; THE ASSOCIATION FOR COMPETITIVE TECHNOLOGY; THE SUNRIDER CORPORATION; TIVO, INCORPORATED; TIFFANY & COMPANY; TUMI, INCORPORATED; UNITED CONTINENTAL HOLDINGS, INCORPORATED; 1-800 CONTACTS, INCORPORATED; CONVATEC, INCORPORATED; GURU DENIM, INCORPORATED; MONSTER CABLE PRODUCTS, INCORPORATED; PETMED EXPRESS, INC.; VOLUNTEERS OF AMERICA, Amici Supporting Appellant, PUBLIC CITIZEN; PUBLIC KNOWLEDGE; ELECTRONIC FRONTIER FOUNDATION; EBAY INCORPORATED; YAHOO! INCORPORATED, Amici Supporting Appellee.**

No. 10-2007

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

676 F.3d 144; 2012 U.S. App. LEXIS 7082; 102 U.S.P.Q.2D (BNA) 1473

September 22, 2011, Argued

April 9, 2012, Decided

**PRIOR HISTORY:** [\*\*1]

Appeal from the United States District Court for the Eastern District of Virginia, at Alexandria. (1:09-cv-00736-GBL-TCB). Gerald Bruce Lee, District Judge.

[Rosetta Stone Ltd. v. Google Inc., 730 F. Supp. 2d 531, 2010 U.S. Dist. LEXIS 78098 \(E.D. Va., 2010\)](#)

[Rosetta Stone Ltd. v. Google Inc., 732 F. Supp. 2d 628, 2010 U.S. Dist. LEXIS 77974 \(E.D. Va., 2010\)](#)

**DISPOSITION:** AFFIRMED IN PART, VACATED IN PART, AND REMANDED.

**CASE SUMMARY:**

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**PROCEDURAL POSTURE:** Plaintiff, a language teaching software company, sued defendant, an Internet search engine company, asserting claims for direct, contributory, and vicarious trademark infringement; dilution; and unjust enrichment. The United States District Court for the Eastern District of Virginia, at Alexandria granted defendant's motion for summary judgment on all claims and dismissed the unjust enrichment claim. Plaintiff appealed.

**OVERVIEW:** Plaintiff was a leading company in its field (language learning). When defendant allowed other advertisers to use plaintiff's trademarks as "key words" for Internet searches and in ad text, plaintiff filed the instant action. Inter alia, the appellate court held that, while failure to consider all nine of the traditional likelihood-of-confusion factors was not error, in addressing the remaining disputed factors, the district court did not properly apply the summary judgment standard of review but instead viewed the evidence much as it would during a bench trial. A reasonable trier of fact could find that defendant intended to cause confusion in that it acted with the knowledge that confusion was very likely to result from its use of the marks, there was no basis for dismissing anecdotal testimony of actual confusion from five customers, and it would have been reasonable to infer that a great number of the complaints to plaintiff's customer care center were from individuals confused by defendant's use of the trademarks. Evidence of a survey report conducted by an expert in market analysis and consumer behavior also should have been added to the other evidence of actual confusion.

**OUTCOME:** The appellate court affirmed the district court's order with respect to the vicarious infringement and unjust enrichment claims, but vacated the district court's order with respect to the direct infringement, contributory infringement and dilution claims and remanded these claims for further proceedings.

#### **LexisNexis(R) Headnotes**

##### ***Civil Procedure > Summary Judgment > Appellate Review > Standards of Review***

[HN1]In conducting a de novo review of the district court's order granting summary judgment, an appellate court views the facts and draw all reasonable inferences therefrom in the light most favorable to the nonmoving

party.

##### ***Trademark Law > Infringement Actions > Determinations***

[HN2]To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark in commerce and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) in connection with the sale, offering for sale, distribution, or advertising of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers. [15 U.S.C.S. § 1114\(a\)](#).

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 4th Circuit Court***

[HN3]The United States Court of Appeals for the Fourth Circuit has articulated at least nine factors that generally are relevant to the likelihood of confusion inquiry: (1) the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace; (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the markholders; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public.

##### ***Trademark Law > Infringement Actions > Summary Judgment > Standards***

##### ***Trademark Law > Likelihood of Confusion > General Overview***

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview***

[HN4]Although summary judgment on a likelihood of confusion issue is certainly permissible in appropriate cases, this is an inherently factual issue that depends on the facts and circumstances in each case.

##### ***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 4th Circuit Court***

[HN5]The United States Court of Appeals for the Fourth Circuit's judicially created list of the nine traditional likelihood-of-confusion factors is not intended to be exhaustive or mandatory. These factors are not always weighted equally, and not all factors are relevant in every

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case. In fact, there is no need for each factor to support the plaintiff's position on the likelihood of confusion issue. Rather, the confusion factors are only a guide--a catalog of various considerations that may be relevant in determining the ultimate statutory question of likelihood of confusion. Accordingly, there is no hard and fast rule that obligates the district court to discuss each non-mandatory factor. This is especially true when the offending use of the plaintiff's trademark is referential or nominative in nature. Unlike the typical infringement fact-pattern wherein the defendant passes off another's mark as its own and confuses the public as to precisely whose goods are being sold, a nominative use is one in which the defendant uses the plaintiff's trademark to identify the plaintiff's own goods, and makes it clear to consumers that the plaintiff, not the defendant, is the source of the trademarked product or service.

***Trademark Law > Infringement Actions > Defenses > Fair Use > Nominative Fair Use***

[HN6]In the context of a referential or nominative type of use of a trademark, the application of the traditional multi-factor test is difficult because often many of the factors are either unworkable or not suited or helpful as indicators of confusion in this context. Consideration of the similarity of the marks will always suggest the presence of consumer confusion--the mark used will always be identical because, by definition, nominative use involves the use of another's trademark in order to describe the trademark owner's own product. The similarity factor does not account for context and leads to the incorrect conclusion that virtually all nominative uses are confusing.

***Trademark Law > Infringement Actions > Defenses > Fair Use > Nominative Fair Use***

***Trademark Law > Subject Matter > Strength***

[HN7]The strength of a plaintiff's trademark mark is of limited probative value as to the confusion created by a nominative use. When a defendant creates an association between its goods or services and plaintiff's mark, the strength of the mark is relevant since encroachment upon a strong mark is more likely to cause confusion. A strong trademark is one that is rarely used by parties other than the owner of the trademark, while a weak trademark is one that is often used by other parties. Of course, in the nominative use context, the defendant is not passing off its products under the plaintiff's mark but rather is using plaintiff's mark to refer to plaintiff's own products. The

strength of the mark is often not informative as to confusion in this context.

***Trademark Law > Likelihood of Confusion > Similarity > General Overview***

[HN8]In the context of a trademark infringement action, when considering the similarity of facilities, courts are trying to determine if confusion is likely based on how and to whom the respective goods of the parties are sold, and the key question is whether both products are sold in the same channels of trade.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 4th Circuit Court***

[HN9]In the United States Court of Appeals for the Fourth Circuit, a district court opting not to address a given factor or group of factors relevant to a likelihood of confusion inquiry in a trademark action should provide at least a brief explanation of its reasons.

***Trademark Law > Likelihood of Confusion > Similarity > General Overview***

***Trademark Law > Likelihood of Confusion > Similarity > Relatedness***

[HN10]More than just source confusion is at issue in an infringement claim since the unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse an ordinary consumer as to the source or sponsorship of the goods. The confusion that is remedied by trademark and unfair competition law is confusion not only as to source, but also as to affiliation, connection or sponsorship.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview***

[HN11]Whether a sponsored link conforms to a search engine company's policy is not an issue that bears upon whether the consuming public, which is not privy to these policies, is confused by the actual use of the trademarks in sponsored links. What matters is whether the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview***

[HN12]Evidence of only a small number of instances of

actual confusion may be dismissed as de minimis where the number of opportunities for confusion is great.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview***

[HN13]Uncertainty about the origin of a product is quintessential actual confusion evidence.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview***

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 4th Circuit Court***

[HN14]A court may reach a conclusion about consumer sophistication based solely on the nature of the product or its price. This is correct if the court is making findings of fact on the likelihood of confusion issue following a bench trial. In the more relevant context of a summary judgment motion, however, that is not the case, as credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge ruling on a motion for summary judgment.

***Trademark Law > Likelihood of Confusion > General Overview***

***Trademark Law > Likelihood of Confusion > Intent > General Overview***

[HN15]In the United States Court of Appeals for the Fourth Circuit, a presumption of likelihood of consumer confusion arises from the intentional copying of plaintiff's trade dress or trademark by a defendant. The presumption arises only when the copier intends to exploit the good will created by an already registered trademark. Thus, where one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion. The Fourth Circuit applies such a presumption because one who tries to deceive the public should hardly be allowed to prove that the public has not in fact been deceived.

***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Functionality Defense***

[HN16]The functionality doctrine developed as a common law rule prohibiting trade dress or trademark rights in the functional features of a product or its

packaging. The purpose of the doctrine is to preserve the distinction between the realms of trademark law and patent law: The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). Patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs.

***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Functionality Defense***

[HN17]In 1998, Congress adopted the functionality doctrine by explicitly prohibiting trademark registration or protection under the Lanham Act for a functional product feature. [15 U.S.C.S. § 1052\(e\)\(5\)](#) prohibits registration of a mark which comprises any matter that, as a whole, is functional), and by making functionality a statutory defense to an incontestably registered mark, [15 U.S.C.S. § 1115\(b\)\(8\)](#). Although the Lanham Act does not define the term "functional," [15 U.S.C.S. § 1127](#), the U.S. Supreme Court has explained that a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. Under Inwood's traditional rule, a product feature is functional if it is the reason the device works, or it constitutes the actual benefit that the customer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product. Functional features or designs should be defined as those that are driven by practical, engineering-type considerations such as making the product work more efficiently, with fewer parts and longer life, or with less danger to operators, or be shaped so as to reduce expenses of delivery or damage in shipping.

***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions >***

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### ***Functionality Defense***

[HN18]Elaborating on the idea that the functionality doctrine keeps trademark law from inhibiting legitimate competition by allowing a producer to control a useful product feature, the U.S. Supreme Court has noted that if a feature is functional, exclusive use would put competitors at a significant non-reputation-related disadvantage. However, where the design is functional under the Inwood formulation there is no need to proceed further to consider if there is a competitive necessity for the feature.

### ***Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Functionality Defense***

[HN19]Once it is determined that a product feature is not functional, then the functionality doctrine has no application, and it is irrelevant whether a computer search engine functions better by use of the nonfunctional mark.

### ***Trademark Law > Infringement Actions > Contributory Infringement***

[HN20]Contributory infringement is a judicially created doctrine that derives from the common law of torts, under which liability may be imposed upon those who facilitate or encourage infringement. The U.S. Supreme Court has explained that if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit. It is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to identified individuals that it knows or has reason to know are engaging in trademark infringement. Contributory trademark infringement requires a showing that the defendant intentionally induced its customers to make infringing uses of the marks or supplied its products to identified individuals known by it to be engaging in continuing infringement. Finally, for there to be liability for contributory trademark infringement, the plaintiff must establish underlying direct infringement. In other words, there must necessarily have been an infringing use of the plaintiff's mark that was encouraged or facilitated by the defendant.

### ***Trademark Law > Infringement Actions > Contributory Infringement***

[HN21]Contributory trademark infringement liability may arise where a defendant is made aware that there was infringement on its site but ignored that fact.

### ***Trademark Law > Infringement Actions > General Overview***

[HN22]Vicarious liability in the trademark context is essentially the same as in the tort context: the plaintiff seeks to impose liability based on the defendant's relationship with a third party tortfeasor. Thus, liability for vicarious trademark infringement requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.

### ***Contracts Law > Types of Contracts > Implied-in-Law Contracts***

[HN23]A cause of action for unjust enrichment in Virginia rests upon the doctrine that a man shall not be allowed to enrich himself unjustly at the expense of another. To avoid unjust enrichment, equity will effect a "contract implied in law," i.e., a quasi contract, requiring one who accepts and receives the services of another to make reasonable compensation for those services. A plaintiff asserting unjust enrichment must demonstrate the following three elements: (1) he conferred a benefit on the defendant; (2) the defendant knew of the benefit and should reasonably have expected to repay the plaintiff; and (3) the defendant accepted or retained the benefit without paying for its value.

### ***Contracts Law > Types of Contracts > Implied-in-Law Contracts***

[HN24]Failure to allege an implicit promise to pay is not necessarily fatal to an implied contract theory. Virginia distinguishes between two types of implied contracts: contracts that are implied-in-fact and contracts that are implied-in-law. An implied-in-fact contract is an actual contract that was not reduced to writing, but the court infers the existence of the contract from the conduct of the parties. To recover under a contract implied-in-fact, a plaintiff must allege facts to raise an implication that the defendant promised to pay the plaintiff for such benefit.

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***Contracts Law > Types of Contracts > Implied-in-Law Contracts***

[HN25]The concept of an implied-in-law contract, or quasi contract, applies only when there is not an actual contract or meeting of the minds.

***Civil Procedure > Appeals > Standards of Review > General Overview***

[HN26]An appellate court can affirm the dismissal of the complaint on any basis fairly supported by the record.

***Communications Law > Federal Acts > Communications Decency Act***

[HN27]Under the Communications Decency Act because a company that is no more than an interactive computer service provider cannot be liable for the actions of third party advertisers. No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.

***Trademark Law > Dilution of Famous Marks > General Overview***

[HN28]Unlike traditional infringement law, the prohibitions against trademark dilution are not motivated by an interest in protecting consumers. Dilution is not concerned with confusion in the marketplace. Rather, dilution theory provides that if customers or prospective customers see the plaintiff's famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be "diluted" or weakened. Thus, trademark dilution is the whittling away of the established trademark's selling power and value through its unauthorized use by others.

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

[HN29]See [15 U.S.C.S. § 1125\(c\)\(1\)](#).

***Trademark Law > Dilution of Famous Marks > Blurring***

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

***Trademark Law > Dilution of Famous Marks > Tarnishment***

[HN30][15 U.S.C.S. § 1125](#) defines "dilution by blurring" as the association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. [15 U.S.C.S. § 1125\(c\)\(2\)\(B\)](#). "Dilution by tarnishment" is defined as the association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark. [15 U.S.C.S. § 1125\(c\)\(2\)\(C\)](#). Thus, blurring under the federal statute involves the classic whittling away of the selling power and strength of the famous mark. Tarnishment, by contrast, creates consumer aversion to the famous brand--e.g., when the plaintiff's famous trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context such that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods.

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

***Trademark Law > Infringement Actions > Defenses > Fair Use > Nominative Fair Use***

[HN31]The Federal Trademark Dilution Act (FTDA) expressly excludes from its reach any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services. [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#). The statute specifically provides comparative advertising and parody as examples of non-dilutive fair uses. [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)\(i\) & \(ii\)](#). Accordingly, fair use, though not so labeled in the statute, essentially amounts to an affirmative defense against a claim of trademark dilution.

***Trademark Law > Dilution of Famous Marks > Factors***

[HN32]To state a prima facie dilution claim under the Federal Trademark Dilution Act (FTDA), the plaintiff must show the following: (1) that the plaintiff owns a famous mark that is distinctive; (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark; (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

***Trademark Law > Dilution of Famous Marks >***

***Blurring******Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act******Trademark Law > Dilution of Famous Marks > Tarnishment******Trademark Law > Infringement Actions > Defenses > Fair Use > General Overview***

[HN33]Under [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#), any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services is not actionable as dilution by blurring or dilution by tarnishment.

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act******Trademark Law > Infringement Actions > Defenses > Fair Use > General Overview***

[HN34]Courts view [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#) as affording a fair use defense to defendants in dilution actions. In the United States Court of Appeals for the Fourth Circuit's view, once the owner of a famous mark establishes a prima facie case of dilution by blurring or tarnishment, it falls to the defendant to demonstrate that its use constituted a fair use other than as a designation of source for the defendant's own goods or services, [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#). Whether a copyright dilution defendant used the mark other than as a source identifier and in good faith is an issue that the defendant, not the copyright owner, is obligated to establish.

***Trademark Law > Dilution of Famous Marks > Evidence******Trademark Law > Dilution of Famous Marks > Factors******Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act******Trademark Law > Infringement Actions > Defenses > Fair Use > General Overview***

[HN35][15 U.S.C.S. § 1125](#) requires more than showing that defendant's use was other than as a designation of source--the defendant's use must also qualify as a fair use. [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#).

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act******Trademark Law > Infringement Actions > Defenses > Fair Use > General Overview******Trademark Law > Infringement Actions > Defenses >******Fair Use > Classic Fair Use***

[HN36]Although the Federal Trademark Dilution Act (FTDA) does not expressly define fair use, the classic concept of fair use is well-established and incorporated as an affirmative defense to a claim of trademark infringement. [15 U.S.C.S. § 1115\(b\)\(4\)](#). The contours of the fair-use defense in the infringement context are therefore instructive on the classic or descriptive fair-use defense to a dilution claim.

***Governments > Legislation > Interpretation***

[HN37]Identical words used in different parts of the same act are intended to have the same meaning.

***Trademark Law > Infringement Actions > Defenses > Fair Use > Classic Fair Use******Trademark Law > Infringement Actions > Defenses > Fair Use > Nominative Fair Use***

[HN38]Descriptive, or classic, fair use applies when the defendant is using a trademark in its primary, descriptive sense to describe the defendant's goods or services. [15 U.S.C.S. § 1115\(b\)\(4\)](#). The Federal Trademark Dilution Act (FTDA) also expressly includes nominative fair use as a defense. [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)](#). Typically, nominative fair use comes into play when the defendant uses the famous mark to identify or compare the trademark owner's product. Regardless of the type of fair use claimed by a defendant, a common component of fair use is good faith. In this context, the inquiry into the defendant's good faith concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship. In order to avail itself of the nominative fair use defense, the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.

***Trademark Law > Dilution of Famous Marks > Blurring******Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

[HN39]To determine whether the defendant's use is likely to impair the distinctiveness of the plaintiff's famous mark, the Federal Trademark Dilution Act (FTDA) enumerates a non-exhaustive list of six factors that are to be considered by the courts: In determining whether a mark or trade name is likely to cause dilution by blurring,

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the court may consider all relevant factors, including the following: (i) The degree of similarity between the mark or trade name and the famous mark. (ii) The degree of inherent or acquired distinctiveness of the famous mark. (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark. (iv) The degree of recognition of the famous mark. (v) Whether the user of the mark or trade name intended to create an association with the famous mark. (vi) Any actual association between the mark or trade name and the famous mark. [15 U.S.C.S. §1125\(c\)\(2\)\(B\)](#). Although not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors, a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive.

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act  
Trademark Law > Infringement Actions > Defenses > Fair Use > Classic Fair Use***

[HN40]Congress has expressly included parody as a protected fair use under the Federal Trademark Dilution Act (FTDA) so long as the mark being parodied is not being used as a designation of source for the person's own goods or services. [15 U.S.C.S. § 1125\(c\)\(3\)\(A\)\(ii\)](#). The United States Court of Appeals for the Fourth Circuit has concluded that a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous.

***Trademark Law > Dilution of Famous Marks > Factors  
Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

[HN41]Under the Federal Trademark Dilution Act (FTDA), a trademark dilution complainant must show only a likelihood of dilution and need not prove actual economic loss or reputational injury.

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act  
Trademark Law > Infringement Actions > Remedies > Equitable Relief > General Overview***

[HN42]Under the Federal Trademark Dilution Act (FTDA), the owner of a famous mark may obtain injunctive relief against any person who, at any time after the owner's mark has become famous, commences use of a mark in commerce that is likely to cause dilution. [15](#)

[U.S.C.S. § 1125\(c\)\(1\)](#). A threshold issue, therefore, is whether the plaintiff's mark became famous, if at all, before the defendant began using the mark in commerce.

***Civil Procedure > Appeals > Standards of Review > General Overview***

[HN43]An appellate court is not limited to evaluation of the grounds offered by the district court to support its decision and may affirm on any grounds apparent from the record.

***Trademark Law > Dilution of Famous Marks > Factors  
Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

[HN44]Under [15 U.S.C.S. § 1125](#), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#). This is not an easy standard to achieve. Courts agree that a mark must be truly prominent and renowned to be granted the extraordinary scope of exclusive rights created by the Federal Trademark Dilution Act (FTDA). Because protection from dilution comes close to being a "right in gross," the FTDA extends dilution protection only to those whose mark is a household name.

***Trademark Law > Dilution of Famous Marks > General Overview***

***Trademark Law > Dilution of Famous Marks > Federal Trademark Dilution Act***

[HN45]For [15 U.S.C.S. § 1125\(c\)\(1\)](#) to apply, the defendant must have commenced a diluting use of the plaintiff's mark after the point at which the mark became famous. The policy basis for this rule reflects the fair and equitable principle that one should not be liable for dilution by the use of a mark which was legal when first used.

***Trademark Law > Dilution of Famous Marks > Evidence***

[HN46]The Federal Trademark Dilution Act (FTDA) does not permit the owner of a famous mark to pick and choose which diluting use counts for purposes of [15 U.S.C.S. § 1125\(c\)\(1\)](#).

***Trademark Law > Dilution of Famous Marks > General***



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**Overview**

**Trademark Law > Dilution of Famous Marks > Factors**

[HN47]In making the determination as to whether a trademark is famous, the district court should assess fame in light of the relevant statutory factors, [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#), as well as the strong showing required to establish fame under this statute.

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**JUDGES:** Before TRAXLER, Chief Judge, KEENAN, Circuit Judge, and HAMILTON, Senior Circuit Judge. Chief Judge Traxler wrote the opinion, in which Judge Keenan and Senior Judge Hamilton joined.

**OPINION BY:** TRAXLER

## OPINION

[\*149] TRAXLER, Chief Judge:

Appellant Rosetta Stone [\*\*4] Ltd. appeals from an order, *see Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010), granting summary judgment against Rosetta Stone on its claims against Appellee Google Inc. for trademark infringement, *see* 15 U.S.C. § 1114(1)(a); contributory and vicarious trademark infringement; and trademark dilution, *see* 15 U.S.C. § 1125(c)(1). Rosetta Stone also appeals from an order dismissing its unjust enrichment claim under Virginia Law. *See Rosetta Stone Ltd. v. Google Inc.*, 732 F. Supp. 2d 628 (E.D. Va. 2010). For the reasons that follow, we affirm the district [\*150] court's order with respect to the vicarious infringement and unjust enrichment claims; however, we vacate the district court's order with respect to the direct infringement, contributory infringement and dilution claims and remand these claims for further proceedings.

## I. Background

[HN1]In conducting a *de novo* review of the district court's order granting summary judgment in favor of Google, "we view the facts and draw all reasonable inferences therefrom in the light most favorable to [Rosetta Stone], as the nonmoving party." *Georgia Pac. Consumer Prods., LP v. Von Drehle Corp.*, 618 F.3d 441, 445 (4th Cir. 2010). Bearing [\*\*5] this standard in mind, we review the underlying facts briefly.

Rosetta Stone began in 1992 as a small, family-owned business that marketed its language-learning software under the brand name "Rosetta Stone."<sup>1</sup> By 2006, Rosetta Stone had become an industry leader in technology-based language-learning products and online services, and, by January 2010, it had become a publicly traded corporation with 1,738 employees and gross revenues of approximately \$252 million. Its products consist of "software, online services and audio practice tools" available in over thirty languages. J.A. 203.

1 The actual Rosetta Stone, discovered in 1799, is a granite stele bearing a royal Egyptian decree etched in three languages: Greek, hieroglyphic, and demotic. The discovery of this stone became the "key to the deciphering of Egyptian hieroglyphics." Barbara Green, *Cracking the*

*Code: Interpreting and Enforcing the Appellate Court's Decision and Mandate*, 32 Stetson L. Rev. 393, 393 (2003) (internal quotation marks omitted). The term "Rosetta Stone" has become somewhat of a common metaphor for anything that provides the means for solving a difficult problem or understanding a code.

Rosetta Stone owns and uses several [\*\*6] registered marks in connection with its products and services: ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD. Using this family of registered marks, Rosetta Stone markets its brand through various types of media, including the Internet, television, radio, magazines and other print media, and kiosks in public venues. From 2003 through 2009, Rosetta Stone spent approximately \$57 million for television and radio advertising, \$40 million for print media marketing, and \$12.5 million to advertise on the Internet. In 2009, Rosetta Stone's marks enjoyed the highest level of brand recognition by far in the domestic language-learning market.<sup>2</sup> Rosetta Stone has achieved international success as well, with its products in use in over 150 countries.

2 Rosetta Stone conducted a brand equity study in February 2009 showing a substantial gap in actual recognition of the Rosetta Stone mark and the closest competing brand. When asked to identify without prompting "all brand names that come to mind when you think of language learning," almost 45% of the respondents were able to recall "Rosetta Stone," while only about 6% thought of "Berlitz," the second-place [\*\*7] finisher. J.A. 2288. When prompted, 74% indicated they had heard of Rosetta Stone language products. Berlitz, again the closest competitor, was familiar to only 23% of the respondents when prompted.

Rosetta Stone began advertising in connection with Google's website and online services in 2002 and has continued to do so since that time. Google operates one of the world's most popular Internet search engines--programs that enable individuals to find websites and online content, generally through the use of a "keyword" search. *See Retail Servs., Inc. v. Freebies Publ'g*, 364 F.3d 535, 541 n.1 (4th Cir. 2004). When an Internet user enters a word or phrase--the keyword or

keywords--into Google's search engine, Google returns a results list of links to [\*151] websites that the search engine has determined to be relevant based on a proprietary algorithm.

In addition to the natural list of results produced by the keyword search, Google's search engine also displays paid advertisements known as "Sponsored Links" with the natural results of an Internet search. Google's AdWords advertising platform permits a sponsor to "purchase" keywords that trigger the appearance of the sponsor's advertisement and link [\*\*8] when the keyword is entered as a search term. In other words, an advertiser purchases the right to have his ad and accompanying link displayed with the search results for a keyword or combination of words relevant to the advertiser's business. Most sponsors advertising with Google pay on a "cost-per-click" basis, meaning that the advertiser pays whenever a user of Google's search engine clicks on the sponsored link.

Google displays up to three sponsored links in a highlighted box immediately above the natural search results, and it also displays sponsored links to the right of the search results, but separated by a vertical line. As this suggests, more than one sponsor can purchase the same keyword and have a link displayed when a search for that keyword is conducted. Would-be advertisers purchase their desired keywords through an auction where advertisers bid competitively against each other for page position on the search results page. Generally speaking, users of the Internet are apparently more likely to click on ads that appear higher up on the search results page. Accordingly, an advertiser will try to outbid its competitors for the top positions in order to maximize the number [\*\*9] of clicks on the advertiser's text ads. For the advertiser, more clicks yield increased web traffic, which means more potential website sales. Google, in turn, benefits by placing the most relevant ads in the most desirable locations, which increases the likelihood of a high click-through rate and leads to increased advertising revenue.

An advertiser must register for a Google AdWords account before bidding on a keyword. Under AdWords' boilerplate terms and conditions, the account holder must agree to assume responsibility for its selected keywords, for all advertising content, and for "ensuring that [its] use of the keywords does not violate any applicable laws." J.A. 4081. Account holders must also agree to refrain

from "advertis[ing] anything illegal or engag[ing] in any illegal or fraudulent business practice." J.A. 2382.

Prior to 2004, Google's policy precluded both the use of trademarks in the text of an advertisement and the use of trademarks as keywords upon request of the trademark owner. In 2004, Google loosened its trademark usage policy to allow the use of third-party trademarks as keywords even over the objection of the trademark owner. Google later even introduced a trademark-specific [\*\*10] keyword tool that suggested relevant trademarks for Google's advertising clients to bid on as keywords. Google, however, continued to block the use of trademarks in the actual advertisement text at the request of a trademark owner. At that time, Google's internal studies suggested the unrestricted use of trademarks in the text of an advertisement might confuse Internet users.

Finally, in 2009, Google changed its policy to permit the limited use of trademarks in advertising text in four situations: (1) the sponsor is a reseller of a genuine trademarked product; (2) the sponsor makes or sells component parts for a trademarked product; (3) the sponsor offers compatible parts or goods for use with the trademarked product; or (4) the sponsor provides information about or reviews [\*152] a trademarked product. Google's policy shift came after it developed the technology to automatically check the linked websites to determine if the sponsor's use of the trademark in the ad text was legitimate.<sup>3</sup>

3 This automated tool checks the "landing page"--i.e., the page linked to the ad referring to the trademark--and determines whether the page uses the trademark prominently; whether the page contains commercial [\*\*11] information suggesting the sponsor is a reseller; and whether the landing page is a review site.

Rosetta Stone contends that Google's policies concerning the use of trademarks as keywords and in ad text created not only a likelihood of confusion but also actual confusion as well, misleading Internet users into purchasing counterfeit ROSETTA STONE software. Moreover, Rosetta Stone alleges that it has been plagued with counterfeiters since Google announced its policy shift in 2009. According to Rosetta Stone, between September 3, 2009, and March 1, 2010, it was forced to report 190 instances to Google in which one of Google's sponsored links was marketing counterfeit ROSETTA STONE products.

Rosetta Stone filed this action against Google, asserting several claims: direct trademark infringement under the Lanham Act, *see* [15 U.S.C. § 1114\(1\)\(a\)](#); contributory trademark infringement; (3) vicarious trademark infringement; (4) trademark dilution, *see* [15 U.S.C. § 1125\(c\)\(1\)](#); and (5) unjust enrichment. Google filed a motion for summary judgment as to all claims except unjust enrichment. As to that claim, Google moved to dismiss. The district court granted Google's motion for summary judgment on [\*\*12] all claims and granted the motion to dismiss the unjust enrichment claim. The district court denied Rosetta Stone's cross-motion for partial summary judgment.

## II. Direct Infringement

The district court entered summary judgment against Rosetta Stone as to its direct trademark infringement claim, concluding (A) that there is not a genuine issue of fact as to whether Google's use of ROSETTA STONE created a likelihood of confusion; and (B) that the "functionality doctrine" shielded Google from liability in any event. We conclude that neither ground can sustain the summary judgment order as to this claim. Accordingly, we vacate the district court's order as it pertains to the direct infringement claim and remand for further proceedings.

### A. Likelihood of Confusion

[HN2]To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark "in commerce" and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers. [\*\*13] [15 U.S.C. § 1114\(a\)](#); *see* [Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC](#), 507 F.3d 252, 259 (4th Cir. 2007); [People for the Ethical Treatment of Animals v. Doughney](#), 263 F.3d 359, 364 (4th Cir. 2001).

According to the district court, Google did not dispute that Rosetta Stone was able to surmount the summary judgment barrier on all of the infringement elements except the likelihood of confusion element. *See* [Rosetta Stone](#), 730 F. Supp. 2d at 540-41. On appeal, Google does not take issue with this statement.<sup>4</sup> Thus, we assume for [\*\*153] purposes of this appeal that Google's

policy permitting advertisers to use Rosetta Stone's marks as keywords in the AdWords program and to use Rosetta Stone's marks in the text of advertisements constituted an unauthorized use "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." [15 U.S.C. § 1114\(1\)\(a\)](#). The only question for us on Rosetta Stone's direct trademark infringement claim is whether there is sufficient evidence for a finder of fact to conclude that Google's "use" of the mark in its AdWords program is "likely to produce confusion in the minds of consumers about the origin of the [\*\*14] goods or services in question." [CareFirst of Md., Inc. v. First Care, P.C.](#), 434 F.3d 263, 267 (4th Cir. 2006) (internal quotation marks omitted).

4 We note, however, that Google, in its memorandum filed in support of its motion for summary judgment, argued that it had not "used" Rosetta Stone's marks as contemplated by [15 U.S.C. § 1114\(a\)](#), but rather had merely sold advertising space to others who were "using" the mark. J.A. 4103. And, we see nothing in the hearing transcript suggesting that Google conceded that it "used" the mark "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." [15 U.S.C. § 1114\(1\)\(a\)](#). Since it is not an issue in this appeal, we express no opinion today as to whether Google "used" these marks as contemplated by the Lanham Act. *See, e.g., Rescucom Corp. v. Google Inc.*, 562 F.3d 123, 129-31 (2d Cir. 2009) (holding that Google's auctioning of trademarks qualifies as a "use in commerce").

[HN3]This court has articulated at least nine factors that generally are relevant to the "likelihood of confusion" inquiry:

(1) the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace; [\*\*15] (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the markholders; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the

676 F.3d 144, \*153; 2012 U.S. App. LEXIS 7082, \*\*15;  
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sophistication of the consuming public.

George & Co., LLC v. Imagination Entm't Ltd., 575 F.3d 383, 393 (4th Cir. 2009). [HN4]Although summary judgment on the likelihood of confusion issue is certainly permissible in appropriate cases, we have noted this is "an inherently factual issue that depends on the facts and circumstances in each case." Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc., 43 F.3d 922, 933 (4th Cir. 1995) (internal quotation marks omitted).

The district court indicated that "only three of the nine confusion factors are in dispute: (1) defendant's intent; (2) actual confusion; and (3) the consuming public's sophistication." Rosetta Stone, 730 F. Supp. 2d at 541. Weighing both Rosetta Stone's evidence and Google's rebuttal evidence, the district court concluded that all three "disputed" factors favored Google. The district [\*16] court then stated that it had "[b]alanc[ed] all of the disputed likelihood of confusion factors, . . . [and] conclude[d] that Google's use of the Rosetta Stone Marks d[id] not amount to direct trademark infringement." Id. at 545. On appeal, Rosetta Stone argues that the district court failed to consider the effect of the other "undisputed" confusion factors, suggesting that all of these factors favor Rosetta Stone. Rosetta Stone also contends that there was sufficient evidence to create a genuine issue of fact as to whether the three "disputed" confusion factors favored Google or Rosetta Stone. We address these arguments in turn.

#### 1. Failure to Address All Factors

Rosetta Stone contends that the district court's failure to consider all nine of the traditional likelihood-of-confusion [\*154] factors was reversible error. We cannot agree. [HN5]This judicially created list of factors is not intended to be exhaustive or mandatory. See Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984) (setting forth factors one through seven); see also Sara Lee Corp. v. Kayser-Roth Corp., 81 F.3d 455, 463-64 (4th Cir. 1996) (identifying factors eight and nine). These "factors are not always weighted equally, [\*17] and not all factors are relevant in every case." Louis Vuitton, 507 F.3d at 259-60. In fact, "there is no need for each factor to support [the plaintiff's] position on the likelihood of confusion issue." Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 171 (4th Cir. 2006). Rather, the confusion "factors are only a guide--a catalog of various considerations that may be relevant in determining the

ultimate statutory question of likelihood of confusion." Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316, 320 (4th Cir. 1992). Accordingly, there is no hard and fast rule that obligates the district court to discuss each non-mandatory factor.

This is especially true when the offending use of the plaintiff's trademark is referential or nominative in nature. See Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 217 (3d Cir. 2005). Unlike the typical infringement fact-pattern wherein the defendant "passe[s] off another's mark as its own" and "confus[es] the public as to precisely whose goods are being sold," *id.*, a nominative use is one in which the defendant uses the plaintiff's trademark to identify the plaintiff's own goods, see Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102 (2d Cir. 2010), [\*18] and "makes it clear to consumers that the plaintiff, not the defendant, is the source of the trade-marked product or service," Century 21, 425 F.3d at 220; see Tiffany, 600 F.3d at 102 (explaining that a "nominative fair use" does not create "confusion about the source of [the] defendant's product" (internal quotation marks omitted)). An example of this type of use would be where an automobile repair shop specializing in foreign vehicles runs an advertisement using the trademarked names of various makes and models to highlight the kind of cars it repairs. See New Kids On The Block v. News Am. Publ'g, Inc., 971 F.2d 302, 306-07 (9th Cir. 1992).

[HN6]In the context of a referential or nominative type of use, the application of the traditional multi-factor test is difficult because often many of the factors "are either unworkable or not suited or helpful as indicators of confusion in this context." Century 21, 425 F.3d at 224; see Playboy Enters., Inc. v. Welles, 279 F.3d 796, 801 (9th Cir. 2002). For example, the first two factors in our list--the similarity of the marks and the strength of the plaintiff's mark--are clearly of limited value for assessing the kind of use at issue here. Consideration [\*19] of the similarity of the marks will *always* suggest the presence of consumer confusion--the mark used will always be *identical* "because, by definition, nominative use involves the use of *another's* trademark in order to describe the trade-mark owner's *own* product." Century 21, 425 F.3d at 224. The similarity factor does not account for context and "lead[s] to the incorrect conclusion that virtually all nominative uses are confusing." Playboy Enters., 279 F.3d at 801.

[HN7]The strength of the plaintiff's mark is also of limited probative value as to the confusion created by a nominative use. When a defendant creates an association between its goods or services and plaintiff's mark, the strength of the mark is relevant since encroachment upon a strong mark is more likely to cause confusion. See [CareFirst of Md.](#), 434 F.3d at 270 ("A strong trademark is one that is rarely used by parties other than the owner of the [\*155] trademark, while a weak trademark is one that is often used by other parties." (internal quotation marks omitted)). Of course, in the nominative use context, the defendant is not passing off its products under the plaintiff's mark but rather is using plaintiff's mark to refer to plaintiff's [\*\*20] own products. The strength of the mark is often not informative as to confusion in this context. See [Century 21](#), 425 F.3d at 225.

The district court also did not address the two factors relating to the trademarked goods--the similarity of the parties' goods and services and the quality of the defendant's goods. Because Google offers no products or services under Rosetta Stone's mark, these factors are irrelevant in this context.

The final two factors not addressed by the district court--the similarity of facilities and the similarity of advertising--are likewise of no relevance here. [HN8]When considering the similarity of facilities, courts are trying to determine if confusion is likely based on "how and to whom the respective goods of the parties are sold," and the key question is whether "both products [are] sold in the same 'channels of trade.'" 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:51 [hereinafter *McCarthy on Trademarks*]; see [Sara Lee Corp.](#), 81 F.3d at 466 (similarity of distribution channels favored confusion where the parties' products were sold, "often side-by-side," in the same mass merchandising outlets). As Google distributes no respective product [\*\*21] via the Internet or other outlets, this factor does not aid the likelihood-of-confusion analysis in this case.

We hasten to add that we are not adopting a position about the viability of the nominative fair-use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way. That question has not been presented here and we leave it for another day. We have merely attempted to highlight the problems

inherent in the robotic application of each and every factor in a case involving a referential, nontrademark use. Accordingly, the district court did not commit reversible error in failing to address every factor. In the future, however, [HN9]a district court opting not to address a given factor or group of factors should provide at least a brief explanation of its reasons.

## 2. Remaining "Disputed" Factors: Genuine Issues of Fact

Nevertheless, we agree that summary judgment should not have been granted. As explained in the discussion that follows, the district court did not properly apply the summary judgment standard of review but instead viewed the evidence much as it would during a bench trial.

### (a) Intent

The district court [\*\*22] concluded that no reasonable trier of fact could find that Google intended to create confusion by permitting the use of ROSETTA STONE in the text of sponsored links or as keywords in Google's AdWords program. The court found it especially significant that "there is no evidence that Google is attempting to pass off its goods or services as Rosetta Stone's." [Id.](#) at 541.

The record shows that prior to 2004, Google did not allow the use of trademarks as keyword search triggers for unauthorized advertisers or in the body or title of the text of an advertisement. In 2004, Google loosened its restrictions on the use of trademarks as keywords to "[p]rovide users with more choice and greater access to relevant information." J.A. 4264. The underlying reason was largely financial, as [\*156] Google's research showed that "[a]bout 7% [of its] total revenue [was] driven by [trademark]ed keywords." J.A. 4265. With the policy shift, Google understood that "[t]here [would be] a slight increase in risk that we and our partners will be the subject of lawsuits from unhappy trademark owners." J.A. 4271. At that time, however, Google "continue[d] to prevent advertisers from using . . . trademarks in their *ad text* [\*\*23] or *ad titles* unless the advertiser is authorized to do so by the trademark owner." J.A. 4263. Indeed, internal studies performed by Google at this time suggested that there was significant source confusion among Internet searchers when trademarks were included in the title or body of the advertisements.

Nonetheless, Google shifted its policy again in 2009,

telling its customers and potential customers that "we are adjusting our trademark policy . . . to allow some ads to use trademarks in the ad text. Under certain criteria, you can use trademark terms in your ad text . . . even if you don't own that trademark or have explicit approval from the trademark owner to use it." J.A. 4383. Google expected a substantial boost in revenue from the policy change as well as an uptick in litigation from trademark owners. The record does not contain further Google studies or any other evidence suggesting that in 2009 source confusion relating to the use of trademarks in the body of an advertisement was any less significant than in 2004. Viewing the evidence and all reasonable inferences in a light most favorable to Rosetta Stone, as we are required to do on a motion for summary judgment, we conclude [\*\*24] that a reasonable trier of fact *could* find that Google intended to cause con-fusion in that it acted with the knowledge that confusion was very likely to result from its use of the marks.

(b) Actual Confusion

(i) Actual Purchaser Confusion

Rosetta Stone presented both survey and anecdotal evidence of actual confusion in connection with Google's use of trademarks in its AdWords program. See [George & Co., 575 F.3d at 398](#) ("Actual confusion can be demonstrated by both anecdotal and survey evidence."). Both types of evidence are relevant, and neither category is necessarily required to prove actual confusion. See [Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc., 87 F.3d 654, 661 \(4th Cir. 1996\)](#).

First, the record includes the deposition testimony of five consumers who attempted to buy a ROSETTA STONE software package via the Internet in 2009 after Google began permitting use of ROSETTA STONE and other trademarks in the text of the sponsored links. Each of these would-be customers purchased bogus ROSETTA STONE software from a sponsored link that they mistakenly believed to be either affiliated with Rosetta Stone or authorized by Rosetta Stone to resell or distribute genuine [\*\*25] software. In each instance, the customer received fake software that would not load onto his or her computer or was so faulty after loading as to be altogether useless. Each witness testified that he or she called Rosetta Stone directly, believing that Rosetta Stone would assist because it was a defective genuine product or that Rosetta Stone had empowered the reseller to offer its products. Typical of this set of witnesses was

Steve Dubow, a college-educated founder and owner of a software company. Mr. Dubow testified that he wanted to learn Spanish and, after conducting his own research on the Internet, concluded that the ROSETTA STONE brand was best for him. Mr. Dubow then described how he arrived at the decision to purchase [\*157] from "bossdisk.com," one of the sponsored links that was selling counterfeit ROSETTA STONE products:

. . . At the time that you entered the terms . . . "Rosetta Stone" in the Google search engine . . . in October 2009, do you recall whether any advertisements appeared on the first page?

. . . [W]hat do you mean by advertisements?

Q. Links that appear to you to be companies selling goods in response to your query.

A. Yes. . . . There were quite a few under that description, [\*\*26] yes.

Q. What do you recall seeing on the search page results when you entered Rosetta Stone in the Google search engine?

A. I saw a number of sites . . . advertising Rosetta Stone software for a number of different discounted prices. What attracted us to this particular site was that they presumed to be a Rosetta Stone reseller reselling OEM or original equipment manufactured product.

...

Q. What do you mean by reseller?

A. That they were a . . . sanctioned reseller of Rosetta Stone product.

J.A. 4614c-4615a. Once Mr. Dubow received the shipment from bossdisk.com and determined that the software appeared to need a key code to become fully operational, he called Rosetta Stone because he "thought that since this company was a representative perhaps they just forgot to put the welcome kit in this package and

they would have a key." J.A. 4620c.

