**Trademark and Unfair Competition Law**

**Professor Beebe – Spring 2012**

**I. Introduction: Foundation of Trademark and Unfair Competition Law**

**A. Theoretical Perspectives:**

1. TM serves to (1) IDENTIFY and (2) DISTINGUISH/DISTINCTION of SOURCE
2. **Themes**
   1. Consumer protection
   2. Movement towards owner-protection
   3. Avoiding implementation of international agreements
   4. Circuit splits/SCOTUS confusion
   5. Territorial nature of US trademark rights
   6. Move from designation of factory/artisan to brand recognition
3. Significance of Trademarks
   1. Economic Significance of Brands
      1. Consumer drives economy v. agrarian society of trade / industrial production 🡪 Brands are not about the product, but about the quality and reputation of the brand
         1. Products have 3 Characteristics:
            1. Search: e.g., color, price 🡪 inspected prior to purchase
            2. Experience: e.g., taste 🡪 verified through use of product
            3. Credence: e.g., durability 🡪 confirmed over time
      2. Information Economy: De-materialization of the economy 🡪 intangible, intellectual value, and value in meaning
   2. Cultural Significance of Brands
      1. Sell products based on whether it enhances the image 🡪 Nike selling lifestyle and image, not just sneakers
         1. Status Goods: signaling status/identity 🡪 “Veblen” goods (Rolex, NYU)
      2. *Pro-Football, Inc. v. Harjo* (DC Cir. – 2009): Washington Redskins; told PTO it was racialized/scandalous 🡪 turned on latches, can be brought again
      3. Mattel + Barbie: M argued against using “Barbie” in book title 🡪 confusion of association possible
      4. Parody – *Smith v. Wal-Mart* (ND Ga. 2008): Wal-ocaust; Wal-Qaeda (20% confused) 🡪 First Amendment Concerns
   3. Political Significance of Brand
      1. IP in TM doesn’t fit quite as nicely into political party preferences as other IP like copyright (supported by Dems)
      2. Gorgeous Irreverence to US Brands: China 🡪 KFG/KFC; Blockberry/Blackberry
4. Purposes of Trademark Law
   1. Public Protection 🡪 Consumer buys a product and knows it is what they are looking for
      1. Information Asymmetry: Sellers have better information about products / services offered than buyers can uncover w/o buying the product
         1. Integrity of Market – Akerloff
   2. Mark Owner’s Protection 🡪 Investment of time, money, and energy presenting mark to public; goodwill built with consumers
      1. IP = reward + incentive
         1. Locke: property = person + labour of body + work of hands
      2. Europe: personhood, moral rights approach
5. Historical Periods of Trademark Scholarship
   1. 1870 – 1915 – Property Rights: TMs are corporate property and should be protected as such
   2. 1915 – 1930s – Protect Consumers from TM: TMs persuade people to buy things they don’t need; DOJ hostile to expand TM protection on federal law; part of Lanham delay
   3. 1980s – Protect Consumers WITH TMs: TMs help by minimizing search costs and ensuring consistent quality levels 🡪 *Scandia Down Corp. v. Euroqulit* (7th Cir. 1985 , Easterbrook)
      1. Anonymous Source Theory: no longer identify particular factor or geographic location 🡪 product with same ID would have same quality
   4. 2000 – TMs as Products Themselves: Product an afterthought
      1. IP Economy Changes due to: (1) internet, (2) WTO, (3) EU, and (4) Rise of China
      2. De Beers branding diamonds to continue scarcity despite ability to mass produce diamonds

