

TRADEMARK YEAR IN REVIEW (2004):
LITIGATION AND LEGISLATIVE DEVELOPMENTS

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I. Developments in the Supreme Court

- A. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S.Ct. 542 (2004)

The Supreme Court held that, in determining whether a defendant has made fair use of a word or phrase claimed by another party to be a trademark (in this case MICROCOLOR for permanent makeup), the defendant need not prove a lack of likelihood of confusion. It is appropriate to consider some likelihood of confusion factors, however, because they also bear on fair use. For example, intent to adopt another's mark would suggest that the defendant has not made a good faith fair use. In addition, actual confusion suggests that the defendant may not be using the designation in a descriptive manner, but rather as a trademark.

II. Developments in the First Circuit

- A. *Beacon Mut. Ins. Co. v. OneBeacon Ins. Group*, 376 F.3d 8 (1st Cir. 2004)

The First Circuit reversed a grant of summary judgment on the grounds that, even though the plaintiff could not prove lost sales, the infringement caused actual confusion among those in a position to influence sales and others, and therefore harmed the plaintiff's goodwill and reputation. The evidence showed that the parties' respective use of the ONEBEACON and BEACON MUTUAL marks for worker compensation insurance services caused misdirected communications among injured workers, health care workers, third party insurers, and attorneys. Such confusion, although not directly resulting in lost sales, was found to be commercially relevant and actionable by the First Circuit.

- B. *Flynn v. AK Peters, Ltd.*, 377 F.3d 13 (1st Cir. 2004)

The First Circuit held an author could not recover under § 43(a) of the Lanham Act for the claimed non-consensual use of her name in a subsequent edition since the author's name had not acquired secondary meaning within the relevant class of consumers. The author claimed she had worked in the field for almost 30 years, had given 70 invited talks and written 29 papers in the field as evidence of her reputation and well-recognized name. The court found this evidence unpersuasive as it was self-serving. Moreover, the author's reputation in the academic world was not sufficient to create the requisite secondary meaning in the mindset of likely consumers, who included high school age readers through Ph.D. researchers in the author's field.

- C. *Zyla v. Wadsworth*, 360 F.3d 243 (1st Cir. 2004)

In this case, the author of a book declined to participate in a subsequent edition, and objected to the publisher's failure to name her as an author or allegedly give her appropriate attribution. The First Circuit affirmed dismissal of the trademark claim on the grounds that allegations of false attribution of authorship are only actionable under copyright law and not trademark law. The lower court's dismissal of the copyright claims was affirmed on other grounds.

- D. *General Healthcare Ltd. v. Qashat*, 364 F.3d 332 (1st Cir. 2004)

In a dispute between two manufacturers using the same mark (KENT CREAM BLEACH) in overseas sales, the court held open and public transportation within or from the United States constitutes "use" as defined in the Lanham Act. However, intra-company shipments from the United States to the United Kingdom followed by overseas sales do not constitute "use in commerce" and the mark is thus not protected under the Lanham Act. The First Circuit also agreed with the district court that one party's decreasing contacts with the United States and failure to assert ownership of the mark for over a decade resulted in abandonment of the mark.

III. Developments in the District of Massachusetts

- A. *Baystate Savings Bank v. Baystate Financial Services, LLC*, 338 F.Supp.2d 181 (D. Mass. 2004)

Judge Gorton declined to preliminarily enjoin a financial services company, which was expanding from the Boston area into Worcester, from using the BAYSTATE mark. The court found that the plaintiff, a savings bank that had used the BAY STATE mark in the Worcester area since 1895 and owned state and federal registrations for the mark, was unlikely to prove that the mark had acquired distinctiveness. Even if the bank could show that its mark had acquired distinctiveness, the court found that it would only extend to savings bank services, and not investment and insurance services of the type provided by the defendant.

- B. *Micromuse, Inc. v. Micromuse, PLC.*, 304 F.Supp.2d 202 (D. Mass. 2004)

Judge Stearns granted summary judgment in favor of a defendant on the grounds that the plaintiff had abandoned its mark. The court held that the plaintiff abandoned the MICROMUSE mark when it closed its business and laid off its employees in 1998, and the plaintiff's subjective intent to revive the business prior to 2001 and its sporadic use of the mark was insufficient to overcome the presumption of abandonment as a result of three years of consecutive nonuse. The court stated that, when a company ceases business to a point in time where there is no longer an association between the company and the mark, an abandonment occurs for the obvious reason that the association of the mark with the company no longer serves to dispel consumer confusion as to the origin of goods.