The district court dismissed this anecdotal customer testimony as evidence of actual confusion for several reasons. We agree with Rosetta Stone that none of these reasons provide a proper basis for rejecting this testimony completely.

First, the district court concluded that the witnesses indicated they knew they were not purchasing directly from Rosetta [\*\*27] Stone's site and, therefore, "none of the Rosetta Stone witnesses were confused about the source of their purchase but only as to whether what they purchased was genuine or counterfeit." [Rosetta Stone, 730 F. Supp. 2d at 544](#). [HN10]More than just source confusion is at issue in an infringement claim since "[t]he unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse an ordinary consumer as to the source *or sponsorship* of the goods." [Doughney, 263 F.3d at 366](#) (emphasis added) (internal quotation marks omitted). "The confusion that is remedied by trademark and unfair competition law is confusion not only as to source, but also as to affiliation, connection or sponsorship." 4 *McCarthy on Trademarks* § 23:8.

The district court also reasoned that none of the five witnesses were confused by a sponsored link "that conformed to Google's policies--*i.e.*, used the Rosetta Stone Marks in connection with advertising genuine goods." [Rosetta Stone, 730 F. Supp. 2d at 543](#). This is no basis, however, for rejecting this testimony. [HN11]Whether the sponsored link conforms to Google's policy is not an issue that bears upon whether the consuming public, which is not privy [\*\*28] to these policies, is confused by the *actual* use of the trademarks in sponsored links. What matters is whether "the defendant's *actual practice* is likely to produce confusion in the minds of consumers about the origin of the goods or services in question." [CareFirst of Md., 434 F.3d at 267](#) (emphasis added) (internal quotation marks omitted).

Finally, the district court dismissed the anecdotal evidence as *de minimis* given that there were only five instances of actual [\*\*158] confusion out of more than "100,000 impressions over six years." [Rosetta Stone, 730 F. Supp. 2d at 543](#). And, indeed, [HN12]"[e]vidence of only a small number of instances of actual confusion may be dismissed as *de minimis*" where the number of opportunities for confusion is great. [George & Co., 575 F.3d at 398](#); see 4 *McCarthy* § 23:14 ("If there is a very

large volume of contacts or transactions which could give rise to confusion and there is only a handful of instances of actual confusion, the evidence of actual confusion may receive relatively little weight."). Rosetta Stone presented the deposition testimony of five individuals who had experienced actual confusion--the maximum number of "actual confusion" depositions permitted [\*\*29] by the district court in this case. The record, however, contains other evidence of actual confusion. Rosetta Stone presented evidence that from April 1, 2009, through December 9, 2009, Rosetta Stone's customer care center received 123 complaints "from individuals who ha[d] purchased pirated/counterfeit software believing the software to be genuine Rosetta Stone product," J.A. 5427, and Rosetta Stone received 139 additional complaints from December 9, 2009, through March 8, 2010. Although this evidence does not indicate whether each customer logging a complaint made the purchase via a sponsored link, it is reasonable, for purposes of summary judgment, to infer that a great number of these individuals were confused by the apparent relationship between Rosetta Stone and the sponsored link given that Google began allowing trademarks to be displayed in the ad text in 2009 and in light of the evidence showing a substantial "proliferation of sponsored links to pirate/counterfeit sites." *Id.*

(ii) Google's In-House Studies and Google's Corporate Designees

The record also includes various in-house studies conducted by Google "to analyze user confusion (if any) associated with ads using [trademark] [\*\*30] terms." J.A. 4362. One of the studies showed that "the likelihood of confusion remains high" when trademark terms are used in the title or body of a sponsored link appearing on a search results page. J.A. 4366. The study recommended "that the only effective [trademark] policy . . . is: (1) [to] [a]llow [trademark] usage for keywords; (2) [but] not allow [trademark] usage in ad text - title or body." *Id.* And, in fact, Google's official policy change in 2004 that continued to prohibit trademark usage in ad text was based, in part, on these internal studies. The district court concluded these studies were not evidence of actual confusion because the studies did not test consumer impressions of the ROSETTA STONE mark specifically, but of a broad cross-section of 16 different brand names of varying strengths. We conclude that these studies, one of which reflected that "94% of users were confused at least once," are probative as to actual confusion in



connection with Google's use of trademarks; indeed, Google determined that there was "[n]o difference between strong and weak trademarks" with respect to confusion. J.A. 4375.

Additionally, when testifying on behalf of Google as its [Rule 30\(b\)\(6\)](#) [\*31] designees, two of Google's in-house trademark attorneys were shown a Google search results page for the keyword phrase "Rosetta Stone," and they were unable to determine without more research which sponsored links were authorized resellers of ROSETTA STONE products. The district court rejected this evidence as proof of actual confusion because the testimony appeared to the district court to "reflect a mere uncertainty about the source of a product rather than actual confusion." [Rosetta Stone](#), 730 F. Supp. 2d at 544. [HN13]"[U]ncertain[ty] [\*159] about] the origin" of a product, however, is quintessential actual confusion evidence. [Sara Lee Corp.](#), 81 F.3d at 466. The district court should have accepted it as evidence of actual confusion for summary judgment purposes; whether it is entitled to enough weight to carry the day on the ultimate issue is a matter for trial.

### (iii) Dr. Kent Van Liere's Report

Rosetta Stone also presented a consumer confusion survey report from Dr. Kent Van Liere. Dr. Van Liere is an expert in market analysis and consumer behavior, with "experience conducting and using focus groups and surveys to measure consumer opinions . . . regarding products and services," J.A. 5448, and [\*32] "design[ing] and review[ing] studies on the application of sampling and survey research methods in litigation for a variety of matters including trademark/trade dress infringement," J.A. 5449. Dr. Van Liere "tested for actual confusion regarding the appearance of sponsored links when consumers conducted a Google search for 'Rosetta Stone.'" J.A. 5449. Based on this study, Dr. Van Liere concluded that

a significant portion of consumers in the relevant population are likely to be confused as to the origin, sponsorship or approval of the "sponsored links" that appear on the search results page after a consumer has conducted a Google search using a Rosetta Stone trademark as a keyword and/or are likely to be confused as to the affiliation, endorsement, or

association of the websites linked to those "sponsored links" with Rosetta Stone.

J.A. 5450. Specifically, Dr. Van Liere's survey "yield[ed] a net confusion rate of 17 percent"--that is, "17 percent of consumers demonstrate actual confusion." J.A. 5459. This result is clear evidence of actual confusion for purposes of summary judgment. *Cf.* [Sara Lee Corp.](#), 81 F.3d at 467 n.15 (suggesting that survey evidence "clearly favors the defendant [\*33] when it demonstrates a level of confusion much below ten percent" but noting caselaw that "hold[s] that survey evidence indicating ten to twelve percent confusion was sufficient to demonstrate actual confusion").

The district court, however, concluded that the survey report was "unreliable evidence of actual confusion because the result contained a measure of whether respondents thought Google 'endorsed' a Sponsored Link, a non-issue." [Rosetta Stone](#), 730 F. Supp. 2d at 544. Thus, the court did not consider this survey evidence to be viable proof of actual confusion for much the same reason it rejected the deposition testimony of the five individuals who purchased counterfeit software. As we previously stated, however, trademark infringement creates a likelihood of "confusion not only as to source, but also as to affiliation, connection or sponsorship." 4 *McCarthy on Trademarks* § 23:8. Accordingly, this evidence should have been added to the other evidence of actual confusion to be considered in the light most favorable to Rosetta Stone.

### (c) Sophistication of the Consuming Public

The district court concluded that the consumer sophistication factor also favored a finding that Google's use [\*34] of the marks is not likely to create confusion. Noting the substantial cost of Rosetta Stone's products ("approximately \$259 for a single-level package and \$579 for a three-level bundle"), as well as the time commitment required to learn a foreign language, the district court concluded that the relevant market of potential purchasers "is comprised of well-educated consumers" who "are more likely to spend time searching and learning about Rosetta Stone's products." [\*160] [Rosetta Stone Ltd.](#), 730 F. Supp. 2d at 545. From there, the court inferred consumer sophistication--consumers willing to pay Rosetta Stone's prices and, presumably, make the required time commitment "would tend to demonstrate that they are able to distinguish between the

Sponsored Links and organic results displayed on Google's search results page." *Id.*

The district court drew this inference relying on [Star Industries, Inc. v. Bacardi & Co. Ltd.](#), 412 F.3d 373 (2d Cir. 2005), in which the Second Circuit noted that [HN14]a court may "reach a conclusion about consumer sophistication based solely on the nature of the product or its price." *Id.* at 390. This is correct if, as in *Star Industries*, the court is making findings of fact on [\*\*35] the likelihood of confusion issue following a bench trial. See *id.* at 379. In the more relevant context of a summary judgment motion, however, that is not the case, as "[c]redibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge . . . ruling on a motion for summary judgment." [Anderson v. Liberty Lobby, Inc.](#), 477 U.S. 242, 255, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986).

We conclude that there is sufficient evidence in the record to create a question of fact as to consumer sophistication that cannot be resolved on summary judgment. The record includes deposition testimony from Rosetta Stone customers who purchased counterfeit ROSETTA STONE software from sponsored links that they believed to be either affiliated with or authorized by Rosetta Stone to sell genuine software. The evidence also includes an internal Google study reflecting that even well-educated, seasoned Internet consumers are confused by the nature of Google's sponsored links and are sometimes even unaware that sponsored links are, in actuality, advertisements. At the summary judgment stage, we cannot say on this record that the consumer sophistication factor favors [\*\*36] Google as a matter of law. There is enough evidence, if viewed in a light most favorable to Rosetta Stone, to find that this factor suggests a likelihood of confusion.

In sum, we conclude that there is sufficient evidence in the record to create a question of fact on each of the "disputed" factors--intent, actual confusion, and consumer sophistication--to preclude summary judgment. Because the district court's likelihood-of-confusion analysis was limited only to these "disputed" factors, the likelihood-of-confusion issue cannot be resolved on summary judgment, and we vacate the district court's order in this regard.<sup>5</sup>

<sup>5</sup> We reject Rosetta Stone's contention that it is entitled to a presumption of confusion on the

infringement claim and that the district court erred in failing to afford such a presumption. [HN15]In this circuit, "a presumption of likelihood of consumer confusion" arises from the "intentional copying" of plaintiff's trade dress or trademark by a defendant. See, e.g., [Osem Food Indus. Ltd. v. Sherwood Foods, Inc.](#), 917 F.2d 161, 164 (4th Cir. 1990); [Shakespeare Co. v. Silstar Corp. of Am., Inc.](#), 110 F.3d 234, 239 (4th Cir. 1997). The "presumption arises only when the copier *inten[ds]* [\*\*37] to exploit the good will created by an already registered trademark." [Shakespeare](#), 110 F.3d at 239 (internal quotation marks omitted). Thus, where "one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion." [Polo Fashions, Inc. v. Craftex, Inc.](#), 816 F.2d 145, 148 (4th Cir. 1987). We apply such a presumption because "one who tries to deceive the public should hardly be allowed to prove that the public has not in fact been deceived." [Shakespeare](#), 110 F.3d at 239. Here, however, there is absolutely no evidence that Google intentionally copied or adopted Rosetta Stone's mark in an effort to pass off its own goods or services under the ROSETTA STONE mark.

#### [\*161] B. Functionality

As an alternate to its conclusion that Rosetta Stone failed to forecast sufficient evidence to establish a likelihood of confusion, the district court held that the use of the ROSETTA STONE marks as keywords was protected by the "functionality doctrine" and, as such, was non-infringing as a matter of law. See [Rosetta Stone](#), 730 F. Supp. 2d at 545. Because the functionality doctrine does not apply in these [\*\*38] circumstances, however, we conclude that the district court erred in awarding summary judgment to Google on this basis.

[HN16]The functionality doctrine developed as a common law rule prohibiting trade dress or trademark rights in the functional features of a product or its packaging. See [Wilhelm Pudenz, GmbH v. Littlefuse, Inc.](#), 177 F.3d 1204, 1207 (11th Cir. 1999); 1 *McCarthy* § 7:63. The purpose of the doctrine is to preserve the distinction between the realms of trademark law and patent law:

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The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).

[Qualitex Co. v. Jacobson Prods. Co.](#), 514 U.S. 159, 164-65, 115 S. Ct. 1300, 131 L. Ed. 2d 248 (1995) [\*\*39] (internal citation omitted); see [Georgia-Pacific Consumer Prods., LP v. Kimberly-Clark Corp.](#), 647 F.3d 723, 727 (7th Cir. 2011) (explaining that "patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs" (internal quotation marks omitted)).

[HN17]In 1998, Congress adopted the functionality doctrine by explicitly prohibiting trademark registration or protection under the Lanham Act for a functional product feature, see [15 U.S.C. § 1052\(e\)\(5\)](#) (prohibiting registration of a mark which "comprises any matter that, as a whole, is functional"), and by making functionality a statutory defense to an incontestably registered mark, see [15 U.S.C. § 1115\(b\)\(8\)](#); see generally 1 *McCarthy* § 7:63. Although the Lanham Act does not define the term "functional," see [15 U.S.C. § 1127](#), the Supreme Court has explained that "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." [Inwood Laboratories, Inc. v. Ives Laboratories, Inc.](#), 456 U.S. 844, 850 n.10, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982); see [Traffix Devices, Inc. v. Marketing Displays, Inc.](#), 532 U.S. 23, 32-33, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001). [\*\*40] Under *Inwood's* traditional rule, a product feature is functional if it is "the reason the device works," [Board of Supervisors v. Smack Apparel Co.](#), 550 F.3d 465, 486

([5th Cir. 2008](#)) (internal quotation marks omitted), or it "constitute[s] the actual benefit that the customer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product," [Clamp Mfg. Co. v. Enco Mfg. Co.](#), 870 F.2d 512, 516 (9th Cir. 1989) (internal quotation marks omitted); see [I.P. Lund Trading v. Kohler Co.](#), 163 F.3d 27, 37 n.5 (1st Cir. 1998). ("[F]unctional features or designs should be defined as those that are driven by practical, engineering-type considerations such as making the product work more efficiently, with fewer parts and longer life, or with less danger to operators, or be shaped so as to reduce expenses of delivery or damage in shipping." (internal quotation marks omitted)).<sup>6</sup>

6 [HN18]Elaborating on the idea that the functionality doctrine keeps trademark law from "inhibiting legitimate competition by allowing a producer to control a useful product feature," [Qualitex Co. v. Jacobson Prods. Co.](#), 514 U.S. 159, 164, 115 S. Ct. 1300, 131 L. Ed. 2d 248 (1995), the Supreme Court noted that if [\*\*41] a feature is functional, "exclusive use . . . would put competitors at a significant non-reputation-related disadvantage," *id.* at 165. However, "[w]here the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature." [Traffix Devices, Inc. v. Marketing Displays, Inc.](#), 532 U.S. 23, 33, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001).

The district court did not conclude, nor could it, that Rosetta Stone's marks were functional product features or that Rosetta Stone's *own use* of this phrase was somehow functional. Instead, the district court concluded that trademarked keywords--be it ROSETTA STONE or any other mark--are "functional" when entered into Google's AdWords program:

The keywords . . . have an essential indexing function because they enable Google to readily identify in its databases relevant information in response to a web user's query . . . [T]he keywords also serve an advertising function that benefits consumers who expend the time and energy to locate particular information, goods, or services, and to compare prices.

[Rosetta Stone, 730 F. Supp. 2d at 546.](#)

The functionality doctrine simply does not apply in these circumstances. The [\*\*42] functionality analysis below was focused on whether Rosetta Stone's mark made *Google's* product more useful, neglecting to consider whether the mark was *functional as Rosetta Stone used it*. Rosetta Stone uses its registered mark as a classic source identifier in connection with its language learning products. Clearly, there is nothing functional about Rosetta Stone's use of its own mark; use of the words "Rosetta Stone" is not essential for the functioning of its language-learning products, which would operate no differently if Rosetta Stone had branded its product "SPHINX" instead of ROSETTA STONE. See [Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1030-31 \(9th Cir. 2004\)](#) ("Nothing about the marks used to identify PEI's products is a functional part of the design of those products" since "PEI could easily have called its magazine and its models entirely different things without losing any of their intended function."). [HN19]Once it is determined that the product feature--the word mark ROSETTA STONE in this case--is not functional, then the functionality doctrine has no application, and it is irrelevant whether Google's computer program functions better by use of Rosetta [\*\*43] Stone's nonfunctional mark. See [id. at 1031](#) (concluding that "[t]he fact that the [word] marks make *defendants'* computer program more functional is irrelevant" where plaintiff used its word marks merely to identify its products).

As the case progresses on remand, Google may well be able to establish that its use of Rosetta Stone's marks in its AdWords program is not an infringing use of such marks; however, Google will not be able to do so based on the functionality [\*163] doctrine. The doctrine does not apply here, and we reject it as a possible affirmative defense for Google.

### III. Contributory Infringement

Rosetta Stone next challenges the district court's grant of summary judgment in favor of Google on the contributory trademark infringement claim. [HN20]Contributory infringement is a "judicially created doctrine" that "derive[s] from the common law of torts," [Von Drehle, 618 F.3d at 449](#), under which liability may be imposed upon those who facilitate or encourage infringement, see *4 McCarthy on Trademarks* § 25:17. The Supreme Court explained in *Inwood Laboratories*

that

if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product [\*\*44] to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

[456 U.S. at 854](#). It is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to "identified individuals" that it knows or has reason to know are engaging in trademark infringement. See [Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19, 104 S. Ct. 774, 78 L. Ed. 2d 574 \(1984\)](#) (contributory trademark infringement requires a showing that the defendant "intentionally induc[ed] its customers to make infringing uses" of the marks or "suppl[ied] its products to identified individuals known by it to be engaging in continuing infringement" (internal quotation marks omitted)). Finally, for there to be liability for contributory trademark infringement, the plaintiff must establish underlying direct infringement. See [Von Drehle, 618 F.3d at 451](#). In other words, there must necessarily have been an infringing use of the plaintiff's mark that was encouraged or facilitated [\*\*45] by the defendant.

The district court recognized that Rosetta Stone had come forward with evidence relevant to its contributory infringement claim. The most significant evidence in this regard reflected Google's purported allowance of known infringers and counterfeiters to bid on the Rosetta Stone marks as keywords:

[The evidence included] a spreadsheet that Google received which reflects the dates when Rosetta Stone advised Google that a Sponsored Link was fraudulent, the domain names associated with each such Sponsored Link, the text of each Sponsored Link, and the date and substance of Google's response. As documented, from September 3, 2009 through March 1, 2010, Rosetta Stone notified Google of approximately 200

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instances of Sponsored Links advertising counterfeit Rosetta Stone products. Rosetta Stone contends that even after being notified of these websites, Google continued to allow Sponsored Links for other websites by these same advertisers to use the Rosetta Stone Marks as keyword triggers and in the text of their Sponsored Link advertisements. For example, between October 2009 to December 2009, 110 different Sponsored Links purportedly selling Rosetta Stone products used "Rosetta [\*\*46] Stone" as a keyword trigger, and most of the Links included "Rosetta Stone" or "Rosettastone" in their display. Registered to the same individual, these 110 Links were displayed on 356,675 different search-results pages.

[\*164] [Rosetta Stone, 730 F. Supp. 2d at 547](#) (internal citations omitted).

Nevertheless, the district court indicated it was "unpersuaded" by this evidence. [Id. at 547](#). The district court's conclusion was based largely on [Tiffany \(NJ\) Inc. v. eBay Inc., 600 F.3d 93 \(2d Cir. 2010\)](#), in which the Second Circuit rejected a contributory trademark infringement claim against an Internet auction site, eBay, by a trademark owner, Tiffany, whose mark was being used by jewelry counterfeiters on eBay's site. The *record at trial* in that case contained evidence "demonstrat[ing] that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit," [id. at 106](#), having received "thousands of [Notice of Claimed Infringement Forms] [Tiffany] filed with eBay alleging . . . that certain listings were counterfeit," *id.* The Second Circuit concluded that such evidence was insufficient to satisfy *Inwood's* "knows or has reason to know" requirement and that [\*\*47] Tiffany "would have to show that eBay knew or had reason to know of *specific* instances of actual infringement beyond those that it addressed upon learning of them." [Id. at 107](#) (emphasis added; internal quotation marks omitted). The Second Circuit noted, however, that had there been evidence of willful blindness, that would have satisfied the *Inwood* standard. See [id. at 109](#). [HN21]"[C]ontributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact." [Id. at 110 n.15.](#)<sup>7</sup>

7 eBay maintained a "Verified Rights Owner ('VeRO') Program," which allowed trademark owners to report potentially infringing items so that eBay could remove the associated listings. See [Tiffany \(NJ\) Inc. v. eBay Inc., 600 F.3d 93, 99 \(2d Cir. 2010\)](#). The district court found that the trial evidence showed eBay promptly removed challenged listings from its website. See [id. at 106](#).

Applying *Tiffany*, the district court concluded that Rosetta Stone failed to establish with the requisite specificity that Google knew or should have known of the infringing activity:

*Comparing the evidence of knowledge attributed to eBay to the roughly 200 [\*\*48] notices Google received of Sponsored Links advertising counterfeit Rosetta Stone products on its search results pages, the Court necessarily holds that Rosetta Stone has not met the burden of showing that summary judgment is proper as to its contributory trademark infringement claim.*

See [Rosetta Stone, 730 F. Supp. 2d at 549](#) (emphasis added). The court also noted that Google did not turn a blind eye to Rosetta Stone's complaints about counterfeiters, explaining that "[t]here is little Google can do beyond expressly prohibiting advertisements for counterfeit goods, taking down those advertisements when it learns of their existence, and creating a team dedicated to fighting advertisements for counterfeit goods." [Id. at 548](#).

On appeal, Rosetta Stone argues that the district court misapplied the standard of review and incorrectly awarded summary judgment to Google where the evidence was sufficient to permit a trier of fact to find contributory infringement. We agree. In granting summary judgment to Google because "Rosetta Stone has not met the burden of showing that summary judgment is proper as to its contributory trademark infringement claim," the district court turned the summary judgment [\*\*49] standard on its head. While it may very well be that Rosetta Stone was not entitled to summary judgment, that issue is not before us. The only question in this appeal is whether, viewing the evidence and drawing all reasonable [\*165] inferences from that evidence in a

light most favorable to Rosetta Stone, a reasonable trier of fact could find in favor of Rosetta Stone, the nonmoving party. See [Von Drehle, 618 F.3d at 445](#). Of course, the *Tiffany* court did not view the evidence through the lense of summary judgment; rather, *Tiffany* involved an appeal of judgment rendered after a lengthy bench trial. Because of its procedural posture, the district court in *Tiffany* appropriately weighed the evidence sitting as a trier of fact. Accordingly, *Tiffany* is of limited application in these circumstances, and the district court's heavy reliance on [Tiffany](#) was misplaced. We conclude that the evidence recited by the district court is sufficient to establish a question of fact as to whether Google continued to supply its services to known infringers. Accordingly, we vacate the district court's order to the extent it grants summary judgment in favor of Google on Rosetta Stone's contributory infringement [\*\*50] claim.

#### IV. Vicarious Infringement

Rosetta Stone next challenges the district court's rejection of its vicarious liability theory. [HN22]"Vicarious liability" in the trademark context is essentially the same as in the tort context: the plaintiff seeks to impose liability based on the defendant's relationship with a third party tortfeasor. Thus, liability for vicarious trademark infringement requires "a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." [Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1150 \(7th Cir. 1992\)](#).

Rosetta Stone argues that the evidence proffered was sufficient to create a question of fact regarding whether Google jointly controls the appearance of the ads or sponsored links on Google's search-engine results page. This is not evidence, however, that Google acts jointly with any of the advertisers to control the counterfeit ROSETTA STONE products. Accordingly, we affirm the district court's grant of summary judgment in favor of Google on Rosetta Stone's vicarious liability claim.

#### V. [\*\*51] Unjust Enrichment

Rosetta Stone contends that the district court improperly dismissed its claim for unjust enrichment under Virginia law. The district court dismissed this claim on two grounds, concluding that Rosetta Stone failed to allege facts sufficient to state a claim of unjust

enrichment, see [Rosetta Stone, 732 F. Supp. 2d at 631-32](#), and that the Communications Decency Act (CDA), see [47 U.S.C. § 230\(c\)\(1\)](#), bars the unjust enrichment claim, see [Rosetta Stone, 732 F. Supp. 2d at 633](#). We conclude that Rosetta Stone failed to sufficiently plead the elements of its unjust enrichment claim and therefore affirm, albeit on reasoning different than that of the district court.

[HN23]A cause of action for unjust enrichment in Virginia "rests upon the doctrine that a man shall not be allowed to enrich himself unjustly at the expense of another." [Kern v. Freed Co., 224 Va. 678, 299 S.E.2d 363, 365 \(Va. 1983\)](#) (internal quotation marks omitted); see [Nossen v. Hoy, 750 F. Supp. 740, 744 \(E.D. Va. 1990\)](#). "To avoid unjust enrichment, equity will effect a 'contract implied in law,'" *i.e.*, a quasi contract, "requiring one who accepts and receives the services of another to make reasonable compensation for those services." [\*\*52] [Po River Water & Sewer Co. v. Indian Acres Club., 255 Va. 108, 114, 495 S.E.2d 478 \(Va. 1998\)](#). A plaintiff asserting unjust enrichment must demonstrate the following three elements: [\*\*166] "(1) he conferred a benefit on [the defendant]; (2) [the defendant] knew of the benefit and should reasonably have expected to repay [the plaintiff]; and (3) [the defendant] accepted or retained the benefit without paying for its value." [Schmidt v. Household Finance Corp., 276 Va. 108, 661 S.E.2d 834, 838 \(Va. 2008\)](#).

The district court concluded that Rosetta Stone failed to state a claim because it did not allege "facts which imply that [Google] promised to pay the plaintiff for the benefit received" or that there was "an understanding by Google that it owed Rosetta Stone revenue earned for paid advertisements containing the Rosetta Stone Marks." [Rosetta Stone, 732 F. Supp. 2d at 631, 632](#). [HN24]Failure to allege an implicit promise to pay, however, is not necessarily fatal to an implied contract theory. Virginia distinguishes between two types of implied contracts: contracts that are implied-in-fact and contracts that are implied-in-law. An implied-in-fact contract is an actual contract that was not reduced to writing, [\*\*53] but the court infers the existence of the contract from the conduct of the parties. See [Nossen, 750 F. Supp. at 744](#). To recover under a contract "implied-in-fact," a plaintiff must allege "facts to raise an implication that the defendant promised to pay the plaintiff for such benefit." [Nedrich v. Jones, 245 Va. 465, 429 S.E.2d 201, 207, 9 Va. Law Rep. 1239 \(Va. 1993\)](#)

(internal quotation marks omitted & emphasis added).

By contrast, [HN25]the concept of an implied-in-law contract, or quasi contract, applies only when there is not an actual contract or meeting of the minds. *See id.* We understand Rosetta Stone's unjust enrichment claim to be an implied-in-law contract claim; thus, the failure to allege that Google implicitly *promised* to pay is not fatal.

Nonetheless, [HN26]this court can affirm the dismissal of the complaint "on any basis fairly supported by the record." *Eisenberg v. Wachovia Bank, N.A.*, 301 F.3d 220, 222 (4th Cir. 2002). We conclude that Rosetta Stone failed to allege facts showing that it "conferred a benefit" on Google for which Google "should reasonably have expected" to repay. According to Rosetta Stone, the keyword trigger auctions constitute the unauthorized sale of the ROSETTA STONE marks. Rosetta Stone alleges [\*\*54] that through the auctions it conferred a benefit "involuntarily" on Google, and that Google "is knowingly using the goodwill established in [the] trademarks to derive . . . revenues." J.A. 197. Rosetta Stone, however, has not alleged *facts* supporting its general assertion that Google "should reasonably have expected" to pay for the use of marks in its keyword query process. Indeed, Rosetta Stone does not contend, and did not allege, that Google pays any other mark holder for the right to use a mark in its AdWords program. In our view, these allegations are insufficient to surmount even the minimal barrier presented by a motion to dismiss.<sup>8</sup>

8 On appeal, Rosetta Stone clarified that its unjust enrichment claim arises from Google's business practice of selling trademarks as keywords that trigger the display of sponsored links rather than the content of the sponsored links. In light of our conclusion that Rosetta Stone failed to state an unjust enrichment claim as to the use of its marks as keywords, we need not address the district court's alternative holding that, to the extent advertisers used Rosetta Stone's marks in the *text* of their ads, Google was entitled to "immunity" [HN27]under the [\*\*55] Communications Decency Act "because Google is no more than an interactive computer service provider and cannot be liable for the actions of third party advertisers." *Rosetta Stone Ltd. v. Google Inc.*, 732 F. Supp. 2d 628, 632 (E.D. Va. 2010) (footnote omitted); *see* 47 U.S.C. § 230(c)(1) ("No provider or user of an interactive

computer service shall be treated as the publisher or speaker of any information provided by another information content provider.").

#### [\*167] VI. Trademark Dilution

Rosetta Stone next challenges the district court's summary judgment order as to its trademark dilution claim. [HN28]"Unlike traditional infringement law, the prohibitions against trademark dilution . . . are not motivated by an interest in protecting consumers." *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429, 123 S. Ct. 1115, 155 L. Ed. 2d 1 (2003). Dilution is not concerned with confusion in the marketplace. Rather, dilution theory provides that "if customers or prospective customers see the plaintiff's famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be 'diluted' or weakened." [\*\*56] 4 *McCarthy* § 24:67. Thus, trademark dilution is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." *Tiffany*, 600 F.3d at 111 (internal quotation marks and alteration omitted).

Until 1996, trademark dilution was based entirely upon state law because federal law did not recognize the dilution doctrine. The Federal Trademark Dilution Act (FTDA) was passed in 1996, *see* Pub. L. No. 104-98, 109 Stat. 985 (1996), and was amended substantially in 2006 with the passage of the Trademark Dilution Revision Act of 2006, *see* Pub.L. No. 109-312, § 2, 120 Stat. 1730 (2006). The FTDA currently provides:

[HN29][T]he owner of a *famous* mark . . . shall be entitled to an injunction against another person who . . . commences use of a mark or trade name in commerce that is likely to cause *dilution by blurring* or *dilution by tarnishment* of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C. § 1125(c)(1) (emphasis added). [HN30]The statute defines "dilution by blurring" as the "association arising from the similarity between a mark or trade name and a famous mark that impairs [\*\*57] the distinctiveness of the famous mark." 15 U.S.C. §

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[1125\(c\)\(2\)\(B\)](#). "[D]ilution by tarnishment" is defined as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." [15 U.S.C. § 1125\(c\)\(2\)\(C\)](#). Thus, blurring under the federal statute involves the classic "whittling away" of the selling power and strength of the famous mark. Tarnishment, by contrast, creates consumer aversion to the famous brand--e.g., when the plaintiff's famous trademark is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context" such that "the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." [Scott Fetzer Co. v. House of Vacuums Inc.](#), [381 F.3d 477, 489 \(5th Cir. 2004\)](#) (internal quotation marks omitted).

Finally, [HN31]the FTDA expressly excludes from its reach "[a]ny fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services." [15 U.S.C. § 1125\(c\)\(3\)\(A\)](#). The statute specifically provides [\*\*58] comparative advertising and parody as examples of non-dilutive fair uses. See [15 U.S.C. § 1125\(c\)\(3\)\(A\)\(i\)&\(ii\)](#). Accordingly, "fair use," though not so labeled in the statute, essentially amounts to an affirmative defense against a claim of trademark dilution. Cf. [KP Permanent Make-Up v. Lasting Impression I, Inc.](#), [\*\*168] [543 U.S. 111, 117-18, 125 S. Ct. 542, 160 L. Ed. 2d 440 \(2004\)](#).

[HN32]To state a prima facie dilution claim under the FTDA, the plaintiff must show the following:

- (1) that the plaintiff owns a famous mark that is distinctive;
- (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
- (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
- (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

[Louis Vuitton](#), [507 F.3d at 264-65](#).

The district court granted summary judgment for Google on the dilution claim on two bases. First, the district court held that Rosetta Stone was required but failed to present evidence that Google was "us[ing] the Rosetta Stone Marks to identify its *own* goods and services." [Rosetta Stone](#), [730 F. Supp. 2d at 551](#). [\*\*59] To support its conclusion, the district court relied on the text of the statutory "fair use" defense that shields a person's "fair use" of plaintiff's mark so long as such use is not as "a designation of source for the person's own goods or services." [15 U.S.C. § 1125\(c\)\(3\)\(A\)](#).

Second, the district court concluded that Rosetta Stone failed to show that Google's use of the mark was likely to impair the distinctiveness of or harm the reputation of the ROSETTA STONE marks. Specifically, the district court indicated that there was "no evidence of dilution by blurring when Rosetta Stone's brand awareness has only increased since Google revised its trademark policy in 2004," and the court noted evidence that Rosetta Stone's "brand awareness equity also increased from 19% in 2005 to 95% in 2009." [Rosetta Stone](#), [730 F. Supp. 2d at 551](#). In support of this conclusion, the district court read our decision in [Louis Vuitton](#) to establish the proposition that "no claim for dilution by blurring exists where a defendants' product only increases public identification of the plaintiffs' marks." *Id.*

#### A. Google's Non-Trademark Use of Rosetta Stone's Marks

We first consider the district court's grant of summary [\*\*60] judgment based on the lack of evidence that Google used the ROSETTA STONE marks "to identify its *own* goods and services." *Id.* The district court held that Rosetta Stone could not establish its dilution claim, specifically, the third element, without showing that Google used the mark as a source identifier for its products and services. See [id. at 550-51](#). In support of this conclusion, however, the district court relied upon the "fair use" defense available under the FTDA. See [HN33][15 U.S.C. § 1125\(c\)\(3\)\(A\)](#) ("Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services" is not "actionable as dilution by blurring or dilution by tarnishment.") Thus,

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the district court apparently concluded that Rosetta Stone was required, as part of its prima facie showing of dilution under the FTDA, to demonstrate that Google was using the mark as a source identifier for Google's own goods.

[HN34]We view [§ 1125\(c\)\(3\)\(A\)](#) as affording a fair use defense to defendants in dilution actions. See [Louis Vuitton, 507 F.3d at 265-66](#). In our view, once the owner of a famous mark [\*\*61] establishes a prima facie case of dilution by blurring or tarnishment, it falls to the defendant to demonstrate that its use constituted a "fair [\*\*169] use . . . other than as a designation of source for the [defendant's] own goods or services," [15 U.S.C. § 1125\(c\)\(3\)\(A\)](#). Whether Google used the mark other than as a source identifier and in good faith is an issue that Google, not Rosetta Stone, is obligated to establish. Thus, the district court erroneously required Rosetta Stone to demonstrate that Google was using the ROSETTA STONE mark as a source identifier for Google's own products.

More importantly, the district court erred when it ruled that Google was not liable for dilution simply because there was no evidence that Google uses the Rosetta Stone marks to identify Google's own goods and services. In essence, the district court made nontrademark use coextensive with the "fair use" defense under the FTDA. [HN35]The statute, however, requires more than showing that defendant's use was "other than as a designation of source"--the defendant's use must also qualify as a "fair use." [15 U.S.C. § 1125\(c\)\(3\)\(A\)](#). Indeed, if the district court's analysis is correct--that is, if a federal trademark dilution [\*\*62] claim is doomed solely by the lack of proof showing that the defendant used the famous mark as a trademark--then the term "fair use" as set forth in [§ 1125\(c\)\(3\)\(A\)](#) would be superfluous.

The district court failed to determine whether this was "fair use". [HN36]Although the FTDA does not expressly define "fair use," the classic concept of "fair use" is well-established and incorporated as an affirmative defense to a claim of trademark infringement. See [15 U.S.C. § 1115\(b\)\(4\)](#). The contours of the fair-use defense in the infringement context are therefore instructive on the classic or descriptive fair-use defense to a dilution claim. See [Sullivan v. Stroop, 496 U.S. 478, 484, 110 S. Ct. 2499, 110 L. Ed. 2d 438 \(1990\)](#) ([HN37]"[I]dential words used in different parts of the same act are intended to have the same meaning."

(internal quotation marks omitted)).

[HN38]Descriptive, or classic, fair use applies when the defendant is using a trademark "in its primary, descriptive sense" to describe the defendant's goods or services. [Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1031 \(9th Cir. 2010\)](#) (internal quotation marks omitted); see [15 U.S.C. § 1115\(b\)\(4\)](#). The FTDA also expressly includes "nominative" fair [\*\*63] use as a defense. See [15 U.S.C. § 1125\(c\)\(3\)\(A\)](#). Typically, nominative fair use comes into play when the defendant uses the famous mark to identify or compare the trademark owner's product. See [New Kids on the Block, 971 F.2d at 308](#); 4 McCarthy § 23.11. Regardless of the type of fair use claimed by a defendant, a common component of fair use is good faith. See, e.g., [JA Apparel Corp. v. Abboud, 568 F.3d 390, 401 \(2d Cir. 2009\)](#) ("Assessment of this defense thus requires analysis of whether a given use was (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith." (internal quotation marks omitted); [Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 951 \(7th Cir. 1992\)](#) ("To prevail on the fair use defense, the defendant must establish that it has used the plaintiff's mark, in good faith, to describe its (defendant's) product and otherwise than as a trademark." (internal quotation marks omitted)). In this context, "the inquiry into the defendant's good faith "concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship." [JA Apparel Corp., 568 F.3d at 400](#); see also [Bd. of Supervisors v. Smack Apparel Co., 550 F.3d 465, 489 \(5th Cir. 2008\)](#) [\*\*64] (explaining that "in order to avail [itself] of the nominative fair use defense[,] the defendant (1) may only use so much of the mark as necessary to identify the product or [\*\*170] service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder." (internal quotation marks omitted)).

In short, the court's summary judgment order omitted this analysis, impermissibly omitting the question of good faith and collapsing the fair-use defense into one question--whether or not Google uses the ROSETTA STONE mark as a source identifier for its own products. Accordingly, we vacate the district court's summary judgment order and remand for reconsideration of Rosetta Stone's dilution claim. If the district court determines that Rosetta Stone has made a prima facie showing under the elements set forth in [Louis Vuitton, 507 F.3d at 264-65](#), it should reexamine the nominative

fair-use defense in light of this opinion.

#### B. Likelihood of Dilution

Alternatively, the district court held that Rosetta Stone failed to satisfy the fourth and final element of its trademark dilution claim requiring that the plaintiff show defendant's use is "likely to impair the distinctiveness [\*\*65] of the famous mark or likely to harm the reputation of the famous mark." *Id.* at 265. The court based its conclusion solely on the fact that "Rosetta Stone's brand awareness ha[d] only increased since Google revised its trademark policy in 2004." *Rosetta Stone*, 730 F. Supp. 2d at 551. On the strength of this evidence, the district court concluded that "the distinctiveness of the Rosetta Stone Marks has not been impaired" and therefore that "Rosetta Stone cannot show that Google's trademark policy likely caused dilution by blurring." *Id.*

[HN39]To determine whether the defendant's use is likely to impair the distinctiveness of the plaintiff's famous mark, the FTDA enumerates a non-exhaustive list of six factors that are to be considered by the courts:

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition [\*\*66] of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

[15 U.S.C. §1125\(c\)\(2\)\(B\)](#). Although "[n]ot every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors[,] . . . a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive." *Louis Vuitton*, 507 F.3d at 266.

The district court addressed only one factor--the degree of recognition of Rosetta Stone's mark--and did not mention any other remaining statutory factor. The court's reliance on *Louis Vuitton* for the proposition that no claim for dilution by blurring exists when there is evidence that public recognition of the defendants' product increased was error. *Louis Vuitton* addressed a far different fact pattern, where the defendant's fair use claim was based on [HN40]parody, which Congress expressly included as a protected fair use under the FTDA so long as the mark being parodied is not being "used as a designation [\*171] of source for the person's own goods or services." See [15 U.S.C.A. § 1125\(c\)\(3\)\(A\)\(ii\)](#). [\*\*67] We concluded that a successful parody "might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes *yet more famous*." *Louis Vuitton*, 507 F.3d at 267 (4th Cir. 2007) (emphasis added). We disagree, therefore, the district court's reading of *Louis Vuitton*. [HN41]Under the FTDA, Rosetta Stone must show only a *likelihood* of dilution and need not prove actual economic loss or reputational injury. See *id.* at 264 n.2. The decision below employed a truncated analysis that placed a very heavy emphasis upon whether there had been any actual injury suffered by Rosetta Stone's brand. On remand, the court should address whichever additional factors might apply to inform its determination of whether Google's use is likely to impair the distinctiveness of Rosetta Stone's mark. See [15 U.S.C. §1125\(c\)\(2\)\(B\)](#).

#### C. When did Rosetta Stone's marks become famous?

[HN42]Under the FTDA, the owner of a famous mark may obtain injunctive relief against any "person who, *at any time after* the owner's mark has become famous, *commences use* of a mark . . . in commerce that is likely to cause dilution." [15 U.S.C. § 1125\(c\)\(1\)](#) (emphasis added). A threshold issue, therefore, is whether [\*\*68] the plaintiff's mark became famous, if at all, before the defendant began using the mark in commerce. Although the district court held that Rosetta Stone's mark had become famous before Google began using it,

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[HN43]"we are not limited to evaluation of the grounds offered by the district court to support its decision . . . [and] may affirm on any grounds apparent from the record." [Pitt Cnty. v. Hotels.com, L.P., 553 F.3d 308, 311 \(4th Cir. 2009\)](#) (internal quotation marks omitted). Accordingly, we consider Google's argument that Rosetta Stone's marks were not famous in 2004 when Google allegedly began using the mark in commerce.

[HN44]Under the statute, "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." [15 U.S.C. § 1125\(c\)\(2\)\(A\)](#). This is not an easy standard to achieve. "[C]ourts agree that a mark must be truly prominent and renowned to be granted the extraordinary scope of exclusive rights created by the Federal Antidilution Act." 4 McCarthy § 24:104. "Because protection from dilution comes close to being a 'right in gross,' . . . the FTDA extends dilution protection only to those [\*69] whose mark is a 'household name.'" [Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002, 1011 \(9th Cir. 2004\)](#).

Additionally, [HN45]for [§ 1125\(c\)\(1\)](#) to apply, the defendant must have "commence[d]" a diluting use of the plaintiff's mark *after* the point at which the mark became famous. The policy basis for this rule "reflects the fair and equitable principle that one should not be liable for dilution by the use of a mark which was legal when first used." 4 McCarthy § 24:103. Professor McCarthy explains as follows:

[I]f at the time of first use, Zeta's mark did not dilute Alpha's mark because Alpha's mark was not then famous, Zeta's use will not at some future time become diluting and illegal solely because Alpha's mark later became "famous." That is, Alpha will not at some future time have a federal dilution claim against Zeta's mark. Thus, the junior user must be proven to have first used its mark after the time that plaintiff's mark achieved fame. . . .

[\*172] This rule is modeled after that applied in traditional confusion cases where the plaintiff must prove secondary meaning. In those cases, the senior user must prove that secondary meaning in its mark was established prior to the junior

user's [\*70] first use. . . .

4 McCarthy § 24:103 (footnote omitted). Stated differently, the defendant's first diluting use of a famous mark "fixes the time by which famousness is to be measured" for purposes of the FTDA. [Nissan Motor Co., 378 F.3d at 1013](#).