**B. Early Cases**

1. *The Trade-Mark Cases* (1879): 1st TM case to reach SCOTUS
   1. Statute at Issue: Act of 1870
      1. “An Act to revise, consolidate, and amend the statutes relating to patents and copyrights.”
      2. “An Act to punish the counterfeiting of TM goods, and the sale or dealing in, of counterfeit TM goods”
   2. Holding: Court STRUCK DOWN Act as beyond Congress’s power
   3. TAKEAWAY: The Constitutional authorization for federal TM law COMES LATER through Commerce Clause and 3 Constitutional Clauses
      1. 1.8.8: “The Congress shall have Power… to promote the progress of science and useful arts, by securing for limited time… the exclusive right to their respective writings and discoveries.”
      2. 1.8.3: “The Congress shall have Power… to regulate commerce with foreign nations, and among the several States, and with the Indian tribes.”
      3. 1.8.18: “The Congress shall have Power… to make all Laws which shall be N&P.”
2. *Hanover Star Milling Co. v. Metcalf* (SCOTUS 1916)
   1. TAKEAWAY: This is the first case to point out that TMs are meant to protect GOODWILL by allowing consumers to know what they are buying
3. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.* (SCOTUS 1942)
   1. TAKEAWAY: TMs are “merchandising short-cuts” through which a symbol induces a purchaser to select what he wants; the law protects TMs bc it recognizes the power of symbols
4. *Yale Electric Corp. v. Robertson* (2d Cir 1928)
   1. TAKEAWAY: A TM is the owner’s seal through which the owner’s goods are vouched for; one may not divert customers from another by representing what he sells as coming from another seller
5. *Prestonettes, Inc. v. Coty* (SCOTUS 1924)
   1. TAKEAWAY: TMs only confer the rights to prohibit its use by another in order to protect the mark’s owner’s good will against the sale of another’s products as his/hers

**C. Statutory Sources**

1. The Lanham Act – USC Title 15, Chapter 22
   1. Background
      1. Passed in 1946: extended federal protection to marks used in commerce, which meant the Act fell under Congress’s power
         1. 1988: Lanham Act revised
         2. 1995: Congress added §43©, codifying DILUTION

**§45/1127: Defines Trademark**

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

1. Used by a person, or
2. Which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter

To identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown

* 1. **Distinction between Trademarks and Trade Dress**
     1. **Trademark**: refers to word marks or 2-dimensional image marks; perhaps can extend to sound, fragrance, etc.
     2. **Trade Dress**: product packaging or configuration, often 3-D in nature
        1. **Product Packaging**: *may be inherently distinctive*
           1. E.g., box 🡪 TM protection, packaging may be torn off and thrown away
        2. **Product Configuration**: must *always show secondary meaning*
           1. E.g., shape 🡪 TM protection because distinctive of source

Not functional in a way that offends TM law

* 1. Important Lanham Act Sections
     1. §1: Bases for registration
        1. §1(a) 🡪 ACTUAL USE
        2. §1(b) 🡪 INTENT TO USE
     2. §2: The subject matter of the Lanham Act 🡪 what can be registered as TM, *unless*:
        1. §2(a) 🡪 immoral, deceptive, scandalous matter
        2. §2(b) 🡪 flag, coat of arms, insignia of US or other State/municipality
        3. §2(c) 🡪 portrait of former POTUS without consent of widow during her life
        4. §2(d) 🡪 will cause confusion with mark already registered at PTO or in use
        5. §2(e) 🡪 unless mark consists of mark; merely descriptive or deceptively misdescriptive
           1. §2(e)(1): will not register because merely descriptive; no source denotative information; descriptive of product only
           2. §2(e)(3): geographically misdescriptive (e.g., “Russian” Vodka)
           3. §2(e)(4): surname
           4. §2(e)(5): functionality
        6. §2(f) 🡪 Statutory basis for idea that mark is merely descriptive may nevertheless receive protection if secondary meaning as orign of source
           1. Redeems certain marks otherwise excludable by §2(e)