- C. *Converse Inc. v. Reebok International, Ltd.*, 328 F.Supp.2d 166 (D. Mass. 2004)

Judge Lindsay denied a motion for contempt based on Reebok's use of the mark ALL-STAR in the phrase NBA DOWNTIME ALL-STAR GRAFFITI. Although the consent decree unambiguously prohibited Reebok from "using in any manner ... the designation or mark ALL-STAR [or] the Converse trademarks ... so as to be likely to cause confusion, mistake or deception as to source," the court found that provision unenforceable because it failed to comply with the specificity requirements of Rule 65(d). The court noted that this kind of "do not break the law" admonishment in a consent decree merely recites statutory language, and while such clauses are not *per se* improper, they are of limited value in complex cases.

IV. Developments in Other Circuits

A. Likelihood of confusion

1. *Citizens Financial Group Inc. v. Citizens Nat'l Bank of Evans City*, 383 F.3d 110 (3d Cir. 2004)

In this reverse confusion case involving the CITIZENS mark, the Third Circuit held that the issue was whether confusion was likely in the senior user's market, not in the larger market of the junior user. Thus, survey evidence must correspond to the senior user's geographic area. The court also found that the district court erred in molding the verdict to allow the junior user the right to use the mark in the senior user's market, and directed that an injunction be entered.

2. *Kos Pharmaceuticals Inc. v. Andrx Corp.*, 369 F.3d 700 (3d Cir. 2004)

The Third Circuit reversed the district court's determination that the owner of the ADVICOR mark for a prescription anticholesterol drug was not entitled to a preliminary injunction against the owner of ALTOCOR mark for similar drugs. The court applied the ten-factor *Lapp* test for likelihood of confusion, and found that the lower court erred in focusing on the heightened care likely to be exercised by medical professionals, when the *Lapp* factors otherwise favored the plaintiff and the drugs were marketed to consumers in direct competition with each other.

3. *What-A-Burger of Virginia, Inc. v. Whataburger, Inc. of Corpus Christi, Texas*, 357 F.3d 441 (4th Cir. 2004)

In reversing the lower court's findings of laches and acquiescence, the Fourth Circuit noted that there was no likelihood of confusion between the marks (WHATABURGER and WHAT-A-BURGER) because the parties used the marks in distinct geographical markets. Thus, an infringement claim cannot be barred by laches or acquiescence until one party shows a

likelihood of entering the other's territory and thereafter delays in enforcing its rights.

4. *Playboy Enterprises, Inc. v. Netscape Comm. Corp.*, 354 F.3d 1020 (9th Cir. 2004)

The Ninth Circuit reversed the district court's order of summary judgment in favor of Netscape, on the grounds that its practice of "keying" certain search terms (including PLAYBOY) so that banner ads of third parties appear when those terms are entered into a search engine may constitute trademark infringement. The court reaffirmed that initial interest confusion is actionable as trademark infringement, and that the 8-factor *Sleekcraft* test for likelihood of confusion applies.

B. Trade Dress

1. *Gateway, Inc. v. Companion Products, Inc.*, 384 F.3d 503 (8th Cir. 2004)

The Eight Circuit affirmed the trial court's judgment that a stuffed black-and-white cow toy that was intended to be wrapped around the body of a computer infringed upon Gateway's black-and-white cow print trade dress. The court agreed that Gateway's trade dress had acquired distinctiveness through secondary meaning and was non-functional, and that there was a likelihood of confusion among an appreciable number of consumers.

2. *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 369 F.3d 1197 (11th Cir. 2004) (*cert. petition filed November 10, 2004*)

The Eleventh Circuit affirmed the district court's grant of summary judgment to the defendant, where the plaintiff's alleged trade dress (size, color, and shape of flash-frozen ice cream product) was functional and the parties' logos were so dissimilar as to preclude a likelihood of confusion. The district court found that the plaintiff's trade dress was functional under both the traditional test and competitive necessity test of functionality, and took judicial notice of the fact that color indicates the flavor of ice cream.