The district court concluded that "Rosetta Stone Marks are famous and have been since at least 2009, when Rosetta Stone's brand awareness reached 75%." [Rosetta Stone, 730 F. Supp. 2d at 550](#). The court explained that "[t]he Marks need not have been famous when Google revised its trademark policy in 2004. Instead, Rosetta Stone must only show that at any time after its Marks became famous, Google began using a mark or trade name in commerce that was likely to cause dilution of the Rosetta Stone Marks." *Id.*

According to Google, however, even if ROSETTA STONE had become a famous brand by 2009, it was not famous when Google began its alleged facilitation of the use of ROSETTA STONE in 2004. Indeed, Rosetta Stone alleges in its Complaint that the use of ROSETTA STONE and other trademarks as keywords in Google's AdWords program "lessen[ed] the capacity of Rosetta Stone's famous and distinctive . . . Marks to distinguish Rosetta Stone's products and services [\*71] from those of others, and has diluted the distinctive quality" of the marks. J.A. 56. The use of Rosetta Stone's mark as a keyword trigger began at least as early as 2004. Google points to survey evidence reflecting that, in 2005, two percent of the general population of Internet users recognized ROSETTA STONE without being prompted while 13 percent recognized ROSETTA STONE with prompting.

In response, Rosetta Stone argues that Google first began permitting the use of Rosetta Stone's mark in sponsored ad text in 2009, by which time it had become famous. Thus, Rosetta Stone's position is that the phrase "commences use" in [§ 1125\(c\)\(1\)](#) refers to any diluting use in commerce, not merely the first. This argument, of course, undercuts Rosetta Stone's own Complaint, which clearly asserts that Google diluted Rosetta Stone's mark beginning in 2004 by permitting the use of trademarks such as ROSETTA STONE as keyword triggers. Rosetta Stone asks us to ignore this alleged diluting use for purposes of [§ 1125\(c\)\(1\)](#). [HN46]The statute does not permit the owner of a famous mark to pick and choose

which diluting use counts for purposes of [§ 1125\(c\)\(1\)](#). See [Nissan Motor Co., 378 F.3d at 1013](#) ("If . . . first [\*72] use for purposes of [§ 1125\(c\)](#) turned on whatever use the mark's owner finds particularly objectionable, owners of famous marks would have the authority to decide when an allegedly diluting use was objectionable, regardless of when the party accused of diluting first began to use the mark."). The fame of Rosetta Stone's mark, therefore, should be measured from 2004, when Rosetta Stone alleges Google's diluting use of its mark began.

Alternatively, Rosetta Stone suggests that it produced evidence showing that its mark was famous in 2004. It is, however, unclear from the voluminous record precisely which evidence reflects ROSETTA STONE's fame in 2004, and we think the better course is for the district court to handle this fact-intensive question of when Rosetta Stone's mark became famous in the first instance, particularly since other facets of the dilution claim will be reconsidered on remand. Thus, on remand, the [\*173] district court should reconsider whether ROSETTA STONE was a famous mark for purposes of its dilution claim against Google. That will require the court first to determine when Google made its first

ostensibly diluting use of the mark. Second, the court must decide whether Rosetta [\*73] Stone's mark was famous at that point. [HN47]In making the latter determination, the district court should assess fame in light of the relevant statutory factors, see [15 U.S.C. § 1125\(c\)\(2\)\(A\)](#), as well as the strong showing required to establish fame under this statute, see, e.g., [I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46 \(1st Cir. 1998\)](#) (explaining that to satisfy the famousness requirement, "a mark had to be truly prominent and renowned" (internal quotation marks omitted)).

## VII. Conclusion

For the foregoing reasons, we affirm the district court's order with respect to the vicarious infringement and unjust enrichment claims. We vacate, however, the district court's order with respect to Rosetta Stone's direct infringement, contributory infringement and dilution claims, and we remand the case for further proceedings on those three claims.

*AFFIRMED IN PART, VACATED IN PART, AND  
REMANDED*



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Source: USPQ, 2d Series (1986 - Present) > U.S. District Courts, Florida > Suzuki Motor Corp. v. Jiujiang Hison Motor Boat Manufacturing Co., 102 USPQ2d 1555 (S.D. Fla. 2012)

**102 USPQ2d 1555**  
**Suzuki Motor Corp. v. Jiujiang Hison Motor Boat**  
**Manufacturing Co.**  
**U.S. District Court**  
**Southern District of Florida**

No. 1:12-cv-20626-PAS

Decided February 17, 2012

2012 BL 44052

## Headnotes

### TRADEMARKS AND UNFAIR TRADE PRACTICES

#### [1] Types of marks — Arbitrary or fanciful — Particular marks (▶327.0803)

**Infringement; conflicts between marks — Likelihood of confusion — Particular marks — Confusion likely (▶335.0304.03)**

**Infringement; conflicts between marks — Likelihood of confusion — Relatedness of goods or services — Similar (▶335.0305.03)**

Plaintiffs are likely to succeed on merits of claim for infringement of their "Suzuki" trademark for various types of motor vehicles and vehicle parts, since plaintiffs own exclusive rights to various forms and uses of "Suzuki" mark, which have been registered and have become incontestable, since "Suzuki" is strong, arbitrary, and fanciful mark that has acquired secondary meaning, since defendant is using identical mark, without plaintiff's authorization, to describe engines in its personal watercraft and jet boats, since plaintiffs' "Suzuki" outboard boat motors, motorcycles, ATVs, and engines for snowmobiles are similar to defendant's goods for purposes of confusion analysis, since parties use similar methods to advertise and sell their goods, since record shows that defendant is promoting powerplants for its watercraft as "Suzuki" engines with intent of obtaining benefit from plaintiffs' reputation, and since, based on available evidence, it is reasonable to infer that actual confusion exists in marketplace.

### REMEDIES

#### [2] Non-monetary and injunctive — Equitable relief — Restraining orders (▶505.0705)

Plaintiffs are granted temporary restraining order prohibiting defendant from advertising or promoting its personal watercraft and jet boats as having "Suzuki" engines, since plaintiffs are likely to succeed on merits of claim that defendant is infringing their "Suzuki" trademark, since engines made and licensed under "Suzuki" mark are neither authorized for use in inboard watercraft nor designed for such use, and if defendant continues to sell its infringing products under "Suzuki" mark, plaintiffs' reputation and goodwill are likely to be irreparably harmed, since any harm to defendant from issuance of TRO will result from defendant's own infringing actions, and is outweighed by harm plaintiffs are suffering and will continue to suffer if TRO does not issue, since defendant will not be prevented from selling watercraft that do not use engines bearing "Suzuki" mark, and since defendant is engaged in infringing activities and is directly confusing

consuming public into thinking that its products are endorsed by or affiliated with plaintiffs, and TRO thus will serve public interest in upholding trademark laws and preventing confusion in marketplace.

### Case History and Disposition

Action by Suzuki Motor Corp. and American Suzuki Motor Corp. against Jiujiang Hison Motor Boat Manufacturing Co. for trademark infringement. On plaintiffs' emergency motion for temporary restraining order and/or preliminary injunction, pursuant to Fed. R. Civ. P. 65. Motion for TRO granted.

### Attorneys

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Lawrence H. Kunin, of Morris Manning & Martin, Atlanta, Ga.; Stephen J. Binhak, Miami, for defendant.

### Opinion Text

#### Opinion By:

Seitz, J.

This matter is before the court on Plaintiffs' Emergency Motion for Issuance of a Temporary Restraining Order and/or Motion for Preliminary Injunction [DE 8], pursuant to Rule 65 of the Federal Rules of Civil Procedure. The Court held a hearing on February 17, 2012 at which counsel for Plaintiffs and Defendant were present. For the reasons discussed below, Plaintiffs' Motion for a Temporary Restraining Order is *GRANTED*.

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### BACKGROUND

This is a trademark infringement action, pursuant to the Lanham Act and related trademark laws, arising out of alleged infringement by Defendant, Jiujiang Hison Motor Boat Manufacturing Co., Ltd ("Hison"), of Plaintiffs Suzuki Motor Corporation ("SMC") and American Suzuki Motor Corporation ("ASMC")'s (collectively, "Plaintiffs"), trademark, SUZUKI. Plaintiffs have moved for an emergency temporary restraining order to enjoin what they contend are Hison's false suggestions to the consuming public: (a) that it has an affiliation with SMC or ASMC and (b) that it has the authority to advertise, promote, and sell products containing genuine Suzuki-brand engines. Plaintiffs have provided evidence in the form of declarations of Norio Yamada, Larry Vandiver, and Michael Mills that Hison is using Plaintiffs' trademark in connection with an engine not authorized by SMC or ASMC to be used in the marine environment and including such engine in Hison's personal watercraft and jet boats and that these personal watercraft and jet boats are being exhibited at the 2012 Miami Boat Show presently taking place and which will continue over the long weekend.

Plaintiffs also are concerned that if the Court does not issue an immediate temporary restraining order, Defendant Hison, who is from China, will take its infringing merchandise to other parts of the United States and will continue to advertise, promote, and sell its infringing products at other similar boat shows and on the Internet. Plaintiffs also are concerned that Hison may take what Plaintiffs contend are infringing goods back to China, which lacks a formal discovery process.

### ANALYSIS

The standard for obtaining a temporary restraining order and a preliminary injunction are the same. *United States v. DBB, Inc.*, 180 F.3d 1277, 1284 (11th Cir. 1999).

The party seeking injunctive relief must show that: (1) there is a substantial likelihood that plaintiff may prevail on the merits; (2) there is a substantial threat that plaintiff will suffer irreparable injury if interlocutory injunctive relief is not granted; (3) the threatened injury to plaintiff outweighs any threatened harm an injunction may do to defendant, and (4) the grant of the injunctive relief will not disserve the public interest. See *McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1306 [47 USPQ2d 1545] (11th Cir. 1998) (citing *All Care Nursing Servs., Inc. v. Bethesda Memorial Hosp., Inc.*, 887 F.2d 1535, 1537 (11th Cir. 1989)).

The Court finds that Plaintiffs have made the proper showing for preliminary injunctive relief, and that they are entitled to a temporary restraining order. Although defense counsel represented at the hearing that his client has informed him that it is destroying any promotional materials containing the SUZUKI trademark, it is removing the trademark from all items on display at the boat show, and will be removing the SUKUKI trademark from its website by tomorrow, the Court finds that Plaintiffs have made the requisite showing for entry of a temporary restraining order. Accordingly and to preserve the status quo, the Court will grant the motion for a temporary restraining order based upon the following findings of fact and conclusions of law:

*A. Plaintiffs Have Established a Substantial Likelihood of Success on the Merits*

**[ 1 ]** Plaintiffs have shown that the SUZUKI Trademark is owned by SMC, and SMC has registered various forms and uses of the SUZUKI Trademark have been registered in the United States. SMC Dec ¶ 9 (SMC DEC refers to the Declaration of Larry Vandiver). As shown by the federal trademark registrations attached to the accompanying SMC Declaration, all of the SUZUKI Registrations are owned by SMC and several of the registrations have become "incontestable" under 15 U.S.C. §§ 1058 and 1065. Incontestability firmly establishes the validity of those trademarks and SMC's exclusive rights in them. See *Ocean Bio-Chem*, 741 F.Supp. at 1554 (explaining that "[incontestable status provides conclusive evidence of the registrant's exclusive right to use the registered mark, subject to §§ 15 and 33(b) of the Lanham Act]").

In addition, SMC, on a worldwide basis, and ASMC, in the United States through its licensed rights from SMC, have been using designations that include the SUZUKI Trademark to promote, advertise, and sell their products for decades. SMC was first incorporated in 1920 under the name "Suzuki Loom Manufacturing Co." and has been providing various products since that time, including many

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products that are the subject of the SUZUKI Registrations. SMC Dec ¶¶ & 6. The SUZUKI Trademark has been used by SMC to advertise, promote, and sell its products in the United States, either directly or through its U.S. licensee, ASMC and its sublicensees. SMC Dec ¶ 6. As such, Plaintiffs have shown that SMC and ASMC, through its license, own the exclusive rights to the SUZUKI Trademark.

Moreover, neither SMC nor ASMC has authorized Hison to use the SUZUKI Trademark. As set forth in the declarations on file, the SUZUKI Trademark is not used, licensed, or authorized for use for engine sales into the U.S. market or for use with any personal watercraft or jet boats of the type that Hison is promoting that infringe the SUZUKI Trademark. SMC Dec ¶¶ 12-18; ASMC Dec ¶¶ 12-15 (ASMC Dec refers to the Declaration of Norio Yamada). In particular, the SUZUKI Trademark has not been licensed for use in any inboard watercraft environment, including personal watercraft or any type of boat. SMC Dec ¶¶ 16-18; ASMC Dec ¶¶ 13-15.

Finally, the Plaintiffs have made a sufficient showing that Hison's use of the SUZUKI Trademark will likely cause confusion, mistake, or deception as to the source, affiliation, or sponsorship of Hison's personal watercraft and jet boats. The Eleventh Circuit uses a seven-factor test in determining likelihood of confusion. These factors, as outlined in *Lipscher v. LRP Publ'ns. Inc.*, 266 F.3d 1305, 1313 [60 USPQ2d 1468] (11th Cir. 2001), include: (1) the type or strength of the mark; (2) the similarity of marks; (3) the similarity of the goods; (4) similarity of the sales methods; (5) the similarity of advertising media; (6) defendants' intent; and (7) any evidence of actual confusion. These "key factors" must be weighed to determine whether a likelihood of confusion exists. *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 979-80 [219 USPQ 515] (11th Cir. 1983). As indicated below, the Court finds that Suzuki is likely to succeed in establishing its trademark infringement claims.

*(1) Type (Strength) of the Mark.* The SUZUKI Trademark is a strong mark, and this increases Suzuki's chances of prevailing on the merits. For purposes of strength, trademarks are generally classified into the following categories of "increasing distinctiveness [or strength]: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 [23 USPQ2d 1081] (1992). Fanciful, arbitrary and suggestive marks are the strongest and are deemed inherently distinctive and entitled to protection. *Id.* Descriptive marks may be protected if they acquire distinctiveness but generic marks cannot be registered. *Id.* at 768-69. The term "Suzuki" is not descriptive or generic for any product and, thus, the SUZUKI Trademark is a strong, arbitrary and fanciful mark, which is entitled to the protection of the trademark laws.

The SUZUKI Trademark also has acquired secondary meaning and is a strong mark for that reason as

well. In the three-year period of 2008 to 2010 alone, SMC spent over \$1.5 billion in advertising, promoting, and marketing products under the Suzuki name or SUZUKI Trademark. SMC Dec ¶ 8. ASMC spent over \$430 million during that same period to advertise, promote, and market products to the U.S. market under the Suzuki brand. ASMC Dec ¶8. Such exhaustive expenditures of time, labor, skill, and expense in developing, advertising, and promoting the SUZUKI Trademark have resulted in the SUZUKI Trademark enjoying widespread recognition and prominence in the minds of consumers. See *Clayton v. Howard Johnson Franchise Sys., Inc.*, 730 F.Supp. 1553, 1559 (M.D. Fla. 1988) (finding that “[d]ue to extensive advertising and long use, ‘Howard Johnson’s’ must be considered a strong mark”). Therefore, the SUZUKI Trademark is strong, which favors Suzuki's likelihood of success on the merits.

(2) *Similarity of the Marks*. Likelihood of confusion is greater when an infringer uses the exact trademark. *Turner Greenberg Assocs. v. C & C Imps.*, 320 F.Supp.2d 1317, 1332 [71 USPQ2d 1888] (S.D. Fla. 2004). Here, Hison is using the term “Suzuki,” which is identical to the SUZUKI Trademark and to a portion of all of the SUZUKI Registered Trademarks. No question exists regarding similarity of the marks — they are identical.

(3) *Similarity of the Goods*. “The greater the similarity between the products and services, the greater the likelihood of confusion.” *John H. Harland Co.*, 711 F.2d at 976; see *Turner Greenburg Assocs.*, 320 F.Supp.2d at 1332. Hison is promoting, advertising, and selling personal watercraft and jet boats that represent that they have a genuine Suzuki-

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brand engine. While SMC and ASMC do not sell personal watercraft or boats, per se, under the SUZUKI Trademark, the products provided by SMC and ASMC are very similar to Hison's infringing products. For example, the SUZUKI Registrations cover various types of vehicles and vehicle parts, including motorcycles, ATVs, motorized vehicles such as automobiles, trucks, vans, sport utility vehicles, cross-over vehicles, and parts thereof. SMC Dec ¶ 9. SMC has used the SUZUKI Trademark to promote and sell all of these products as well as outboard marine engines, and engines for snowmobiles. SMC ¶¶ 7 & 14. Moreover, ASMC uses the SUZUKI Trademark to promote and sell automobiles, motorcycles, ATVs and boat motors in the United States. ASMC ¶¶ 7 & 15.

Consumers likely would expect that a company that sells *outboard* boat motors, vehicles such as cars, trucks, and ATVs, and engines for snowmobiles to also sell personal watercraft, jet boats, and *inboard* engines for those vehicles. Moreover, the part of Hison's products that it advertises as being a genuine Suzuki component is an engine, which is an actual product that SMC sells into the United States, albeit for snowmobiles only. SMC Dec ¶ 14. Thus, the products Hison advertise, promote and sell are very similar to Plaintiffs' products.

(4) *Similarity of Sales Methods and (5) Advertising Method*. A high degree of similarity between sales methods and use of the same advertising media increases the likelihood of confusion. See *Turner Greenburg Assocs.*, 320 F.Supp.2d at 1332. Here, SMC, ASMC, and Hison all promote and advertise their products using at least one of the same marketing channels, namely the Internet. SMC advertises its products at [www.globalsuzuki.com](http://www.globalsuzuki.com); ASMC advertises its products at [www.suzuki.com](http://www.suzuki.com); and Hison advertises its products at [www.hisonietski.com](http://www.hisonietski.com). SMC Dec ¶ 22; ASMC Dec ¶ 20; Mills Dec ¶ 12. As explained in paragraph 12 of the Mills Declaration, Hison employs the SUZUKI Trademark at several pages of its website and actually depicts an engine with the SUZUKI Trademark affixed to the engine itself. Mills Dec ¶¶ 12(e), 12(h), 12(k).

Moreover, both ASMC and Hison are promoting their products at the Miami Boat Show at the time of filing the present motion. ASMC Dec ¶ 19; Mills Dec ¶¶ 19 & 29. Therefore, Hison advertises and sells in the same channels as do SMC and ASMC.

(6) *Defendant's Intent*. When an alleged infringer adopts a mark “with the intent of obtaining benefit from the plaintiff's business reputation, ‘this fact alone may be sufficient to justify the inference that there is confusing similarity.’ ” *Turner Greenberg Assocs.*, 320 F.Supp.2d at 1333 (citing *Carnival Corp. v. SeaEscape Casino Cruises, Inc.*, 74 F.Supp.2d 1261, 1268 [52 USPQ2d 1920] (S.D. Fla. 1999)). Here, the result is that Hison is trading off the name of Suzuki and the SUZUKI Trademark. Hison's advertising material contains many references to the “Suzuki” engine and even posts on its website a photograph of an engine with the SUZUKI Trademark. Mills Dec ¶ 12. Moreover, during the Miami Boat Show, Hison's representatives touted the fact that its products utilized a “Suzuki” engine. Mills Dec ¶¶ 38-39. Common sense leads a reasonable person to conclude all of these actions were taken with the understanding of the fame of the SUZUKI Trademark and without authorization to use the SUZUKI Trademark to market, advertise, or sell its products.



(7) *Evidence of Actual Confusion*. Actual confusion is unnecessary to establish infringement because the test is only a *likelihood* of confusion. See *Ferrellgas Ptnrs., L.P. v. Barrow*, 143 Fed. Appx., 180, 191 (11th Cir. 2005) (directing the district court to issue a preliminary injunction despite the lack of any actual confusion evidence and citing *Montgomery v. Noga*, 168 F.3d 1282, 1302 [49 USPQ2d 1961] (11th Cir. 1999) for the proposition that "actual confusion is not required to prove likelihood of confusion"). In this case, however, it is reasonable to infer that actual confusion exists in the marketplace based upon the evidence available. Hison is advertising, offering to sell, and selling products under the identical SUZUKI Trademark that SMC and ASMC use on very similar products. It is highly likely that there has, in fact, been actual consumer confusion.

As set forth above, six of the seven likelihood of confusion factors weigh heavily in Plaintiffs' favor and the seventh — actual confusion — also more likely than not is to have occurred. Therefore, Plaintiffs have shown a strong likelihood of prevailing substantively on the merits on both the federal trademark infringement under Section 32(a) and the common

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law trademark infringement claim under Section 43(a).

*B. Irreparable Harm to Plaintiffs  
Favors Injunction*

**[ 2 ]** The Court finds that there is a substantial threat that Plaintiffs will suffer irreparable injury if a temporary restraining order is not granted. Irreparable injury is clearly demonstrated in this case. As courts have recognized, "established case law ... holds that, in cases involving copyright or trademark infringement, a plaintiff is not held to the usual requirement of showing irreparable injury if a prima facie case of infringement is made out." *Universal City Studios, Inc. v. Casey & Casey, Inc.*, 622 F.Supp. 201, 204 [228 USPQ 195] (S.D. Fla. 1985). As the Eleventh Circuit has stated: "[A] sufficiently strong showing of likelihood of confusion [caused by trademark infringement] may by itself constitute a showing of ... [a] substantial threat of irreparable harm." *Ferrellgas Ptnrs.*, 143 Fed. Appx. at 191 (citing *McDonald's Corp.*, 147 F.3d at 1310). A likelihood of confusion exists here, because Hison has engaged in infringement activities involving designations indistinguishable from the SUZUKI Trademark and, thus, a substantial threat of irreparable harm exists.

In the context of the products that Hison is distributing using the SUZUKI Trademark, the propensity for irreparable harm to SUZUKI is substantial. Based on the declarations provided, the Court finds that the engines made and licensed under the SUZUKI Trademark are not designed for the inboard watercraft market. SMC Dec ¶ 18. If Hison continues to sell its infringing products under the SUZUKI Trademark, SMC's and ASMC's reputation as well as their apparent products liability exposure could be greatly harmed. Because customers and end-users inevitably will confuse Hison's unauthorized products with genuine products of SMC and ASMC, Hison must be stopped immediately. Otherwise, irreparable harm to both Plaintiffs is likely to occur, with the Plaintiffs losing business, goodwill, and potential customers.

*C. Harm to Defendant, if Any,  
Outweighed by Harm to Plaintiffs*

Third, any harm that would ensue to Hison from the entering of this temporary restraining order either is not recognizable because it is due to its own actions and that any such harm, in any event, is outweighed by the harm Plaintiffs are suffering from as a result of Hison's infringing activity. SMC and ASMC have spent millions, and in the case of SMC billions, of dollars to promote and manufacture high quality products under the SUZUKI Trademark. Should Hison be permitted to continue its infringing conduct, both SMC and ASMC will suffer substantial losses and damage to their reputations and goodwill. However, Hison will suffer no hardship in the event a temporary restraining order and preliminary injunction are issued, because Hison has no right to engage in its present infringing activities. Moreover, if enjoined, Hison may still sell personal watercraft and jet boats, but not by infringing Plaintiffs' trademark. Nothing prevents Hison from developing, marketing, and selling products with engines that do not use the SUZUKI Trademark. There will be little, if any, unjustifiable harm to Hison by entry of the proposed preliminary relief, as it may continue to market non-infringing products. The only thing that Hinson will be prevented from doing is from selling infringing products, "a loss which [it] may justifiably be called upon to bear." *Corning Glass Works v. Jeannette Glass Co.*, 308 F.Supp. 1321, 1328 [164 USPQ 435] (S.D.N.Y. 1970). Here, the balance of equities weighs in Plaintiffs' favor. For these reasons, substantial immediate and irreparable injury is likely to result without preliminary relief and the Plaintiffs have no adequate remedy at law.

*D. Public Interest Favors Temporary Restraining Order*

Fourth, this temporary restraining order will serve the interests of the public. Among other things, the public has an interest in upholding trademark laws and in preventing confusion in the market place. The Court finds that Hison is engaged in infringing activities and is directly confusing the consuming public into thinking that its products are endorsed by or affiliated with SMC and ASMC.

"In trademark cases, 'the public as a whole has a paramount interest not to be confused by defendant's infringement' " and "[t]he Court must give considerable weight to this public interest." *Nailtiques Cosmetic Corp. v. Salon Sciences. Corp.*, 1997 U.S. Dist. LEXIS 4662, at \*14-\*15 [41 USPQ2d 1995] (S.D. Fla. 1997). The fulfilling of that interest by granting

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the preliminary relief requested here is warranted. In addition, there is a strong public interest in favor of protecting one's intellectual property pursuant to the trademark laws of the United States. As such, it is no disservice, and is in fact a service, to the public interest if the presently-requested temporary relief is granted. Furthermore, the Court is concerned that there is a possibility that Hison is using the engines in question in a manner for which they are not designed and use by consumers could run the risk of physical harm. *See, e.g., Burger King Corp. v. Duckrey*, 11-23748-CIV, 2011 WL 6937384 \*6 (S.D. Fla. Dec. 22, 2011) (temporary restraining order issued against defendants because of their unauthorized continued use of the Burger King name and reputation.)

Accordingly, I grant the Motion for Temporary Injunctive Relief.

**CONCLUSION**

Accordingly, after due consideration, it is

*ORDERED AND ADJUDGED* that Plaintiff's Motion for an Emergency Temporary Restraining Order is hereby *GRANTED* as follows:

1. Defendant Hison, its directors, officers, agents, servants, employees, successors, assigns, affiliates, joint venturers, and any and all other persons in active concert, in privity, or in participation with them from and all persons acting on their behalf or in concert with them having notice of this Order, are hereby TEMPORARILY RESTRAINED from:
  - a. manufacturing, producing, sourcing, importing, selling, offering for sale, distributing, advertising, or promoting any goods and/or services that bear or that utilize the term "Suzuki" and/or any variation thereof;
  - b. directly or indirectly infringing on the trademarks of Plaintiffs;
  - c. representing or suggesting, expressly or implicitly, that Defendant and Plaintiffs have any relationship or have acted in cooperation with each other; and
  - d. doing any other acts calculated or likely to cause confusion or mistake in the mind of the public or to lead the public into the belief that Defendant's services or products are authorized, sponsored, licensed, endorsed, promoted, or condoned by Plaintiffs or are otherwise affiliated with or connected to Plaintiffs.
  - e. from secreting, concealing, destroying, selling off, transferring, or otherwise disposing of: (i) any products, not manufactured or distributed by Plaintiffs, bearing the term "Suzuki", or any confusingly similar trademarks; or (ii) any evidence relating to the manufacture, importation, sale, offer for sale, distribution, or transfer of any products bearing the term "Suzuki", or any confusingly similar trademarks.
2. The terms of this Order shall take effect immediately. This Temporary Restraining Order shall remain in effect until the date for the hearing on the Motion for Preliminary Injunction set forth below, or until such further dates as set by the Court or stipulated to by the parties;
3. Despite 15 U.S.C. § 1116(d)(5)(D), Defendant has agreed that no bond is necessary.
4. An evidentiary hearing is set before this Court in the United States Courthouse located at 400 North Miami Avenue, Miami, Florida 33128, Courtroom 11-4, on *February 27, 2012 at 10:00 a.m.*, or at such other time that this Court deems appropriate, at which time Defendant Hison and/or any other affected persons may challenge the appropriateness of this Order and move to dissolve the same and at which time the Court will hear argument on Plaintiffs requested preliminary injunction.

5. Any response or opposition to Plaintiff's Motion for Preliminary Injunction must be filed and served on Plaintiff's counsel by February 23, 2012, at 2:00 p.m. and filed with the Court. Plaintiff shall file and serve any Reply Memorandum on or before February 24, 2012 at 2:00 p.m.

The above dates may be revised upon stipulation by all parties and approval of this Court. Defendants are hereby on notice that failure to appear at the hearing may result in the imposition of a preliminary injunction against them pursuant to 15 U.S.C. § 1116(d) and Fed.R.Civ.P. 65.

*DONE* and *ORDERED*.

- End of Case -

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LEXSEE



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As of: Aug 17, 2012

**COACH SERVICES, INC., Appellant, v. TRIUMPH LEARNING LLC, Appellee.**

**2011-1129**

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

**668 F.3d 1356; 2012 U.S. App. LEXIS 3385; 101 U.S.P.Q.2D (BNA) 1713**

**February 21, 2012, Decided**

**SUBSEQUENT HISTORY:** Judgment entered by, On remand at [Coach Servs. v. Triumph Learning Llc, 2012 TTAB LEXIS 239 \(Trademark Trial & App. Bd., June 18, 2012\)](#)

**PRIOR HISTORY:** [\*\*1]

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board. (Opposition No. 91170112).

[Coach Servs. v. Triumph Learning LLC, 2010 TTAB LEXIS 383 \(Trademark Trial & App. Bd., Sept. 17, 2010\)](#)

**DISPOSITION:** AFFIRMED-IN-PART, VACATED-IN-PART, REMANDED.

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Appellant, owner of several trademark registrations for the COACH mark, sought review from a final decision of the Trademark Trial and Appeal Board (the Board) dismissing its opposition to appellee's use-based applications to register the mark COACH for educational materials used to prepare students for standardized tests.

**OVERVIEW:** Appellant used the COACH mark in relation to a variety of goods, including handbags and luggage. Appellee sought to register the COACH mark for test preparation materials. The Board dismissed

appellant's opposition to appellee's application because it found there was no likelihood of confusion under [15 U.S.C.S. § 1052\(d\)](#) between the parties' COACH marks and appellant failed to prove likelihood of dilution. Although it found that appellee's marks were merely descriptive, it also found that they had acquired secondary meaning, and thus were entitled to registration. On review, the court held that the Board correctly found no likelihood of confusion in light of the vast differences in the parties' respective goods, the channels of trade through which those goods are sold, and the vastly different commercial impressions made by the marks on consumers. It also correctly found no likelihood of dilution because appellant did not meet the stringent standards for fame under [15 U.S.C.S. § 1125\(c\)](#). However, the court found that the Board did make an evidentiary error with respect to its acquired distinctiveness analysis, and therefore remanded for further proceedings on that issue alone.

**OUTCOME:** The court affirmed the Board's decision dismissing appellant's opposition on likelihood of confusion and dilution grounds. With respect to acquired distinctiveness, however, the decision was vacated and remanded for further proceedings.

**LexisNexis(R) Headnotes**

***Civil Procedure > Appeals > Standards of Review > De Novo Review******Civil Procedure > Appeals > Standards of Review > Substantial Evidence > General Overview******Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > General Overview***

[HN1]The United States Court of Appeals for the Federal Circuit reviews the legal conclusions of the Trademark Trial and Appeal Board (the Board) de novo and its factual findings for substantial evidence. Substantial evidence is more than a mere scintilla and such relevant evidence as a reasonable mind would accept as adequate to support a conclusion.

***Civil Procedure > Appeals > Standards of Review > Abuse of Discretion******Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > General Overview***

[HN2]The United States Court of Appeals for the Federal Circuit reviews evidentiary rulings of the Trademark Trial and Appeal Board (the Board) for abuse of discretion. It will reverse only if the evidentiary ruling was: (1) clearly unreasonable, arbitrary, or fanciful; (2) based on an erroneous conclusion of law; (3) premised on clearly erroneous findings of fact; or (4) the record contains no evidence on which the Board could rationally base its decision.

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > General Overview***

[HN3]The Trademark Rules of Practice, which govern proceedings before the Trademark Trial and Appeal Board (the Board), provide that printed publications which are available to the general public in libraries or of general circulation among members of the public or that segment of the public which is relevant under an issue in a proceeding may be introduced in evidence by filing a notice of reliance on the material being offered. [37 C.F.R. § 2.122\(e\)](#). Historically, corporate annual reports were not considered printed publications available to the general public and thus were not admissible via a notice of reliance without any authentication. Rather, such material must be introduced in connection with the deposition testimony of a competent witness. In a 2010 decision, however, the Board expanded the types of documents that can be introduced by way of a notice of reliance.

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > General Overview***

[HN4]In a 2010 decision, the Trademark Trial and Appeal Board (the Board) expanded the types of documents that can be introduced by way of a notice of reliance. In *Safer*, the Board held that if a document obtained from the Internet identifies its date of publication or date that it was accessed and printed, and its source (e.g., the URL), it may be admitted into evidence pursuant to a notice of reliance in the same manner as a printed publication in general circulation in accordance with Trademark Rule 2.122(e), [37 C.F.R. § 2.122\(e\)](#). The Board stated that it would henceforth deem a document obtained from the Internet displaying a date and its source as presumptively true and genuine. Of course, the document must be publicly available. The date and source information on the face of Internet documents allow the nonoffering party the opportunity to verify the documents. In a footnote, the Board recognized that documents could be treated differently depending on their format. For example, a corporate annual report available only in paper form may not be admissible through a notice of reliance because it is not a document in general circulation, while a report in digital form publicly available over the Internet would be admissible through a notice of reliance because its publication on the Internet places it in general circulation.

***Civil Procedure > Appeals > Standards of Review > De Novo Review******Civil Procedure > Appeals > Standards of Review > Substantial Evidence > General Overview******Trademark Law > Likelihood of Confusion > General Overview***

[HN5]Likelihood of confusion is a legal determination based on underlying facts. Although findings of the Trademark Trial and Appeal Board (the Board) as to the DuPont factors are reviewed for substantial evidence, the Board's overall determination of likelihood of confusion is reviewed without deference.

***Trademark Law > Likelihood of Confusion > General Overview******Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court***

[HN6]Under Section 2(d) of the Lanham Act, the Patent and Trademark Office (PTO) may refuse to register a trademark if it is so similar to a registered mark as to be

likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive. [15 U.S.C.S. § 1052\(d\)](#). Whether a likelihood of confusion exists between an applied-for mark and a prior mark is determined on a case-by-case basis applying the thirteen non-exclusive factors set forth in DuPont. Not all of the DuPont factors are relevant to every case, and only factors of significance to the particular mark need be considered. For example, the Trademark Trial and Appeal Board can focus on dispositive factors, such as similarity of the marks and relatedness of the goods.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court***

[HN7]The DuPont factors used to determine likelihood of confusion include: (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression. (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use. (3) The similarity or dissimilarity of established, likely-to-continue trade channels. (4) The conditions under which and buyers to whom sales are made, i.e., "impulse" vs. careful, sophisticated purchasing. (5) The fame of the prior mark (sales, advertising, length of use). (6) The number and nature of similar marks in use on similar goods. (7) The nature and extent of any actual confusion. (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion. (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark). (10) The market interface between applicant and the owner of a prior mark. (11) The extent to which applicant has a right to exclude others from use of its mark on its goods. (12) The extent of potential confusion, i.e., whether de minimis or substantial. (13) Any other established fact probative of the effect of use.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court***

[HN8]The fame of a registered trademark plays a dominant role in the DuPont analysis, as famous marks enjoy a wide latitude of legal protection. A famous mark is one that has extensive public recognition and renown.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court***

[HN9]With respect to trademark registration, fame for purposes of likelihood of confusion is a matter of degree that varies along a spectrum from very strong to very weak. Relevant factors include sales, advertising, length of use of the mark, market share, brand awareness, licensing activities, and variety of goods bearing the mark. The party asserting that its mark is famous has the burden to prove it.

***Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court***

[HN10]Fame is insufficient, standing alone, to establish likelihood of confusion regarding two marks. Although fame cannot overwhelm the other DuPont factors, it deserves its full measure of weight in assessing likelihood of confusion.

***Trademark Law > Likelihood of Confusion > Similarity > General Overview***

[HN11]With respect to assessing similarity of marks, it is well-established that it is improper to dissect a mark, and that marks must be viewed in their entireties. In some circumstances, however, one feature of a mark may be more significant than another, and it is not improper to give more weight to this dominant feature in determining the commercial impression created by the mark.

***Trademark Law > Likelihood of Confusion > Similarity > Commercial Impression***

[HN12]With respect to assessing similarity of marks, the proper test is not a side-by-side comparison of the marks, but instead whether the marks are sufficiently similar in terms of their commercial impression such that persons who encounter the marks would be likely to assume a connection between the parties. In this fact-specific inquiry, if the parties' goods are closely related, a lesser degree of similarity between the marks may be sufficient to give rise to a likelihood of confusion. Even where the marks at issue are identical, or nearly identical, differences in connotation can outweigh visual and phonetic similarity.

***Trademark Law > Likelihood of Confusion > Similarity***

**> Relatedness**

[HN13]With respect to the DuPont factor assessing the similarity of the goods, when reviewing the relatedness of goods the court considers the applicant's goods as set forth in its trademark application, and the opposer's goods as set forth in its registration. When analyzing the similarity of the goods, it is not necessary that the products of the parties be similar or even competitive to support a finding of likelihood of confusion. Instead, likelihood of confusion can be found if the respective products are related in some manner and/or if the circumstances surrounding their marketing are such that they could give rise to the mistaken belief that they emanate from the same source. When trademarks would appear on substantially identical goods, the degree of similarity necessary to support a conclusion of likely confusion declines.

**Trademark Law > Likelihood of Confusion > Similarity > General Overview****Trademark Law > Protection of Rights > Registration > General Overview**

[HN14]When a trademark registration does not contain limitations describing a particular channel of trade or class of customer, the goods or services are assumed to travel in all normal channels of trade.

**Trademark Law > Dilution of Famous Marks > General Overview**

[HN15]See [15 U.S.C.S. § 1125\(c\)\(1\)](#).

**Trademark Law > Dilution of Famous Marks > Factors**

[HN16]To prevail on a dilution claim under the Trademark Dilution Revision Act of 2006 (TDRA), [15 U.S.C.S. § 1125\(c\)](#), a plaintiff must show that: (1) it owns a famous mark that is distinctive; (2) the defendant is using a mark in commerce that allegedly dilutes the plaintiff's famous mark; (3) the defendant's use of its mark began after the plaintiff's mark became famous; and (4) the defendant's use of its mark is likely to cause dilution by blurring or by tarnishment.

**Trademark Law > Dilution of Famous Marks > Blurring**

[HN17]The Trademark Dilution Revision Act of 2006 (TDRA), [15 U.S.C.S. § 1125\(c\)](#), defines dilution by blurring as an association arising from the similarity

between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. [15 U.S.C.S. § 1125\(c\)\(2\)\(B\)](#). Dilution by tarnishment is defined as an association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark. [15 U.S.C.S. § 1125\(c\)\(2\)\(C\)](#).

**Trademark Law > Dilution of Famous Marks > Factors**

[HN18]A threshold question in a federal dilution claim is whether the mark at issue is famous. Under the Trademark Dilution Revision Act of 2006 (TDRA), [15 U.S.C.S. § 1125\(c\)](#), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#). By using the general consuming public as the benchmark, the TDRA eliminated the possibility of niche fame, which some courts had recognized under the previous version of the statute. The TDRA lists four non-exclusive factors for courts to consider when determining whether a mark is famous. [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#).

**Trademark Law > Dilution of Famous Marks > Factors**

[HN19]See [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#).

**Civil Procedure > Appeals > Standards of Review > Substantial Evidence > General Overview****Trademark Law > Dilution of Famous Marks > Factors**

[HN20]Whether a mark is famous under the Trademark Dilution Revision Act of 2006 (TDRA), [15 U.S.C.S. § 1125\(c\)](#), is a factual question reviewed for substantial evidence.

**Trademark Law > Dilution of Famous Marks > Factors****Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > Federal Circuit Court**

[HN21]Fame for likelihood of confusion and fame for dilution are distinct concepts, and dilution fame requires a more stringent showing. While fame for dilution "is an either/or proposition" -- it either exists or does not -- fame for likelihood of confusion is a matter of degree along a continuum. Accordingly, a mark can acquire sufficient public recognition and renown to be famous for purposes of likelihood of confusion without meeting the more stringent requirement for dilution fame.

668 F.3d 1356, \*; 2012 U.S. App. LEXIS 3385, \*\*1;  
101 U.S.P.Q.2D (BNA) 1713

***Trademark Law > Dilution of Famous Marks > Factors***

[HN22]It is well-established that dilution fame is difficult to prove. This is particularly true where the mark is a common English word that has different meanings in different contexts. Importantly, the owner of the allegedly famous mark must show that its mark became famous prior to the filing date of the trademark application or registration against which it intends to file an opposition or cancellation proceeding.

***Trademark Law > Dilution of Famous Marks > Factors***

[HN23]Fame for dilution requires widespread recognition by the general public. [15 U.S.C.S. § 1125\(c\)\(2\)\(A\)](#). To establish the requisite level of fame, the mark's owner must demonstrate that the common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner's use of the mark. An opposer must show that, when the general public encounters the mark in almost any context, it associates the term, at least initially, with the mark's owner. In other words, a famous mark is one that has become a "household name."

***Trademark Law > Dilution of Famous Marks > Factors  
Trademark Law > Protection of Rights > Registration > General Overview***

[HN24]One cannot logically infer fame from the fact that a mark is one of the millions on the Federal Register. While ownership of a trademark registration is relevant to the fame inquiry, proof of registration is not conclusive evidence of fame.

***Trademark Law > Dilution of Famous Marks > General Overview***

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Oppositions > General Overview***

[HN25]An owner of an allegedly famous mark must establish that its mark had become famous prior to the filing date of the trademark application which it opposes.

***Trademark Law > Dilution of Famous Marks > General Overview***

[HN26]The Trademark Dilution Revision Act of 2006 (TDRA), [15 U.S.C.S. § 1125\(c\)](#), eliminated the possibility of "niche fame" as a basis for finding a mark famous.

***Civil Procedure > Justiciability > Standing > General***

***Overview***

***Civil Procedure > Appeals > Standards of Review > De Novo Review***

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Oppositions > Standing***

[HN27]Standing is a question of law that is reviewed de novo. Under Article III of the United States Constitution, a plaintiff must show a "case or controversy" between the parties to establish standing. The "case" and "controversy" restrictions do not, however, apply to matters before administrative agencies. Instead, for an agency such as the Patent and Trademark Office, standing is conferred by statute. Standing is conferred by Section 13 of the Lanham Act, which provides that any person who believes that he would be damaged by the registration of a mark may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor. [15 U.S.C.S. § 1063\(a\)](#). The purpose of the standing requirement is to prevent litigation where there is no real controversy between the parties, where a plaintiff, petitioner or opposer, is no more than an intermeddler.

***Civil Procedure > Justiciability > Standing > General Overview***

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Oppositions > Standing***

[HN28]In addition to meeting the broad requirements of [15 U.S.C.S. § 1063](#), an opposer of trademark registration must satisfy two judicially-created standing requirements. Specifically, an opposer must show: (1) a real interest in the proceeding; and (2) a reasonable basis for believing that it would suffer damage if the mark is registered. Under the "real interest" requirement, an opposer must have a legitimate personal interest in the opposition. With respect to the second inquiry, the opposer's belief of damage must have a reasonable basis in fact.

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Oppositions > Grounds***

[HN29]Once standing is established, the opposer of a trademark registration is entitled to rely on any of the grounds set forth in section 2 of the Lanham Act which negate applicant's right to its subject registration. Accordingly, once an opposer meets the requirements for standing, it can rely on any of the statutory grounds for opposition set forth in [15 U.S.C.S. § 1052](#).



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***Trademark Law > Subject Matter > Descriptive & Laudatory Terms > General Overview***

[HN30]Marks that are merely descriptive of goods and services are not entitled to protection. A mark is merely descriptive if it immediately conveys knowledge of a quality, feature, function, or characteristic of the goods or services with which it is used. A mark may be merely descriptive even if it does not describe the full scope and extent of the applicant's goods or services.