Does NOT redeem functional or intentionally misdescriptive marks

* + 1. §3-4: Service and collective/certification marks
    2. §8: Duration
    3. §15: A mess concerning incontestability of a mark
    4. §32: Remedies, infringement, and “innocent infringement”
    5. §43(a): Very broadly allowing protections to unregistered marks
       1. Trade Dress: design and packaging of materials, and even design / shape of product itself, if packaging or product configuration serve same source-identifying function as TMs
    6. §45: Definitions
       1. Service Mark: like TM, but identifying services of one person, including a unique service, from the services of others and to indicate source of services, e.g., character names, distinctive features of radio and TV shows
       2. Trade Names: cannot be registered under Lanham Act unless they actually function to identify the source of particular goods or services, rather than merely identifying a company
          1. Generally registrable in state offices and state / federal common law may provide protection against confusingly similar company names
       3. Certification Marks: used by trade associations or commercial groups to identify a particular type of good 🡪 may not be limited to single producer; must be open to anyone who meets standards set for certification
          1. *Levy v. Kosher Overseers Assoc. of America* (SDNY 11995/ 2d Cir 1997): plaintiff sued another for infringing well-known kosher cert. mark
       4. Collective Marks: used by members of a cooperative, association or collective group or organization, or such with bona fide intention to use the mark
          1. *Aloe Crème Labs v. American Society Aesthetic Plastic Surgery* (TTAB 1976): denying opposition to registration of collective mark
          2. Attached to goods/services: useful to franchising, related agreements 🡪 treated the same as ordinary TMs
    7. 

1. EU Trademark Directive Articles 2 & 3(1)(a)-(d)

**Article 2: Signs of Which a Trademark may consist**

A TM may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services from one undertaking from those of other undertakings

* 1. Defines TM differently than Lanham Act 🡪 must be represented GRAHICALLY
     1. A directive is BINDING, as to the result to be achieved upon each Member State to which it is addressed, but shall leave to the national authorities the choice of forms and methods
        1. It is NOT directly and entirely applicable like a regulation
        2. Recommendation and opinions shall have no binding force

1. TRIPS Article 15(1)

**Article 15(1)**

“Any sign, or combination of signs, capable of distinguishing the goods or services of one of the undertaking from those of other undertakings, shall be capable of constituting a TM. Such signs, in particular words, including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as TMs. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as aconditoin of registration, that signs be visually perceptible.

* 1. Different than Directive and Lanham 🡪 allows for anything ‘visually perceptible’
     1. While US allows for smells, tastes, and sounds

1. *Louis Vuitton v. Warner Brothers (Hangover II)* (SDNY 2011):
   1. LVM luggage in airport scene 🡪 knock off and no permission
   2. Tarnishment & Dilution v. Parody / Satire Fair Use
2. *Chrstian Louboutin v. Yves Saint Laurent* (SDNY 2011):
   1. Red soles registered in PTO; YSL released all red shoe with red soles
   2. Considerations:
      1. Identifies the origin?
      2. Confusion?
         1. Point of sale
         2. Initial Interest
         3. Post-sale confusion
   3. N.B. 🡪 everything in TM law turns on court’s perception / consumer’s perception on the signifier of source 🡪 TMs distinguish & ID source
      1. Red soles are distinctive
      2. Red soles are aesthetically functional because they make the shoe pop
   4. TAKEAWAY: Marks MUST (1) be distinctive of source; and (2) NOT be functional
      1. Essential Question: would competitors be at a significant non-reputation-related disadvantage if Louboutin was allowed to assert exclusive rights (*Qualitex*)

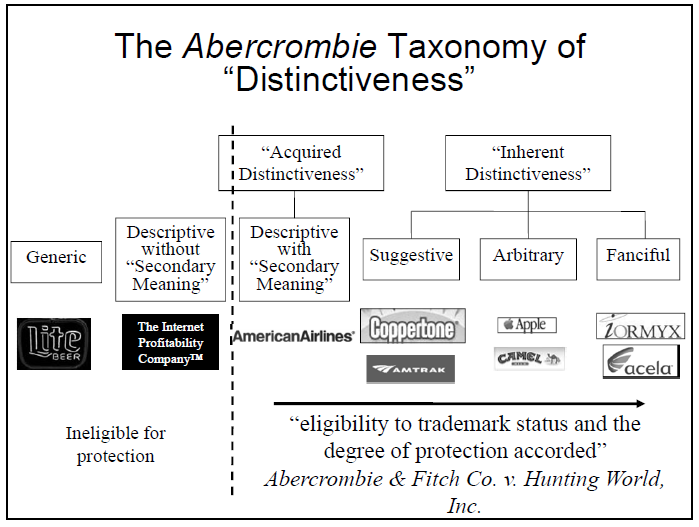
**II. Establishment of Trademark Rights**