C. Dilution

1. *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir. 2004)

The Ninth Circuit affirmed the district court's application of the dilution statute, even though the defendant began using NISSAN.COM and NISSAN.NET prior to its enactment, to authorize prospective relief. The case was remanded, however, to determine whether NISSAN was famous in 1991 when the defendant first made use of the NISSAN mark in a

potentially diluting manner. The court affirmed the district court's rulings that the defendant infringed the NISSAN mark by offering links to automobile-related websites, but not by advertising its own computer-related services. The appeals court found that the injunction violated the First Amendment, however, to the extent that it prevented the defendant from criticizing Nissan Motors on its web site. That issue was remanded to the district court.

2. *Savin Corp. v. The Savin Group*, 391 F.3d 439 (2d Cir. 2004)

In this case, the senior owner of the SAVIN mark appealed a ruling of summary judgment dismissing its trademark dilution and infringement claims. The Second Circuit reversed on the dilution claim, and noted that the plaintiff's SAVIN mark could be found to be famous, in which case the use of the identical mark by the defendant would give rise to a presumption of actual dilution. The court also reaffirmed that a significant degree of both inherent distinctiveness and acquired distinctiveness was required to prove fame in the Second Circuit. The court affirmed the dismissal of the trademark infringement claim.

D. Defenses based on fair use, nominative fair use, and the First Amendment

1. *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477 (5th Cir. 2004)

In this nominative fair use case, the Fifth Circuit affirmed the district court's award of summary judgment to an unauthorized dealer of vacuum cleaners, as its use of the KIRBY mark to truthfully advertise that it sold and repaired KIRBY vacuum cleaners and did not create a likelihood of confusion. In finding that the defendant's use of KIRBY did not suggest affiliation or endorsement, the court considered the five "digits of confusion" set forth in *Westchester*. The appeals court agreed with the district court that the plaintiff's survey could not properly be considered, as the universe of respondents was too limited and it employed leading questions.

2. *Bumble Bee Seafoods, L.L.C. v. UFS Indus. Inc.*, 71 USPQ2d 1684 (S.D.N.Y. 2004)

The court denied Bumble Bee Seafoods' motion for a preliminary injunction against a third party using the phrase "made with Bumble Bee Tuna" on its tuna salad when in fact that statement was true. The court noted that Bumble Bee Seafoods had no right to assert quality control over the composite product, even if the composite product was of an overall lower quality than the component.

E. Descriptiveness and genericness

1. *Retail Services Inc. v. Freebies Publishing*, 364 F.3d 535 (4th Cir. 2004)

The Fourth Circuit affirmed the district court's entry of summary judgment on the grounds that FREEBIES was generic for the services at issue. The mark was found generic even though it was the subject of an incontestable federal registration, as incontestable status bars challenges based on descriptiveness but not genericness. The court noted that federal registration of a mark is strong evidence that the mark is not generic, but the registration presumption simply shifts the burden to the party challenging the registered mark to show, by a preponderance of the evidence, that the mark is generic. In determining whether a mark is generic, the court will look to dictionaries, evidence of the owner's generic use of the mark, and its meaning among the public.

2. *In re Oppedahl & Larson LLP*, 373 F.3d 1171 (Fed. Cir. 2004)

The Federal Court affirmed the PTO's refusal to register PATENTS.COM on grounds of descriptiveness. The court held that the addition of a top level domain indicator ("TLD"), such as .com, generally does not serve as a source-indicating function. The court compared TLD's to the addition of Co. or Corp., which never possess source indicating significance. The court declined to adopt a bright-line rule, however, and noted that some marks resembling domain names (such as TENNIS.NET) may be sufficiently distinctive to be registerable.

3. *DeGidio v. West Group Corp.*, 355 F.3d 506 (6th Cir. 2004), *cert. denied*, 124 S.Ct 2842 (2004)

In this case, the owner of the domain name LAWOFFICES.NET sued West Group for using LAWOFFICES.COM. The Sixth Circuit agreed that summary judgment was properly granted to West Group, as the term LAWOFFICES.NET was descriptive and had not obtained secondary meaning. In evaluating descriptiveness, the district court relied on the 6-factor test set forth in *McCarthy* treatise, and this was relied upon by the appeals court as well.

F. Use of personal names as marks

1. *Brennan's, Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125 (2d Cir. 2004)

The Second Circuit affirmed the denial of a preliminary injunction against a New York restaurant called "Terrence Brennan's Seafood and Chop House" sought by the well-known BRENNAN'S restaurant in New Orleans. The court noted that proper names are ordinary descriptive and unprotectable absent secondary meaning, and, differing with the district

court, found BRENNAN'S to be a weak mark that had not acquired distinctiveness in the relevant market of New York City.