***Trademark Law > Subject Matter > Descriptive & Laudatory Terms > General Overview***

[HN31]It is well-established that descriptiveness of a mark is not considered in the abstract. Instead, the mark must be considered in relation to the particular goods for which registration is sought, the context in which it is being used, and the possible significance that the term would have to the average purchaser of the goods because of the manner of its use or intended use. Evidence that a term is merely descriptive may be obtained from any competent source, such as dictionaries, newspapers, or surveys. A determination that a mark is merely descriptive is a factual finding that this court reviews for substantial evidence.

***Trademark Law > Subject Matter > Descriptive & Laudatory Terms > Determinations***

***Trademark Law > Subject Matter > Secondary Meaning > General Overview***

[HN32]It is well-established that a descriptive mark can be registered if it has acquired secondary meaning. [15 U.S.C.S. § 1052\(f\)](#).

***Trademark Law > Subject Matter > Descriptive & Laudatory Terms > Determinations***

[HN33]See [15 U.S.C.S. § 1052\(f\)](#).

***Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review***

***Trademark Law > Subject Matter > Secondary Meaning > General Overview***

[HN34]To establish secondary meaning, or acquired distinctiveness, an applicant must show that in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself. To determine whether a mark has acquired secondary meaning, courts consider:

advertising expenditures and sales success; length and exclusivity of use; unsolicited media coverage; copying of the mark by the defendant; and consumer studies. Acquired distinctiveness is a question of fact which is reviewed under the clearly erroneous standard.

***Trademark Law > Subject Matter > Secondary Meaning > General Overview***

***Trademark Law > U.S. Trademark Trial & Appeal Board Proceedings > Oppositions > General Overview***

[HN35]Acquired distinctiveness and buyer recognition is to be tested in an opposition proceeding as of the date the issue is under consideration. The filing date is not a cutoff for any evidence developing after that time.

**COUNSEL:** NORMAN H. ZIVIN, Cooper & Dunham, LLP, of New York, New York, argued for appellant. With him on the brief was TONIA A. SAYOUR.

R. DAVID HOSP, Goodwin Procter, LLP, of Boston, Massachusetts, argued for appellee. With him on the brief was ANTHONY H. CATALDO. Of counsel was JOHN T. BENNETT.

**JUDGES:** Before NEWMAN, O'MALLEY, and REYNA, Circuit Judges.

**OPINION BY:** O'MALLEY

**OPINION**

[\*1360] O'Malley, *Circuit Judge*.

Coach Services, Inc. ("CSI") appeals from the final decision of the Trademark Trial and Appeal Board ("the Board") dismissing its opposition to Triumph Learning, LLC's ("Triumph") use-based applications to register the mark COACH for educational materials used to prepare students for standardized tests. The Board found that: (1) there was no likelihood of confusion between the parties' COACH marks; (2) CSI failed to prove likelihood of dilution; and (3) although Triumph's marks are merely descriptive, they have acquired secondary meaning, and thus are entitled to registration. [Coach Services, Inc. v. Triumph Learning LLC, 96 U.S.P.Q.2d 1600 \(T.T.A.B. Sept. 17, 2010\)](#) [\*\*2] ("Board Decision"). For the reasons discussed below, we find no error in the Board's decisions regarding likelihood of confusion and dilution, and thus affirm as to those grounds. With respect to the Board's acquired distinctiveness analysis, however, we

find that certain evidentiary errors require us to vacate and remand solely with respect to the Board's determination of Triumph's "substantially exclusive and continuous use" of its marks. Accordingly, we affirm-in-part, vacate-in-part, and remand this matter for further proceedings.

## Background

### A. Triumph's Use of the COACH Mark

Triumph publishes books and software used to assist teachers and students in preparing for standardized tests. Triumph claims that it has used the COACH mark in connection with its products since at least 1986. According to Triumph: (1) the "market for test preparation materials for state-sponsored standardized tests is highly specific and targeted"; and (2) much of the marketing takes place through face to face contact with sales representatives or in the form of direct mailings to previously identified educational department heads. Appellee's Br. 6.

Triumph explains that, when Congress passed the No Child Left Behind Act in 2001, which mandated that all states administer standardized tests to monitor academic advancement, Triumph made additional investments in its marketing. It began focusing on the style of its brand and developed a mascot -- a cartoon coach -- and a slogan: "America's best for student success." Triumph invested significantly in its marketing efforts, and, according to Triumph, it has had substantial commercial success selling products under its COACH mark.

In December 2004, Triumph filed use-based applications for three marks: (1) the COACH word mark (Serial No. 78/535,642); (2) a stylized COACH mark (Serial No. 78/536,065); and (3) a COACH mark and design (Serial No. 78/536,143) (referred to collectively as "Triumph's COACH marks"). The COACH mark with a design appears as follows:

[\*1361] Each of the applications is for the following goods in International Classes 9 and 16:

Computer software for use in child and adult education, namely, software to assist teachers and students at all levels in mastering standards-based curricula and in

preparing for standardized exams; prerecorded audio and video tapes in the field of child and adult education, featuring materials to assist teachers [\*\*4] and students at all levels in mastering standards-based curricula and in preparing for standardized exams, in Class 9; and Printed materials in the field of child and adult education, namely, textbooks, workbooks, teacher guides and manuals, posters and flashcards, all featuring materials to assist teachers and students at all levels in mastering standards-based curricula and in preparing for standardized exams, in Class 16.

Triumph's COACH marks were published for opposition on September 20, 2005.

### B. CSI's COACH Marks

CSI advertises and sells a wide variety of "accessible luxury" products, including handbags, luggage, clothing, watches, eye glasses, and wallets. It has been using the COACH mark in connection with its products since at least December 28, 1961.<sup>1</sup> CSI owns sixteen incontestable trademark registrations for the COACH mark, all but one of which issued before Triumph's applications were filed in December 2004.

1 CSI claims that its predecessor first began using the COACH mark in 1957.

CSI sells its COACH products in its own 400 retail stores, in department stores, and over the Internet through its website. It also promotes its goods by catalogs. CSI advertises and markets its COACH [\*\*5] line of products throughout the United States using "magazine and newspaper ads, billboards and bus and phone kiosks." Appellant's Br. 5. For example, CSI's COACH brand products have been advertised in national fashion publications, including *Elle*, *Vogue*, *Mademoiselle*, and *Vanity Fair*.

Although CSI's briefing to this court includes advertising and sales figures from 2000-2008, including a representation that its sales exceeded \$10 billion over that time frame, as discussed below, this evidence was not properly submitted to the Board and thus was not considered. In fact, the Board found that CSI introduced evidence of its advertising and sales only for 2008.

Specifically, CSI introduced the testimony deposition of Carole P. Sadler, the former Vice President, General Counsel, and Secretary of CSI, who testified that, in 2008: (1) CSI's annual sales were roughly \$3.5 billion; and (2) CSI spent about "30-60 million a year" on advertising. Joint Appendix ("J.A.") 3659-60.

To further support the popularity and commercial success of its COACH mark, [\*1362] CSI points to: (1) its joint marketing efforts with other popular brands, including LEXUS and CANON; (2) unsolicited media attention from the fashion [\*\*6] press; (3) an internal market study conducted in June and July 2007 of persons between the ages of 18-24, which showed that the COACH brand had 96% aided awareness; and (4) the fact that CSI has taken steps to enforce its trademark rights against past infringers.

It is undisputed that CSI is not in the education or test-preparation industry, does not consider Triumph a competitor, and did not present any evidence of any actual confusion stemming from Triumph's use of the Coach mark in conjunction with its educational materials.

### C. TTAB Opposition Proceedings

On March 17, 2006, CSI filed a Notice of Opposition opposing registration of all three of Triumph's COACH marks on grounds of likelihood of confusion under [15 U.S.C. § 1052\(d\)](#) and dilution under [15 U.S.C. § 1125\(c\)](#). On October 5, 2006, CSI amended its Notice to add a claim that COACH is merely descriptive when used on goods in the educational and test preparation industries, such that the mark is not registrable to Triumph pursuant to [15 U.S.C. § 1052\(e\)](#).

On September 17, 2010, the Board issued a judgment dismissing CSI's opposition. Specifically, the Board found that there was: (1) no likelihood of confusion between the parties' marks; [\*\*7] and (2) no likelihood of dilution of CSI's COACH mark for lifestyle goods by Triumph's COACH marks for educational materials. While the Board found that CSI's COACH mark was famous for likelihood of confusion purposes, it concluded that CSI failed to provide sufficient evidence of fame to support its dilution claim under the Trademark Dilution Revision Act of 2006 ("TDRA"), [15 U.S.C. § 1125\(c\)](#). Finally, the Board held that, although Triumph's COACH marks were merely descriptive, they had acquired secondary meaning and thus were entitled to registration.

CSI timely appealed to this court. We have jurisdiction pursuant to [28 U.S.C. § 1295\(a\)\(4\)\(B\)](#).

### Standard of review

[HN1]We review the Board's legal conclusions *de novo* and its factual findings for substantial evidence. [In re Pacer Tech.](#), 338 F.3d 1348, 1349 (Fed. Cir. 2003). Substantial evidence is "'more than a mere scintilla' and 'such relevant evidence as a reasonable mind would accept as adequate' to support a conclusion." *Id.* (quoting [Consol. Edison v. Nat'l Labor Relations Bd.](#), 305 U.S. 197, 229, 59 S. Ct. 206, 83 L. Ed. 126 (1938)).

### Discussion

CSI's primary arguments on appeal fall into three categories. It argues that the Board erred when it: (1) improperly balanced [\*\*8] the factors set forth in [In re E.J. DuPont de Nemours & Co.](#), 476 F.2d 1357, 1361 (C.C.P.A. 1973), to find no likelihood of confusion; (2) ignored substantial evidence showing that CSI's COACH mark was famous for dilution purposes, including corporate annual reports that CSI had attempted to introduce via a notice of reliance; and (3) found that Triumph's descriptive COACH marks have acquired distinctiveness.

In response, Triumph argues that the Board correctly found: (1) no likelihood of confusion "in light of the vast differences in the parties' respective goods, the channels of trade through which those goods are sold, and the vastly different commercial impressions made by the marks on consumers"; (2) no likelihood of dilution because CSI did not meet the stringent standards for fame under the TDRA and [\*1363] because "its mark has not become the principal meaning of the word 'coach'"; and (3) that Triumph's marks have attained secondary meaning. Appellee's Br. 12-13.

For the reasons set forth below, we find Triumph's arguments regarding likelihood of confusion and likelihood of dilution well-taken. Because we find that the Board made evidentiary errors with respect to its acquired distinctiveness [\*\*9] analysis, we vacate that portion of the Board's decision and remand for further proceedings on that issue alone.

### A. Evidentiary Ruling Regarding CSI's Notice of Reliance

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On appeal, CSI takes issue with the Board's decision to exclude the corporate annual reports it attempted to admit through a notice of reliance. According to CSI, the Board should have considered its 2000-2008 annual reports as evidence of CSI's annual sales figures and the amount it expended in advertising, design, and promotion of its COACH products. In response, Triumph argues that the Board properly struck the documents from the record because they were not submitted in accordance with the Board's rules and were not otherwise authenticated. We agree with Triumph.

[HN2]This court reviews evidentiary rulings for abuse of discretion. *Crash Dummy Movie, LLC v. Mattel, Inc.*, 601 F.3d 1387, 1390 (Fed. Cir. 2010) (citing *Chen v. Bouchard*, 347 F.3d 1299, 1307 (Fed. Cir. 2003)). We will reverse only if the Board's evidentiary ruling was: (1) "clearly unreasonable, arbitrary, or fanciful"; (2) "based on an erroneous conclusion[] of law"; (3) premised on "clearly erroneous findings of fact"; or (4) the record "contains no evidence [\*10] on which the Board could rationally base its decision." *Id.* at 1390-91.

[HN3]The Trademark Rules of Practice, which govern inter partes trademark proceedings before the Board, provide, in part, that "printed publications" which are "available to the general public in libraries or of general circulation among members of the public or that segment of the public which is relevant under an issue in a proceeding . . . may be introduced in evidence by filing a notice of reliance on the material being offered." 37 C.F.R. § 2.122(e). Historically, corporate annual reports were not considered printed publications available to the general public and thus were not admissible via a notice of reliance without any authentication. See *Jeanne-Marc, Inc. v. Cluett, Peabody & Co., Inc.*, 221 U.S.P.Q. 58, 59, n.4 (T.T.A.B. 1984) ("It is well settled that annual reports do not fall within the category of printed publications as contemplated" under the Trademark Rules.); see also *Midwest Plastic Fabricators Inc. v. Underwriters Labs, Inc.*, 12 U.S.P.Q.2d 1267, 1270 n.5 (T.T.A.B. 1989) ("[P]rinted material in the nature of annual reports is not considered printed publications available to the general public such [\*11] that it may be relied on pursuant to Rule 2.122(e). Rather, such material must be introduced in connection with the deposition testimony of a competent witness."); *VTech Holdings Ltd. v. Varian Semiconductor Equip. Assocs., Inc.*, Opp. No. 91156936, 2007 TTAB LEXIS 245, at \*11 (T.T.A.B. Sept. 21, 2007) ("Opposer's corporate annual reports, newsletters

and other house publications are not self-authenticating printed publications or official records and may not be made of record by notice of reliance. We sustain applicant's objection to all such documents and shall give them no consideration.") (internal citations omitted).

[HN4]In a 2010 decision, however, the Board expanded the types of documents that can be introduced by way of a notice of reliance. *Safer Inc. v. OMS Investments Inc.*, 94 U.S.P.Q.2d 1031, 1039 (T.T.A.B. 2010). In *Safer*, the Board held that:

[\*1364] *if a document obtained from the Internet identifies its date of publication or date that it was accessed and printed, and its source (e.g., the URL), it may be admitted into evidence pursuant to a notice of reliance in the same manner as a printed publication in general circulation in accordance with Trademark Rule 2.122(e). . . . The Board [\*12] will henceforth deem a document obtained from the Internet displaying a date and its source as presumptively true and genuine. Of course, the document must be publicly available. The date and source information on the face of Internet documents allow the nonoffering party the opportunity to verify the documents.*

*Id.* (emphasis in original). In a footnote, the Board recognized that documents could be treated differently depending on their format. For example, "a corporate annual report available only in paper form may not be admissible through a notice of reliance because it is not a document in general circulation," while a report "in digital form publically available over the Internet would be admissible through a notice of reliance because its publication on the Internet places it in general circulation." *Id.* at 1039 n.18.

Here, CSI's First Notice of Reliance, which was dated October 20, 2008, listed its annual reports from 2002 to 2008.<sup>2</sup> Triumph objected on grounds that "annual reports may not be introduced through a notice of reliance, but must be introduced and authenticated by competent testimony." *Board Decision*, 96 U.S.P.Q.2d at 1603. The Board, relying on Trademark Rule 2.122(e) [\*13] and the related cases cited above, indicated that "corporate annual reports are not considered to be printed

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publications available to the general public." *Id.* In a footnote, the Board acknowledged the recent *Safer* decision and found that, "[b]ecause the annual reports were not printed from the Internet, they may not be admitted into evidence pursuant to a notice of reliance." [Id. at 1603 n.2](#) (citing [Safer, 94 U.S.P.Q.2d at 1039 n.18](#)). The Board further noted that CSI did not have any witness testify to the authenticity of the reports. Accordingly, the Board sustained Triumph's objection and gave CSI's annual reports no consideration.

2 Although its Notice of Reliance listed its annual reports for 2002-2008, in its briefing, CSI argues that the Board should have considered its annual reports from 2001 to 2008. This discrepancy is irrelevant, however, given the Board's decision to exclude all of the reports on grounds that they were improperly introduced.

On appeal, CSI argues that the Board should have considered the annual reports in light of the *Safer* decision. According to CSI, because its annual reports from 2001 to 2008 were available online, the Board should have accepted the printed [\[\\*\\*14\]](#) versions of the reports. In the alternative, CSI argues that, if the court agrees with the Board that the paper versions of the annual reports are not admissible via a notice of reliance, but that "identical copies printed off the Internet are admissible, Coach submitted the testimony of its Vice President and General Counsel that Coach's sales and advertising information is reported publicly because it is a public company." Appellant's Br. 29-30.

The record reveals that CSI's former Vice President and General Counsel ? Carole Sadler -- testified as follows:

Q. About how much does Coach spend on advertising every year?

A. Currently we spend about 30 to \$60 million a year. If you include design and promotional expenditures with advertising, it is closer to 125 million.

Q. Annually?

A. Annually, yes.

[\[\\*1365\]](#) Q. And is that information available publicly?

A. Yes, it is in our annual report.

Q. What are Coach's sales approximately today?

A. About three-and-a-half billion dollars.

Q. Is that information available publicly?

A. Yes.

Q. Is Coach a public company?

A. Yes.

Q. So it reports that information publicly?

A. Yes.

J.A. 3659-60. According to CSI, this testimony corroborates that the advertising spending and [\[\\*\\*15\]](#) sales figures from 2000 to 2008 are publicly available through the annual reports CSI proffered. It is undisputed, however, that Ms. Sadler was not shown the annual reports during her deposition and did not authenticate the documents at issue.

Despite CSI's contentions to the contrary, we find that the Board's decision to exclude the annual reports is consistent with both the Trademark Rules and the Board's related case law. It is significant, moreover, that CSI submitted its Notice of Reliance in October 2008, and the Board did not decide *Safer* until 2010. At the time the Notice of Reliance was submitted, therefore, the Board's rules and existing case law were clear that corporate annual reports were not admissible via a notice of reliance. Even under the Board's [Safer](#) decision, moreover, CSI's printed versions of its annual reports could not be admitted into evidence pursuant to a notice of reliance because they lacked identifying information such as the online source and date accessed. Indeed, *Safer* specifically contemplated this situation where a corporate annual report is "inadmissible in paper form by way of a notice of reliance because it is not a document in general circulation [\[\\*\\*16\]](#) whereas the same annual report in digital form, publicly available over the internet, would be admissible through a notice of reliance because its publication on the internet places it in general circulation." Gary D. Krugman, *Trademark Trial & App.*

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*Board Prac. & Proc.* § 3.138 (2011).

With respect to Ms. Sadler's testimony, the Board found that her statements were limited to 2008 because she specified that her sales and advertising estimates were "current" estimates, and her deposition was taken in 2008. And, as Triumph notes and CSI concedes, the sales figure Ms. Sadler quoted during her testimony was for worldwide sales, not sales within the United States, and there was no indication as to whether the advertising figures quoted were limited to the United States. Simply put, there was no testimony authenticating the annual reports or independently establishing the information contained therein.

Although the Board's requirements for admission of evidence via a notice of reliance are specific, and do not mirror the Federal Rules of Evidence, they can be readily learned and easily satisfied. Because CSI offered only paper versions of its annual reports, which are not self-authenticating, [\*\*17] we find that the Board did not abuse its discretion when it excluded those reports. Accordingly, we affirm the Board's evidentiary ruling.

#### B. Likelihood of Confusion

Next, CSI argues that the Board erred in finding no likelihood of confusion under the factors articulated in *DuPont*. [HN5]Likelihood of confusion is a legal determination based on underlying facts. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 945 (Fed. Cir. 2000); see also *M2 Software, Inc. v. M2 Commc'ns, Inc.*, 450 F.3d 1378, 1381 (Fed. Cir. 2006) ("Likelihood of confusion is a question of law, based on [\*1366] findings of relevant underlying facts, namely findings under the *DuPont* factors."). Although we review the Board's findings as to the *DuPont* factors for substantial evidence, we review its overall determination of likelihood of confusion without deference. *In re Chatam Int'l Inc.*, 380 F.3d 1340, 1342 (Fed. Cir. 2004) [HN6]Under Section 2(d) of the Lanham Act, the Patent and Trademark Office ("PTO") may refuse to register a trademark if it is so similar to a registered mark "as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1052(d). [\*\*18] Whether a likelihood of confusion exists between an applied-for mark and a prior mark is determined on a case-by-case basis applying the thirteen non-exclusive factors set forth in *DuPont*.<sup>3</sup> *Citigroup Inc. v. Capital City Bank Group, Inc.*, 637 F.3d 1344, 1349 (Fed. Cir. 2011) (citation omitted). "Not all of the

*DuPont* factors are relevant to every case, and only factors of significance to the particular mark need be considered." *In re Mighty Leaf Tea*, 601 F.3d 1342, 1346 (Fed. Cir. 2010). For example, the Board can "focus . . . on dispositive factors, such as similarity of the marks and relatedness of the goods." *Herbko Int'l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 1164 (Fed. Cir. 2002) (citation omitted).

#### 3 [HN7]The *DuPont* factors include:

(1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression. (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use. (3) The similarity or dissimilarity of established, likely-to-continue trade channels. (4) The conditions under which and buyers to whom sales are made, [\*\*19] i.e., "impulse" vs. careful, sophisticated purchasing. (5) The fame of the prior mark (sales, advertising, length of use). (6) The number and nature of similar marks in use on similar goods. (7) The nature and extent of any actual confusion. (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion. (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark). (10) The market interface between applicant and the owner of a prior mark . . . . (11) The extent to which applicant has a right to exclude others from use of its mark on its goods. (12) The extent of potential confusion, i.e., whether de minimis or substantial. (13) Any other established fact probative of the effect of use.

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[DuPont, 476 F.2d at 1361.](#)

Here, the Board focused on the following *DuPont* factors: (1) the strength or fame of CSI's COACH marks; (2) the similarity of the goods; (3) the channels of trade; (4) the classes of consumers; and (5) the similarity of the marks in their entirety. The Board weighed each of these factors and found that there was no likelihood of confusion because the parties' marks "have different [\*\*20] meanings and engender different commercial impressions," and the goods involved "are not similar or related in any way." [Board Decision, 96 U.S.P.Q.2d at 1609.](#)

CSI argues that the Board failed to give proper weight to: (1) the fame of its COACH mark; (2) the identical nature of the parties' marks; and (3) the "overlap between the parties' goods and the overlap and lack of sophistication of the parties' customers." Appellant's Br. 19. We address each of the challenged determinations in turn and find that they are supported by substantial evidence. After careful review and balancing of the *DuPont* factors, we conclude that the Board correctly found no likelihood of confusion.

#### 1. Strength or Fame of CSI's Coach Mark

[HN8]The fame of the registered mark plays a "dominant" role in the *DuPont* [\*1367] analysis, as famous marks "enjoy a wide latitude of legal protection." [Recot, Inc. v. M.C. Becton, 214 F.3d 1322, 1327 \(Fed. Cir. 2000\)](#); see also [Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772, 396 F.3d 1369, 1374 \(Fed. Cir. 2005\)](#) ("[A] strong mark . . . casts a long shadow which competitors must avoid") (citation omitted)). A famous mark is one that has "extensive public recognition [\*\*21] and renown." [Bose Corp. v. QSC Audio Prods. Inc., 293 F.3d 1367, 1371 \(Fed. Cir. 2002\)](#) (citation omitted).

[HN9]Fame for purposes of likelihood of confusion is a matter of degree that "varies along a spectrum from very strong to very weak." [Palm Bay, 396 F.3d at 1375](#) (quoting [In re Coors Brewing Co., 343 F.3d 1340, 1344 \(Fed. Cir. 2003\)](#)). Relevant factors include sales, advertising, length of use of the mark, market share, brand awareness, licensing activities, and variety of goods bearing the mark. [Recot, 214 F.3d at 1326](#); see also [Bose, 293 F.3d at 1371](#) ("[O]ur cases teach that the fame of a mark may be measured indirectly, among other things, by the volume of sales and advertising

expenditures of the goods traveling under the mark, and by the length of time those indicia of commercial awareness have been evident."). The party asserting that its mark is famous has the burden to prove it. [Leading Jewelers Guild, Inc. v. LJOW Holdings, LLC, 82 U.S.P.Q.2d 1901, 1904 \(T.T.A.B. 2007\)](#) ("It is the duty of a party asserting that its mark is famous to clearly prove it.").

[HN10]It is well-established that fame is insufficient, standing alone, to establish likelihood of confusion. [Univ. of Notre Dame Du Lac v. J.C. Gourmet Food Imports Co., Inc., 703 F.2d 1372, 1374 \(Fed. Cir. 1983\)](#) [\*\*22] ("Likely . . . to cause confusion means more than the likelihood that the public will recall a famous mark on seeing the same mark used by another.") (internal quotations omitted). Although fame cannot overwhelm the other *DuPont* factors, we are mindful that it "deserves its full measure of weight in assessing likelihood of confusion." [Recot, 214 F.3d at 1328](#) (noting that "fame alone cannot overwhelm the other *DuPont* factors as a matter of law").

To show the strength and fame of its mark, CSI introduced the following evidence before the Board:

- o CSI began using the COACH mark at least as early as December 28, 1961.

- o There are approximately 400 COACH retail stores throughout all 50 states.

- o CSI's COACH products are sold by approximately 1,000 third-party retailers throughout the US.

- o In 2008, CSI's annual sales were roughly \$3.5 billion.

- o In 2008, CSI spent "about \$30-60 million a year" on advertising.

- o CSI has advertised in magazines such as Elle, Vogue, Vanity Fair, and The New Yorker.

- o CSI has advertised in newspapers in major metropolitan areas.

- o CSI's COACH products have received unsolicited publicity from

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newspapers and magazines discussing fashion trends.

o CSI has been the subject [\*\*23] of articles that refer to the renown of its products.

o CSI's internal brand awareness study, which issued in March 2008, showed a high level of awareness of the COACH brand for women between the ages of 13-24.

o CSI's COACH products are the subject of counterfeiting.

Based on this evidence, the Board found that CSI's COACH mark is famous for purposes of likelihood of confusion. Substantial evidence supports this finding. As discussed below, however, the Board found [\*1368] that the other factors, on balance, dispel any likelihood of confusion between the parties' marks.

## 2. Similarity of the Marks

Under the next *DuPont* factor, the Board must consider the "similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression." [476 F.2d at 1361](#). CSI argues that the substantial similarity of the marks should have weighed heavily in favor of likelihood of confusion. Triumph responds that, although the marks for both companies contain the word "Coach," "when viewed in their commercial contexts, together with the relevant designs and in connection with their respective goods, they convey entirely different commercial impressions." [\*\*24] Appellee's Br. 36-37.

[HN11]It is well-established that it is improper to dissect a mark, and that marks must be viewed in their entireties. [In re Shell Oil Co.](#), [992 F.2d 1204, 1206 \(Fed. Cir. 1993\)](#) ("The marks are considered in their entireties, words and design."); *see also* [Sports Auth. Mich., Inc. v. PC Auth., Inc.](#), [63 U.S.P.Q.2d 1782, 1792 \(T.T.A.B. 2002\)](#) (same). In some circumstances, however, "one feature of a mark may be more significant than another, and it is not improper to give more weight to this dominant feature in determining the commercial impression created by the mark." [Leading Jewelers Guild](#), [82 U.S.P.Q.2d at 1905](#); *see also* [In re Nat'l Data](#)

[Corp.](#), [753 F.2d 1056, 1058 \(Fed. Cir. 1985\)](#) ("[T]here is nothing improper in stating that, for rational reasons, more or less weight has been given to a particular feature of a mark, provided the ultimate conclusion rests on consideration of the marks in their entireties.").

[HN12]The proper test is not a side-by-side comparison of the marks, but instead "whether the marks are sufficiently similar in terms of their commercial impression" such that persons who encounter the marks would be likely to assume a connection between the parties. [Leading Jewelers Guild](#), [82 U.S.P.Q.2d at 1905](#). [\*\*25] In this fact-specific inquiry, if the parties' goods are closely related, a lesser degree of similarity between the marks may be sufficient to give rise to a likelihood of confusion. [In re Inca Textiles, LLC](#), [344 Fed. Appx. 603, 606 \(Fed. Cir. 2009\)](#) (citing [Century 21 Real Estate Corp. v. Century Life of Am.](#), [970 F.2d 874, 877 \(Fed. Cir. 1992\)](#)). Even where the marks at issue are identical, or nearly identical, the Board has found that differences in connotation can outweigh visual and phonetic similarity. *See* [Blue Man Prods. Inc. v. Tarmann](#), [75 U.S.P.Q.2d 1811, 1820-21 \(T.T.A.B. 2005\)](#) (finding that BLUE MAN GROUP "has the connotation of the appearance of the performers" and that applicant's BLUEMAN mark "has no such connotation for cigarettes or tobacco. Thus, the marks differ in their connotations and commercial impressions"); *see also* [In re Sears, Roebuck & Co.](#), [2 U.S.P.Q.2d 1312, 1314 \(T.T.A.B. 1987\)](#) (considering CROSSOVER for brassieres and CROSSOVER for ladies' sportswear and finding that, "[a]s a result of their different meanings when applied to the goods of applicant and registrant, the two marks create different commercial impressions, notwithstanding the fact that they are [\*\*26] legally identical in sound and appearance").

Here, the Board found that, although the marks are identical in terms of sight and sound, they differ as to connotation and commercial impression. The Board stated that, in assessing connotation and commercial impression, "we are compelled to consider the nature of the respective goods and services." [Board Decision](#), [96 U.S.P.Q.2d at 1609](#) (citing [TBC Corp. v. Holsa, Inc.](#), [126 F.3d 1470 \(Fed. Cir. 1997\)](#)). Applying this analysis, the Board found that:

[\*1369] Opposer's COACH mark, when applied to fashion accessories is clearly either arbitrary or suggestive of



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carriage or travel accommodations (e.g., stagecoach, train, motor coach, etc.) thereby engendering the commercial impression of a traveling bag (e.g., a coach or carriage bag). On the other hand, applicant's COACH marks call to mind a tutor who prepares a student for an examination.

*Id.* Given the "completely different meanings and commercial impressions engendered by the marks," the Board concluded that Triumph's COACH marks are not similar to CSI's COACH mark. *Id.*

As noted, Triumph's applications seek to register COACH in standard character form, COACH in a stylized font, and COACH with a mascot [\*\*27] and the tagline "America's Best for Student Success." It is undisputed that the word marks for both parties are identical in sound and appearance: they both use the word "Coach." This fact is significant to the similarity inquiry. We, nevertheless, agree with the Board that, despite their undisputed similarity, the marks have different meanings and create distinct commercial impressions. This is particularly true given that the word "coach" is a common English word that has many different definitions in different contexts.

Specifically, we find that substantial evidence supports the Board's determination that Triumph's COACH mark, when applied to educational materials, brings to mind someone who instructs students, while CSI's COACH mark, when used in connection with luxury leather goods, including handbags, suitcases, and other travel items, brings to mind traveling by carriage. We agree with the Board that these distinct commercial impressions outweigh the similarities in sound and appearance, particularly since, as discussed below, the parties' goods are unrelated. See [Blue Man Prods., 75 U.S.P.Q.2d at 1820-21](#) ("We consider these differences in the connotations and the commercial [\*\*28] impressions of the marks to outweigh the visual and phonetic similarity."). Accordingly, this factor favors Triumph.

### 3. Similarity of the Goods

With respect to the [DuPont](#) factor assessing the similarity of the goods, the Board found, and we agree, that the parties' goods are unrelated. This factor requires a comparison between the goods or services described in the application and those described in the registration.

See [M2 Software, 450 F.3d at 1382](#) (noting that, [HN13]when reviewing the relatedness of the goods, this court considers "the applicant's goods as set forth in its application, and the opposer's goods as set forth in its registration").

When analyzing the similarity of the goods, "it is not necessary that the products of the parties be similar or even competitive to support a finding of likelihood of confusion." [7-Eleven, Inc. v. Wechsler, 83 U.S.P.Q.2d 1715, 1724 \(T.T.A.B. 2007\)](#). Instead, likelihood of confusion can be found "if the respective products are related in some manner and/or if the circumstances surrounding their marketing are such that they could give rise to the mistaken belief that they emanate from the same source." *Id.* When trademarks would appear on substantially [\*\*29] identical goods, "the degree of similarity necessary to support a conclusion of likely confusion declines." [Citigroup Inc. v. Capital City Bank Group, Inc., 637 F.3d 1344, 1355 \(Fed. Cir. 2011\)](#) (citing [Century 21 Real Estate, 970 F.2d at 877](#)).

The Board found "clear and significant differences" between the parties' goods. [Board Decision, 96 U.S.P.Q.2d at 1608](#). While Triumph's applications identify computer software and printed materials for [\*1370] use in preparing students for standardized exams, the various products identified in CSI's registrations include handbags, fashion accessories, luggage, and clothing. The Board further noted that, although CSI uses its mark on many different types of goods, it does not use COACH on educational products.

On appeal, CSI concedes that the parties' products are not the same, but contends that there is some overlap between their goods because it "has used the mark in connection with books and audio and videotapes and in connection with tote bags, caps and shirts." Appellant's Br. 49. This alleged overlap does not help CSI's position, however, particularly since there is no evidence in the record regarding the sales or marketing of these items.<sup>4</sup>

4 As Triumph [\*\*30] correctly points out, CSI provided no evidence as to the sales of these books, any marketing efforts, when the books were last sold, or whether CSI generated revenue from the books. For example, during Ms. Sadler's deposition, she testified that CSI has published books about its history including a book called "Portrait of a Leather Goods Factory." J.A. 3647. On cross-examination, however, Ms. Sadler could

not provide any information regarding the sales of this book or whether it was even sold by CSI. J.A. 3675-76. With respect to CSI's "audio and video tapes," the record reveals that these are materials it prepares and provides to U.S. Customs to intercept counterfeit goods. There is no evidence that CSI sells these tapes.

Finally, although CSI argues that the parties' products are related because Triumph uses its marks on shirts, caps, and tote bags, the Board correctly noted that Triumph's applications do not seek to register its COACH marks for those items, and likelihood of confusion must be based on the goods identified in the application. [Board Decision, 96 U.S.P.Q.2d at 1608](#). And, there is no evidence that Triumph sells these products, which, according to Triumph, are worn by [\[\\*\\*31\]](#) its sales agents to market Triumph's test preparation materials.

Based on the foregoing, substantial evidence supports the Board's conclusion that the parties' goods are not related.

#### 4. Channels of Trade and Classes of Customers

Next, we consider the similarity or dissimilarity of the trade channels in which the parties' goods are sold and the purchasers to whom the parties' goods are marketed. The Board correctly recognized that, because Triumph's description of goods is not limited to sales to educational professionals, the goods are presumed to travel in all normal channels and to all prospective purchasers for the relevant goods. See [Packard Press, Inc. v. Hewlett-Packard Co., 227 F.3d 1352, 1360-61 \(Fed. Cir. 2000\)](#) ([HN14]"When the registration does not contain limitations describing a particular channel of trade or class of customer, the goods or services are assumed to travel in all normal channels of trade.").

With respect to the trade channels, the Board noted that CSI sells its products through its 400 retail stores and through third-party retailers. It also advertises in newspapers, fashion magazines, and catalogs that target female consumers between the ages of 25-65 in all income [\[\\*\\*32\]](#) brackets. For its part, Triumph markets its products through catalogs, direct mail, and personal sales representatives.

With respect to the classes of customers, CSI argues that customers of both products are ordinary consumers, including teachers, "who may buy the products at issue

without a great deal of thought." Appellant's Br. 48. The Board found, however, that Triumph targets educational professionals with responsibility for purchasing educational materials. The Board [\[\\*1371\]](#) further found that, although educational professionals "may include females between the ages of 25-65," the products are "not sold under circumstances likely to give rise to the mistaken belief that the products emanate from the same source." [Board Decision, 96 U.S.P.Q.2d at 1608](#). In fact, the Board found that educational professionals are likely to exercise a high level of care in making purchasing decisions, which would minimize likelihood of confusion.

Under these circumstances, the Board did not err in concluding that the goods are not related and the channels of trade are distinct. Although there could be some overlap in the classes of purchasers for the parties' products, we agree it is unlikely that, in the [\[\\*\\*33\]](#) circumstances in which the products are sold, customers would associate CSI's COACH brand products with educational materials used to prepare students for standardized tests. And, there is nothing in the record to suggest that a purchaser of test preparation materials who also purchases a luxury handbag would consider the goods to emanate from the same source. See [Sports Auth. Mich., 63 U.S.P.Q.2d at 1794](#) ("There is nothing in the record, however, to suggest that merely because the same consumer may purchase these items, such consumer would consider the goods as likely to emanate from the same source or have the same sponsorship."). Accordingly, substantial evidence supports the Board's decision that this factor favors Triumph.

#### 5. Balancing the *DuPont* Factors

The Board found that two of the *DuPont* factors weighed in favor of CSI, in whole or in part: (1) CSI's COACH mark is famous for likelihood of confusion; and (2) the classes of consumers may overlap. In contrast, the Board found that the following factors weighed in favor of Triumph: (1) the goods of the parties are not similar or related; (2) the goods move in different trade channels; (3) the marks used by the parties have different [\[\\*\\*34\]](#) meanings and engender different commercial impressions; and (4) Triumph markets to sophisticated purchasers.<sup>5</sup> After balancing these factors, the Board determined that no likelihood of confusion would arise between the parties' marks.

<sup>5</sup> Although the Board did not make any explicit

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findings on these *DuPont* factors, Triumph also points out that: (1) CSI provided no evidence of actual confusion between the marks; and (2) there was more than 20 years of concurrent use.

On appeal, CSI argues that the Board should have given more weight to its determination that its COACH mark was famous. As the Board correctly found, however, fame, while important, is insufficient standing alone to establish likelihood of confusion. On the record before us, and after weighing the relevant *DuPont* factors *de novo*, we agree with the Board that customer confusion is not likely between the parties' respective COACH marks. Although CSI's COACH mark is famous for likelihood of confusion purposes, the unrelated nature of the parties' goods and their different channels of trade weigh heavily against CSI. Absent overlap as to either factor, it is difficult to establish likelihood of confusion. Because the *DuPont* factors [\*\*35] favoring Triumph outweigh the factors favoring CSI, the Board was correct in finding no likelihood of confusion.

### C. Dilution

The TDRA, which was signed into law on October 6, 2006, amended Section 43(c) of the Lanham Act, [15 U.S.C. § 1125\(c\)](#). It provides that:

[HN15]the owner of a famous mark that is distinctive, inherently or through acquired [\*1372] distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

[15 U.S.C. § 1125\(c\)\(1\)](#). Therefore, [HN16]to prevail on a dilution claim under the TDRA, a plaintiff must show that: (1) it owns a famous mark that is distinctive; (2) the defendant is using a mark in commerce that allegedly dilutes the plaintiff's famous mark; (3) the defendant's use of its mark began after the plaintiff's mark became famous; and (4) the defendant's use of its mark is likely to cause dilution by blurring or by tarnishment.

[HN17]The TDRA defines dilution by blurring

[\*\*36] as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." [15 U.S.C. § 1125\(c\)\(2\)\(B\)](#). Dilution by tarnishment is defined as "an association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." [15 U.S.C. § 1125\(c\)\(2\)\(C\)](#).

In its Opposition, CSI argued that Triumph's marks would blur the distinctiveness of its COACH mark and tarnish its reputation. On appeal, however, CSI abandons its dilution by tarnishment claim and focuses its arguments solely on blurring.<sup>6</sup> The Board found that CSI could not succeed on its dilution claims because it failed to show that its COACH mark was famous for dilution purposes. For the reasons explained below, we agree. Because we find that CSI failed to prove fame for dilution, we need not address the other statutory factors courts can consider to determine whether a mark is likely to cause dilution by blurring.

6 During oral argument, counsel for CSI specifically indicated that CSI is not pursuing a tarnishment claim on appeal. *See Oral Argument at 0:49, available at* <http://www.cafc.uscourts.gov/oral-argument-recordings/2011-1129/all> [\*\*37] ("We are not pursuing a tarnishment claim on appeal . . . we are going to limit it to blurring.").

### 1. Fame for Dilution

[HN18]A threshold question in a federal dilution claim is whether the mark at issue is "famous." Under the TDRA, a mark is famous if it "is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." [15 U.S.C. § 1125\(c\)\(2\)\(A\)](#). By using the "general consuming public" as the benchmark, the TDRA eliminated the possibility of "niche fame," which some courts had recognized under the previous version of the statute.<sup>7</sup> *See Top Tobacco, LP v. N. Atl. Operating Co.*, [509 F.3d 380, 384 \(7th Cir. 2007\)](#) (noting that the reference to the general public "eliminated any possibility of 'niche fame,' which some courts had recognized before the amendment"). The TDRA lists four non-exclusive factors for courts to consider when determining whether a mark is famous:

[HN19](i) The duration, extent, and

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geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) [\*\*38] The extent of actual recognition of the mark.

[\*1373] (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

[15 U.S.C. § 1125\(c\)\(2\)\(A\)](#). [HN20]Whether a mark is famous under the TDRA is a factual question reviewed for substantial evidence.

7 The previous version of the statute, prior to the 2006 revision, was the Federal Trademark Dilution Act of 1995 or "FTDA."

[HN21]Fame for likelihood of confusion and fame for dilution are distinct concepts, and dilution fame requires a more stringent showing. 4 J. Thomas McCarthy, *McCarthy On Trademark and Unfair Competition* § 24:104 at 24-290 (4th ed. 2011) ("The standard for the kind of 'fame' needed to trigger anti-dilution protection is more rigorous and demanding than the 'fame' which is sufficient for the classic likelihood of confusion test."). While fame for dilution "is an either/or proposition" -- it either exists or does not -- fame for likelihood of confusion is a matter of degree along a continuum. [Palm Bay](#), 396 F.3d at 1374-75. Accordingly, a mark can acquire "sufficient public recognition and renown to be famous for purposes of likelihood of confusion without meeting the more stringent [\*\*39] requirement for dilution fame." [7-Eleven](#), 83 U.S.P.Q.2d at 1722.

[HN22]It is well-established that dilution fame is difficult to prove. See [Toro Co. v. ToroHead Inc.](#), 61 U.S.P.Q.2d 1164, 1180 (T.T.A.B. 2001) ("Fame for dilution purposes is difficult to prove."); [Everest Capital Ltd. v. Everest Funds Mgmt. LLC](#), 393 F.3d 755, 763 (8th Cir. 2005) ("The judicial consensus is that 'famous' is a rigorous standard."); see also 4 McCarthy, § 24:104 at 24-286, 24-293 (noting that fame for dilution is "a difficult and demanding requirement" and that, although

"all 'trademarks' are 'distinctive' -- very few are 'famous'"). This is particularly true where, as here, the mark is a common English word that has different meanings in different contexts. Importantly, the owner of the allegedly famous mark must show that its mark became famous "prior to the filing date of the trademark application or registration against which it intends to file an opposition or cancellation proceeding." [Toro](#), 61 U.S.P.Q.2d at 1174.

As noted, [HN23]fame for dilution requires widespread recognition by the general public. [15 U.S.C. § 1125\(c\)\(2\)\(A\)](#). To establish the requisite level of fame, the "mark's owner must demonstrate that the [\*\*40] common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner's use of the mark." [Toro](#), 61 U.S.P.Q.2d at 1180.<sup>8</sup> An opposer must show that, when the general public encounters the mark "in almost any context, it associates the term, at least initially, with the mark's owner." *Id.* at 1181. In other words, a famous mark is one that has become a "household name." [Nissan Motor Co. v. Nissan Computer Corp.](#), 378 F.3d 1002, 1012 (9th Cir. 2004) (quoting [Thane Int'l, Inc. v. Trek Bicycle Corp.](#), 305 F.3d 894, 911 (9th Cir. 2002)). With this framework in mind, we turn to CSI's evidence of fame.