**A. What can be Protected as a Trademark?**

1. **Elements of a trademark**
   1. **Trademark must be (1) Distinctive and (2) non-functional to be protected**
   2. **Distinctiveness: (A) Inherent (*Abercrombie/Seabrook*) or (B) Acquired (*Zatarains*)**
      1. The **MAIN** function of a mark is to be **distinctive of source**; no protection if it will not be protected
   3. **Non-functional: Non-reputation related competitive advantage/ Essential to use/purpose or Increased cost or quality**
2. Lanham Act can be read broadly 🡪 human beings might use as a ‘symbol’ or ‘device’ almost anything capable of carrying meaning
   1. Shape (Coca-Cola bottle)
   2. Sound (NBC’s 3-chimes; Tarzan yell) (but not Harley Davidson because functional)
   3. Scent (plumeria blossoms on sewing thread)
   4. Color (green-gold *Qualitex*) + secondary meaning as brand ID of source
   5. Touch/Sensory: (velvety touch on wine bottle)
      1. But, functionality argument that touch can help you grip the bottle - especially if utilitarian aspects advertised as being helpful.
   6. NOT Taste: don’t get to taste until you’ve purchased, so hard to be a source identifier; could also be functional and seems more suited for patent / trade secret
3. **Must not be functional (would be grant of monopoly unlike patent that expires):** essential to the use or purpose of the article or if it affects the cost or quality of the article🡪 putting competitors at significant non-reputation-related disadvantage (*Inwood Labs*)
   1. *Kellogg*: pillow-shaped wheat biscuit post-patent)
4. **Europe**: requires visual depiction (some national TM offices may register smell, just not ECJ level)
   1. ***Ralf Sieckmann v. Deutches Patent*:** ECJ approved smell mark
5. ***Qualitex Co. v. Jacobson* (1995):** Qualitex sought TM registration for color of green-gold dry cleaning pads in 1991 - use since 1950s; Jacobson (rival) began to sell it too in 1989
   1. Holding: no special legal rule prevents color alone from serving as TM
   2. Considerations: color scarcity? Aesthetic value may be function (RST 3d)
6. ***In re Organon* (TTAB 2006):** affirms PTO examining attorney’s refusal to register ‘an orange flavor’ as TM for quick-dissolving antidepressants
   1. Not distinctive of source = failure to function as mark + Functional purpose
   2. Taste cannot be tasted in advance
7. ***In re Clark* (TTAB):** high-impact plumeria scent in embroidery thread; only person to produce thread with scent; claims inherently distinctive + secondary meaning 🡪 wants TM particular scent and leave others free to use other scents; PTO says scents are inherently unregistrable when arbitrary and non-utilitarian
   1. **TTAB Holding:** Scented fragrance DOES function as TM for thread and embroidery yarn 🡪 (1) emphasized scent in ads; (2) prima facie case of distinctiveness
      1. Focused on acquired distinctiveness and not inherent distinctiveness
   2. **TAKEAWAY:** There is NO ontological bar (*Qualitex*), so something need only distinguish source and be non-functional (which it is here)
   3. **Note:** Very few marks ACTUALLY registered on *Clark* grounds
8. **TMEP §§ 1202.13-1202.15**
   1. **Scent**
      1. Perfume and air freshener 🡪 functional, utilitarian purpose
      2. May be registered under §2(f) 🡪 can NEVER be inherently distinctive
      3. Substantial evidence required to establish that the scent functions as a mark
   2. **Flavor**
      1. NEVER inherently distinctive 🡪 would require SUBSTANTIAL showing of acquired distinctiveness
      2. Board has observed that it is unclear how flavor can function as source indicator because flavor or taste generally performs a utilitarian function 🡪 consumers have no access to product’s flavor prior to taste to purchase
   3. **Hologram**
      1. Must show that it’s being used as a mark and is perceived as mark; 2+ views 🡪 should be denied on grounds that seeking to register more than 1 mark
   4. **Sound**
      1. Must create in hearer’s mind an association with goods / services
      2. Must be unique, different or distinctive sound, not commonplace sound that listeners are accustomed to
      3. Sound marks for goods that make a sound in normal course of their operation must show secondary meaning