2. *Peacable Planet Inc. v. Ty Inc.*, 362 F.3d 986 (7th Cir.) (2004), *cert. denied*, 125 S.Ct 275 (2004)

The Seventh Circuit reversed the dismissal of this reverse confusion case, brought by a small company against the makers of Beanie Babies. The court held that the name NILES for a stuffed toy camel was suggestive, and was not likely to be understood as a personal name which would be unprotectable without a showing of secondary meaning. Thus, the district court's ruling that NILES was unprotectable as a trademark was reversed. The court reviewed the rationales for the personal name descriptiveness rule, which is a judicial doctrine which should not be pressed further than its rationales, and found that none of them applied in these circumstances.

V. Legislative Developments

A. Bill to amend federal dilution statute

Following the Supreme Court's decision in *Mosely v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that a dilution plaintiff must prove actual dilution rather than a likelihood of dilution, several trademark owners and industry groups have pressed for legislative reform.

On April 22, 2004, the House of Representatives, Judiciary Committee, Subcommittee on Courts, the Internet and Intellectual Property held an oversight hearing on the Federal Trademark Dilution Act ("FTDA"). Groups testifying in support of amendments to the FTDA included INTA, the Intellectual Property Law Section of the ABA, and the Eastman Kodak Company. The ACLU testified in opposition to any amendments.

Although no new trademark dilution legislation was proposed in 2004, INTA is preparing a bill that it hopes will be introduced in early 2005. The key changes sought by INTA are:

- Specify that likelihood of confusion, rather than actual dilution, is actionable
- Specify that marks that have acquired distinctiveness, as well as marks that are inherently distinctive, will be eligible for protection
- Specify that, in order to be famous, marks must be widely recognized by the consuming public of the United States (*i.e.* "niche fame" or regional fame would be insufficient)

- Simplify the determination of fame, and pare down the list of factors to be considered from eight to three:
 - Duration, extent and geographic scope of advertising and publicity
 - Amount, volume, and geographical extent of sale
 - Extent of actual recognition of the mark
- Establish a list of six non-exclusive factors to determine whether there is dilution by blurring:
 - Similarity of the marks
 - Degree of inherent or acquired distinctiveness
 - Extent of exclusivity of use
 - Degree of recognition of the famous mark
 - Intent to create an association with the famous mark
 - Any actual association between the marks
- Specify that dilution by tarnishment is actionable
- Require that accused mark be used as a source designation for its owner's own good and services (thereby excluding fair use nominative fair use)

INTA's testimony on these proposed changes is included in the written materials accompanying this outline.

B. Bill to adopt Model State Trademark Act in Massachusetts

On December 1, 2004, Rep. Driscoll of Braintree introduced a bill to adopt the Model State Trademark Bill in Massachusetts. The bill, which is supported by the BBA and INTA, is intended to make the procedures for registering trademarks in Massachusetts consistent with the state registration procedures in other states. A copy of the bill and fact sheet summarizing the significant changes from the existing Massachusetts law is provided in the accompanying materials.

C. Miscellaneous bills

President Bush signed into law the Intellectual Property Protection and Courts Amendments Act of 2004 (H.R. 3632, Pub. Law 108-482), which will create a new Section 35(e) of the Lanham Act providing that a violation of the act will be "willful" if the violator knowingly provided or caused to be provided materially false contact information to a domain name registry. The Act also seeks to strengthen criminal prohibitions against trafficking in counterfeited copyright works.

Congress did not pass a number of other bills relating to trademark rights in 2004, including:

- The Family Movie Act (H.R. 4586), which would have added to Section 32 of the Lanham Act an exemption from trademark liability for companies that make technology that allows consumers to skip certain parts of a motion picture on a DVD that is viewed in the home.
- Stop Counterfeiting in Manufactured Goods Act (H.R. 4358), which provided for mandatory forfeiture and destruction of counterfeit goods, as well as forfeiture of property and assets derived from counterfeiting. However, on January 4, 2005, Rep. Joseph Knollenberg (R-Mich.) introduced a similar bill, H.R. 32, the Stop Counterfeiting in Manufactured Goods Act. The bill was referred to the House Committee on the Judiciary. The Committee has not yet set a date for a hearing on the bill.

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