8 Although the Board's [Toro](#) decision predates the TDRA, its discussion of fame for dilution purposes remains relevant.

## 2. CSI Failed to Introduce Sufficient Evidence of Fame for Dilution

The Board found that CSI's evidence of fame was insufficient to support a dilution claim. On appeal, CSI argues that the same evidence establishing fame for likelihood of confusion also establishes fame for dilution purposes. Specifically, CSI argues that the Board disregarded: (1) sales and advertising figures for years 2000-2008; (2) its sixteen federal trademark registrations; (3) [\*\*41] unsolicited media [\*1374] attention; (4) joint marketing efforts; (5) two Second Circuit decisions finding the Coach hangtag, which features the COACH mark, to be famous; and (6) CSI's internal brand awareness survey showing awareness among 18-24 year old consumers. We address each category of evidence in turn. For the reasons set forth below, we find substantial evidence supporting the Board's decision that CSI failed to show the requisite level of fame for dilution.

Turning first to CSI's evidence of sales and advertising expenditures, CSI argues that the Board erred when it ignored the annual reports that were attached to a Notice of Reliance. As previously discussed, however, the Board correctly held that these reports were unauthenticated and thus inadmissible. The only sales and advertising figures in the record via Ms. Sadler's testimony were for one year -- 2008 -- which, notably, is after Triumph filed its use-based applications in December 2004. We agree with the Board that this limited evidence of sales and advertising is insufficient to show fame. Even if the Board had considered the annual reports, moreover, such evidence, standing alone, would be insufficient. See [Toro, 61 U.S.P.Q.2d at 1181](#) [\*\*42] ("Merely providing evidence that a mark is a top-selling brand is insufficient to show this general fame without evidence of how many persons are purchasers.").

With respect to CSI's registrations, the Board found that the mere existence of federally registered trademarks is insufficient to show that the mark is famous for purposes of dilution because ownership of a registration is not proof of fame. On appeal, CSI argues that the Board erred in this determination because one of the statutory factors a court can consider in the fame analysis is whether the mark is registered on the principal register. See [15 U.S.C. § 1125\(c\)\(2\)\(A\)\(iv\)](#). As Triumph points out, however, [HN24]"[o]ne cannot logically infer fame from the fact that a mark is one of the millions on the Federal Register." 4 *McCarthy*, § 24:106 at 24-310. While ownership of a trademark registration *is* relevant to the fame inquiry, and -- to the extent the Board decision implies otherwise -- the Board erred on this point, proof of registration is not *conclusive* evidence of fame.

With respect to media attention, the Board found that CSI's evidence fell short of showing "widespread recognition of opposer's mark [by] the general population." [\*\*43] [Board Decision, 96 U.S.P.Q.2d at 1611](#). Specifically, the Board found that:

the vast majority of unsolicited media recognition for opposer's COACH mark comprises a reference to one of opposer's products as one of many different fashion buys or trends, and the news articles noting opposer's renown are too few to support a finding that opposer's mark has been transformed into a household name.

*Id.* On appeal, CSI argues that the Board ignored hundreds of unsolicited articles mentioning the COACH mark over the years. CSI points to several examples, including the following:

o "In fact, Coach's growth . . . has been phenomenal. When Sara Lee acquired the firm in 1985, its volume was about \$18 million. In Sara Lee's latest fiscal year, which ended last June 30, Coach's sales exceeded \$500 million. The name also resonates with consumers. The brand ranked eighth among the top 10 in accessories firms in the latest Fairchild 100 consumer survey of fashion labels, in 1995. J.A. 3607 (Women's Wear Daily, May 5, 1997).

o "Coach, one of the top makers of status handbags in the United States . . ." J.A. 3598 (The New York Times, Jan. 27, 1999).

[\*1375] o "Coach's creative director has helped transform the 60-year [\*\*44] old company into a must-have American icon." J.A. 3156 (Women's Wear Daily, June 2001).

o "Will Coach Become Too Popular? . . . Coach, the maker and retailer of stylish handbags, just had a blowout season. . . . Clearly Coach has recorded some of the best growth numbers of any retailer or accessories maker in recent years." J.A. 3543 (Business Week, Jan. 24, 2007).

Looking at the media attention in the record, there is certainly evidence that CSI's COACH mark has achieved a substantial degree of recognition. That said, many of the articles submitted are dated *after* Triumph filed its registration applications and thus do not show that CSI's mark was famous *prior* to the filing date. See [Toro, 61 U.S.P.Q.2d at 1174](#) ([HN25]"an owner of an allegedly famous mark must establish that its mark had become famous prior to the filing date of the trademark application" which it opposes). And, there is substantial evidence supporting the Board's determination that many of the references are limited to mentioning one of CSI's COACH products among other brands. Accordingly,

even though there is some evidence of media attention, substantial evidence supports the Board's conclusion that the media evidence submitted [\*\*45] fails to show widespread recognition.

With respect to joint marketing efforts, CSI argued that other popular brands, including LEXUS and CANON, have used the COACH mark in connection with their products. The Board found that CSI "failed to provide any testimony regarding the success of the joint marketing efforts and the effect of those efforts in promoting opposer's mark." [Board Decision, 96 U.S.P.Q.2d at 1611, n.37](#). We agree. Without evidence as to the success of these efforts or the terms of any contracts involved, they have little value here.

Next, the Board found that CSI's 2008 brand awareness study was "of dubious probative value" because it did not offer a witness with first-hand knowledge of the study to explain how it was conducted. [Id. at 1611](#). The Board further noted that, although the study showed a high level of brand awareness among women ages 13-24, it provided no evidence of brand awareness among women generally, or among men. *See Top Tobacco, 509 F.3d at 384* (noting that [HN26]the TDRA eliminated the possibility of "niche fame" as a basis for finding a mark famous). And, the survey was conducted in 2007, several years after Triumph filed its applications. Given these circumstances, [\*\*46] we find no error in the Board's decision to give this survey limited weight.

CSI also argues that the Board failed to adequately consider two Second Circuit decisions finding that the hangtag attached to its various handbags, which features the COACH mark, is distinctive. *See Coach Leatherware Co., Inc. v. AnnTaylor, Inc., 933 F.2d 162, 166 (2d Cir. 1991)* (finding that Coach's lozenge-shaped leather tags embossed with the name "Coach Leatherware," which are attached to Coach's handbags by beaded brass chains, "have become distinctive and valuable through Coach's promotional efforts and by virtue of its upscale reputation"); *see also Coach, Inc. v. We Care Trading Co., Inc., 67 Fed. Appx. 626, 630 (2d Cir. 2002)* (affirming the jury's dilution verdict on grounds that "the jury's determination that the hang tag was famous and distinctive was not unreasonable" and "the substantial similarity of the two marks here coupled with the use of Coach's very distinctive hang tag shape amply justified the jury's verdict"). Although the Board did not

specifically address these cases, we agree with Triumph [\*1376] that they are unrelated and irrelevant, particularly because: (1) the 1991 case did not involve [\*\*47] a dilution claim; and (2) both cases focus on the hangtag feature on CSI's handbags, not on the alleged fame of the COACH mark generally.

Based on the foregoing, we agree with the Board that CSI failed to provide sufficient evidence of fame for dilution purposes. Absent a showing of fame, CSI's dilution claim fails, and we need not address the remaining statutory factors for dilution by blurring.

Before moving on, we pause to emphasize the fact-specific nature of our holding today. While the burden to show fame in the dilution context is high -- and higher than that for likelihood of confusion purposes -- it is not insurmountable. We do not hold that CSI could never establish the requisite level of fame for dilution purposes. We hold only that, on the record presented to it, the Board had substantial support for its conclusion that CSI's evidentiary showing was just too weak to do so here.

#### D. Whether Triumph's Marks Were Registrable

As an alternative ground for opposition, CSI argued that Triumph's COACH mark is merely descriptive and thus not registrable under [15 U.S.C. § 1052\(e\)](#). The Board found that, although CSI had standing to oppose Triumph's applications on descriptiveness grounds, [\*\*48] Triumph demonstrated that its COACH marks had acquired distinctiveness.

Both parties take issue with portions of the Board's decision on descriptiveness. For its part, Triumph argues that the Board incorrectly found that CSI had standing to oppose registration on descriptiveness grounds. In contrast, CSI argues that it had standing and that "there was no evidence in the record to support a finding that Triumph's descriptive 'Coach' marks have acquired distinctiveness." Appellant's Br. 19. We address the parties' arguments in turn.

##### 1. Standing

[HN27]Standing is a question of law that this court reviews *de novo*. Under Article III of the United States Constitution, a plaintiff must show a "case or controversy" between the parties to establish standing. [Ritchie v. Simpson, 170 F.3d 1092, 1094 \(Fed. Cir. 1999\)](#).

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The "case" and "controversy" restrictions do not, however, apply to matters before administrative agencies. *Id.* Instead, for an agency such as the PTO, standing is conferred by statute. Here, standing is conferred by [Section 13](#) of the Lanham Act, which provides, in pertinent part, that "[a]ny person who believes that he would be damaged by the registration of a mark . . . may, upon payment [\*\*49] of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor." [15 U.S.C. § 1063\(a\)](#). The purpose of the standing requirement is "to prevent litigation where there is no real controversy between the parties, where a plaintiff, petitioner or opposer, is no more than an intermeddler." [Lipton Indus., Inc. v. Ralston Purina Co.](#), [670 F.2d 1024, 1028-29 \(C.C.P.A. 1982\)](#).

[HN28]In addition to meeting the broad requirements of [Section 13](#), an opposer must satisfy two judicially-created standing requirements. [Ritchie](#), [170 F.3d at 1095](#). Specifically, an opposer must show: (1) a "real interest" in the proceeding; and (2) a "reasonable basis" for believing that it would suffer damage if the mark is registered. *Id.* Under the "real interest" requirement, an opposer must have "a legitimate personal interest in the opposition." *Id.* With respect to the second inquiry, the opposer's belief of damage "must have a reasonable basis in fact." [Id. at 1098](#) (citation and quotation omitted).

[\*1377] Here, the Board found that, "[b]ecause opposer's registrations are of record, opposer has established its standing." [Board Decision, 96 U.S.P.Q.2d at 1604](#). Although this case is unusual [\*\*50] because CSI asserted likelihood of confusion, dilution, and mere descriptiveness, without asserting that it has the right to use the mark descriptively, the Board found "no question that opposer has established a real interest in preventing the registration of applicant's mark." [Id. at 1605](#). In reaching this decision, the Board noted that "standing and grounds may be related, but they are distinct inquiries." *Id.* (citation omitted).

On appeal, Triumph argues that: (1) CSI's only witness testified that it would not be harmed from the "alleged descriptive nature" of Triumph's mark;<sup>9</sup> (2) CSI "failed to establish that it uses the mark COACH in a descriptive fashion or in a manner to describe its goods"; and (3) because CSI does not have an interest in using the Triumph marks descriptively, it lacks standing to oppose Triumph's marks on descriptiveness grounds. Appellee's

Br. 46-47. Triumph's arguments are not persuasive.

9 During her deposition, Sadler testified as follows:

Q. You believe that a descriptive use of the word "Coach" by someone is going to cause your company harm?

A. No.

Q. So it is dilution and likelihood of confusion that would cause your company harm, correct?

A. Correct.

Mr. [\*\*51] Zivin: Objection. Mischaracterization.

J.A. 3672: 4-13. We do not view this testimony as an admission that registration of Triumph's marks would not harm CSI.

As the Board noted in its decision, this court has previously found that, [HN29]"[o]nce standing is established, the opposer is entitled to rely on any of the grounds set forth in section 2 of the Lanham Act which negate applicant's right to its subject registration." [Jewelers Vigilance v. Ullenberg Corp.](#), [823 F.2d 490, 493 \(Fed. Cir. 1987\)](#) (citation omitted); *see also* [Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.](#), [330 F.3d 1333, 1345 \(Fed. Cir. 2003\)](#) ("Once standing is established, in order to state a claim, an opposer must base its ground of opposition on a statutory claim found in the Lanham Act."); *see also* [Estate of Biro v. Bic Corp.](#), [18 U.S.P.Q.2d 1382, 1385-86 \(T.T.A.B. 1991\)](#) (noting that, once the opposer shows "a personal interest in the outcome of the case . . . the opposer may rely on any ground that negates applicant's right to the registration sought"). Accordingly, in this context, once an opposer meets the requirements for standing, it can rely on any of the statutory grounds for opposition set forth in [15 U.S.C. § 1052](#).

Triumph [\*\*52] does not challenge CSI's standing to assert claims for likelihood of confusion and dilution, and instead focuses its standing arguments solely on CSI's descriptiveness challenge. There is no question that CSI has a personal stake in the outcome of the opposition and has asserted it will be harmed by registration of Triumph's marks. Therefore, any theory that would prevent Triumph from registering its marks would

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necessarily prevent the alleged harm to CSI. Because CSI has established a real interest and reasonable basis for believing registration of Triumph's marks will cause harm in the form of likelihood of confusion or dilution, it also has standing to assert a claim on descriptiveness grounds.

## 2. Mere Descriptiveness

[HN30]Marks that are "merely descriptive" of goods and services are not entitled to protection. [In re Abcor Dev.](#) [[\\*1378](#)] [Corp.](#), 588 F.2d 811, 813 (C.C.P.A. 1978). A mark is merely descriptive "if it immediately conveys knowledge of a quality, feature, function, or characteristic of the goods or services with which it is used." [In re Bayer Aktiengesellschaft](#), 488 F.3d 960, 963 (Fed. Cir. 2007) ("[Bayer](#)") (citing [In re Gyulay](#), 820 F.2d 1216, 1217 (Fed. Cir. 1987)). A mark may be merely [[\\*\\*53](#)] descriptive "even if it does not describe the 'full scope and extent' of the applicant's goods or services." [In re Oppedahl & Larson LLP](#), 373 F.3d 1171, 1173 (Fed. Cir. 2004) (citation omitted).

[HN31]It is well-established that "[d]escriptiveness of a mark is not considered in the abstract." [Bayer](#), 488 F.3d at 963-64. Instead, the mark must be "considered in relation to the particular goods for which registration is sought, the context in which it is being used, and the possible significance that the term would have to the average purchaser of the goods because of the manner of its use or intended use." [Id.](#) at 964. Evidence that a term is merely descriptive "may be obtained from any competent source, such as dictionaries, newspapers, or surveys." [Bayer](#), 488 F.3d at 964 (quoting [In re Bed & Breakfast Registry](#), 791 F.2d 157, 160 (Fed. Cir. 1986)). A determination that a mark is merely descriptive is a factual finding that this court reviews for substantial evidence. [Bayer](#), 488 F.3d at 964.

The Board found that COACH is merely descriptive when used in connection with educational materials used to prepare students for standardized tests because it "immediately conveys to purchasers the purpose [[\\*\\*54](#)] of the materials." [Board Decision](#), 96 U.S.P.Q.2d at 1617. In support of this finding, the Board pointed to dictionary definitions of the word "coach," which include: (1) "a private tutor who prepares a student for an examination"; (2) "a person who trains an athlete"; and (3) "to give instruction or advice in the capacity of a coach; instruct." [Id.](#) at 1616-17. The Board also relied on evidence of third-party use of the term "coach." For example, CSI introduced forty-three titles of books and software

incorporating the word "coach," including: "The Business Coach" and "My SAT Coach." Based on the evidence of record, the Board concluded that the word "coach" is "a personification of the act of instructing or tutoring for an examination." [Id.](#) at 1616-17.

Substantial evidence supports the Board's decision that Coach is merely descriptive. Specifically, we agree that the dictionary definitions in the record, coupled with evidence of third parties that use the term "coach" to describe services that are similar to those identified in Triumph's application, support the Board's descriptiveness finding.

## 3. Secondary Meaning

Although the Board found that Triumph's marks were merely descriptive when [[\\*\\*55](#)] used in connection with its goods, it concluded that Triumph provided sufficient evidence showing that its COACH marks had acquired secondary meaning through use in commerce.

[HN32]It is well-established that a descriptive mark can be registered if it has acquired secondary meaning. Section 2(f) of the Lanham Act provides, in part, that:

[HN33]nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the [[\\*1379](#)] five years before the date on which the claim of distinctiveness is made.

[15 U.S.C. § 1052\(f\)](#).

[HN34]To establish secondary meaning, or acquired distinctiveness, an applicant must show that "in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." [In re Dial-A-Mattress Operating Co.](#), 240 F.3d 1341, 1347 (Fed. Cir. 2001) (citation omitted). To determine whether a mark has [[\\*\\*56](#)] acquired secondary meaning, courts consider: advertising expenditures and sales success; length and



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exclusivity of use; unsolicited media coverage; copying of the mark by the defendant; and consumer studies. [In re Steelbuilding.com](#), 415 F.3d 1293, 1300 (Fed. Cir. 2005). Acquired distinctiveness is a question of fact which is "reviewed under the clearly erroneous standard." [Yamaha Int'l Corp. v. Hoshino Gakki Co., Ltd.](#), 840 F.2d 1572, 1581 (Fed. Cir. 1988).

As the Board noted, Triumph raised acquired distinctiveness as its sixth affirmative defense in its answer to CSI's amended notice of opposition. Based on the record before it, the Board made the following factual findings:

- o Triumph is the largest publisher of educational materials for preparing for standardized tests and COACH is its primary trademark;
- o Between 2003-2008, Triumph's advertising expenditures quadrupled and exceeded six figures;
- o Between 2003-2007, Triumph's revenues have reached seven figures;
- o Triumph has been promoting COACH as the name of its series of books since at least 1989.

[Board Decision, 96 U.S.P.Q.2d at 1617](#). CSI challenged Triumph's evidence on grounds that: (1) there was no direct evidence of consumer recognition; [\*\*57] (2) Triumph introduced and relied upon self-serving, uncorroborated testimony from its Vice President of Marketing: Jane Fisher; (3) Triumph's sales success is not necessarily indicative of acquired distinctiveness; (4) Triumph's use has not been substantially exclusive; and (5) Triumph did not present evidence of media recognition. The Board rejected each of these arguments and found that Triumph met its burden of showing that its COACH marks have acquired distinctiveness.

First, the Board stated that, contrary to CSI's contention, Triumph was not required to introduce a consumer survey and that the Board could determine consumers' reactions to the mark based on inferences from the record. Next, the Board found that Ms. Fisher's testimony was subject to cross-examination and found her testimony -- which dealt with Triumph's advertising expenditures and revenue between 2003 and 2008 --

credible. The Board further found that Triumph's use of its COACH mark in connection with educational materials for preparing for standardized tests "is, and has been, substantially exclusive." [Board Decision, 96 U.S.P.Q.2d at 1619](#). And, the Board concluded that Triumph has been "promoting itself as the [\*\*58] 'Coach' brand since 1989 through its references to 'Coach series,' 'Coach Books and Software,' and 'the Coach.'" *Id.* Based on the foregoing, the Board found Triumph established its affirmative defense of acquired distinctiveness.

On appeal, CSI argues that Triumph's sales figures are insufficient to prove secondary meaning and that Triumph's use of the COACH mark is not "substantially exclusive," particularly given that there was "evidence of 43 different book and software titles showing use of the designator 'Coach' for coaching materials." Appellant's Br. 53-54. CSI also argues that, in finding that Triumph has used its COACH marks "since 1989," the Board improperly relied on evidence it said it would not consider because it was not authenticated. [\*1380] Specifically, CSI argues that: (1) Triumph's witness, Ms. Fisher, lacked any personal knowledge of certain marketing documents because she was not working for Triumph at the time the materials allegedly were used; and (2) "review of the alleged brand since 1989 would show that Triumph did not seek to use 'Coach' as a 'brand' until Fall 2003." Appellant's Reply 14. We address CSI's arguments in turn.

With respect to the forty-three book and [\*\*59] software titles not affiliated with Triumph that include the word "coach," the Board found no evidence in the record as to their sales and that most of the titles do not relate to educational materials for preparing for standardized tests. Although the Board found five titles of record that arguably relate to Triumph's subject matter -- including "A Writer's Coach", "My SAT Coach", and "My Word Coach" -- it dismissed those titles at least in part on grounds that they were published *after* Triumph filed its applications in 2004. The Board cites no authority for its decision to disregard these titles based on their publication dates, and Triumph has offered none. Indeed, the Board has previously noted that [HN35]"[a]cquired distinctiveness and buyer recognition is to be tested in an opposition proceeding as of the date the issue is under consideration. The filing date is not a cutoff for any evidence developing after that time." [Target Brands, Inc. v. Hughes](#), 85 U.S.P.Q.2d 1676, 1681 (T.T.A.B. 2007) (citing [McCormick & Co. v. Summers](#), 354 F.2d 668, 53

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C.C.P.A. 851 (C.C.P.A. 1966); *Harsco Corp. v. Electrical Sciences, Inc.*, 9 U.S.P.Q.2d 1570, (T.T.A.B. 1988)). We conclude that the Board's failure to consider all [\*\*60] pre-decision third-party use of the term "coach" for educational materials undermines its secondary meaning analysis and requires remand so that the Board can assess the extent to which those titles might cut against a claim of "substantially exclusive use."

With respect to Triumph's use of the COACH mark, the Board concluded that Triumph has been promoting itself as "the 'Coach' brand since 1989." *Board Decision*, 96 U.S.P.Q.2d at 1619. Triumph offered Ms. Fisher's testimony to authenticate advertising materials dating back to the early 1990s. Because Ms. Fisher did not begin working for Triumph until July 2003, CSI objected to her testimony "regarding any matters other than the identification of business records prior to July 2003 on the ground that she lack[ed] personal knowledge about applicant's business prior to that date." *Id.* at 1603. The Board sustained CSI's objection, stating that it would consider Ms. Fisher's testimony regarding pre-July 2003 matters "only for purposes of authenticating documents kept by applicant in the ordinary course of business." *Id.*

On appeal, CSI argues that: (1) "there was no testimony authenticating these documents as business records of Triumph"; [\*\*61] and (2) Ms. Fisher "had no personal knowledge of where, when, to whom and how many of the materials were distributed." Appellant's Br. 55 n.23. On these points, CSI is correct. Review of the relevant testimony reveals that Ms. Fisher identified certain catalogs, indicated that those catalogs were actually used to market and sell products, and testified as

to when the catalogs were used. Nowhere is a foundation laid to establish that the catalogs identified actually were prepared and kept as business records of Triumph. Given the Board's ruling excluding testimony by Ms. Fisher about marketing activities of which she had no personal knowledge, moreover, there is no admissible testimony in the record regarding the actual use of the catalogs or the fact of marketing prior to 2003. Accordingly, on remand, the Board must address the weight, if any, to be given to pre-July 2003 documents in the absence of any testimony authenticating [\*\*1381] them or addressing their use. The Board must then assess whether these apparent gaps in Triumph's proofs impact the Board's determination that the mark was in continuous use during any relevant period.

Because the Board's evidentiary errors call into question [\*\*62] the validity of its secondary meaning analysis, we vacate the Board's decision solely on its finding of acquired distinctiveness and remand for further proceedings.

#### Conclusion

For the foregoing reasons, and because we find that CSI's remaining arguments are without merit, we affirm the Board's decision dismissing CSI's opposition on likelihood of confusion and dilution grounds. With respect to acquired distinctiveness, however, we vacate and remand for further proceedings consistent with this opinion.

**AFFIRMED-IN-PART, VACATED-IN-PART,  
REMANDED**



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Source: USPQ, 2d Series (1986 - Present) > U.S. District Courts, New York > Starbucks Corp. v. Wolfe's Borough Coffee Inc., 101 USPQ2d 1212 (S.D.N.Y. 2011)

**101 USPQ2d 1212**  
**Starbucks Corp. v. Wolfe's Borough Coffee Inc.**  
**U.S. District Court**  
**Southern District of New York**

No. 1:01-cv-05981-LTS-THK

Decided December 23, 2011

## Headnotes

### TRADEMARKS AND UNFAIR TRADE PRACTICES

#### [1] Infringement; conflicts between marks – Dilution (▶335.05)

Defendant's "Charbucks" marks for coffee are not similar, for purposes of likelihood-of-dilution analysis, to plaintiffs' "Starbucks" marks for coffee, related products, and retail coffee shops, since, as used in commerce, "Charbucks" is always preceded or followed by terms "Mister," "Mr.," or "Blend," since defendant uses marks in conjunction with design depicting large black bear or figure of man walking above words "Black Bear Micro Roastery," since these designs are not similar to plaintiffs' highly recognizable "siren" mark, since defendant's packaging uses color

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scheme entirely different from that used by plaintiffs, and identifies defendant as "Micro Roastery" located in New Hampshire, since "Charbucks" marks, as used on defendant's website, are accompanied by defendant's "www.blackbearcoffee.com" domain name, and since marks, although similar in sound and spelling when compared out of context, thus are only minimally similar as they are presented in commerce.

#### [2] Infringement; conflicts between marks – Likelihood of confusion – Evidence of – Survey evidence (▶335.0303.06)

##### **Infringement; conflicts between marks – Dilution (▶335.05)**

Results of telephonic survey in which respondents were asked to react to defendant's "Charbucks" mark and plaintiffs' "Starbucks" mark do not show actual association probative of likelihood of dilution by blurring, since survey did not measure how consumers would react to "Charbucks" marks as they are actually packaged and presented in commerce, and even stand-alone use of defendant's core term "Charbucks" drew only 30.5 percent association response, since only 3.1 percent of respondents named "Starbucks" when asked to name company or store that they thought might offer product called "Charbucks," and since case law does not support plaintiffs' contention that single-digit source confusion indicator, produced by survey that did not present relevant terms in context, is probative of likelihood of dilution.

#### [3] Infringement; conflicts between marks – Dilution (▶335.05)

Likelihood-of-dilution analysis under Federal Trademark Dilution Act requires careful examination of degree to which any likelihood of dilution has been shown to arise from similarity of marks at issue; in present case, plaintiffs have failed to demonstrate that defendant's use of its "Charbucks" marks for coffee is likely to cause dilution, by blurring, of plaintiffs' "Starbucks" marks for coffee, related products, and retail coffee shops, even though distinctiveness of plaintiffs' marks, plaintiffs'

exclusivity of use, high degree of recognition of plaintiffs' marks, and defendant's intent all weigh in plaintiffs' favor, since, in view of evidence of dissimilarity of marks as used in commerce, weakness of survey evidence submitted to show actual association, and fact that consumers encounter "Charbucks" term only in conjunction with other marks unique to defendant, "Charbucks" marks are only weakly associated with minimally similar "Starbucks" marks, and thus are not likely to impair distinctiveness of plaintiffs' marks.

### Case History and Disposition

On remand from the U.S. Court of Appeals for the Second Circuit, Miner, J.; 92 USPQ2d 1769.

Action by Starbucks Corp. and Starbucks U.S. Brands LLC against Wolfe's Borough Coffee Inc. d/b/a Black Bear Micro Roastery for trademark infringement under Lanham Act, unfair competition under Lanham Act and common law, and trademark dilution under Lanham Act and state law. Defendant was granted judgment on all claims (88 USPQ2d 1268). On appeal, judgment was vacated as to federal dilution claim, and otherwise affirmed (92 USPQ2d 1769). On remand, defendant is again awarded judgment on dilution claim.

### Attorneys

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### Opinion Text

#### Opinion By:

Swain, J.

This action is now before the Court for resolution of the claims of Plaintiffs Starbucks Corporation and Starbucks U.S. Brands LLC (collectively "Plaintiff") against Defendant Wolfe's Borough Coffee, Inc., d/b/a Black Bear Micro Roastery ("Defendant" or "Black Bear") for injunctive relief, brought pursuant to the federal Trademark Dilution Act as amended, 15 U.S.C. §§ 1125(c)(1), (c)(2)(B) (the "FTDA"). The Court has jurisdiction pursuant to 28 U.S.C. §§ 1331, 1332(a) and 1338(a).

#### Background

Soon after this Court issued its initial Opinion and Order addressing Plaintiffs claims, *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, No. 01 Civ. 5981(LTS)(THK), 2005 WL 3527126 [79 USPQ2d 1138] (S.D.N.Y. Dec. 23, 2005) ("*Starbucks I*"). Congress passed the Trademark Dilution Revision Act of 2005 ("TDRA") amending the FTDA. The United

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States Court of Appeals for the Second Circuit vacated *Starbucks I* in light of the enactment of the TDRA. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765 [81 USPQ2d 1927] (2d Cir. 2007) ("*Starbucks II*"). Having reconsidered Plaintiffs Lanham Act trademark dilution claim in light of the TDRA, the Court found that Plaintiff had failed to carry its burden of demonstrating its entitlement to relief on any of its federal and state trademark infringement, dilution and unfair competition claims and ordered that judgment be entered in Defendant's favor. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 559 F. Supp. 2d 472 [88 USPQ2d 1268] (S.D.N.Y. 2008) ("*Starbucks III*"). Plaintiff appealed.

On appeal, the Second Circuit affirmed *Starbucks III* with respect to Plaintiffs Lanham Act trademark infringement, state dilution and state unfair competition claims. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 101 [92 USPQ2d 1769] (2d Cir. 2009) ("*Starbucks IV*"). The Second Circuit vacated the Court's judgment with respect to Plaintiffs federal trademark dilution claim, however, and remanded the case for further proceedings on Plaintiffs federal claim of dilution by blurring. *Id.* In so doing, the Second Circuit found inappropriate this Court's reliance on pre-TDRA Second Circuit decisions requiring a showing of substantial similarity in connection with federal trademark dilution claims, *id.* at 107, observed that this Court "may also have placed undue significance on the similarity factor in determining the likelihood of dilution in its alternative [dilution] analysis," *id.*, and held that the absence of bad faith is not relevant to the TDRA analysis of intent to associate, *id.* at 109.

The parties submitted additional briefs following the remand. The Court has considered thoroughly all of the parties' arguments and, for the following reasons, finds that Plaintiff has failed to carry its burden of demonstrating its entitlement to relief under the FTDA.

The Court's findings as to the material background facts of this matter, as required by Rule 52 of the Federal Rules of Civil Procedure, are detailed in *Starbucks I*.

### **Discussion**

The one remaining question on remand is whether Defendant's use of its "Mister Charbucks," "Mr. Charbucks" and "Charbucks Blend" marks (the "Charbucks Marks") for one of its blended coffee products is likely to dilute Plaintiffs "Starbucks" marks by blurring. The FTDA provides, in pertinent part, that

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring ... of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C.A. § 1125(c) (West 2009). "Dilution by blurring" is an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C.A. § 1125(c)(2)(B) (West 2009). Blurring is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 111 [94 USPQ2d 1188] (2d Cir. 2010) (internal quotations and citations omitted). In other words, blurring "is the loss of a trademark's ability to clearly identify one source." *Miss Universe, L.P. v. Villegas*, 672 F. Supp. 2d 575, 591 [93 USPQ2d 1652] (S.D.N.Y. 2009) (citing *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506 [37 USPQ2d 1516] (2d Cir. 1996)); see also *New York Stock Exchange v. New York. New York Hotel LLC*, 293 F.3d 550, 558 [62 USPQ2d 1260] (2d Cir. 2002) ("Blurring occurs where the defendant uses or modifies the plaintiffs trademark to identify the defendant's goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiffs product"); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 265 [84 USPQ2d 1969] (4th Cir. 2007) (Blurring involves an "association [that] is likely to impair the distinctiveness of the famous mark" and, "[i]n the context of blurring, distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power.").

The FTDA identifies six non-exclusive factors for consideration in the blurring analysis: "(i) [t]he degree of similarity between the mark or trade name and the famous mark; (ii)

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[t]he degree of inherent or acquired distinctiveness of the famous mark; (iii) [t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) [t]he degree of recognition of the famous mark; (v) [w]hether the user of the mark or trade name intended to create an association with the famous mark; [and] (vi) [a]ny actual association between the mark or trade name and the famous mark," 15 U.S.C.A. § 1125(c)(2)(B) (West 2009).

These six factors are not exhaustive, and the court may consider all evidence relevant to the ultimate question of whether the junior mark is likely to be associated with a famous mark in a way that impairs the famous mark's distinctiveness. *Id.*; *Starbucks IV*, 588 F.3d at 109; cf. *Plavtex Products*, 390 F.3d at 62 ("[District courts generally should not treat any single factor as dispositive; nor should a court treat the inquiry as a mechanical process by which the party with the greatest number of factors wins.") (citing *Paddington Corp. v. Attiki Importers & Distrib.*, 966 F.2d 577, 584 [27 USPQ2d 1189] (2d Cir. 1993)). In the end, the Court's analysis of a blurring claim "must ultimately focus on whether an association, arising from the similarity between the subject marks, 'impairs the distinctiveness of the famous mark.'" *Starbucks IV*, 588 F.3d at 109 (internal citation omitted).

### **The Statutory Factors**

At this stage of the litigation, there is no dispute that four of the six factors weigh in Plaintiff's favor. They are: the distinctiveness of Plaintiff's marks, Plaintiff's exclusivity of use, the high degree of recognition of Plaintiff's marks, and Defendant's intent to associate its marks with the Plaintiff's marks. *Starbucks IV*, 588 F.3d at 106-110. On remand, this Court focuses on the degree of similarity of the marks and the evidence of actual association between the marks.

### **Similarity of the Marks**

[ 1 ] When determining similarity for purposes of a dilution claim, courts must consider "the

differences in the way the [marks] are presented" in commerce. *Starbucks IV*, 588 F.3d at 106 (citing *Playtex Products, Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158, 167-68 [73 USPQ2d 1127] (2d Cir. 2004)). Here, there is no evidence that Charbucks is ever used as a standalone term, and it is unlikely that Charbucks "will appear to consumers outside the context of its normal use." *Starbucks IV*, 588 F.3d at 106. In commerce, the term Charbucks is always preceded or followed by the terms "Mister," "Mr." or "Blend." Defendant uses the Charbucks marks in conjunction with its Black Bear mark, a large black bear, or the figure of a walking man above the words "Black Bear Micro Roastery." *Starbucks IV*, 588 F.3d at 106. These marks are not similar to Plaintiffs highly recognizable siren mark, which does not appear on the Charbucks product packaging. *Id.* Further, Defendant's packaging, which uses an entirely different color scheme from that employed by Starbucks, identifies Black Bear as a "Micro Roastery" located in New Hampshire. *Id.* Where the Charbucks marks are used on Black Bear's website, they are accompanied by Black Bear's domain name, www.blackbearcoffee.com. *Id.* Thus, although the term "Charbucks" is similar to "Starbucks" "in sound and spelling" when compared out of context, the marks are only minimally similar as they are presented in commerce. *Id.*

Plaintiff cites to decisions finding other marks sufficiently similar to the Starbucks marks to create a likelihood of dilution. Plaintiff argues that a finding of dilution is likewise warranted in the instant case. (See Pl.'s Opening Brief on Second Remand, pg. 5 n.6, citing *Bell v. Starbucks U.S. Brands Corp.*, 389 F. Supp. 2d 766 [76 USPQ2d 1254] (S.D. Tex. 2005) (prohibiting use of "Starbock" and "Star Bock" marks for beer), *aff'd* 205 Fed. Appx. 289 (5th Cir. 2006), and *Starbucks Corp. v. Lundberg*, No. Civ. 02-948-HA, 2005 WL 3183858 (D. Or. Nov. 29, 2005) (finding "extensive and obvious" similarities between "Sambuck's" and "Starbucks").) In those cases, however, the Court found dilution where the junior marks were used on their own, without contextual features distinguishing the junior mark from the senior mark. See, e.g., *Bell*, 389 F. Supp. 2d at 780 (finding that "Plaintiffs use of the words 'Star Bock' and 'Starbock' alone violate numerous state and federal laws" but that "the 'Star Bock Beer' logo with the 'Born in Galveston' wording as shown in Plaintiffs Exhibit 1, does not violate any trademark or unfair competition laws"). Here, the Charbucks marks are used exclusively with terms "Mister," "Mr." or "Blend" and in contexts dissimilar from the

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contexts in which the Starbucks marks are used. The Court will not "ignore relevant evidence" of such distinguishing contextual features. *Starbucks IV*, 588 F.3d at 107. The minimal degree of similarity between the marks as they are used in commerce weighs in Defendant's favor.

#### **Actual Association with the Famous Mark**

Plaintiff has proffered, as evidence of actual association, the results of a telephonic survey in which respondents were asked to react to the terms "Charbucks" and "Starbucks." Of the 600 respondents surveyed, 30.5% said that they associated the term "Charbucks" with "Starbucks," and 9% said they associated the term "Charbucks" with coffee. *Starbucks*, 2005 WL 3527126, \*9. When asked to name a company or store that they thought might "offer a product called 'Charbucks,'" 3.1% of respondents said Starbucks. *Starbucks*, 2005 WL 3527126, \*5. These results constitute evidence of actual association.

[ 2 ] The results of Plaintiff's survey show some association between the terms Charbucks and Starbucks. However, the survey did not measure how consumers would react to the Charbucks marks as they are actually packaged and presented in commerce. Further, the percentage of respondents who indicated a mental association between the marks is relatively small. In the cases relied on by Plaintiff, survey respondents typically made an association between the marks between 70% and 90% of the time. See e.g., *Visa Intern.*, 590 F. Supp. 2d at 1319 (73% of respondents said EVISA reminded them of Visa); *Nike, Inc. v. Nikepal Intern., Inc.*, No., 2:05-cv-1468-GEB-JFM, 2007 WL 2782030, \*4 [84 USPQ2d 1820] (E.D. Cal. Sep. 18, 2007) (87% of respondents said Nikepal reminded them of Nike); *Lundberg*, 2005 WL 3183858, at \*8 (85% of respondents thought of Starbucks when shown "Sambuck's Coffeehouse" and 70% said they thought of Starbucks because the marks were so similar). Here, even stand-alone use of the core term "Charbucks" drew only a 30.5% association response.

Plaintiff invokes the Ninth Circuit's decision in *Jada Toys v. Mattel, Inc.* to demonstrate that lower survey numbers (28%) have been found significant. *Jada Toys v. Mattel, Inc.*, 518 F.3d 628, 636 [85 USPQ2d 1895] (9th Cir. 2008). In *Jada Toys*, the survey asked respondents who they thought "puts out or makes" a product called HOT RIGZ. *Id.* Twenty-eight percent of those responding said that they thought it was either made by Mattel, by the company that makes HOT WHEELS, or that whoever made it required Mattel's permission to do so. *Id.* The Ninth Circuit found that these survey results showed "significant evidence of actual association." *Id.* By contrast, when asked a similar question, only 3.1% of those responding to the survey in this case said that they thought Plaintiff offered a product called Charbucks. *Starbucks I*, 2005 WL 3527126, at \*5. While *Jada Toys* does confirm that association

numbers in the lowest third can be significant, it does little to bolster Starbucks' argument that a single-digit source confusion indicator produced by a survey that did not present the relevant terms in context is probative of a likelihood of dilution by blurring.

The Court finds, after careful consideration of the survey results and methodology, that the actual association factor weighs no more than minimally in Plaintiffs favor.

### ***Likelihood of Dilution by Blurring***

The ultimate analytical question before the Court is not simply whether there has been an association between the marks. As the Second Circuit explained in *Starbucks IV*, the ultimate analytical question presented by a dilution-by-blurring claim is whether there is an association, arising from the similarity of the relevant marks, that impairs the distinctiveness of the famous mark. 588 F.3d at 109. The Court evaluates the non-exclusive statutory factors in light of that ultimate question.

The Court is also mindful of the purposes and core principles of trademark law when analyzing a blurring claim. It is settled law that trademarks do not create a "right-in-gross" or an unlimited right at large. *American Footwear Corp. v. General Footwear Co. Ltd.*, 609 F.2d 655, 663 [204 USPQ 609] (2d Cir. 1979); see also 4 McCarthy on Trademarks § 24:11 (4th Ed. 2010) (collecting cases). Federal anti-dilution law should not be read to "prohibit all uses of a distinctive mark that the owner prefers not be made." *Nabisco Inc. v. P.F. Brands, Inc.*, 191 F.3d 208, 224 n.6 [51 USPQ2d 1882]; see also 4 McCarthy on Trademarks § 24:67 ("[N]o antidilution law should be so interpreted and applied as to result in granting the owner of a famous mark the automatic right to exclude any and all uses

### **Page 1217**

of similar marks in all product or service lines.") Antidilution law has been called "a scalpel, not a battle axe," and should be applied with care after rigorous evidentiary examination by the courts. 4 McCarthy § 24:67.

As previously explained, the distinctiveness, recognition, and exclusivity of use factors weigh in Plaintiffs favor. Indeed, Plaintiffs evidence on all three of these factors is strong. None of the three, however, is dependent on any consideration of the nature of the challenged marks or any defendant's use of any challenged mark. Thus, although these factors are significant insofar as they establish clearly Plaintiffs right to protection of its marks against dilution, they are not informative as to whether any association arising from similarity of the marks used by Defendant to Plaintiffs marks is likely to impair the distinctiveness of Plaintiff s marks.

A fourth factor — intent to associate — also weighs in Plaintiffs favor, as Defendant's principal testified during trial that, by using the term Charbucks, he meant to evoke an image of dark-roasted coffee of the type offered by Starbucks.

**[ 3 ]** Similarity of the marks and association between the marks are obviously important factors. The statutory language leaves no doubt in this regard — dilution "is *association arising from the similarity* between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. A. § 1125 (c)(2)(B) (West 2009). It is thus appropriate to examine carefully, in considering the significance of both the evidence of similarity and the evidence of actual association, the degree to which any likelihood of dilution by blurring has been shown to arise from similarity between Defendant's marks and those of Plaintiff. As explained above, the marks being compared in this case are only minimally similar as they are presented in commerce, and the evidence of association weighs no more than minimally in Plaintiffs favor.

After considering all of the evidence and noting the dissimilarity of the marks as used in commerce, the weakness of the survey evidence, and the fact that consumers encounter Defendant's Charbucks term only in conjunction with other marks unique to Defendant, the Court holds that the Charbucks marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks marks. In other words, Plaintiff has failed to carry its burden of proving that Defendant's use of its marks, as evidenced on the record before the Court, is likely to cause dilution by blurring.

### ***Conclusion***

For the foregoing reasons, the Court finds that Plaintiff has failed to carry its burden of demonstrating its entitlement to relief under the amended FTDA. Plaintiffs request for an injunction is denied. The Clerk of Court is respectfully requested to enter judgment in Defendant's favor and close this case. This Opinion and Order resolves docket entry no. 122.

SO ORDERED.

- End of Case -

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**Intellectual Property Law  
Resource Center™**

Source: USPO, 2d Series (1986 - Present) > U.S. Patent and Trademark Office, Trademark Trial and Appeal Board > Rolex Watch U.S.A. Inc. v. AFP Imaging Corp., 101 USPQ2d 1188 (TTAB 2011)

**101 USPQ2d 1188**

**Rolex Watch U.S.A. Inc. v. AFP Imaging Corp.**

**U.S. Patent and Trademark Office  
Trademark Trial and Appeal Board**

Opposition No. 91188993

Decided December 5, 2011

**Headnotes**

**TRADEMARKS AND UNFAIR TRADE PRACTICES**

**[1] Practice and procedure in Patent and Trademark Office — Interpartes proceedings — Opposition and cancellation — Rules and rules practice (▶325.0305.05)**

Trademark applicant in opposition proceeding properly submitted in evidence, under 37 C.F.R. §2.120(j)(4), excerpted portions of transcript of opposer's discovery deposition of its chief executive officer, since opposer submitted only part of CEO's deposition, and in this situation, Section 2.120(j)(4) permits adverse party to "introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party," and since, in accordance with Section 2.120(j)(4), applicant's notice of reliance was accompanied by written statement explaining why additional excerpts submitted by applicant are necessary to accurately represent deponent's statement.