**B. Distinctiveness**

1. **Spectrum of Distinctiveness - Overview**
   1. **Inherently Distinctive**: immediately capable of identifying a unique product source, rights to mark determined solely by priority of use
      1. **Arbitrary**
      2. **Fanciful**
      3. **Suggestive Marks**
   2. **Secondary Meaning**: buyers need not know i*dentity* of source, only that product or service comes from a *single* source
      1. **Descriptive**
         1. Secondary functions as the TM “fair use” doctrine; fact-specific, relies on reactions of consumers to the mark, tested with surveys
      2. **Geographic**
         1. Balance merchant’s interest in accurately describing location against interest of senior users and consumer 🡪 junior user must confine / adapt geographical usage to avoid likelihood of confusion
      3. **Personal Name**
         1. May require junior user to issue negative disclaimer; *See*, Basile (DC Cir. 1990); *Gucci* (SDNY 1988)
2. ***Abercrombie & Fitch Co. v. Hunting World, Inc.* (2d Cir 1976):** 
   1. Π + ∆ both have clothing lines with label “Safari,” Π sues for infringement
   2. Holding: Term “Safari” as related to clothing is GENERIC and as related to boots is MERELY DESCRIPTIVE 🡪 Complaint Dismissed



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| --- | --- | --- | --- | --- | --- | --- |
|  | **Ineligible for Protection** | | **Eligible for Protection** | | | |
| **Type** | **Generic** | **Descriptive – No 2nd Meaning** | **Descriptive + 2nd Meaning** | **Suggestive**  **I.D.** | **Arbitrary I.D.** | **Fanciful I.D.** |
| **Description** | Names the Good | Describes something about the product | Describes the product + ID developed as source | Suggests but does not describe; link b/w term + product | Real words unrelated to product itself | Made-up words |
| **Example** | Lite Beer | Internet Profit Co. | American Airlines | Coppertone | Apple or Camel | Acela |
| **Distinctiveness** | None | None | Acquired Less | Inherent Very | Inherent | Inherent |
| **Strength** | N/A | N/A | Less Strong | Very Strong | Very Strong | Strongest |

* 1. Registration: Registration creates a PRESUMPTION OF VALIDITY
     1. Arbitrary, Fanciful, and suggestive marks CAN be registered
     2. Descriptive marks CAN be registered upon a showing of “secondary meaning” (acquired distinctiveness)
  2. CIRCUIT APPLICATION: *Abercrombie* Spectrum is used by ALL circuits
     1. But less influential when it comes to scope
  3. NOTES:
     1. Advantages of inherent distinctiveness
        1. Easier registration (no need to show secondary meaning)
        2. Scope (infringement side): strength is af actor in analysis
     2. Always analyze in terms of consumer thoughts
     3. Importance is more between inherent/acquired or not, rather than within each

1. **Inherent v. Acquired Distinctiveness – Restatement 3d of Unfair Competition:** 
   1. A mark is inherently distinctive because of nature of designation and the context, prospective purchasers are likely to see it as a designation that identifies goods or services produced or sponsored by a particular person, even if source is unknown
      1. A mark that has acquired distinctiveness has become distinctive thru use because purchases have come to perceive it as a designation that IDs goods/services
2. **TMEP §1209.03 – Determining if Mark is Descriptive (rather than suggestive/arbitrary)**
   1. 1209.03(a) – Third-Party Registrations: each case must stand on own merits, not conclusive
   2. 1209.03(b) – No Dictionary Listing: term has well understood/recognized meaning
      1. *In re Orleans Wines* (TTAB 1977): “Breadspred” merely descriptive of jellies + jams
   3. 1209.03(c) – First or Only User: does not justify registration if term is merely descriptive even if first/only user
   4. 1209.03(d) – Combined Terms: two descriptive terms combined; ask whether combination of terms evokes new/unique commercial impression or if it itself is descriptive
      1. *In re Oppendahl* (Fed Cir 2004): “Patents.com” merely descriptive of computer software for managing database of records/tracking records on Internet
   5. 1209.03(e) – More than One Meaning: descriptiveness must be determined in relation to goods/services for which registration is sought
      1. E.g., *In re Chopper Industries*
   6. 1209.03(f) – Picture or Illustration: not if merely illustration of goods or article important feature / characteristic of goods/services
   7. 1209.03(g) – Foreign Equivalents/Dead or Obscure Languages: foreign equivalent of merely descriptive English word no more registrable than English word itself; dead languages on case-by-case basis if translation doesn’t make sense since non-identifiable
   8. 1209.03(h) – Incongruity: arbitrary/incongruous combination of English + foreign language registrable
      1. E.g., *In re Johanna Farms* (TTAB 1988): *La Yogurt* for yogurt
   9. 1209.03(i) – Intended Users: merely descriptive if just IDs group for whom intended
      1. E.g., *In re Planatlytics* (TTAB 2004): GASBUYER merely descriptive for gas buyers
   10. 1209.03(j) – Phonetic Equivalent: merely descriptive if just slight misspelling
   11. 1209.03(k) – Laudatory Terms: merely descriptive if just attribute quality/excellence
   12. 1209.03(l) – Telephone Numbers: number + word = rejected under §2(e)(1)
   13. 1209.03(m) – Domain Names: must function as ID of source of goods/services
   14. 1209.03(n) – America / American: if in phrase/slogan, look if merely descriptive as laudatory or incapable
   15. 1209.03(o) – National / International: merely descriptive of services
   16. 1209.03(p) – Function / Purpose: merely descriptive §2(e)(1)
3. **Strange Marks**
   1. **Surnames:** Mostly arbitrary, but require a showing of secondary meaning (Lanham §2(f) / TMEP §1211)
      1. TTAB Test
         1. Whether surname is rare
         2. Whether term is surname of anyone connected with applicant
         3. Whether term has recognized meaning other than surname
         4. Whether it has the ‘look and feel’ of surname
         5. Whether stylization of lettering is distinctive enough to create separate commercial impression
      2. But see, *Peacable Planet v. TY* (7th Cir. 2004): treating the personal name rule as a prohibition against ever using a personal name as a TM absent secondary meaning would lead to ABSURD results; good reason to press rule to logical limits
   2. **Foreign Words – Doctrine of Foreign Equivalents:** if easily recognizable foreign terms, translate to English equivalent and then analyze THAT translation under Abercrombie (*TMEP §1207(b)(vi))*
      1. E.g., *In re Optical Int’l* (1977): “Optique” is merely descriptive
      2. E.g., *Oriental Daily News* (1986): Conclusion that Chinese characters SHOULD be translated to English because sufficient number of Mandarin speakers (BB – stretch)
      3. E.g., *In re Tokutake Ind.* (2008): Japanese characters translated 🡪 outer bounds
   3. **Acronyms:** Generally, acronym or initialism CANNOT be considered descriptive unless the wording it stands for is merely descriptive of goods/service, AND acronym/initialism is readily understood by relevant purchasers to be ‘substantially synonymous’ with merely descriptive wording it represents
      1. E.g., *Intel Corp v. Radiation* (TTAB 1984): ROM is generic because conveys same meaning to listener as “read-only memory”
4. **Notes**
   1. iPhone: PTO decided it had secondary meaning even before it was used because of family of marks 🡪 family of marks so strong that it had instant secondary meaning
   2. Advantage of Suggestive/Arbitrary/Fanciful
      1. Don’t have burden of showing secondary meaning; stronger mark for likelihood of confusion (LOC) test
      2. Some judges say descriptive marks can’t receive dilution protection regardless of how famous 🡪 2d Cir. 1995, but unclear if this happened in 2006 law
   3. May see what section TM is registered under with PTO, e.g., 2(f) = descriptive + 2nd meaning

**C. Descriptiveness + Secondary Meaning – Detailed**

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| --- |
| **Lanham §2(e)(1)/§1052(e)(1):** Forbids registration of mark which is MERELY descriptive |
| **Lanham §2(f)/§1052(f):** If applicant can show mark used for 5-yrs exclusively, and it is inherently distinctive (secondary meaning), then it can be registered |