**[2] Types of marks — Secondary meaning (▶327.02)**

**Types of marks — Arbitrary or fanciful — Particular marks (▶327.0803)**

**Infringement; conflicts between marks — Dilution (▶335.05)**

Opposer challenging application for registration of "Roll-X" as trademark for medical and dental X-ray tables on ground of dilution has established that its "Rolex" mark, for timepieces, is "famous" for purposes of dilution analysis, since opposer first registered mark nearly 100 years ago, and has continuously used and registered mark in United States to present day, since there is no evidence of third-party use or registration of similar mark, since mark is coined and fanciful term with no meaning other than its significance as trademark, since opposer has submitted representative annual sales and advertising figures for period of 25 years, since opposer advertises its products in variety of national media, including national television, targeted to general public, and since this evidence of opposer's sales figures and its continuous advertising supports finding that "Rolex" has become "household name" in United States.

**[3] Infringement; conflicts between marks — Dilution (▶335.05)**

Proper test for similarity of marks under Trademark Dilution Revision Act, 15 U.S.C. §1125(c), is degree of similarity or dissimilarity of marks at issue in their entireties as to appearance, sound, connotation and commercial impression, or whether marks are "sufficiently similar to trigger consumers to conjure up a famous mark when confronted with the second mark"; in present case, applicant's proposed "Roll-X" mark for medical and dental X-ray tables is not similar to opposer's "Rolex" mark for timepieces for purposes of dilution analysis, since marks are spelled differently,

and applicant's mark thus engenders different appearance, meaning, and commercial impression from opposer's mark, and since these differences between marks greatly outweigh any similarity in pronunciation.

#### **[4] Infringement; conflicts between marks — Dilution (▶335.05)**

Opposer has not demonstrated that applicant's proposed "Roll-X" mark for medical and dental X-ray tables is likely to dilute, by blurring, distinctiveness of opposer's famous "Rolex" trademark for timepieces, since degree

#### **Page 1189**

of dissimilarities in appearance, meaning, and commercial impression between parties' marks, conflicting results from opposer's consumer survey, and lack of evidence that applicant intended to create association with opposer's mark outweigh recognition, distinctiveness, and continuous and substantially exclusive use of "Rolex" mark, and since opposer must prove that any association between parties' marks will impair distinctiveness of opposer's mark, but opposer did not introduce any evidence, either through consumer survey or expert testimony, of degree to which opposer's marketing power would potentially be diminished by applicant's intended use of "Roll-X" mark.

#### **[5] Registration and its effects — Federal registration — Procedure, form, and content — Intent to use (▶315.0303.12)**

#### **Practice and procedure in Patent and Trademark Office — Interpartes proceedings — Opposition and cancellation — In general (▶325.0305.01)**

Opposer has not demonstrated that applicant lacked bona fide intent to use proposed "Roll-X" mark for medical and dental X-ray tables in commerce at time applicant filed its intent-to-use application, even though opposer has shown that applicant does not possess any documentary evidence, such as advertising materials or labels, to show its bona fide intent to use mark at that time, since applicant has submitted evidence that filing of application for "Roll-X" mark is consistent with extension of applicant's existing "Dent-X" product line for dental x-ray business, since this evidence shows that applicant has capacity to manufacture goods identified in application, and further suggests that applicant has been acting in good faith and not merely trying to reserve right in "Roll-X" mark, and since applicant explained that it suspended its promotional activities in connection with "Roll-X" mark only because instant opposition was filed.

### **Case History and Disposition**

Opposition of Rolex Watch U.S.A. Inc. to application of AFP Imaging Corp. for registration of "Roll-X" as trademark for X-ray tables for medical and dental use, on grounds of likelihood of dilution by blurring, and applicant's alleged lack of bona fide intent to use applied-for mark. Opposition dismissed.

### **Attorneys**

Peter Cousins and Beth Frenchman, of Gibney, Anthony & Flaherty, New York, N.Y.; Gary Krugman, of Sughrue Mion, Washington, D.C., for opposer.

Norman H. Zivin and Hindy Dym, of Cooper & Dunham, New York, for applicant.

### **Judge**

Before Rogers, Taylor, and Lykos, administrative trademark judges.

## **Opinion Text**

### **Opinion By:**

Lykos, J. <sup>1</sup>

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<sup>1</sup> Opposer's consented motion (filed December 2, 2011) to designate as confidential portions of its testimony previously submitted on August 25, 2011 is granted. See Trademark Rule 2.127(a). In view thereof, the Board's original opinion in this case issued on December 1, 2011 is set aside.

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On June 5, 2008, AFP Imaging Corporation ("applicant") filed an application to register the mark ROLL-X, in standard character format, for "x-ray tables for medical and dental use" in International Class 10,

pursuant to Section 1(b) of the Trademark Act, 15 U.S.C. § 1051(b), alleging a *bona fide* intent to use in commerce.

Rolex Watch U.S.A., Inc. ("opposer") opposed the registration of applicant's mark on the grounds of (1) priority of use and likelihood of confusion under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d); (2) likelihood of dilution by tarnishment under Section 43(c) of the Trademark Act, 15 U.S.C. § 1125(c); and (3) likelihood of dilution by blurring under Section 43(c) of the Trademark Act, 15 U.S.C. § 1125(c). Opposer, in an amended opposition, added a fourth claim that applicant lacked a *bona fide* intent to use the mark in commerce when the application was filed. Insofar as opposer has not argued the Section 2(d) and dilution by tarnishment claims in its brief, in accordance with the Board's usual practice we would find those claims to have been waived by opposer.<sup>2</sup> See *e.g.*, *Knight Textile Corp. v. Jones Investment Co.*, 75 USPQ2d 1313, 1314 n.4 (TTAB 2005). However, applicant in its brief specifically requested judgment in its favor on these claims, and opposer did not contest the request in its reply brief. Accordingly, we grant applicant's request for judgment on these

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claims as conceded. *Cf.* Trademark Rule 2.127(a). We therefore have only considered the claims of dilution by blurring and applicant's alleged lack of *bona fide* intent to use its applied-for mark. Applicant, in its answer, denied the salient allegations in the amended notices of opposition.

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<sup>2</sup> Opposer is reminded that under the doctrine of *res judicata*, claims based on the same transactional facts as a prior claim in which a final judgment has been rendered and which should have been litigated in the earlier case are barred from a subsequent suit. See *Sharp Kabushiki Kaisha v. Thinksharp, Inc.*, 448 F.3d 1368, 79 USPQ2d 1376, 1378 (Fed. Cir. 2006).

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## **I. The Record**

Pursuant to Trademark Rule 2.122(b), the record includes applicant's application file and the pleadings. In addition, the parties introduced the following:

### **A. Opposer's Evidence**

1. Opposer's Notice of Reliance comprising the following items:
  - a. Opposer's pleaded Registration No. 101819 for the mark ROLEX for "watches, clocks, parts of watches and clocks, and their cases;"
  - b. Applicant's responses to opposer's Interrogatory Nos. 2, 3, and 4; and
  - c. Excerpts from the discovery deposition of David Vozick, applicant's Chief Executive Officer, with attached exhibits.
2. Declaration of Peter Nicholson, opposer's Vice President and Director of Communications, and Exhibits 1-4 attached thereto;<sup>3</sup> and
3. Declaration of Philip Johnson, offered as an expert witness, Chief Executive Officer of Leo J. Shapiro and Associates, Inc., a market research and consulting firm that conducts surveys, and survey attached thereto.<sup>4</sup>

### **B. Applicant's Evidence**

1. Applicant's notice of reliance comprised of the following:
  - a. U.S. Trademark Registration of the mark DENT-X; and
  - b. Excerpts of the discovery deposition of David Vozick (see discussion below).

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<sup>3</sup> The parties' stipulation that opposer, in lieu of taking testimony depositions, submit the testimony of its trial witnesses by declaration is hereby approved. Trademark Rule 2.121. The Board commends the parties for agreeing to this alternative method for introducing trial testimony, which presumably saved time and expenses for both parties.

<sup>4</sup> Mr. Johnson was properly disclosed as an expert witness on behalf of opposer in expert disclosures served on March 23, 2010. Applicant was given the opportunity to take discovery of Mr. Johnson prior to trial. See Board Order dated April 16, 2010. Insofar as applicant has not objected to Mr. Johnson's qualifications as an expert, we have treated him as such.

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## **II. Evidentiary Issues — Opposer's Objection Pursuant to Trademark Rule 2.120(j)(4)**

To support its claim that applicant lacked a bona fide intent to use the mark ROLL-X when it filed its application, opposer, by notice of reliance, submitted excerpts from the discovery deposition transcript of David Vozick, applicant's Chief Executive Officer ("Vozick Deposition"). In response thereto, applicant submitted via notice of reliance additional excerpted portions of opposer's discovery deposition transcript of Mr. Vozick to explain allegedly incomplete or misleading excerpts submitted by opposer. In its main brief, opposer objected to these submissions, arguing that applicant merely provided a brief statement of relevance and failed to explain why opposer's reliance on the excerpts opposer filed are misleading if the additional excerpts are not considered.

[ 1 ] Trademark Rule 2.120(j)(4) provides:

If only part of a discovery deposition is submitted and made part of the record by a party, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party. A notice of reliance filed by an adverse party must be supported by a written statement explaining why the adverse party needs to rely upon each additional part listed in the adverse party's notice, failing which the Board, in its discretion, may refuse to consider the additional parts.

Contrary to opposer's assertions, applicant did provide the requisite written statement explaining why it needs to rely upon the additional excerpted portions. Applicant's notice of reliance was accompanied by the statement that the additional excerpts "should in fairness be considered." Applicant then went on to explain the relevance of each additional passage. We find this to be sufficient. Applicant's

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submissions are necessary to accurately represent the deponent's statement.

In view of the foregoing, opposer's objection is overruled.

## **III. Standing**

Because opposer's registration is of record, opposer has established its standing. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000); *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).

## **IV. Dilution by Blurring**

First, we consider opposer's dilution by blurring claim. The Trademark Act provides a cause of action for the dilution of famous marks. Sections 13 and 43(c) of the Trademark Act, 15 U.S.C. §§ 1063 and 1125 (c) provide as follows:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

Opposer contends that applicant's ROLL-X mark will "blur" the distinctiveness of opposer's ROLEX mark. The Trademark Act defines dilution by blurring as follows:

"[D]ilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.

Section 43(c)(2)(B) of the Trademark Act, 15 U.S.C. § 1125(c)(2)(B).

In deciding opposer's dilution claim, we consider the following factors:

1. Whether opposer's ROLEX mark is famous;
2. Whether opposer's ROLEX mark became famous prior to applicant's

date of constructive use; and

3. Whether applicant's ROLL-X mark is likely to cause dilution by blurring the distinctiveness of opposer's ROLEX mark.

See *Coach Services Inc. v. Triumph Learning LLC*, 96 USPQ2d 1600 (TTAB 2010) ("*Coach Services*").

*A. Whether opposer's ROLEX mark is famous*

A mark is defined under §1125(c)(2)(A) as "famous" for dilution purposes —

... if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

We acknowledge the principles that opposer has the burden of establishing that its mark has become famous, and that requirements for proving fame for purposes of dilution are "stringent." *Coach Services, supra*, 96 USPQ2d at 1610, citing *Toro Co. v. ToroHead Inc.*, 61 USPQ2d 1164, 1170 (TTAB 2001) ("*Toro*").

[ 2 ] Taking into account the non-exhaustive factors enumerated above as well as other considerations, we find that opposer has established that its trademark ROLEX is famous for dilution purposes. At the outset we note that opposer registered the ROLEX trademark in 1915, almost one hundred years ago.<sup>5</sup> Since

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that date, the mark has been continuously and exclusively used and registered in the United States.<sup>6</sup> The record is devoid of any third-party usage or registration of similar marks. It is a coined and fanciful term with no other meaning other than its significance as a trademark.

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<sup>5</sup> Registration No. 101819, submitted with opposer's notice of reliance; Nicholson Declaration, ¶ 6. Opposer's U.S. registration was issued under the Act of 1905 based on Swiss foreign registration no. 34151, issued October 7, 1913. As such, it is entitled to the benefits of the provisions of the Act of 1946 as though it were registered under the Principal Register except with certain limitations set forth in Section 46(b), 15 U.S.C. Section 1051 note. See TMEP § 1601.04.

Prior to November 16, 1989, registrations issued under the 1905 Act were renewable under the 1946 Act for a period of twenty years. Trademark Act § 46(b), 15 U.S.C. § 1051 note; 37 C.F.R. § 2.181(b). Effective November 16, 1989, registrations issued under the 1905 Act are renewable under the 1946 Act for a period of ten years.

In this case, opposer has consistently maintained its U.S. registration, with the most recent fifth renewal for a term of ten years under Section 9 filed on November 16, 2004.

<sup>6</sup> Nicholson Declaration, ¶ 6.

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Opposer maintains an extensive sales presence in the United States with approximately 700 official ROLEX jewelers that sell ROLEX timepieces.<sup>7</sup> For over twenty-five years, opposer's annual U.S. sales of its ROLEX brand timepieces have been in the hundreds of millions of dollars as illustrated by confidential evidence submitted by opposer. In addition, opposer has extensively advertised and promoted its mark in the United States, spending tens of millions of dollars annually since 1985.<sup>8</sup>

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<sup>7</sup> Nicholson Declaration, Para. ¶ 5.

<sup>8</sup> Nicholson Declaration, ¶ 8.

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For four decades, opposer has continuously advertised and prominently featured the ROLEX trademark in at least 46 publications circulated nationally and regionally.<sup>9</sup> As shown by the representative samples of print ads placed in those publications, opposer has advertised its ROLEX timepieces as being synonymous with status, success and high performance under adverse conditions:<sup>10</sup>

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<sup>9</sup> Nicholson Declaration, ¶ 8, Exh. 2 and 3.

<sup>10</sup> Nicholson Declaration, ¶ 8, Exh. 2 and 3.

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As a race car driver I know that every piece of equipment has been checked because my life, not just a race, depends on it ... With over 600 hours of testing behind it, I know my Rolex is as ready as I am.

His calm, take-charge style prevails, whether as an Air Force general or an airline executive. His manner is precise, exact ... like the Rolex he chooses to wear.

The Inexhaustible Challenge of Everest. ... both teams marked the times of their historic Everest ascents with Rolex Chronometers.

The hands, Virginia Wade. The watch, Rolex.

In 1947, when Chuck Yeager became the first man to break the sound barrier he had a Rolex chronometer on his wrist. Fifty years later, still wearing a Rolex, he did it again.

Opposer's advertising campaign is designed to reach the general public. Opposer's print advertisements appear in publications representing a wide variety of interests such as business (*The Wall Street Journal, Forbes*), adventure (*National Geographic Adventure, Outside*), sports (*Tennis Magazine, Equus, Golf Digest*), and lifestyle (*Elle Décor, Gourmet, Vanity Fair*).<sup>11</sup> They also appear in standard industry publications (*WatchTimes* and *Chronos*).<sup>12</sup> In addition to print, opposer advertises its ROLEX trademark prominently in other media — cable and network television, event promotion, signage, clocks, and co-op advertising.<sup>13</sup> Opposer annually sponsors and promotes major televised sporting events such as the Wimbledon tennis tournament and U.S. Open golf tournament where the ROLEX trademark is displayed on the score board or clocks visible to attendees and television audiences.<sup>14</sup> As a result of opposer's advertising efforts, it has garnered unsolicited publicity in newspaper and magazine articles equating the ROLEX trademark with status and reliability:

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<sup>11</sup> Nicholson Declaration, ¶¶ 8 and 9, Exh. 3.

<sup>12</sup> Nicholson Declaration, ¶¶ 8 and 9, Exh. 3.

<sup>13</sup> Nicholson Declaration, ¶ 10.

<sup>14</sup> Nicholas Declaration, ¶ 12.

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From the red carpet to the wrists of rap stars, Rolex is recognized as the ultimate symbol of luxury... The brand dates back to 1905 when Hans Wilsdorf of Kulmbach, Germany, opened Wilsdorf & Davis watchmakers in London. At the time, men's fashion favored large faced pocket watches, but Wilsdorf became obsessed with creating movements small enough to be worn on the wrist. So in 1906, inspired by the sound a watch makes when wound, Wilsdorf trademarked the name Rolex, which was both easy to pronounce in many languages and short enough to fit on a watch face... Rolex is still considered the gold standard among watch collectors. After all, nothing says you've made it like a Rolex." *Time*, Spring 2007.

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Rolex's significance to people everywhere is obvious. Nice houses, German sedans and Paris vacations are all well and good, but the Swiss watch remains the premier mainstream symbol of Really Making It in this country. Rappers rap about their diamond-encrusted ones; football players buy one the first day after they're picked high in the draft. And Wall Street is still loyal to the five-pointed crown. Rolex is the main noun in the international language of success." *New York Times*, October 18, 1998.

Wall Street's women want watches that show just how far they've come ... Some senior women still cling to the Rolex Oyster Perpetual that got them where they are today. "Timing and reliability are vital in this business, and this watch is indestructible and reliable," says Blythe Masters, head of JPMorgan Chase's global commodities business. *Forbes*, October 8, 2007.

As evidence that the ROLEX trademark is the subject of "intense" media attention, since the inception in 2001 of *Business Week's* annual article "Best Global Brands" listing the top 100 brands in the world, Rolex has always appeared on the list, and in 2009 was ranked the 68<sup>th</sup> most valuable brand in the world. <sup>15</sup> See *Coach Services, supra*, at 1610, quoting *Toro, supra* at 1180-81 ("examples of evidence to show the transformation of a term into a truly famous mark include... intense media attention...").

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<sup>15</sup> Nicholson Declaration, ¶ 13.

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Opposer's tremendous and consistent history of U.S. advertising and sales figures, coupled with the additional factors discussed above, supports the finding that ROLEX has become a "household name" and is famous for dilution purposes. See *Thane International, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 64 USPQ2d 1564, 1575 (9th Cir. 2002) ("the transformation of a term into a truly famous mark" means that "the mark must be a household name.").

In its brief, applicant cites to *Coach Services, supra*, in which the Board found that plaintiff failed to prove fame for dilution purposes to support the proposition that opposer has failed to prove such fame in this case. Applicant's attempt to draw an analogy to the quantity and quality of evidence presented here with *Coach Services* is unconvincing. The plaintiff in *Coach Services* submitted worldwide evidence of sales and advertising expenditures for only one year, 2008, without breaking down the sales and advertising figures for the United States. By contrast, opposer has submitted representative figures of annual sales and advertising expenditures for the United States over a substantial period of time spanning 25 years. Another key distinction is that the plaintiff in *Coach Services* advertised almost exclusively in print fashion media targeted to young women. Opposer, however, advertises in a variety of media, including national television, targeted to the general public. Lastly, we note key differences in the nature of the marks. ROLEX is a coined, arbitrary term with no meaning in the English language or any other foreign language. By comparison, the mark at issue in *Coach Services*, COACH is an ordinary word with multiple meanings. Thus, we find applicant's arguments based on the *Coach* case to be unavailing.

Based on the evidence of record, we find that opposer's mark ROLEX is famous.

*B. Whether opposer's ROLEX mark became famous prior to applicant's date of constructive use*

The majority of the evidence in the record about the fame of opposers' ROLEX trademark predates the June 5, 2008 filing date of applicant's intent-to-use application. Therefore, we find that the fame of the trademark ROLEX was well-established prior to applicant's constructive use date for ROLL-X.

*C. Whether applicant's ROLL-X mark is likely to cause dilution by blurring the distinctiveness of opposer's ROLEX mark.*

Dilution by blurring is an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," 15 U.S.C. § 1125(c)(2)(B), and may be found "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury," 15 U.S.C. § 1125(c)(1). Dilution by blurring occurs when a substantial percentage of consumers, upon seeing the junior party's use of a mark on its goods, are immediately reminded of the famous mark and associate the junior party's use with the owner of the famous mark, even

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if they do not believe that the goods come from the famous mark's owner. See e.g., *National Pork Board v. Supreme Lobster and Seafood Co.*, 96 USPQ2d 1479 (TTAB 2010). In addition, we must determine not only whether there is an 'association' arising from the similarity of the marks, but whether such association is likely to 'impair' the distinctiveness of the famous mark." *Nike Inc. v. Maher*, 100 USPQ2d 1018, 1023 (TTAB 2011) ("*Nike v. Maher*"). In determining whether a mark or trade name is likely to cause dilution by blurring, the Board may consider the following six non-exhaustive factors:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B)(i)-(vi).

*1. The degree of similarity between the mark or trade name and the famous mark*

Recently, in *Nike Inc. v. Maher*, *supra*, the Board, following the lead of the Court of Appeals for the Second and Ninth Circuits, clarified that, under the Trademark Dilution Revision Act of 2006 (TDRA), Congress took a different approach to this factor of similarity of marks from the predecessor anti-dilution law, the Federal Trademark Dilution Act of 1996, which was generally found to require "substantial similarity" between the famous mark and the mark at issue for dilution by blurring to occur. Based on the statutory language in the TDRA requiring analysis of the "degree of similarity" between the famous mark and the mark at issue, the 9<sup>th</sup> Circuit, in *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1171, 97 USPQ2d 1947, 1958 (9th Cir. 2011), stated the following:

Congress did not require an association arising from the "substantial" similarity, "identity" or "near identity" of the two marks. The word chosen by Congress, "similarity," sets forth a less demanding standard than that employed by many courts under the FTDA.

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This analysis of the language of the statute, and our comparison of this language with the now-repealed statute, are further supported by Congress's decision to employ, in subsection (c)(2)(B), a non-exhaustive list of relevant factors to determine when dilution has occurred. Congress's implementation of such a methodology is simply not compatible with a determination that identity, near identity or substantial similarity are necessary to constitute a threshold showing for relief under § 1125(c). Indeed, Congress chose instead to make the "degree of similarity between the mark or trade name and the famous mark," *id.* § 1125(c)(2)(B)(i) (emphasis added), to be the first of the six (or more) relevant factors to be considered.

*See also, Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 92 USPQ2d 1769 (2d Cir. 2009) ("Although 'similarity' is an integral element in the definition of 'blurring,' we find it significant that the federal dilution statute does not use the words 'very' or 'substantial' in connection with the similarity factor to be considered in examining a federal dilution claim.") and *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 111 n.18, 94 USPQ2d 1188, 1201 n.18 (2d Cir. 2010) ("We have recently explained that under the [TDRA] the similarity between the famous mark and the allegedly blurring mark need not be 'substantial' in order for the dilution by blurring claim to succeed.").

**[ 3 ]** With this guidance in mind, the test we employ is the degree of similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression. See *Nike Inc. v. Maher*, *supra*, and *Coach*, *supra*. In other words, are applicant's and opposer's marks "sufficiently similar to trigger consumers to conjure up a famous mark when confronted with the second

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mark." *National Pork Board*, 96 USPQ2d at 1497. <sup>16</sup>

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<sup>16</sup> To be clear, we are not conducting a likelihood of confusion analysis under Section 2(d) although we are considering many of the same factors.

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Acknowledging that there is no correct pronunciation of trademarks, we nonetheless note that Opposer's mark ROLEX and applicant's ROLL-X are likely to be pronounced in an identical manner. However, the marks are spelled differently and, because of the spelling of applicant's mark, it engenders a different appearance, meaning and commercial impression from opposer's mark. Because of the hyphen between ROLL and X, consumers are likely to view the mark as consisting of the English word ROLL, which has various meanings including "to move on rollers or wheels (rolled the patient into the operating room)" <sup>17</sup> and the letter "X," which, when the mark is used in connection with applicant's goods, is likely to be perceived as suggesting the term "x-ray," when the mark is used in connection with applicant's goods. Indeed, Mr. Vozick, applicant's Chief Executive Officer, stated that he created the name based on the product's attributes:

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<sup>17</sup> *www.merriam-webster.com*. The Board may take judicial notice of dictionary definitions, including online dictionaries which exist in printed format. See *In re CyberFinancial.Net Inc.*, 65 USPQ2d 1789 (TTAB 2002). See also *University of Notre Dame du Lac v. J. C. Gourmet Foot Imports Co., Inc.*, 213 USPQ 594 (TTAB 1982), *aff'd*, 703 F.2d 1372, 217 USPQ 505 (Fed. Cir. 1983).

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Q. How did you come to pick that mark?

A. The product that it is being applied to is a movable stretcher, radiolucent, so it's good for the x-ray application. It can roll on four castors, and therefore there's commonality of name and intention between the rolling stretcher, x for x-ray... <sup>18</sup>

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<sup>18</sup> Vozick Deposition, p. 26, lines 11-18.

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Thus, we find the differences between the marks in terms of appearance, meaning, and commercial impression greatly outweigh any similarity in pronunciation. The similarities/dissimilarities of the marks factor favors applicant.

*2. The degree of inherent or acquired distinctiveness of the famous mark*

As noted previously, ROLEX is a coined, arbitrary term with no meaning other than as a trademark. Since opposer's mark is inherently distinctive, this factor favors a finding of likelihood of dilution.

*3. The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark*

Applicant has not introduced any evidence of third-party usage of the mark ROLEX. The record is also devoid of evidence of use of phonetic equivalents, such as ROLL-X. Accordingly, on this record, we conclude that opposer has made substantially exclusive use of the ROLEX trademark, and therefore, this dilution factor favors opposer.

*4. The degree of recognition of the famous mark*

As discussed above, ROLEX is widely recognized by the general public as a trademark identifying opposer's timepieces. The mark has been in continuous use and consistently maintained and registered in the United States for over 100 years. As noted earlier, for over twenty-five years, opposer's annual U.S. sales of its ROLEX brand timepieces have been in the hundreds of millions of dollars and annual U.S. advertising expenditures have been in the tens of millions of dollars. In addition, as discussed earlier, ROLEX has been consistently named as one of the top 100 brands in the world since 2001 by *Business Week*. The degree of recognition is high and therefore favors opposer.

*5. Whether the user of the mark or trade name intended to create an association with the famous mark.*

Opposer has not presented any evidence demonstrating that applicant intended to create an association with opposer's ROLEX trademark. Indeed, to the contrary, as noted above, Mr. Vozick, the person who created applicant's applied-for mark ROLL-X testified he came up with the name based on the product's attributes, and as an extension of its current product line marketed under the DENT-X trademark. <sup>19</sup> In view thereof, this dilution factor favors applicant.

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<sup>19</sup> Vozick Deposition, p. 15, line 23; p. 17, line 3; applicant's Notice of Reliance, Exhibit 1. Registration No. 2000578, registered September 17, 1996, alleging June 24, 1993 as the

date of first use anywhere and in commerce, Sections 8 and 9 affidavits accepted and granted.

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6. Any actual association between the mark or trade name and the famous mark

To support its claim that applicant's use of the mark ROLL-X is likely to cause dilution of opposer's ROLEX trademark, opposer submitted a survey conducted by Philip Johnson, Chief Executive Officer of Leo J. Shapiro and Associates, Inc., targeted to "animal professionals (e.g., veterinarians, veterinary technicians, office managers etc.) who are responsible for making the decision about purchasing x-ray tables."<sup>20</sup> Mr. Johnson designs surveys that measure consumer behavior and opinions.<sup>21</sup> The stated objective was to determine the extent, if any, to which healthcare professionals who purchase x-ray tables would think of the ROLEX trademark or products when encountering an x-ray table named ROLL-X.<sup>22</sup> The survey involved 301 telephone interviews based on a random sample of veterinary clinics located in the United States.<sup>23</sup> Following the methodology used in *Nike, Inc. v. Nikepal International, Inc.*, 84 USPQ2d 1820 (E.D. Cal. 2007) and using a double-blind protocol, the interviewers screened for qualified survey respondents who were not confused as to source. The survey used both a test cell bearing applicant's mark ROLL-X (200 interviews) and a control cell bearing the name DIGI-X (101 interviews). Following a series of screening questions, the respondents shown the test cell ROLL-X were then asked the following questions: "Assume for a moment that you were looking for a new x-ray table and you encountered one that uses this name. ... What, if anything, came to your mind when I first showed you the name of this x-ray table?" Of the test cell respondents, 82% replied that something came to mind. Of that 82%, 42% replied "Rolex/Watch," 32% replied "Portable/ Movable/ Rolling," 18% replied "X-Ray Tables/Equipment" and 7% replied "X-Rays."<sup>24</sup>

<sup>20</sup> Johnson Survey, ¶ 5. Applicant has filed an intent-to-use application and has not engaged in any actual use of the mark ROLL-X. In view of this circumstance, opposer's submission of an expert designed survey is entirely appropriate. See *National Pork Board v. Supreme Lobster and Seafood Co.*, 96 USPQ2d 1479, 1492 (TTAB 2010).

<sup>21</sup> As noted earlier, opposer disclosed Mr. Johnson as an expert witness in its disclosures filed March 23, 2010, and applicant did not object to his qualifications as an expert.

<sup>22</sup> Johnson Survey, ¶ 4.

<sup>23</sup> Johnson Survey, ¶ 3.

<sup>24</sup> The results included other mentions such as "Rolodex/Filing System," "Rolo/Candy."

Applicant has objected to the survey as flawed because it does not replicate the market conditions in which individuals would encounter applicant's ROLL-X mark, namely on rolling x-ray tables. We disagree. We acknowledge that as a practical matter, because applicant has not yet made use of its mark, no current market/purchase conditions exist. That being said, as noted above, the questions above clearly communicated to respondents the nature the goods. In addition, we find that the methodology comports with the protocol set forth in *Nike, Inc. v. Nikepal International, Inc.*, 84 USPQ2d 1820 (E.D. Cal. 2007). As such, we have given the survey full consideration.

Although 42% of the respondents who stated that when something came to mind, it was "Rolex/Watch," we find this level of "actual association" insufficient to prove a likelihood of dilution between opposer's ROLEX mark and applicant's ROLL-X mark. This figure is not persuasive given that a higher percentage, 50% of respondents who replied that something came to mind, thought of a feature of the goods (portable, rolling) or the actual goods themselves (x-ray tables/equipment). Moreover, the survey results, while showing an "actual association" between opposer's and applicant's marks, do not establish that such an association would impair the distinctiveness of opposer's famous mark. See *Gap Inc. v. G.A.P. Adventures Inc.*, 100 USPQ2d 1417, 1431 (S.D.N.Y. 2011) (despite consumer survey results showing a likelihood of association between plaintiff's and defendant's marks, court found no likelihood of impairment; federal dilution claim therefore dismissed). See also 4 J. Thomas McCarthy, *McCarthy On Trademarks And Unfair Competition* § 24:120 (4th ed, 2011) ("[t]he fact that people 'associate' the accused mark with the famous mark does not in itself prove the likelihood of dilution by blurring"). As such, this factor favors applicant.

7. Balancing the factors

[ 4 ] In balancing the factors, we find that the degree of dissimilarity between the marks, the conflicting results obtained from the Johnson survey, and lack of evidence that applicant intended to

create an association with opposer's mark outweigh the recognition, distinctiveness

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and substantially exclusive use of opposer's ROLEX trademark. In addition, as noted earlier, the statute requires opposer to not only prove an association between its own and applicant's mark, but that such an association will impair the distinctiveness of opposer's famous mark. While acknowledging that this burden of proof is more difficult for an application based on Section 1(b), opposer did not introduce any evidence, either through its consumer survey or expert testimony, of the degree to which opposer's marketing power would potentially be diminished by applicant's intended use of its mark. *See Gap Inc., supra.*, (although court found that plaintiff's GAP mark was famous for dilution purposes and similar to defendant's G.A.P. Adventures marks, that defendant intended to create an association with plaintiff's mark, and that a consumer survey showed a likelihood of association between plaintiff's and defendant's marks, court found that plaintiff "has not proved that, as a result of the likelihood that consumers will associate the marks, Gap is likely to suffer an impairment of the distinctiveness of its marks..."; federal dilution claim therefore dismissed). Thus, we find that based on the record before us, opposer has not demonstrated that the registration of applicant's ROLL-X mark is likely to cause dilution by blurring of its ROLEX trademark.

**V. Lack of Bona Fide Intent**

We now consider opposer's claim that applicant lacked a bona fide intent to use the mark ROLL-X for the applied-for goods in commerce at the time it filed its application. "A determination of whether an applicant has a bona fide intention to use the mark in commerce is an objective determination based on all the circumstances." *Boston Red Sox v. Sherman*, 88 USPQ2d 1581, 1586 (TTAB 2008), *citing Lane Ltd. v. Jackson Intl. Trading Co.*, 33 USPQ2d 1351, 1355 (TTAB 1994). "Opposer has the initial burden of demonstrating by a preponderance of the evidence that applicant lacked a bona fide intent to use the mark on the identified goods. The absence of any documentary evidence on the part of an applicant regarding such intent constitutes objective proof sufficient to prove that the applicant lacks a bona fide intention to use its mark in commerce." *Id.* at 1587, *citing to Commodore Electronics Ltd. v. CBM Kabushiki Kaisha Opp.*, 26 USPQ2d 1503, 1507 (TTAB 1993) ("*Commodore Electronics*"). If an opposer establishes a prima facie case, the burden shifts to applicant to rebut that prima facie case by producing evidence which would establish that it had the requisite bona fide intent to use the mark when it filed its application. *See Commodore Electronics, supra*, 26 USPQ2d at 1507.

**[ 5 ]** Opposer has demonstrated through applicant's responses to discovery, that applicant does not possess any documentary evidence (e.g., advertising materials, labels) to support a bona fide intent to use the ROLL-X mark in commerce when it filed its application. Insofar as opposer has satisfied its initial burden of showing the absence of any documentary evidence regarding applicant's bona fide intention to use the mark, the burden now shifts to applicant to come forward with evidence which would adequately explain or outweigh its failure to provide such documentary evidence in response to opposer's discovery requests. *See, e.g., Commodore Electronics, supra.*

In this case, we find that applicant has submitted sufficient evidence to rebut the lack of documentary evidence. Consistent with its overall business model, applicant promotes, advertises, and uses other imaging products.<sup>25</sup> Applicant owns and uses the registered mark DENT-X for "film processors for developing X-ray and photographic films and parts therefor; and X-ray machines, namely X-ray sources and controls."<sup>26</sup> It advertises its mark DENT-X for its human dental x-ray business.<sup>27</sup> Thus, the filing of the application for the ROLL-X mark is consistent with an extension of its current product line. *Cf. Commodore Electronics, supra*, 26 USPQ2d at 1507. In addition, this evidence demonstrates that applicant has the capacity to market and manufacture the goods identified in its application, further suggesting that applicant has been acting in good faith and not merely trying to reserve a right in the ROLL-X mark.<sup>28</sup> *See id.*

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<sup>25</sup> Vozick Deposition, p. 15, line 23; p. 17, line 3.

<sup>26</sup> Applicant's Notice of Reliance, Exhibit 1. Registration No. 2000578, registered September 17, 1996, alleging June 24, 1993 as the date of first use anywhere and in commerce, Sections 8 and 9 affidavits accepted and granted.

<sup>27</sup> Vozick Deposition, p. 15, line 23; p. 17, line 3.

<sup>28</sup> Vozick Deposition, p. 26, line 5; p. 27, line 5.

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Lastly, applicant explained that it suspended its promotional activities in connection

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with the ROLL-X mark only because the instant opposition was filed.<sup>29</sup> While obviously this occurred after the filing of applicant's application, it corroborates the other evidence discussed above showing that applicant otherwise had the capacity and intent to use the ROLL-X mark in connection with the identified goods. Consideration of this evidence as a whole supports a finding that applicant had a bona fide intent to use the ROLL-X mark at the time it filed its application.

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<sup>29</sup> Vozick Deposition 32, lines 7-15.

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*DECISION:* The opposition is dismissed on the grounds of likelihood of dilution by blurring and applicant's alleged lack of bona fide intent to use its applied-for mark. The application will now proceed to the Intent-to-Use Division for issuance of a notice of allowance.

- End of Case -

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**H**  
Only the Westlaw citation is currently available.

United States District Court,  
S.D. New York.  
COACH, INC. and Coach Services, Inc., Plaintiff,  
v.

Linda ALLEN and Courtney L. Allen, individually  
and doing business as Bellafashions.net and “Bella  
Fashions”; Unknown Websites 1–10; “John Does”  
3–10; and “Unknown Entities” 1–10, Defendants.

No. 11 Civ. 3590(CM).  
July 19, 2012.

**DECISION AND ORDER GRANTING  
PLAINTIFFS' MOTION FOR SUMMARY  
JUDGMENT**

McMAHON, District Judge.

**INTRODUCTION**

\*1 This is an action for counterfeiting and trademark infringement involving defendants Linda Allen and Courtney L. Allen (hereinafter collectively referred to as “Defendants”), who allegedly counterfeited and so infringed on seventeen Coach, Inc. and Coach Services, Inc. (Plaintiffs hereinafter collectively referred to as “Coach”) federally registered trademarks on eleven types of goods for a total of twenty-two separate infringements.

Defendant Linda Allen is an admitted counterfeiter who has previously been sued for trademark infringement. During the course of this case, Defendants proclaimed their innocence despite emails, letters, website registrations and testimony evidencing their infringing activities. Defendants refused to respond meaningfully to legitimate requests to produce documents that detail such illegal sales. Only through subpoenas to the third parties did Coach discover any meaningful information about Defendants' illegal activities, and it may just be the tip of the iceberg.

There is no genuine issue of material fact that

counterfeit and infringing Coach merchandise was being offered for sale and sold on *BellaFashions.net* (the “Website”) and that defendants Linda Allen and Courtney L. Allen personally engaged in the conduct that forms the basis of this action.

Defendants are *pro se*. Their opposition to the motion was originally due on May 29, 2012. Defendants missed the deadline. However, on June 5, 2012, they faxed *unsworn* letters to the Court containing general denials of affiliation with the Website and a reliance on the disclaimers. *See* Declaration of Linda Allen in Opposition of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen at ¶¶ 4–8 and 18; Declaration of Courtney L. Allen in Opposition of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen at ¶¶ 4–8. Defendants presented no admissible evidence in opposition to the summary judgment motion.

Accordingly, Plaintiff's motion for summary judgment is granted, and Coach is awarded the maximum amount of statutory damages due to Defendant's willful infringement of Coach's trademarks; and a permanent injunction in order to prevent Defendants from further infringing Coach's trademarks.

**STATEMENT OF FACTS**

Based on the admissible evidence, the following facts are undisputed:

**I. BACKGROUND OF COACH'S BUSINESS**

Coach is a world-renowned producer of high quality merchandise. *See* Declaration of Ethan Lau in Support of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen (“Lau Dec.”) at ¶¶ 7–18. Coach Services, Inc. has adopted over forty-five (45) trademarks, including the marks at issue, which are protected by Federal Trademark Registrations (collectively the “Coach Registered Trademarks”). *Id.* at ¶ 10. Coach

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has expended substantial time, money, and other resources developing, advertising, and otherwise promoting the Coach Registered Trademarks. *Id.* at ¶ 13. As a result, members of the consuming public readily identify merchandise bearing the Coach Registered Trademarks as being high quality merchandise. *Id.* at ¶ 16.

\*2 The Coach Registered Trademarks have been used for many years and have not been assigned or licensed to Defendants in this matter. *Id.* at ¶ 18. By virtue of the sustained use of the marks, the registrations, the high quality products and substantial advertising and publicity for the marks, the Coach Registered Trademarks are now famous and have been famous since well prior to the activities of this case. *Id.* at ¶¶ 9–18

## II. DEFENDANTS' CONDUCT

In March, 2011, Coach discovered the website *BellaFashions.net* which was being used to promote and offer for sale handbags, duffle bags, wristlets, wallets, scarves, hats, umbrellas, shoes, key chains and sunglasses. *See* Lau Dec. at ¶ 19. The products distributed on the Website were explicitly identified as Coach handbags and accessories. *Id.* at Exhibit 2. However, the Website contained several disclaimers stating that the products were not “original” and that the Website was “in no way affiliated with the authentic manufacturers.” *Id.* Coach examined the Website and determined that the products being offered for sale contained counterfeits and infringements of the Coach Registered Trademarks. *See id.* at ¶ 19–21 and Exhibit 2.

### A. Defendant Linda Allen's Conduct.

The Website was registered to “Linda Allen, 342 Cold Spring Road, Syosset, N.Y. 11791.” *See* Declaration of Walter–Michael Lee in Support of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen (“Lee Dec”) at Exhibits 1 and 10 (pg.GD000110). The administrative contact was listed as “Allen, Linda” at the same address indicated above with the following contact information: frog342@aol.com and phone number (516) 921–9391. *Id.* “342 Cold

Spring Road, Syosset, N.Y. 11791” is the home address of defendants Linda Allen and Courtney L. Allen. *Id.* at Exhibits 11 and 32. Frog342@aol.com is the current e-mail address of defendant Linda Allen. *Id.* at Exhibit 14.(516) 921–9391 is the fax number for the Defendants' home office. *See id.* at Exhibit 35.

This is not the first time that defendant Linda Allen has been sued for trademark counterfeiting and infringement. In 2007, in *Chanel Inc. v. Linda Allen, et. al.*; 07–CIV–4858 (NRB) (S.D.N.Y.2007), defendant Linda Allen was sued for the same exact illegal conduct that forms the basis of this case in connection with the following businesses and websites, among others: “My Classy Fashion,” “MyClassyFashion.com,” “Ultimate Designer Handbags,” and “UltimateDesignersHandbags.com.” *See* Lee Dec. at ¶ 26 and Exhibit 40. Defendant Linda Allen admitted that she was the owner and operator of “My Classy Fashion” and MyClassyFashion.com and is subject to a permanent injunction concerning her distribution of counterfeit Chanel goods. *Id.* at ¶ 27 and Exhibits 41 and 42. The websites MyClassyFashion.com and UltimateDesignersHandbags.com advertised for sale “Coach” products. *See* Lee Dec. at ¶¶ 25–27 and Exhibits 38 and 39.

\*3 In the course of conducting discovery, Coach subpoenaed records from Paypal, Inc. and discovered that MyClassyFashion.com, the business admittedly owned by defendant Linda Allen, had been converted into the website, *BellaFashions.net*. *Id.* at ¶ 16 and Exhibit 26 (Spreadsheet 1, pgs. 5, 60, 61, 115, 170, and 225). Further, these records indicate that defendant Linda Allen's Paypal, Inc. account received money and notes from the merchant account for the Website. *See id.* at ¶ 16 and Exhibit 26 (Spreadsheet 1, pgs. 5, 60, 61, 115, 170, and 225).

On April 7, 2011, in connection with his attempt to make a purchase from the Website, Coach's agent received two emails from “Bella Fashions” which were sent from defendant Linda

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Allen's e-mail address, frog342@aol.com. *See* Declaration of Benjamin Kwapisz in Support of plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen ("Kwapisz Dec.") at ¶ 5; Lee Dec. at Exhibits 14 and 17. The first e-mail addressed Coach's agent's technical difficulties in placing an order and was signed "Linda, Bella Fashions, (516) 449-9000." *See* Kwapisz Dec. at ¶ 6 and Exhibit 2. The second email referenced Coach's agent's e-mail address and offered to send a "great picture" if Coach's agent placed an order. *Id.* at ¶ 7 and Exhibit 3. It is undisputed that defendant Linda Allen sent these e-mails to Coach's agent and that (516) 449-9000 is her cell phone number. *See id.* at ¶¶ 5-7 and Exhibits 2 and 3; Lee Dec. at Exhibits 11, 14, and 17.