1. *Ralston Purina Co. v. Thomas J. Lipton, Inc* . (SDNY 1972): To establish secondary meaning, it must be shown that the primary significance of the term in the minds of the consuming public is not the product but the producer
   1. May be an anonymous producer 🡪 consumers often buy goods without knowing the personal ID or actual name of the manufacturer (*AJ Canfield v. Honickman* (3d Cir. 1986))
2. Three Basic Types of Evidence may be used to establish Acquired Distinctiveness under §2(f):
   1. A claim of ownership of one or more prior registrations on the Principal Register of the same mark for goods or services that are the same as or related to those named in the pending application
   2. A statement verified by the applicant that the mark has become distinctive of the applicant's goods or services by reason of substantially exclusive and continuous use in commerce by the applicant for the five years before the date when the claim of distinctiveness is made
   3. Actual evidence of acquired distinctiveness
3. ***Zatarains, Inc. v. Oak Grove Smokehouse, Inc.* (5th Cir. 1983): Secondary Meaning Factors**
   1. **Facts:** Π sold prouct under name “Fish Fri” and claimed infringement against competitors who used term “Fish Fry” to describe their product
   2. **Holding:** “Fish Fri” is DESCRIPTIVE, but it HAS developed SECONDARY MEANING
      1. But! “Chick Fri” is merely descriptive
   3. **TAKEAWAY: Most important – Factors for Finding Secondary Meaning (TMEP §1212.06)**
      1. **FIRST, how a court determines whether Descriptive or Suggestive/Arbitrary:** whenever word/phrase conveys an immediate idea of qualities, characteristics, effect, purpose or ingredients of a product or service 🡪 descriptive
         1. Dictionary Definition: in English language if debated
         2. Imagination Test: does the term ‘require imagination, thought, and perception?’
            1. E.g., suggestive term requires consumer to imagine conclusion as to the nature of the goods/services
         3. Competitive Need: would competitors find term useful to describe their similar products?
         4. Third-Party Uses: an in-practice examination of competitive need
      2. **SECOND, if descriptive, how to decide whether it has SECONDARY MEANING, factors:**
         1. Amount and Manner of Advertising: how much they have been exposed can influence
         2. Volume of Sale
         3. Length and Manner of Use: longer time, exclusive use, volume of sales, media use
         4. Survey Evidence: may strike against, but if not can be the ‘most direct and persuasive way of establishing’
         5. Additional Restatement Factors:
            1. Testimony from individual consumers
            2. Proof of actual consumer confusion
            3. Physical manner in which used
            4. Intentional copying
   4. NOTES on the Factors
      1. Unknown how much each factor weighs comparatively, other than surveys
      2. Read “Fri” as “Fry” 🡪 about consumer perception, same rationale as foreign equivalents; *see also*, 1209.03(j) – phonetic with slight misspelling
4. ***In re Oppedahl & Larson, LLP* (Fed. Cir. 2004): Anti-dissection rule**
   1. **Facts:** Efforts to register ‘patents.com’ as trademark
   2. **Holding:** Whole is actually MORE descriptive than separate 🡪 no protection
   3. **TAKEAWAY:** Anti-dissection Rule 🡪 can’t chop a mark into pieces, must analyze it as a whole; combination of two will not make it non-descriptive (*TMEP §1209.3(d)*):
      1. TLDs (**.**com, .net, .org, etc.) 🡪 don’t hold meaning
         1. Compare to Corp., Co., Inc., and similar designations 🡪 TLDs give more information (type of association with internet)
         2. But! BB says ridiculous to think .com has no ID significance; e.g., “Half.com” never identified as “Half”
      2. Patents alone 🡪 descriptive
      3. As a whole 🡪 even more descriptive as the sum of its parts
5. *Adray v. Adray-Mart* (9th Cir. 1996): geographic issues related to secondary meaning; rival operators of electronics stores in Southern Cal., Adry-Mart was expanding from LA to Adray’s turf in Orange County 🡪 no national secondary meaning, no bad faith; overlap of sales/ads in areas, so likely neither had secondary meaning
   1. *C.f., Fuddruckers, Inc. v. Doc’s BR Others* (9th Cir. 1987): ∆s (Doc’s) negotiated with Fuddruckers franchise, but fell through 🡪 Fuddruckers announces expansion to AZ, Doc’s opened restaurant with same trade dress 🡪 trade dress not inherently distinctive, so Π required to how secondary meaning, but didn’t have to show it in AZ because nationwide
6. Second Circuit – “NY Rule”: Π doesn’t have to prove secondary meaning if intentional deception/ copying can be demonstrated