On April 8, 2011, Coach's agent purchased one (1) "Coach" handbag from the Website for \$81. Kwapisz Dec. at ¶ 4. The confirmation of payment listed, among other things, the e-mail address designerbags15@aol.com. *Id.* at ¶ 4 and Exhibit 1. In addition, the payment confirmation had the logo for "My Classy Fashion" emblazoned on it. It is undisputed that defendant Linda Allen owned the e-mail address designerhandbags 15@aol.com and operated the business "My Classy Fashion." *Id.*; Lee Dec. at Exhibits 15 and 16.

On April 13, 2011, Coach's agent received a package containing a handbag bearing counterfeits of the Coach Registered Trademarks (the "Counterfeit Bag"). *See* Kwapisz Dec. at ¶ 7 and Exhibit 3. The return address on the package was "342 Cold Spring Road, Syosset, N.Y. 11791," defendants Linda Allen and Courtney L. Allen's home address. *Id.* at ¶ 9 and Exhibit 4; Lee Dec. at Exhibit 11. It is undisputed that both the return and recipient addresses on the packaging were handwritten by defendant Linda Allen and that she sent the package. *See* Lee Dec. at Exhibit 18. Inside the package with the Counterfeit Bag was a copy of a team photo of the New York Yankees with a sticky note placed on it. *See* Kwapisz Dec. at ¶ 10 and Exhibit 4. It is undisputed that the message on the

sticky note was handwritten by defendant Linda Allen. *See id.* at ¶¶ 8-10 and Exhibit 4; Lee Dec. at Exhibits 18 and 19.

\*4 Coach examined the Counterfeit Bag and determined that none of its parts were of genuine Coach origin. *See* Lau Dec. at ¶ 21. The bag contained numerous counterfeits and infringements of the Coach Registered Trademarks and is of very poor quality. *Id.*

Consequently, on April 29, 2011, Coach sent Defendants a cease and desist letter requesting that they remove all web page content relating to the unlawful use of the Coach Trademarks from the Website. *Id.* at ¶ 4 and Exhibit 2. On May 3, 2011, Coach's counsel, received an e-mail response to Coach's Cease and Desist Letter, dated April 29, 2011 ("May 3, 2011 E-mail"). *Id.* at ¶ 5 and Exhibits 3, 14, and 20. The e-mail was sent from frog342@aol.com, defendant Linda Allen's e-mail address, and signed "Linda Allen." *Id.* The May 3, 2011 E-mail states in part: "I have no further merchandise as I purchased items upon demand from customers ... I sold very little ..." *Id.* at Exhibit 3. It is undisputed that defendant Linda Allen sent the May 3, 2011 E-mail to Coach's counsel. *See* Lee Dec. at ¶ 4 and 5 and Exhibits 2, 3, and 20.

On May 4, 2011, after Coach's counsel responded to the May 3, 2011 E-mail, Coach's counsel received a second e-mail from frog342@aol.com which was signed "Linda" and contained the alleged breakdown of Defendants' infringing sales ("May 4, 2011 E-mail"). *See* Lee Dec. at ¶ 6 and Exhibits 4, 14, and 21. It is undisputed that Linda Allen sent the May 4, 2011 E-mail to Coach's counsel and the hard copy of the e-mail that followed. *Id.* at ¶¶ 6-8 and Exhibits 4, 5, and 22.

Significantly, one of the documents included in the hard copy of the May 4, 2011 E-mail was a redacted version of the e-mail confirmation of the sale made to Coach's agent on April 8, 2011 and referenced above. *See* Lee Dec. at ¶ 9 and Exhibit 5 (pg.8); Kwapisz Dec. at Exhibit 1. One piece of in-

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formation that was redacted is the “My Classy Fashion” logo which was prominently displayed on the e-mail confirmation sent to Coach's agent. Id Defendant Linda Allen concedes that she was the owner of “My Classy Fashion.” See Lee Dec. at ¶ 9 and Exhibit 5; Kwapisz Dec. at Exhibit 1.

On May 29, 2011, Coach filed a motion for summary judgment against Defendants. On September 19, 2011, Coach filed its First Amended Complaint adding Defendants Courtney L. Allen and John Vanasco, Jr.

On July 27, 2011, Coach served Plaintiffs' First Set of Interrogatories and First Request for the Production of Documents (“L. Allen Discovery Requests”) on defendant Linda Allen. *Id.* at ¶ 10 and Exhibits 6 and 7. In her August 8, 2011 response, defendant Linda Allen failed to produce any documents other than the four (4) sales records included in the hard copy of the May 4, 2011 E-mail. *See id.* at ¶¶ 11 and 12 and Exhibits 8 and 9. In these responses, defendant Linda Allen asserts that she had no further information concerning other individuals involved in the Website. Id Despite this assertion, while being deposed by Coach, defendant Linda Allen was immediately able to identify another individual involved in the operations of the Website, defendant John Vanasco, Jr. *See Lee Dec.* at ¶¶ 10–12 and Exhibits 6–9, 24, and 25.

\*5 Despite defendant Linda Allen's responses to the L. Allen Discovery Requests, Coach was able to obtain, via subpoena, hundreds of documents relating to Defendants' sale of merchandise bearing counterfeits of the Coach Registered Trademarks. *Id.* at ¶ 24 and Exhibits 10, 26, 31, and 36. Among the documents subpoenaed were records from eBay, Inc., PayPal, Inc., GoDaddy.com, Inc., and AOL, Inc. *Id.* at ¶ 24 and Exhibits 10, 26, 31, and 36. In the course of reviewing the subpoenaed documents, Coach discovered that Linda Allen used her credit card to register the Website. *Id.* at ¶ 22 and Exhibits 10 (pg.GD000137) and 36. Further investigation also revealed user feedback statements for defendant Linda Allen's eBay, Inc. account that reflect

purchaser statements that defendant Linda Allen had been selling counterfeit products through eBay.com. *Id.* at Exhibit 37.

#### B. Defendant Courtney L. Allen's Conduct.

It is undisputed that defendant Courtney L. Allen is the registrant of the domain name “Ultimate Designer Handbags.com” and that her home address and cell phone number appear on its registration. *Id.* at ¶ 28 and Exhibits 10 (pg.GD000035–37) and 43. Further, GoDaddy.com, Inc. records indicate that defendant Courtney L. Allen called GoDaddy.com, Inc. for assistance regarding the website UltimateDesignersHandbags.com. *Id.* at ¶¶ 17 and 18 and Exhibits 10 (pgs GD000007 and GD000035–37), 27–30 and 33. UltimateDesignersHandbags.com distributed counterfeit Coach products. *See Lee Dec.* at Exhibit 39. On October 11, 2011, Coach served Plaintiffs' First Set of Interrogatories and First Request for the Production of Documents (“C. Allen Discovery Requests”) on defendant Courtney L. Allen. *Id.* at ¶ 17 and Exhibits 27 and 28. Among its requests, Coach explicitly requested documents relating to the registration of any website. *Id.* In her responses, dated October 27, 2011, defendant Courtney L. Allen failed to produce any documents. *See id.* at ¶ 18 and Exhibits 29 and 30.

While defendant Courtney L. Allen stated that she has never sold Coach merchandise through eBay.com, subpoenaed records indicate that Coach items were sold through her registered eBay, Inc. username. *See id.* at Exhibits 31 and 34. Furthermore, subpoenaed records indicate that the registration for the Website was renewed with the e-mail address babyblue15@aol.com, which was identified as belonging to defendant Courtney L. Allen by her mother, defendant Linda Allen. *Id.* at ¶ 14 and Exhibits 10 and 23.

On February 7, 2012, Coach filed the motion that is the subject of this opinion.

Defendants opposition was originally due on May 29, 2012. Defendants missed the deadline.



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However, on June 5, 2012, they faxed unsworn letters to the Court containing general denials of affiliation with the websites and a reliance on the disclaimers. *See* Declaration of Linda Allen in Opposition of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen at ¶¶ 4–8 and 18; Declaration of Courtney L. Allen in Opposition of Plaintiffs' Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen at ¶¶ 4–8.

\*6 The Court will accept these papers as timely; however, they are utterly devoid of substance and do not suffice to raise any general issues of material fact.

### ARGUMENT

#### I. STANDARD OF REVIEW

A party is entitled to summary judgment when there is no “genuine issue of material fact” and the undisputed facts warrant judgment for the moving party as a matter of law. *Fed.R.Civ.P. 56*; *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). On a motion for summary judgment, the court must view the record in the light most favorable to the nonmoving party and draw all reasonable inferences in its favor. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986).

Whether any disputed issue of fact exists is for the Court to determine. *Balderman v. U.S. Veterans Admin.*, 870 F.2d 57, 60 (2d Cir.1989). The moving party has the initial burden of demonstrating the absence of a disputed issue of material fact. *Celotex v. Catrett*, 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). Once the motion for summary judgment is properly made, the burden shifts to the non-moving party, to “set forth specific facts showing that there is a genuine issue for trial.” *Anderson*, 477 U.S. at 250. The nonmovant “may not rely on conclusory allegations or unsubstantiated speculation,” *Scotto v. Almenas*, 143 F.3d 105, 114 (2d Cir.1998), but must support the existence of an alleged dispute with specific citation to the re-

cord materials, *Fed.R.Civ.P. 56(c)*.

While the Court must view the record “in the light most favorable to the non-moving party,” *Leberman v. John Blair & Co.*, 880 F.2d 1555, 1559 (2d Cir.1989) (citations omitted), and “resolve all ambiguities and draw all reasonable inferences in favor of the party against whom summary judgment is sought,” *Heyman v. Commerce and Indus. Ins. Co.*, 524 F.2d 1317, 1320 (2d Cir.1975) (citations omitted), the non-moving party nevertheless “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec.*, 475 U.S. at 586 (citations omitted). Not every disputed factual issue is material in light of the substantive law that governs the case. “Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248.

Summary judgment may be granted to plaintiffs in cases alleging trademark infringement and counterfeiting. *Lang Retirement Living Publishing Co., Inc.*, 949 F.2d 576 (2d Cir.1990). Specifically, summary judgment in a trademark action is appropriate “where the undisputed evidence would lead only to one conclusion as to whether confusion is likely.” *Medici Classics Prods. LLC v. Medici Group LLC*, 683 F.Supp.2d 304, 308 (S.D.N.Y.2010).

In the present matter, summary judgment against the Defendants is appropriate because, as will be demonstrated below, the undisputed factual evidence wholly supports Coach's allegations of trademark counterfeiting and trademark infringement and Defendants have no valid defenses as a matter of law.

#### II. COACH IS ENTITLED TO SUMMARY JUDGMENT ON ITS CLAIMS OF TRADEMARK COUNTERFEITING AND TRADEMARK INFRINGEMENT

\*7 In order to prevail on a trademark infringement claim, a plaintiff must show that “(1) it has a

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valid mark that is entitled to protection under the Lanham Act; and that (2) the defendant used the mark, (3) in commerce, (4) 'in connection with the sale ... or advertising of goods or services,' (5) without the plaintiff's consent." *1-800 Contacts, Inc. v. WhenU.Com, Inc.* 414 F.3d 400, 407 (2d Cir.2005) (internal citations omitted). Additionally, a plaintiff must show that the defendant's use of the mark is "likely to cause confusion as to the affiliation, connection, or associate of defendant with plaintiff, or as to the origin, sponsorship, or approval of the defendant's goods, services, or commercial activities by plaintiff." *Id.* (quoting 15 U.S.C. § 1125(a)(1)(A)).

There is no genuine issue of material fact and Coach satisfies all five elements for counterfeit trademark infringement as a matter of law.

#### A. The Registered Coach Trademarks are Valid

All of the Coach Registered Trademarks are valid and apply to the infringing products at issue in this action. *See* Lau Dec. at ¶¶ 11 and 22 and Exhibit 1. The certificates of registration with the United States Patent and Trademark Office establish the validity of the marks and Coach's exclusive right to use the marks in connection with the goods specified in the certificate. *See* 15 U.S.C. § 1057(b)

In addition, many of the Coach Registered Trademarks have been in use for more than five years. *See* Lau Dec. at ¶¶ 10 and 22. Those marks have become incontestable. 15 U.S.C. § 1065. Their incontestable status is conclusive evidence of the validity of the registered marks and Coach's exclusive right to use the registered marks in commerce. *See* 15 U.S.C. § 1115.

Thus, there is no dispute that Coach has valid and exclusive rights to the trademarks at issue.

#### B. Defendants Used The Coach Registered Trademarks in Commerce In Connection With The Sale or Advertising Of Goods Without Coach's Consent

Seventeen Coach Registered Trademarks were

used on eleven types of goods by Defendants in their sale of counterfeit merchandise for a total of twenty-two separate infringements. *See* Lau Dec. at ¶ 22. Defendants were offering for sale and selling unauthorized products bearing counterfeits and infringements of the Coach Registered Trademarks. These marks were used in commerce in connection with the sale or advertising of goods without Coach's consent. *See* 15 U.S.C. § 1127; *see also* Lau Dec. at ¶ 18 and Exhibit 2; Kwapisz Dec. at Exhibit 4. For example, Defendants offered for sale a Jean Reversible Tote bag with Coach Registered Trademarks. *See* Lau Dec. at ¶ 22 and Exhibit 2 (at pg. 8).

#### C. Defendants' Use Of The Coach Registered Trademarks Is Likely to Cause Confusion

Defendants' use of the Coach Registered Trademarks is likely to cause consumer confusion. In the Second Circuit, courts generally determine whether there is a likelihood of confusion to the origin or sponsorship of the defendant's goods by applying the eight-factor test found in *Polaroid Corp. v. Polaroid Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.1961). *See Fendi Adele S.R.L. v. Filene's Basement, Inc.*, 696 F.Supp.2d 368, 383 (S.D.N.Y.2010). However, such analysis is not necessary when Defendants use a counterfeit mark because such marks are inherently confusing. *See id.*, at 383. Courts need only determine the fundamental question of "whether the items at issue are, in fact, counterfeit and whether defendants sold those items, or offered those items for sale." *See* 15 U.S.C.A. § 1114(1).

\*8 Here, the infringing marks offered for sale are counterfeit. "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." *See* 15 U.S.C. § 1127. Defendants offered for sale products with marks identical to those of Coach's. *See* Lau Dec. at ¶ 22 and Exhibit 2. Thus, I am not required to perform the step-by-step examination of each *Polaroid* factor to determine the likelihood of confusion because counterfeit marks are inherently confusing. *See Fendi*, 696 F.Supp.2d at 383; *see also* 15

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U.S.C.A. § 1114(1); *Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F.Supp.2d 448, 454–55 (S.D.N.Y.2005).

Therefore, there is a likelihood of confusion in this case.

Since the undisputed facts make out all the elements of trademark infringement, Plaintiffs are entitled to summary judgment as a matter of law.

### III. COACH IS ENTITLED TO STATUTORY DAMAGES FOR DEFENDANTS' WILLFUL TRADEMARK COUNTERFEITING

#### A. Coach is Entitled to Elect Statutory Damages for Trademark Infringement

Under the Lanham Act, a trademark owner may elect to recover, at any time before final judgment is rendered, an award for statutory damages for any use of a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services. 15 U.S.C. § 1117(c). In this case, by distributing and selling products with the Coach Registered Trademarks thereon, Defendants committed trademark counterfeiting, thereby violating the Lanham Act.

Recovery of statutory damages under the Lanham Act is appropriate. Section 1117(c) of the Lanham Act was created to give victims of trademark infringement and unfair competition an avenue for recovering damages when a defendant hinders, alters, or destroys records. See S.Rep. No. 104–177 § 7 (1995), available in 1995 WL 709282. “ ‘Counterfeiters’ records are frequently nonexistent, inadequate or deceptively kept in order to willfully reduce the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible.” *Id.* In the present case, Defendants only produced four pages of undetailed sales records. It was only through subpoenaed documents did Coach discover Defendants’ illegal activities.

Coach may recover “not less than \$1,000 or

more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.” 15 U.S.C. § 1117(c)(1). However, if the use of the counterfeit mark was willful, the maximum award increases to \$2,000,000 per mark per type of good. 15 U.S.C. § 1117(c)(2). In this Circuit, substantial sums have been awarded in order to both punish and deter counterfeiters. See *Coach, Inc. v. Leap*, No. 11–Civ–1985 (LBS) (S.D.N.Y. May 25, 2011); *Coach, Inc. v. Tirpak*, No. 10–Civ–6179 (PGG) (S.D.N.Y. Dec. 7, 2010); *North Face Apparel Corp. v. Fuiian Sharing Important & Export LTD. CO*, 10–Civ–1630 (AKH) (S.D.N.Y. Sept. 13, 2010).

\*9 Coach seeks damages “per counterfeit mark per type of goods or services sold, offered for sale, or distributed ...” See 15 U.S.C. § 1117(c). Coach has previously been awarded statutory damages on a per trademark, per type of good counterfeited basis. See *Coach, Inc. and Coach Services, Inc. v. Ocean Point Gifts*, 09–4215(JBS), 2010 U.S. Dist. LEXIS 59003, \*20,2010 WL 2521444 (Dist. New Jersey June 14, 2010). See also, *Nike, Inc. v. Top Brand Co*, No. 00 Civ. 8179(KMW) (RLE), 2006 U.S. Dist. LEXIS 76540, at \*8–9,2006 WL 2884437 (S.D.N.Y. Oct. 6, 2006); *Chanel. Inc. v. Junying Cui*, No. 10 Civ. 1142(PKC), 2010 U.S. Dist. LEXIS 68689, at \*9,2010 WL 2835749 (S.D.N.Y. July 7, 2010).

Regarding the number of different types of infringing goods, applications to the Patent and Trademark Office identify and treat types of goods separately, despite any similarities between the functions of different products. See *Rolls Royce v. Rolls-Royce.*, 688 F.Supp.2d 150, 159 (E.D.N.Y.2010).

As evidenced in the Lau Dec. at ¶ 22 and Exhibit 2 and the Kwapisz Dec. at Exhibit 4, the Defendants infringed seventeen marks on eleven types of goods for a total of twenty-two separate infringements. Coach is entitled to elect statutory damages under the Lanham Act for these twenty-two acts of infringement of the Coach Registered Trademarks.

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*B. The Requested Amount of Statutory Damages is Proper Because Defendants Willfully Infringed the Coach Registered Trademarks*

The next question is whether Coach is entitled to enhanced statutory damages based on Defendants' willfulness. The answer is yes.

Although the Lanham Act does not provide guidelines for courts to consider in awarding statutory damages, courts look to the analogous provision of the Copyright Act, which gives the court wide discretion to determine what amount of damages should be awarded within the minimum and maximum bounds proscribed under the Lanham Act. *Union of Orthodox Jewish Congregations of America v. Royal Food Distribs. LLC.*, 665 F.Supp.2d 434, 436–37 (S.D.N.Y.2009); *Fitzgerald Publ'g. Co., Inc. v. Baylor Publ'g. Co., Inc.*, 807 F.2d 1110, 1116 (2d Cir.1986).

In order to be awarded the statutory maximum of \$2,000,000 per counterfeit trademark, the trademark owner must prove, and the court must find, that the Defendant was willful in its acts of counterfeiting and infringement. “Willful conduct denotes intentional, knowing and voluntary acts. It may also indicate a reckless disregard for obvious or known risk.” *Thomsen v. United States*, 887 F.2d 12, 17 (1st Cir.1989). In this Circuit, courts have defined willful infringement as “knowledge that a Defendant's conduct represented infringement or perhaps recklessly disregarded the possibility.” *Bravada Int'l Group Merch. Serves., Inc. v. Ninna*, 655 F.Supp.2d 177, 191 (E.D.N.Y.2009) (internal citations omitted). Other courts find that willful conduct must include an “aura of indifference to plaintiff's rights or a deliberate and unnecessary duplicating of a plaintiff's mark ... in a way that was calculated to appropriate otherwise benefit from the goodwill the plaintiff has nurtured.” *Securacomm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 187 (3d Cir.1999) (citation omitted).

\*10 Defendants' willfulness is established for several reasons. First, Defendants knowingly offered for sale merchandise bearing counterfeits of

the Coach Registered Trademarks. The fact that the goods being sold bore the marks that were identical to such strong and established marks conclusively demonstrates Defendants' intention and purpose to trade upon Coach's goodwill. See *Microsoft Corp. v. CMOST Tech.*, 872 F.Supp. 1329, 1335 (D.N.J.1994). The fact that Defendants used identical marks establishes that Defendants desired to confuse consumers into believing that the counterfeit merchandise was affiliated with and originated from Coach. See *PetMed Express, Inc. v. Med-Pets.com, Inc.*, 336 F.Supp.2d 1213, 1220 (S.D.Fla.2004).

Second, Defendants' willfulness is evidenced by the fact that they described the goods they sold as “not original” and specifically stated that they were “in no way affiliated with the authentic manufacturers.” *Chanel, Inc. v. Cui*, 10 Civ. 1142, 2010 U.S. Dist. LEXIS 68689, at \*8,2010 WL 2835749 (S.D.N.Y. July 7, 2010).

Third, Defendants' willfulness is evidenced by the fact that Defendants failed to be forthcoming with discovery. Defendants failed to respond meaningfully to Coach's Discovery Requests. Coach, through research and investigation, including conducting depositions of Defendants and issuing subpoenas to Defendants' service providers, was able to uncover requested documents relating to this action. Defendants clearly had the requested information in their possession, as evidenced by the fact that defendant Linda Allen was able to identify another individual involved in the operations of the Website during her deposition. See Lee Dec. at ¶¶ 11, 12, 17 and 18 and Exhibits 6–9, 24, 25, and 27–30. Furthermore, Defendants made several misrepresentations to Coach over the course of discovery, which also evidences willfulness. Defendant Linda Allen produced a redacted copy of the sales confirmation sent to Coach's agent, hiding the fact that the logo for her former business was prominently displayed on it, which directly links her to the Website. *Id.* at ¶ 16. Additionally, Defendant Courtney L. Allen made misrepresentations in her

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deposition when she indicated that she had never sold Coach products through eBay.com. *Id.* at Exhibit 34. However, records subpoenaed from eBay, Inc. indicate that she sold Coach items from her account. *Id.* at Exhibit 34.

Finally, defendant Linda Allen's willfulness is established because this is not the first time she has been sued for trademark counterfeiting and trademark infringement. She was sued for the same exact illegal conduct in 2007 in connection with the operation of the websites MyClassyFashion.com and UltimateDesignersHandbags.com. *See* Lee Dec. at Exhibit 38. Both of these websites advertised for sale "Coach" products. *Id.* at ¶ 26 and Exhibits 39 and 40. Defendant Linda Allen admitted that she is and has been aware of the illegality of counterfeiting since the prior Chanel action. *Id.* at ¶ 13. Thus, there is no doubt that she acted willfully, here, since she was aware counterfeiting was illegal long before the conduct that forms the basis of this action occurred.

\*11 Since Defendants' actions were clearly willful, Coach is entitled to the maximum award of statutory damages allowable by law per trademark, per type of good infringed by Defendants.

*C. The Requested Amount of Statutory Damages is Proper Because it Deters Further Counterfeiting*

I have taken into account the ability of the award to act as a deterrence to further counterfeiting. "The purpose of § 1117 of the [Lanham] Act is to take the incentive out of counterfeiting and strengthen the civil remedies against counterfeiters." S.Rep. No. 117 (104th Cong.1995). "As those cases indicate, where, as here, a defendant is shown to have acted willfully, a statutory award should incorporate not only a compensatory, but also a punitive component to discourage further wrongdoing by the defendant and others." *Burberry Ltd. v. EuroModa, Inc.*, 08 Civ 5781, 2009 WL 4432678, at \*4 (S.D.N.Y. Dec.4, 2009) (internal citations omitted).

Further, the Coach Registered Trademarks have been the subject of mass counterfeiting attacks

worldwide. Defendants are not the only subject of Coach's attention. Coach has pursued multiple legal actions against counterfeiters and has gone to great lengths to protect its name and enforce its trademarks. Defendant and others are being unjustly enriched from their use of the Coach Registered Trademarks. Coach is in need of a substantial award in order to deter Defendants and hundreds of other counterfeiters from selling and offering for sale merchandise bearing counterfeits of the Coach Registered Trademarks.

Linda Allen plainly requires substantial deterrence because she has not been deterred by prior judgments. She persists in her contumacious behavior. This award may be crippling, but it is plainly needed to prevent Allen from going back once again into the business of counterfeiting. There is no allegation that Courtney L. Allen has been involved in the prior instances of counterfeiting—there has never been a judgment entered against her. However, the evidence against her establishes willfulness, so it is perfectly appropriate to award maximum statutory damages against her. *See infra* pp. 17–18.

Because Defendants have clearly acted in bad faith by distributing counterfeit versions of Coach's merchandise, I grant the request that Coach receive the maximum amount of statutory damages for willful infringement for twenty-two separate acts of infringement.

IV. COACH IS ENTITLED TO ITS COSTS OF SUIT

Coach is entitled to the recovery of some of its costs of suit, including but not limited to, reasonable attorneys' fees. However, Coach agreed to waive these costs if it is granted the maximum amount of statutory damages. Therefore, I am not awarding attorneys fees.

V. DEFENDANTS ARE PERMANENTLY ENJOINED FROM FUTURE INFRINGEMENT OF THE COACH REGISTERED TRADEMARKS

Pursuant to the Lanham Act, 15 U.S.C. § 1116,

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a plaintiff is entitled to permanent injunction to prevent any future trademark infringement by a defendant. Injunctive relief is one of the standard remedies in a trademark infringement case. See *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 532–33, 44 S.Ct. 615, 68 L.Ed. 1161 (1924). Circuit Courts have held that permanent injunctive relief is proper even if there is no evidence that a Defendant is currently engaging in illegal sales. *Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135–36 (9th Cir.1986).

\*12 Coach has shown willful trademark infringement. Consequently, I issue a permanent injunction restraining further infringements of the Coach Registered Trademarks.

#### **CONCLUSION**

Coach's Motion for Summary Judgment Against Defendants Linda Allen and Courtney L. Allen is granted, which provides Coach: 1) the maximum amount of statutory damages due to Defendant's willful twenty-two (22) separate acts of infringement of Coach's Registered Trademarks; and 2) a permanent injunction in order to prevent Defendants from infringing Coach's trademarks in the future.

Coach should submit a form of judgment with injunction for the Court's signature. When the judgment is signed, the Clerk will remove docket entry 26 from the Court's list of pending motions and close the case.

S.D.N.Y., 2012.  
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END OF DOCUMENT

686 F.3d 372, 56 Bankr.Ct.Dec. 189, 103 U.S.P.Q.2d 1421  
(Cite as: **686 F.3d 372**)

**H**

United States Court of Appeals,  
Seventh Circuit.  
SUNBEAM PRODUCTS, INC., doing business as  
Jarden Consumer Solutions, Plaintiff–Appellant,  
v.  
CHICAGO AMERICAN MANUFACTURING,  
LLC, Defendant–Appellee.


No. 11–3920.  
Argued May 22, 2012.  
Decided July 9, 2012.

**Background:** Chapter 7 trustee and purchaser of debtor's patents and trademarks brought adversary proceeding against company to which debtor had outsourced production of its fans, alleging patent and trademark infringement, and dispute arose as to whether company was acting within scope of intellectual-property license granted by debtor prepetition and whether that license had terminated upon trustee's rejection of underlying contract. The United States Bankruptcy Court for the Northern District of Illinois, *Pamela S. Hollis, J.*, 459 B.R. 306, entered judgment for company. Plaintiffs appealed.

**Holding:** The Court of Appeals, *Easterbrook*, Chief Judge, in a matter of first impression, held that trustee's rejection of contract did not abrogate company's license to sell fans branded with debtor's trademark.


Affirmed.

West Headnotes

**[1] Bankruptcy 51**  **3115.1**

51 Bankruptcy  
51IX Administration  
51IX(C) Debtor's Contracts and Leases  
51k3115 Effect of Acceptance or Rejection

51k3115.1 k. In general. **Most Cited Cases**


**Trademarks 382T**  **1525(2)**

382T Trademarks  
382TVIII Violations of Rights  
382TVIII(D) Defenses, Excuses, and Justifications  
382Tk1521 Justified or Permissible Uses  
382Tk1525 Use by Prior Consent  
382Tk1525(2) k. Duration of consent; post-termination use. **Most Cited Cases**

Chapter 7 trustee's rejection of debtor's contract with company to which debtor had outsourced production of its fans did not abrogate company's license under the contract to sell fans branded with debtor's trademark, and thus company did not infringe trademarks, which had been bought by third party, by continuing to make and sell debtor-branded fans; trustee's rejection of contract constituted a breach, not a rescission, and left company's rights under contract in place. 11 U.S.C.A. § 365(a, g).

**[2] Bankruptcy 51**  **2021.1**

51 Bankruptcy  
51I In General  
51I(B) Constitutional and Statutory Provisions  
51k2021 Construction and Operation  
51k2021.1 k. In general. **Most Cited Cases**

**Bankruptcy 51**  **3115.1**

51 Bankruptcy  
51IX Administration  
51IX(C) Debtor's Contracts and Leases  
51k3115 Effect of Acceptance or Rejection  
51k3115.1 k. In general. **Most Cited Cases**  
“Intellectual property” under the Bankruptcy

686 F.3d 372, 56 Bankr.Ct.Dec. 189, 103 U.S.P.Q.2d 1421  
(Cite as: 686 F.3d 372)

Code includes patents, copyrights, and trade secrets, but not trademarks, and thus trademarks are unaffected by the provision of the Bankruptcy Code permitting the debtor's intellectual-property licensees to continue using the debtor's intellectual property after rejection of the license, provided the licensees meet certain conditions. 11 U.S.C.A. §§ 101(35A), 365(n).

### [3] Bankruptcy 51 ↪ 2125

#### 51 Bankruptcy

##### 51II Courts; Proceedings in General

##### 51II(A) In General

##### 51k2124 Power and Authority

51k2125 k. Equitable powers and principles. [Most Cited Cases](#)

What the Bankruptcy Code provides, a court cannot override by declaring that enforcement would be inequitable.

### [4] Bankruptcy 51 ↪ 2125

#### 51 Bankruptcy

##### 51II Courts; Proceedings in General

##### 51II(A) In General

##### 51k2124 Power and Authority

51k2125 k. Equitable powers and principles. [Most Cited Cases](#)

### Bankruptcy 51 ↪ 3115.1

#### 51 Bankruptcy

##### 51IX Administration

##### 51IX(C) Debtor's Contracts and Leases

51k3115 Effect of Acceptance or Rejection

51k3115.1 k. In general. [Most Cited Cases](#)

After the trustee's rejection of an intellectual-property licensee granted by the debtor, the licensee's rights depend on what the Bankruptcy Code provides rather than on notions of equity. 11 U.S.C.A. § 365(a).

### [5] Copyrights and Intellectual Property 99 ↪ 107

### 99 Copyrights and Intellectual Property

#### 99II Intellectual Property

##### 99k107 k. Contracts. [Most Cited Cases](#)

Outside of bankruptcy, a licensor's breach does not terminate a licensee's right to use intellectual property.

### [6] Bankruptcy 51 ↪ 3115.1

#### 51 Bankruptcy

##### 51IX Administration

##### 51IX(C) Debtor's Contracts and Leases

51k3115 Effect of Acceptance or Rejection

51k3115.1 k. In general. [Most Cited Cases](#)

Bankruptcy Code, by classifying debtor's rejection of an executory contract as breach establishes that in bankruptcy, as outside of it, the other party's rights remain in place. 11 U.S.C.A. § 365(g).

### [7] Bankruptcy 51 ↪ 3115.1

#### 51 Bankruptcy

##### 51IX Administration

##### 51IX(C) Debtor's Contracts and Leases

51k3115 Effect of Acceptance or Rejection

51k3115.1 k. In general. [Most Cited Cases](#)

After rejecting a contract, a debtor is not subject to an order of specific performance. 11 U.S.C.A. § 365(a, g).

### [8] Bankruptcy 51 ↪ 2834

#### 51 Bankruptcy

##### 51VII Claims

##### 51VII(A) In General

##### 51k2832 Post-Petition Claims

51k2834 k. Rejection of executory contract or lease. [Most Cited Cases](#)

### Bankruptcy 51 ↪ 3115.1

#### 51 Bankruptcy

##### 51IX Administration



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**51IX(C) Debtor's Contracts and Leases**

**51k3115** Effect of Acceptance or Rejection

**51k3115.1** k. In general. **Most Cited**

**Cases**

After rejecting a contract, the debtor's unfulfilled obligations are converted to damages; when the debtor does not assume the contract before rejecting it, these damages are treated as a prepetition obligation, which may be written down in common with other debts of the same class. **11 U.S.C.A. § 365(a, g)**.

**[9] Bankruptcy 51 ↪2834**

**51** Bankruptcy

**51VII** Claims

**51VII(A)** In General

**51k2832** Post-Petition Claims

**51k2834** k. Rejection of executory contract or lease. **Most Cited Cases**

**Bankruptcy 51 ↪3115.1**

**51** Bankruptcy

**51IX** Administration

**51IX(C)** Debtor's Contracts and Leases

**51k3115** Effect of Acceptance or Rejection

**51k3115.1** k. In general. **Most Cited**

**Cases**

A lessee that enters bankruptcy may reject the lease and pay damages for abandoning the premises, but rejection does not abrogate the lease, which would absolve the lessee of the need to pay damages. **11 U.S.C.A. § 365(a, g)**.

**[10] Bankruptcy 51 ↪3115.1**

**51** Bankruptcy

**51IX** Administration

**51IX(C)** Debtor's Contracts and Leases

**51k3115** Effect of Acceptance or Rejection

**51k3115.1** k. In general. **Most Cited**

**Cases**

A lessor that enters bankruptcy may not, by rejecting the lease, end the tenant's right to possession and thus re-acquire premises that might be rented out for a higher price. **11 U.S.C.A. § 365(a, g)**.

**[11] Bankruptcy 51 ↪2834**

**51** Bankruptcy

**51VII** Claims

**51VII(A)** In General

**51k2832** Post-Petition Claims

**51k2834** k. Rejection of executory contract or lease. **Most Cited Cases**

**Bankruptcy 51 ↪3115.1**

**51** Bankruptcy

**51IX** Administration

**51IX(C)** Debtor's Contracts and Leases

**51k3115** Effect of Acceptance or Rejection

**51k3115.1** k. In general. **Most Cited**

**Cases**

A bankrupt lessor, by rejecting the lease, might substitute damages for an obligation to make repairs, but not rescind the lease altogether. **11 U.S.C.A. § 365(a, g)**.

**[12] Bankruptcy 51 ↪3115.1**

**51** Bankruptcy

**51IX** Administration

**51IX(C)** Debtor's Contracts and Leases

**51k3115** Effect of Acceptance or Rejection

**51k3115.1** k. In general. **Most Cited**

**Cases**

Rejection of debtor's executory contract is not the functional equivalent of a rescission, rendering void the contract and requiring that the parties be put back in the positions they occupied before the contract was formed, rather, rejection merely frees the estate from the obligation to perform and has absolutely no effect upon the contract's continued existence. **11 U.S.C.A. § 365(a, g)**.

**\*374** **Scott R. Clar**, Attorney, Crane, Heyman, Si-

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(Cite as: 686 F.3d 372)

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[Joseph D. Frank](#) (argued), Attorney, Frank/Gecker LLP, Chicago, IL, for Appellant.

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[Scott R. Clar](#), Attorney, Crane, Heyman, Simon, Welch & Clar, Chicago, IL, for Trustee.

Before [EASTERBROOK](#), Chief Judge, and [WILLIAMS](#) and [TINDER](#), Circuit Judges.

[EASTERBROOK](#), Chief Judge.

Lakewood Engineering & Manufacturing Co. made and sold a variety of consumer products, which were covered by its patents and trademarks. In 2008, losing money on every box fan, Lakewood contracted their manufacture to Chicago American Manufacturing (CAM). The contract authorized CAM to practice Lakewood's patents and put its trademarks on the completed fans. Lakewood was to take orders from retailers such as Sears, Walmart, and Ace Hardware; CAM would ship directly to these customers on Lakewood's instructions. Because Lakewood was in financial distress, CAM was reluctant to invest the money necessary to gear up for production—and to make about 1.2 million fans that Lakewood estimated it would require during the 2009 cooling season—without assured payment. Lakewood provided that assurance by authorizing CAM to sell the 2009 run of box fans for its own account if Lakewood did not purchase them.

In February 2009, three months into the contract, several of Lakewood's creditors filed an involuntary bankruptcy petition against it. The court appointed a trustee, who decided to sell Lakewood's business. Sunbeam Products, doing business as Jarden Consumer Solutions, bought the assets, including Lakewood's patents and trademarks. Jarden did not want the Lakewood-branded fans CAM had

in inventory, nor did it want CAM to sell those fans in competition with Jarden's products. Lakewood's trustee rejected the executory portion of the CAM contract under [11 U.S.C. § 365\(a\)](#). When CAM continued to make and sell Lakewood-branded fans, Jarden filed this adversary action. It will receive 75% of any recovery and the trustee\*[375](#) the other 25% for the benefit of Lakewood's creditors.

[1] The bankruptcy judge held a trial. After determining that the Lakewood–CAM contract is ambiguous, the judge relied on extrinsic evidence to conclude that CAM was entitled to make as many fans as Lakewood estimated it would need for the entire 2009 selling season and sell them bearing Lakewood's marks. *In re Lakewood Engineering & Manufacturing Co.*, 459 B.R. 306, 333–38 (Bankr.N.D.Ill.2011). Jarden contends in this court—following certification by the district court of a direct appeal under [28 U.S.C. § 158\(d\)\(2\)\(A\)](#)—that CAM had to stop making and selling fans once Lakewood stopped having requirements for them. The bankruptcy court did not err in reading the contract as it did, but the effect of the trustee's rejection remains to be determined.

[2] *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043 (4th Cir.1985), holds that, when an intellectual-property license is rejected in bankruptcy, the licensee loses the ability to use any licensed copyrights, trademarks, and patents. Three years after *Lubrizol*, Congress added [§ 365\(n\)](#) to the Bankruptcy Code. It allows licensees to continue using the intellectual property after rejection, provided they meet certain conditions. The bankruptcy judge held that [§ 365\(n\)](#) allowed CAM to practice Lakewood's patents when making box fans for the 2009 season. That ruling is no longer contested. But “intellectual property” is a defined term in the Bankruptcy Code: [11 U.S.C. § 101\(35A\)](#) provides that “intellectual property” includes patents, copyrights, and trade secrets. It does not mention trademarks. Some bankruptcy judges have inferred from the omission that Congress codified *Lubrizol* with respect to trademarks, but an

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omission is just an omission. The limited definition in § 101(35A) means that § 365(n) does not affect trademarks one way or the other. According to the Senate committee report on the bill that included § 365(n), the omission was designed to allow more time for study, not to approve *Lubrizol*. See S.Rep. No. 100–505, 100th Cong., 2d Sess. 5 (1988), 1988 U.S.C.C.A.N. 3200. See also *In re Exide Technologies*, 607 F.3d 957, 966–67 (3d Cir.2010) (Ambro, J., concurring) (concluding that § 365(n) neither codifies nor disapproves *Lubrizol* as applied to trademarks). The subject seems to have fallen off the legislative agenda, but this does not change the effect of what Congress did in 1988.

The bankruptcy judge in this case agreed with Judge Ambro that § 365(n) and § 101(35A) leave open the question whether rejection of an intellectual-property license ends the licensee's right to use trademarks. Without deciding whether a contract's rejection under § 365(a) ends the licensee's right to use the trademarks, the judge stated that she would allow CAM, which invested substantial resources in making Lakewood-branded box fans, to continue using the Lakewood marks “on equitable grounds”. 459 B.R. at 345; see also *id.* at 343–46. This led to the entry of judgment in CAM's favor, and Jarden has appealed.

[3][4] What the Bankruptcy Code provides, a judge cannot override by declaring that enforcement would be “inequitable.” See, e.g., *Toibb v. Radloff*, 501 U.S. 157, 162, 111 S.Ct. 2197, 115 L.Ed.2d 145 (1991); *In re Kmart Corp.*, 359 F.3d 866, 871 (7th Cir.2004); *In re Sinclair*, 870 F.2d 1340 (7th Cir.1989). There are hundreds of bankruptcy judges, who have many different ideas about what is equitable in any given situation. Some may think that equity favors licensees' reliance interests; others may believe that equity \*376 favors the creditors, who can realize more of their claims if the debtor can terminate IP licenses. Rights depend, however, on what the Code provides rather than on notions of equity. Recently the Supreme Court emphasized that arguments based on views about the

purposes behind the Code, and wise public policy, cannot be used to supersede the Code's provisions. It remarked: “The Bankruptcy Code standardizes an expansive (and sometimes unruly) area of law, and it is our obligation to interpret the Code clearly and predictably using well established principles of statutory construction.” *RadLAX Gateway Hotel, LLC v. Amalgamated Bank*, — U.S. —, 132 S.Ct. 2065, 2073, 182 L.Ed.2d 967 (2012).

Although the bankruptcy judge's ground of decision is untenable, that does not necessarily require reversal. We need to determine whether *Lubrizol* correctly understood § 365(g), which specifies the consequences of a rejection under § 365(a). No other court of appeals has agreed with *Lubrizol*—or for that matter disagreed with it. *Exide*, the only other appellate case in which the subject came up, was resolved on the ground that the contract was not executory and therefore could not be rejected. (*Lubrizol* has been cited in other appellate opinions, none of which concerns the effect of rejection on intellectual-property licenses.) Judge Ambro, who filed a concurring opinion in *Exide*, concluded that, had the contract been eligible for rejection under § 365(a), the licensee could have continued using the trademarks. 607 F.3d at 964–68. Like Judge Ambro, we too think *Lubrizol* mistaken.

Here is the full text of § 365(g):

Except as provided in subsections (h)(2) and (i)(2) of this section, the rejection of an executory contract or unexpired lease of the debtor constitutes a breach of such contract or lease—

- (1) if such contract or lease has not been assumed under this section or under a plan confirmed under chapter 9, 11, 12, or 13 of this title, immediately before the date of the filing of the petition; or
- (2) if such contract or lease has been assumed under this section or under a plan confirmed under chapter 9, 11, 12, or 13 of this title—

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(A) if before such rejection the case has not been converted under section 1112, 1208, or 1307 of this title, at the time of such rejection; or

(B) if before such rejection the case has been converted under section 1112, 1208, or 1307 of this title—

(i) immediately before the date of such conversion, if such contract or lease was assumed before such conversion; or

(ii) at the time of such rejection, if such contract or lease was assumed after such conversion.

Most of these words don't affect our situation. Subsections (h)(2) and (i)(2) are irrelevant, and paragraph (1) tells us that the rejection takes effect immediately before the petition's filing. For our purpose, therefore, all that matters is the opening proposition: that rejection “constitutes a breach of such contract”.

[5] Outside of bankruptcy, a licensor's breach does not terminate a licensee's right to use intellectual property. Lakewood had two principal obligations under its contract with CAM: to provide CAM with motors and cord sets (CAM was to build the rest of the fan) and to pay for the completed fans that CAM drop-shipped to retailers. Suppose that, before the bankruptcy began, Lakewood had broken its promise by failing to provide the motors. \*377 CAM might have elected to treat that breach as ending its own obligations, see [Uniform Commercial Code § 2-711\(1\)](#), but it also could have covered in the market by purchasing motors and billed Lakewood for the extra cost. [UCC § 2-712](#). CAM had bargained for the security of being able to sell Lakewood-branded fans for its own account if Lakewood defaulted; outside of bankruptcy, Lakewood could not have ended CAM's right to sell the box fans by failing to perform its own duties, any more than a borrower could end the lender's right to collect just by declaring that the debt will

not be paid.

[6][7][8][9][10][11] What § 365(g) does by classifying rejection as breach is establish that in bankruptcy, as outside of it, the other party's rights remain in place. After rejecting a contract, a debtor is not subject to an order of specific performance. See *NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 531, 104 S.Ct. 1188, 79 L.Ed.2d 482 (1984); *Midway Motor Lodge of Elk Grove v. Innkeepers' Telemanagement & Equipment Corp.*, 54 F.3d 406, 407 (7th Cir.1995). The debtor's unfulfilled obligations are converted to damages; when a debtor does not assume the contract before rejecting it, these damages are treated as a pre-petition obligation, which may be written down in common with other debts of the same class. But nothing about this process implies that any rights of the other contracting party have been vaporized. Consider how rejection works for leases. A lessee that enters bankruptcy may reject the lease and pay damages for abandoning the premises, but rejection does not abrogate the lease (which would absolve the debtor of the need to pay damages). Similarly a lessor that enters bankruptcy could not, by rejecting the lease, end the tenant's right to possession and thus re-acquire premises that might be rented out for a higher price. The bankrupt lessor might substitute damages for an obligation to make repairs, but not rescind the lease altogether.

[12] Bankruptcy law does provide means for eliminating rights under some contracts. For example, contracts that entitle creditors to preferential transfers (that is, to payments exceeding the value of goods and services provided to the debtor) can be avoided under [11 U.S.C. § 547](#), and recent payments can be recouped. A trustee has several avoiding powers. See [11 U.S.C. §§ 544–51](#). But Lakewood's trustee has never contended that Lakewood's contract with CAM is subject to rescission. The trustee used § 365(a) rather than any of the avoiding powers—and rejection is not “the functional equivalent of a rescission, rendering void the contract and requiring that the parties be put back

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in the positions they occupied before the contract was formed.” *Thompkins v. Lil' Joe Records, Inc.*, 476 F.3d 1294, 1306 (11th Cir.2007). It “merely frees the estate from the obligation to perform” and “has absolutely no effect upon the contract’s continued existence”. *Ibid.* (internal citations omitted).

Scholars uniformly criticize *Lubrizol*, concluding that it confuses rejection with the use of an avoiding power. See, e.g., Douglas G. Baird, *Elements of Bankruptcy* 130–40 & n.10 (4th ed.2006); Michael T. Andrew, *Executory Contracts in Bankruptcy: Understanding “Rejection”*, 59 U. Colo. L.Rev. 845, 916–19 (1988); Jay Lawrence Westbrook, *The Commission’s Recommendations Concerning the Treatment of Bankruptcy Contracts*, 5 Am. Bankr.Inst. L.Rev. 463, 470–72 (1997). *Lubrizol* itself devoted scant attention to the question whether rejection cancels a contract, worrying instead about the right way to identify executory contracts to which the rejection power applies.

\*378 *Lubrizol* does not persuade us. This opinion, which creates a conflict among the circuits, was circulated to all active judges under Circuit Rule 40(e). No judge favored a hearing *en banc*. Because the trustee’s rejection of Lakewood’s contract with CAM did not abrogate CAM’s contractual rights, this adversary proceeding properly ended with a judgment in CAM’s favor.

AFFIRMED.

C.A.7 (Ill.),2012.

Sunbeam Products, Inc. v. Chicago American Mfg., LLC

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2012 WL 3224704 (Trademark Tr. & App. Bd.)

THIS OPINION IS NOT A PRECEDENT OF THE T.T.A.B.

Trademark Trial and Appeal Board  
Patent and Trademark Office (P.T.O.)

VALENTINO S.P.A.  
v.  
MATSUDA & CO.

Opposition Nos. 91174169, 91174171, 91174183, 91174195, 91174315, and 91179386 To applications Serial Nos. 78651057, 78651257, 78651011, 78651198, 78651123, and 78651156

July 18, 2012  
Hearing: February 14, 2012

[G. Franklin Rothwell](#), [Anne M. Sterba](#), and [Jenny L. Workman](#) of Rothwell, Figg, Ernst & Manbeck P.C. for Valentino S.p.A.

[Anne Hiaring Hocking](#) of Hiaring + Smith, LLP for Matsuda & Co.

Before [Bucher](#), Wolfson and Lykos  
Administrative Trademark Judges  
Opinion by Wolfson  
Administrative Trademark Judge:

On June 15, 2005, Matsuda & Co. (“applicant”) filed six applications for the mark shown below for goods in International Classes 9, 14, 18, 24, 25, and 28. [\[FN1\]](#)



The applications were filed under Section 44(e) of the Trademark Act of 1946, [15 U.S.C. § 1126\(e\)](#), on the basis of applicant's Japanese registrations for the marks. The applications include various “Name Portrait Consent” statements stating that “VALENTINO RUDY” identifies a particular individual who is deceased.

Valentino S.p.A. (“opposer”) opposes the registration of applicant's marks on the grounds of priority of use and likelihood of confusion under Section 2(d) of the Trademark Act, [15 U.S.C. § 1052\(d\)](#). Specifically, opposer alleges that it is the owner of the previously used and registered marks VALENTINO, VERY VALENTINO, VALENTINO and “V” design, and VALENTINO GARAVANI and “V” design for clothing and related ac-

cessories, [FN2] and that applicant's marks so resemble opposer's registered marks as to be likely to cause confusion, mistake, or deception among purchasers. [FN3] Opposer has withdrawn its originally pleaded dilution claims.

Applicant has denied the salient allegations in the notices of opposition. The cases were consolidated on April 3, 2008, and have been presented on the same record and briefs.

### The Record

By rule, the record includes applicant's application files and the pleadings. [Trademark Rule 2.122\(b\)](#), [37 CFR § 2.122\(b\)](#).

The parties stipulated that they "may introduce testimony by written declaration, if so desired." [FN4] Pursuant to the above-noted stipulation, each party introduced testimonial declarations into evidence during its respective testimony period, and opposer introduced a testimonial declaration during its rebuttal period.

### ***Opposer's Record***

\*2 Opposer's record consists of the testimonial deposition of Carmine Pappagallo, opposer's chief financial officer, with accompanying exhibits; the declaration testimony of Stephen Dougherty, an employee in opposer's counsel's office, with accompanying exhibits; notices of reliance on third-party registrations; and applicant's answers to selected discovery requests. During its rebuttal period, opposer filed the cross-examination testimony deposition of Ellen Bass, an associate of counsel at applicant's counsel's firm, with accompanying exhibits; the cross-examination declaration testimony of Eri Matsumura, applicant's Manager, with an exhibit; and notices of reliance on official documents and additional responses to discovery requests.

### ***Applicant's Record***

Applicant's record consists of the declaration testimony of Ellen Bass with accompanying exhibits; [FN5] the declaration testimony of Eri Matsumura with accompanying exhibits; and the declaration testimony of applicant's counsel with accompanying exhibits. Applicant also filed notices of reliance on official documents and printed publications. [FN6]

### Evidentiary Objections

#### ***Objections by Opposer***

In an appendix to its brief on the case, opposer objected to the admission of certain declaration testimony and documentary evidence proffered by applicant. Specifically, opposer objects to the introduction of Exhibit B from Ms. Matsumura's declaration as hearsay being proffered for the truth of the matter asserted, and exhibits I and J to the declaration on the basis that they are irrelevant.

With respect to exhibit B, an article about Valentino Rudy, inasmuch as it has been properly made of record by way of Ms. Matsumura's declaration, it is at least admissible for what it shows on its face and that the public has been exposed to the article and may be aware of the information contained therein. Turning to exhibits I and J (a list of registrations in China and Vietnam that have apparently expired, copies of what appears to be foreign registration certificates, and decisions from foreign trademark offices), while properly admitted under notice of reliance as relevant to the issues herein, they are of no real probative value, and have been given no weight. *See, e.g., In re Bayer Aktiengesellschaft*, 82 USPQ2d 1828 (Fed. Cir. 2007) (evidence of registration of ASPIRINA in another country is of little value to our analysis of its entitlement to protection in the United States). [FN7]

Opposer further objects to the entirety of Ms. Hocking's declaration, including exhibits 1-8, as being irrelevant. The declaration was utilized by applicant to introduce copies of TARR printouts of several trademark applications. To the extent that these are of applications involved in this proceeding, such was unnecessary; the file histories of applicant's involved applications are already of record. *See Trademark Rule 2.122(b)(1)*. As to the remainder, they have been considered, but only as showing that the applications were filed. *See Glamorene Products Corp. v. Earl Grissmer Co., Inc.*, 203 USPQ 1090, 1092, n.5 (TTAB 1979) (“copies of ... applications or the publication thereof in the Official Gazette is evidence only of the filing of the applications and nothing else.”).

\*3 Finally, opposer's objection to Ms. Bass's declaration exhibits C-F, I, and K on the ground that they were not produced during discovery is overruled. During discovery, opposer sought information about “any and all” third-party uses of the term VALENTINO “ever known.” Applicant replied that it was unable to identify all third-party uses “ever known,” but did identify those of which it was “currently aware ... that use the term VALENTINO for clothing and related products,” adding, “There may be other uses of the common Italian name ‘Valentino’ for other purposes.” While we do not condone applicant's failure to timely supplement its discovery responses, we do not believe that applicant's delay unduly prejudiced opposer. *See Rocket Trademarks Pty Ltd. v. Phard S.p.A.*, 98 USPQ2d 1066, 1071-72 (TTAB 2011) (objection to evidence of third-party use overruled; any prejudice can be eliminated or minimized during rebuttal testimony period). Accordingly, we have considered these exhibits and the testimony pertaining thereto.

We further note that in its rebuttal brief, opposer objects to two exhibits (exhibit B, a copy of an Office action from the file history of Serial No. 76184572 for the mark VALENTINO and “V” design; and pages 2, 4 and 6 of exhibit C, copies of mock-ups of opposer's products affixed with applicant's mark) that were introduced for the first time as attachments to applicant's trial brief. Insofar as the materials contained therein were not properly introduced at trial, we have not considered them. *See, e.g., Syngenta Crop Protection, Inc. v. Bio-Chek, LLC*, 90 USPQ2d 1112, 1116 (TTAB 2009); TBMP § 704.05(b)(3d ed. rev. 2012) (“Exhibits and other evidentiary materials attached to a party's brief on the case can be given no consideration unless they were properly made of record during the time for taking testimony.”).

#### ***Objections by Applicant***

Applicant objects to the introduction of opposer's exhibit C, pages 1-1239 (printed publications), exhibits D1-D29 (third-party registrations), and exhibits E2-E7 of Mr. Pappagallo's testimony to the extent they may be relied upon for the truth of the matters asserted therein. The exhibits were properly submitted under notice of reliance or during Mr. Pappagallo's deposition and are thus admissible for what they show on their face and for the effect they would have on the relevant public. They have not been considered for the truth of any matter asserted therein.

Applicant states a further objection to the introduction of portions of exhibits E1 and E12 of Mr. Pappagallo's testimony on the grounds of lack of personal knowledge under *Fed. R. Evid. 602* and lack of proper foundation and authentication under *Fed. R. Evid. 901*. *See* Applicant's Appendix A, Obj. 6-7. However, based on applicant's arguments, it is apparent that applicant's objection relates to exhibits E2-E7 and not exhibits E1 and E12. Accordingly, we treat this objection as one going to exhibits E2-E7. With respect to those exhibits, Mr. Pappagallo testified to the authenticity of the copies and that the originals of these exhibits were either lost or misplaced. [FN8] Accordingly, we will accept the copies as evidence. We also have considered applicant's objection grounded on lack of personal knowledge, and, when appropriate, have weighed the evidence in light of the objection.



\*4 Suffice it to say that we have considered the entire record with an eye on the parties' objections, and accorded the evidence whatever probative weight it merits.

#### Standing

Because opposer has properly made its pleaded registrations of record, opposer has established its standing. *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000); *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).

#### Priority

Because opposer's pleaded registrations are of record, Section 2(d) priority is not an issue in this case as to the marks and the goods covered by the registrations. *King Candy Co. v. Eunice King's Kitchen, Inc.*, 496 F.2d 1400, 182 USPQ 108, 110 (CCPA 1974). Moreover, the evidence of record shows that opposer has used the mark VALENTINO since at least 1992, [FN9] well before the June 15, 2005, filing date of applicant's application, which is the earliest date on which applicant can rely. [FN10]

#### Likelihood of Confusion

We now turn to the issue of likelihood of confusion with respect to opposer's marks VALENTINO, VERY VALENTINO, VALENTINO and "V" design, and VALENTINO GARAVANI and "V" design. We have focused our likelihood of confusion analysis in this decision on the registered mark VALENTINO, which forms the dominant word portion of each of opposer's other marks. If applicant's mark VALENTINO RUDY so resembles opposer's word mark VALENTINO that confusion as to source would be likely, we need not address whether there is a likelihood of confusion between applicant's mark and opposer's other pleaded marks, although where relevant, we have addressed the other marks. Conversely, if there is no likelihood of confusion when the marks VALENTINO and VALENTINO RUDY are compared, there will be no likelihood of confusion when comparing applicant's mark to opposer's other pleaded marks.

Our determination under Section 2(d) is based on an analysis of all of the probative facts in evidence that are relevant to the factors bearing on the issue of likelihood of confusion. *In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973). See also, *Palm Bay Imp., Inc. v. Veuve Clicquot Ponsardin Maisson Fondee En 1772*, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005); *In re Majestic Distilling Company, Inc.*, 315 F.3d 1311, 65 USPQ2d 1201, 1203 (Fed. Cir. 2003). In any likelihood of confusion analysis, two key considerations are the similarities between the marks and the similarities between the goods. See *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 192 USPQ 24, 29 (CCPA 1976) ("The fundamental inquiry mandated by §2(d) goes to the cumulative effect of differences in the essential characteristics of the goods and differences in the marks").

#### ***Similarity of Goods; Trade Channels; Purchasers***

\*5 We first turn our attention to a comparison of the similarity or dissimilarity and nature of the goods described in the applications and registrations.

We base our evaluation on the goods as they are identified in the registration and application. *Octocom Systems, Inc. v. Houston Computers Services Inc.*, 918 F.2d 937, 16 USPQ2d 1783, 1787 (Fed. Cir. 1990). See also *Hewlett-Packard Co. v. Packard Press Inc.*, 281 F.3d 1261, 62 USPQ2d 1001 (Fed. Cir. 2002). It is settled that it is not necessary that the respective goods be identical or even competitive in order to find that they are related for

purposes of our likelihood of confusion analysis. That is, the issue is not whether consumers would confuse the goods themselves, but rather whether they would be confused as to the source of the goods. See *In re Rexel Inc.*, 223 USPQ 830 (TTAB 1984). The goods need only be sufficiently related that consumers would be likely to assume, upon encountering the goods under similar marks, that the goods originate from, are sponsored or authorized by, or are otherwise connected to the same source. See *In re Martin's Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 223 USPQ 1289 (Fed. Cir. 1984); *In re Melville Corp.*, 18 USPQ2d 1386 (TTAB 1991).

The goods identified in application Serial Nos. 78651011, 78651123, and 78651198 are identical to those of Reg. Nos. 2312756, 1140394, 0910955 and 1268029, all for the mark VALENTINO, as follows:

Serial No. 78651011 covers “spectacles” and Reg. No. 2312756 covers “spectacle frames and sunglasses.”

Serial No. 78651123 covers “umbrellas, walking sticks and accessories, namely, replacement handles for walking sticks” and Reg. No. 1140394 covers “umbrellas and parasols.”

Serial No. 78651198 covers:

clothing, namely, clothing tops, blouses, shirts, sweaters, cardigans, blazers, coats, suits, tuxedos, vests, suit coats, sport coats, top coats, jackets, parkas, jeans, slacks, dungarees, pants, trousers, shorts, skirts, culottes, jumpsuits, dresses, evening gowns, kimonos, stoles, shawls, fur coats and jackets, leather and wind resistant jackets, gowns, tunics, t-shirts, polo shirts, sweatshirts, sweatpants, sweat suits, warm-up suits, bathrobes, jogging suits, socks, pocket squares, gloves, mittens, hosiery, stockings, tights, leggings, leotards, belts, headwear, neckwear, sleepwear, underwear, loungewear, beachwear, swim wear, rainwear, tennis wear and footwear, all for men, women and children

and Reg. Nos. 0910955, 1268029 and 1153226 cover, respectively, “articles of clothing and accessories-namely, dresses, belts, gloves, scarves, swimwear, and ties”; “articles of clothing and accessories-namely, jumpers, sweaters, dresses, skirts, blouses, suits, jackets, coats, shirts, trousers, vests, jeans, slacks, shorts, swimwear, hats, lingerie, ties, belts, scarves, hosiery and gloves”; and “men's clothing-namely, suits, sport jackets, overcoats, shirts, trousers, bermuda shorts, and bathing suits.”

\*6 Clearly, identical goods are related for purposes of finding a likelihood of confusion. Moreover, “[l]ikelihood of confusion may be found based on any item that comes within the identification of goods in the involved application and registration.” *In re La Peregrina Ltd.*, 86 USPQ2d 1645, 1647 (TTAB 2008).

In addition, the goods in Serial No. 78651057, “watches,” are identical to those in opposer's registration No. 2826869 for the mark VALENTINO GARAVANI and “V” design for “men's and women's watches.” Moreover, Mr. Pappagallo testified that in 2004, “Valentino USA was also distributing accessories” and he specifically mentions “fragrances, watches, sunglasses.” [FN11]

Turning to Serial No. 78651156, the goods include several different types of fabric, such as “clothing fabric” and “knitted fabric,” as well as “kitchen towel,” “bed sheets, comforter, duvet, fabric for bedding cover, pillow case, bed blanket,” and “curtain, table cloth, thick curtain, shower curtain, black and white curtain, red and white curtain.” These goods are identical to those in opposer's registration No. 2826869 for the mark VALENTINO GARAVANI and “V” design, which covers, *inter alia*, “textile fabrics for use in the manufacture of clothing, bed linen, bed blankets, curtain, and kitchen towels.” While Mr. Pappagallo testified that opposer never sold fabric goods, [FN12] in comparing the goods identified in the application and in the cited registration, “... it is the identification of goods that controls, not what extrinsic evidence may show about the specific nature of the goods.” *Peregrina*, 86 USPQ2d at 1646.

Next, we consider Serial No. 78651257, which covers “sporting equipment, namely, golf clubs, golf irons, golf bags.” Opposer does not use the VALENTINO mark on golf clubs, golf irons, or golf bags, [FN13] and none of the registrations cover these goods. To show that the goods on which opposer uses its VALENTINO mark are related to applicant's sporting equipment, opposer introduced copies of third-party registrations based on use, for marks owned by a single entity that cover both clothing items of the type sold by opposer and sporting equipment of the type sold by applicant. Copies of use-based, third-party registrations may serve to suggest that the goods are of a type which may emanate from a single source. *In re Mucky Duck Mustard Co.*, 6 USPQ2d 1467, 1470 n.6 (TTAB 1988), *aff'd*, 864 F.2d 149 (Fed. Cir. 1988). *See also In re Albert Trostel & Sons Co.*, 29 USPQ2d 1783, 1785 (TTAB 1993).

\*7 The vast majority of third-party registrations submitted by opposer were based on Trademark Act § 66(a) and do not recite any dates of use of the involved marks. Such registrations cannot serve to show that the purchasing public is aware of these marks. *See Calypso Tech., Inc. v. Calypso Capital Mgmt., LP*, 100 USPQ2d 1213, 1221 (TTAB 2011); *In re Princeton Tectonics, Inc.*, 95 USPQ2d 1509, 1511 (TTAB 2010); and *In re 1st USA Realty Professionals Inc.*, 84 USPQ2d 1581, 1583 (TTAB 2007) (third-party registrations not based on use in commerce have no probative value in showing the relatedness of the goods and/or services).

Of the remaining registrations, the following groups of registrations are relevant:

1. The mark CALLAWAY and design has been registered for “spin golf balls” (Reg. No. 2697487); CALLAWAY (stylized) has been registered for “golf clubs” (Reg. No. 1768763) and CALLAWAY GOLF has been registered for “clothing and headgear” and “golf equipment” (Reg. No. 2622352);
2. The mark PING has been registered for “golf clubs” (Reg. No. 704552) and for “clothing, namely, shirts, caps, sweaters, and sun visors” (Reg. No. 1637647);
3. ADIDAS has been registered for “sport shoes and sportswear” (Reg. No. 891222) and “balls of every kind” (Reg. No. 1050759); and
4. NIKE and design has been registered for various items of clothing (Reg. No. 2180866) and for “athletic and casual clothing for men, women and children” (Reg. No. 1237469); NIKE SPHERE has been registered for “clothing and sports clothing apparel and outerwear” (Reg. No. 2804865); and NIKE GOLF has been registered for “all purpose sports bags, footwear and clothing” (Reg. No. 1944436).

The first two groups of marks (for CALLAWAY and PING) show that two companies have registered clothing and golfing equipment under a single mark, or in the case of the CALLAWAY marks, marks that bear the same common element. The ADIDAS and NIKE registrations are far less probative; although “balls of every kind” could include golf balls, and “all purpose sports bags” could conceivably include golf bags, there is no evidence of this in the record. Thus, this evidence is only minimally probative to show relatedness of the goods.

On the other hand, opposer has supplemented this showing with online evidence of third-party uses of clothing and golf equipment offered under a single mark: [FN14]

1. At [www.overstock.com](http://www.overstock.com), the mark NIKE appears in connection with NIKE SLINGSHOT OSS LH IRON SET golf clubs and the NIKE XTREME SPORT CARRY II golf bag. The mark NIKE is also shown in connection with the advertisement, at <http://store.nike.com>, of a NIKE NO-SEW NOVELTY WOMEN'S GOLF POLO shirt.
- \*8 2. At [www.burberryusaonline.com](http://www.burberryusaonline.com), golf clothing and golf accessories (gloves, accessory bag, and clip on pouch) are advertised under the BURBERRY mark.
3. At [www.ladygolfcourture.com](http://www.ladygolfcourture.com), golf bags are advertised under the brand name ESCADA EURO and clothing is advertised under the brand name ESCADA SPORT.

4. At [www.asos.com](http://www.asos.com), a “golf carry bag” and “golf belt” are advertised on the same page as “golf” clothing under the mark BOSS. A BOSS “green golf long sleeve zip polo” and BOSS “green golf glove” are advertised at different pages on the website. Golf shoes are advertised under the BOSS mark at [www.zappos.com](http://www.zappos.com).
5. At <http://shop.adidasgolf.com>, several different types of shirts are offered under the mark ADIDAS as well as the ADIDAS ASCEN 90 STAND BAG golf bag.
6. At [www.lizclaiborne.com](http://www.lizclaiborne.com), under the mark LIZ CLAIBORNE, golf shirts, skirts, sweaters and slacks are offered as well as knitted covers for golf clubs and visors.

Taken as a whole, the evidence shows that consumers have been exposed to companies that sell clothing and, at the least, golf bags, balls, clubs and shoes under a single mark. This evidence supports opposer's position that the goods in applicant's Class 28 application are related to opposer's clothing.

For these reasons, we find that the parties' goods are identical in part and related in part. Where the parties' goods are identical or closely related, and in the absence of any limitation as to channels of trade in the identification of goods of any of the marks, we must presume that the parties' goods would be sold in the same channels of trade to the same classes of consumers. See *Hewlett-Packard*, 62 USPQ2d at 1005; *Octocom Systems*, 16 USPQ2d at 1788 (“an application with an identification of goods having no restriction on trade channels obviously is not narrowed by testimony that the applicant's use is, in fact, restricted to a particular class of purchasers.”). See also, *Genesco Inc. v. Martz*, 66 USPQ2d 1260, 1268 (TTAB 2003) (“Given the in-part identical and in-part related nature of the parties' goods and the lack of any restrictions in the identifications thereof as to trade channels and purchasers, these clothing items could be offered and sold to the same classes of purchasers through the same channels of trade.”). Moreover, Mr. Pappagallo testified that opposer sells its product to “directly-operated boutiques, high-end department stores and outlets, as well as specialty stores.”[FN15] Applicant also sells its products “in established channels of trade such as upscale department stores” and in “major department stores,” and that “most department stores that carry our merchandise do so in dedicated in-store boutiques.”[FN16]

\*9 As to the conditions of sale, Mr. Pappagallo testified that opposer's customers are “usually very high-end and sophisticated” but “we also have, what we call, the aspirational consumer that shop some pieces of our ready-to-wear, but a lot of accessories.”[FN17] Ms. Matsumura stated in her declaration that applicant's goods are “not luxury or couture products.” We conclude that customers of both parties include those that would exercise no more than ordinary care. In any event, even sophisticated or careful purchasers are not immune from source confusion. See *In re Research Trading Corp.*, 793 F.2d 1276, 230 USPQ 49, 50 (Fed. Cir. 1986) citing *Carlisle Chemical Works, Inc. v. Hardman & Holden Ltd.*, 434 F.2d 1403, 168 USPQ 110, 112 (CCPA 1970) (“Human memories even of discriminating purchasers...are not infallible.”).

Accordingly, these *du Pont* factors weigh in favor of a finding of likelihood of confusion.

#### ***Comparison of the Marks***

In comparing the marks, we must consider the marks in their entireties as to appearance, sound, connotation and commercial impression to determine the similarity or dissimilarity between them. *Palm Bay*, 73 USPQ2d at 1692. The test, under the first *du Pont* factor, is not whether the marks can be distinguished when subjected to a side-by-side comparison, but rather whether the marks are sufficiently similar in terms of their overall commercial impression that confusion as to the source of the services offered under the respective marks is likely to result. The focus is on the recollection of the average purchaser, who normally retains a general rather than a specific impression of trademarks. See *Sealed Air Corp. v. Scott Paper Co.*, 190 USPQ 106 (TTAB 1975).

In cases such as this case, where the applicant's goods are legally identical in part to the registrant's goods, the degree of similarity between the marks which is required to support a finding of likelihood of confusion is less than it would be if the goods were not identical. *Century 21 Real Estate Corp. v. Century Life of America*, 970 F.2d 874, 23 USPQ2d 1698 (Fed. Cir. 1992). See also, *In re Mighty Leaf Tea*, 601 F.3d 1342, 1348, 94 USPQ2d 1257, 1260 (Fed. Cir. 2010); *In re Dixie Restaurants, Inc.*, 105 F.3d 1405, 1408, 41 USPQ2d 1531, 1534 (Fed. Cir. 1997). Applicant's mark VALENTINO RUDY incorporates opposer's entire mark VALENTINO. They are similar in appearance and pronunciation. Likelihood of confusion has frequently been found where one mark incorporates the entirety of another mark. *Coca-Cola Bottling Co. of Memphis, Tennessee, Inc. v. Joseph E. Seagram and Sons, Inc.*, 526 F.2d 556, 188 USPQ 105, 106 (CCPA 1975) (BENGAL for gin and BENGAL LANCER for nonalcoholic club soda, quinine water and ginger ale); *Johnson Publishing Co. v. International Development Ltd.*, 221 USPQ 155, 156 (TTAB 1982) (EBONY for cosmetics and EBONY DRUM for hairdressing and conditioner); and *In re South Bend Toy Manufacturing Company, Inc.*, 218 USPQ 479, 480 (TTAB 1983) (LIL' LADY BUG for toy doll carriages and LITTLE LADY for doll clothing).

\*10 Moreover, the general commercial impression of both marks, VALENTINO and VALENTINO RUDY, is that of a person's name. It is highly likely that consumers will believe that both marks identify a real person and that applicant's mark is merely the complete, full name of the individual whose first name is Valentino. Even those consumers who are familiar with the mark VALENTINO GARAVANI and "V" design may only remember it as "Valentino," and when confronted with applicant's mark, mistakenly believe that "Rudy" is the actual surname or possibly an alternate middle name of the person who is otherwise known as Valentino. As VALENTINO is the first term in applicant's mark and the first literal term in opposer's VALENTINO GARAVANI mark, it is the part of the mark that is likely to be impressed upon the mind of a purchaser and remembered. *Presto Products, Inc. v. Nice-Pak Products, Inc.*, 9 USPQ2d 1895, 1897 (TTAB 1988) ("... it is often the first part of a mark which is likely to be impressed upon the mind of a purchaser and remembered"). See *Palm Bay*, 73 USPQ2d at 1692. Further, the words in opposer's mark are more likely to be remembered than the "V" design. When a mark comprises both a word and a design, the word is normally accorded greater weight because it would be used by purchasers to request the goods or services. See *In re Appetito Provisions Co.*, 3 USPQ2d 1553 (TTAB 1987). As to the mark VERY VALENTINO, the adjective "very" merely serves to emphasize the impression of the dominant portion of the mark, i.e., VALENTINO.

Accordingly, we find the marks to be highly similar.

#### ***Strength of Opposer's Mark***

Opposer contends that its VALENTINO mark enjoys "enormous recognition" and is entitled to a "broad enough scope of protection to prevent registration of [applicant's] marks." [FN18] Applicant has criticized opposer's evidence, contending that the record does not establish that the mark is strong. Opposer has not claimed that its mark is "famous," however, and we find that the fame factor is neutral in this case. We also find, however, given opposer's established long and continuous use of its VALENTINO mark, coupled with the arbitrary nature of the mark, that opposer's mark is commercially strong.

#### ***Third-party Uses***

The sixth *du Pont* factor requires consideration of any evidence pertaining to "the number and nature of similar marks in use on similar goods." In an attempt to show that opposer's mark lacks distinctiveness and is entitled to a narrow scope of protection, applicant has introduced copies of web pages advertising various products sold under the following marks: MARIO VALENTINO (perfume, neckties, shoes and sunglasses), FORTUNA VALENTINO (zip bag), SV BY SERENDIPITY VALENTINO (handbags and wallet), RODOLFO

VALENTINO (shoes), HUGO VALENTINO (pajama pants), GEORGIO VALENTINO (sport coat and perfume), MARCO VALENTINO (belts), SERGIO VALENTINO (blazer), and VALENTINO ORLANDI (tote bag). In addition, Ms. Bass testified that she purchased each of the items (except GIORGIO VALENTINO brand perfume) and submitted receipts and copies of the actual products to show that the marks are still in use in connection with these goods. Ms. Bass also testified to telephone calls she placed to “Valentino Tailor,” a tailoring shop in New York, and “Valentino Shoe Repair,” a shoe repair shop also located in New York. Mr. Pappagallo testified that he was aware of the brand GIOVANNI VALENTINO in connection with “accessories, small leather goods” [FN19] and of the actor, RUDOLFO VALENTINO. [FN20]

\*11 Although there are a sizeable number of third-party uses of “Valentino,” all but the mark VALENTINO ORLANDI include the word “Valentino” in the second, less dominant, position. Moreover, opposer and “Mario Valentino S.N.C. Mario Valentino” entered into an agreement with respect to use of the MARIO VALENTINO brand. [FN21] However, based on the evidence overall, we draw an inference that consumers have come to recognize that several other entities use the term VALENTINO as part of their mark in connection with products that may be used to accessorize clothing items. This factor favors applicant.

#### *Lack of Actual Confusion*

Applicant argues that the parties' marks have coexisted “in large parts of the world for nearly thirty years.” [FN22] While lack of actual confusion for a long period of time may be considered as evidence tending to show that confusion is unlikely, here whatever presupposition we could make regarding any lack of confusion depends upon circumstances entirely outside the United States. Moreover, actual confusion is not necessary to show a likelihood of confusion. See *Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1571, 218 USPQ 390, 396 (Fed. Cir. 1983). Accordingly, we conclude that the actual-confusion factor is neutral in this case.

#### *Balancing the factors.*

In view of the facts that opposer's mark VALENTINO is commercially strong, the marks are similar, and the goods related, we find that applicant's registration of the mark VALENTINO RUDY is likely to cause confusion with opposer's mark VALENTINO. These factors, going in opposer's favor, outweigh that which goes in applicant's favor, namely the existence of third-party uses of similar marks. While the third-party uses show that the VALENTINO mark exists in a somewhat crowded field, the existence of the third-party uses has not rendered opposer's mark weak.

**Decision:** The oppositions are sustained under Trademark Act Section 2(d).

FN1. Serial No. 78651057 was filed for “watches”; Serial No. 78651257 for “sporting equipment, namely, golf clubs, golf irons, golf bags”; Serial No. 78651011 for “spectacles”; Serial No. 78651198 for “clothing, namely, clothing tops, blouses, shirts, sweaters, cardigans, blazers, coats, suits, tuxedos, vests, suit coats, sport coats, top coats, jackets, parkas, jeans, slacks, dungarees, pants, trousers, shorts, skirts, culottes, jumpsuits, dresses, evening gowns, kimonos, stoles, shawls, fur coats and jackets, leather and wind resistant jackets, gowns, tunics, t-shirts, polo shirts, sweatshirts, sweatpants, sweat suits, warm-up suits, bathrobes, jogging suits, socks, pocket squares, gloves, mittens, hosiery, stockings, tights, leggings, leotards, belts, headwear, neckwear, sleepwear, underwear, loungewear, beachwear, swim wear, rainwear, tennis wear and footwear, all for men, women and children”; Serial No. 78651123 for “umbrellas, walking sticks and accessories, namely, replacement handles for walking sticks”; and Serial No. 78651156 for “clothing fabric, synthetic and non-synthetic fabric except tatami hem, synthetic and non-synthetic fabric for use as tatami hem, knitted fabrics, felt and unwoven fabric for textile

use, oil cloth, rubber waterproof cloth for textile use, vinyl cloth for textile use, rubber cloth for textile use, fabric goods, namely, kitchen towel, mosquito-net, bed sheets, comforter, duvet, fabric for bedding cover, pillow case, bed blanket, fabric tapestry, curtain, table cloth, thick curtain, shower curtain, black and white curtain, red and white curtain, fabric labels, cloth Nobori flags, namely flags for parades, sports, music and all kinds of events; filter cloth for use in filtering water in cooking and other purposes, cloth flags.”

**FN2.** Opposer's pleaded registrations are:

Reg. No. 0901896 for the mark VALENTINO for “eau de cologne”; registered November 3, 1970; renewed.

Reg. No. 0910955 for the mark VALENTINO for “articles of clothing and accessories-namely, dresses, belts, gloves, scarves, swimwear, and ties”; registered April 6, 1971; renewed.

Reg. No. 0916465 for the mark VALENTINO for “fashion consultation services-namely, creating clothing, jewelry, and accessory designs and selection of designs and materials for couture clientele”; registered July 13, 1971; renewed.

Reg. No. 0956665 for the mark VALENTINO for “retail department store services”; registered April 3, 1973; renewed.

Reg. No. 1140394 for the mark VALENTINO for “umbrellas and parasols”; registered October 14, 1980; renewed.

Reg. No. 1268029 for the mark VALENTINO for “articles of clothing and accessories-namely, jumpers, sweaters, dresses, skirts, blouses, suits, jackets, coats, shirts, trousers, vests, jeans, slacks, shorts, swimwear, hats, lingerie, ties, belts, scarves, hosiery and gloves”; registered February 21, 1984; renewed.

Reg. No. 1418315 for the mark VALENTINO GARAVANI V and design, as shown at right, for “costume jewelry”; registered November 25, 1986; renewed.



Reg. No. 1419190 for the mark VALENTINO GARAVANI V and design, as shown at right, for “valises, garment bags for travel, handbags, shoulder bags, clutch bags, brief cases, attaché cases, umbrellas, and small leather goods -- namely, passport cases, wallets, key cases, billfolds, vanity cases sold empty and credit card holders”; registered December 2, 1986; renewed.

Reg. No. 1422015 for the mark VALENTINO GARAVANI V and design, as shown above, for “articles of clothing -- namely, belts, scarves, gloves, boots, shoes and slippers”; registered December 23, 1986; renewed.

Reg. No. 2312756 for the mark VALENTINO for “spectacle frames and sunglasses”; registered February 1, 2000; renewed.

Reg. No. 2286240 for the mark VERY VALENTINO for “perfume, eau de parfum, eau de toilette, body lotion, deodorant and bath and shower gel”; registered October 12, 1999; renewed.

Reg. No. 2755270 for the mark V VALENTINO GARAVANI and design for “retail store services featuring clothing, eye glasses and sunglasses, watches leather or imitation leather articles such as bags, purses, briefcases, address books, journals, and shoes”; registered August 26, 2003; Section 8 (6-year) accepted &

Section 15 acknowledged.

Reg. No. 2880581 for the mark V VALENTINO GARAVANI for “handbags, shoulder bags, clutch bags, wallets; articles of clothing, namely, belts, scarves, gloves, boots, shoes”; registered September 7, 2004; partial Sections 8 (6-year) and 15 combined declaration accepted and acknowledged.

Reg. No. 2826869 for the mark VALENTINO GARAVANI for “spectacle frames and sunglasses; men's and women's watches”; registered March 30, 2004; partial Sections 8 (6-year) and 15 combined declaration accepted & acknowledged.

Reg. No. 1153226 for the mark VALENTINO for “men's clothing-namely, suits, sport jackets, overcoats, shirts, trousers, bermuda shorts, and bathing suits”; registered May 5, 1981; renewed.

Reg. No. 1268030 for the mark V VALENTINO and design as shown at right for “articles of clothing and accessories-namely, jumpers, sweaters, dresses, skirts, blouses, suits, jackets, coats, shirts, trousers, vests, jeans, slacks, shorts, swimwear, hats, lingerie, ties, belts, scarves, hosiery and gloves”; registered February 21, 1984; renewed.



**FN3.** In the notices of opposition, opposer alleges prior use of the mark R.E.D. VALENTINO, but inasmuch as opposer did not rely on the mark at trial or mention it in its briefs, we have not included it in our discussion under Section 2(d), *infra*.

**FN4.** *Joint Stipulation for Declaration Testimony*, p. 1.

**FN5.** Exhibits L-T of Ms. Bass's declaration have not been considered. *See* Board order dated September 27, 2010.

**FN6.** Applicant's notice of reliance No. 9 is in the record; Nos. 1-8 have been stricken. *See* Board order dated September 27, 2010.

**FN7.** We have also given no weight to opposer's exhibits H-1 to H-8, which are copies of foreign court decisions allegedly involving the parties' marks.

**FN8.** Pappagallo Dep., p. 146.

**FN9.** Mr. Pappagallo testified that opposer first used the mark VALENTINO in the 1960's, Dep., p. 14, but the earliest records show advertising and sales in 1992. *See* Pappagallo Dep., p. 27, Exhibit E4.

**FN10.** *See* applicant's response to request for admissions No. 1: “Admit that June 15, 2005 is the earliest date for which Matsuda can rely, for priority purposes, in this opposition proceeding. Response: Admit.”

**FN11.** Pappagallo Dep., p. 63.

**FN12.** Pappagallo Dep., pp. 117-119.

**FN13.** Pappagallo Dep., p. 120.

**FN14.** Dougherty Declaration; exhibits F1-F6.



[FN15](#). Pappagallo Dep., p. 16.

[FN16](#). Matsumura Declaration, p. 3.

[FN17](#). Pappagallo Dep., p. 20.

[FN18](#). Opposer's Brief, p. 25.

[FN19](#). Pappagallo Dep., p. 130.

[FN20](#). Pappagallo Dep., p. 131.

[FN21](#). Pappagallo Dep., p. 134-137.

[FN22](#). Matsumura Declaration, p. 4.

2012 WL 3224704 (Trademark Tr. & App. Bd.)

END OF DOCUMENT

## Supplemental Materials for Epic Copyright Battles

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VP, Legal  
The Weather Channel, LLC

### **Scorpio Music S.A. v. Willis (S.D. Calif, May 7, 2012)**

- Link to Order Granting Motion to Dismiss: <http://germanitlaw.com/wp-content/uploads/2012/06/Scorpio-v-Willis-termination-right.pdf>
- Summary of decision: <http://us.practicallaw.com/0-519-3734?q=&qp=&qo=&qe=>
- Article discussing effects of decision: [http://www.lsglegal.com/index.php?option=com\\_content&view=article&id=148&Itemid=60](http://www.lsglegal.com/index.php?option=com_content&view=article&id=148&Itemid=60)
- Article outlining law of copyright termination: [http://www.kelleydrye.com/publications/articles/1622/\\_res/id=Files/index=0/1622.pdf](http://www.kelleydrye.com/publications/articles/1622/_res/id=Files/index=0/1622.pdf)

### **Golan v. Holder, SCOTUS 2012**

- Link to opinion: <http://www.supremecourt.gov/opinions/11pdf/10-545.pdf>
- Article arguing that decision was wrong: <https://www.eff.org/deeplinks/2012/01/supreme-court-gets-it-wrong-golan-v-holder-public-domain-mourns>
- Article explaining decision: <http://verdict.justia.com/2012/01/23/the-supreme-courts-decision-in-golan-v-holder>

### **Oracle America, Inc. v. Google, Inc. (USDC N.D.CA, May 31, 2012)**

- Link to order: <http://swipreport.com/wp-content/uploads/2012/06/Oracle-America-Inc.-v.-Google-Inc.pdf>
- Article explaining decision: <http://swipreport.com/no-copyright-protection-for-java-apis-a-win-for-google/>

### **United States v. Kim Dotcom, et al., (USDC E.D. Va.)**

- Superseding indictment: <http://www.washingtonpost.com/wp-srv/business/documents/megaupload-indictment.pdf>
- Blog post questioning criminal prosecution of Megaupload: <http://cyberlaw.stanford.edu/node/6795>
- Article describing current status of Dotcom's extradition battle: <http://www.talkleft.com/story/2012/8/16/4254/74428>

*The opinions expressed herein are those of the author and do not necessarily reflect the views of The Weather Channel, LLC.*

- Article arguing that MPAA was more concerned about Megaupload than record companies were: [http://news.cnet.com/8301-31001\\_3-57369825-261/nobody-wanted-megaupload-busted-more-than-mpaa/](http://news.cnet.com/8301-31001_3-57369825-261/nobody-wanted-megaupload-busted-more-than-mpaa/)

**Brownmark Films, LLC v. Comedy Partners, (7th Cir. 2012)**

- Link to opinion: <http://law.justia.com/cases/federal/appellate-courts/ca7/11-2620/11-2620-2012-06-07.html>
- Article explaining decision: <http://www.jdsupra.com/legalnews/7th-circuit-affirms-early-dismissal-base-71926/>
- Original WWITB video: <http://www.youtube.com/watch?v=fbGkxcY7YFU>
- "South Park" video: <http://www.southparkstudios.com/clips/165193/what-what-in-the-butt>
- Article describing how court analyzed fair use: <http://www.insidecounsel.com/2012/07/02/what-south-park-can-teach-us-about-fair-use>

**Viacom International, Inc. v. YouTube, Inc.** (2d Cir. April 5, 2012)

- Link to opinion: <http://madisonian.net/wp-content/uploads/2012/04/Viacom-v-Youtube-2d-cir.pdf>
- Article explaining decision: [http://ip.edwardswildman.com/news/news\\_detail.aspx?news=2860](http://ip.edwardswildman.com/news/news_detail.aspx?news=2860)
- Article arguing that decision is bad for UGC community: [http://blog.ericgoldman.org/archives/2012/04/second\\_circuit\\_3.htm](http://blog.ericgoldman.org/archives/2012/04/second_circuit_3.htm)
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*The opinions expressed herein are those of the author and do not necessarily reflect the views of The Weather Channel, LLC.*