**D. Generic Terms**

1. **Never registrable + Can’t be saved with Secondary Meaning:** not distinctive of source
   1. Generic term indicates what *type* or *category* a product belongs to, rather than indicating the producer or other source of product 🡪 “tells buyer what is, not where it come from” (McCarthy Treatise 1992/1996)
      1. Product Configuration and Trade Dress may also be generic (though most often word marks) 🡪 grape leaves on wine bottle are generic (*Kendall-Jackson Winery*)
   2. **Primary Significance Test in *Filipino Yellow Pages* (below)**
   3. Birth + Death
      1. Born Generic (refused PTO registration) 🡪 Never becomes distinctive
         1. *Rudolph Int’l v. Realys* (9th Cir. 2007): rejected ‘disinfectable’ for nail files
      2. Born Distinctive 🡪 “Genericide” becomes generic with use
         1. *Donald Duncan, Inc. v. Royal Tops, Mfg.*: “yo-yo” generic in minds of public, and Π itself did much to educate the public in this respect
         2. But!! May be saved from becoming generic or return from the dead
            1. E.g., Singer was used as generic for sewing machines, but saved; Firestone for rubber, and Thermos (maybe)
         3. Tension: be powerful, but not so powerful that you become generic!
   4. Resisting Genericide
      1. Advisable to use TM along with generic description of goods to preserve the TM
      2. Dilution cases may be used to prevent TMs from becoming generic
      3. Pressure on dictionary publishers
      4. Advertising
      5. Policing: cease/desist letters; statements of usage
   5. At Risk of Genericide
      1. “App Store” – Apple fighting Amazon 🡪 sought preliminary injunction
         1. But, Steve Jobs quoted using “AppStore” generically
      2. “Google” – Google is fighting the verb of web searching 🡪 permissions page
      3. “Botox” – just not “Botox” without the ®
      4. “Xerox” – “there are two R’s in Xerox”
      5. “Windows” – *Windows v. Lindows*: case settled, but Windows paid $20M for Lynix OS to stop using Lindows logo for shell software
   6. Alternative Theories to Consider
      1. Second Circuit 🡪 suggested that even generic marks are entitled to protection against some forms of unfair competition
         1. *Genesee Brewing v. Stroh Brewing* (2d Cir. 1997): Π’s “Honey Brown Ale” mark is generic, but ∆ may be liable if it idd not use “every reasonable means to prevent confusion”
      2. Stephen Carter: desirability of “just compensation” being paid for a “taking” when court declares TM generic because destroys right built up in considerable investment🡪 private property expropriated by public
      3. Rochelle Dreyfuss: questions whether TM doctrine has kept-up with developments in pop culture 🡪 extend traditional concepts of genericness to encompass realm of expressive (as opposed to commercial / “competitive”) uses of TMs
         1. TMs serve more expressive role in addition to original function of IDing source for commercial product 🡪 used as taglines in conversation without attempt to ID source; e.g., Barbie, cultural saturation
      4. Cyberspace: generic term + suffix (.com) 🡪 domain names can begin with descriptive terms and build source ID and goodwill overtime
      5. Network Externalities: users benefit from fact that others use the network 🡪 success of the TM results from *collective labor* of users, not just creator
2. ***Filipino Yellow Pages v. Asian Journal Publications* (9th Cir. 1999):**
   1. **Facts:** FYP charged infringement against AJP for “Filipino Consumer Yellow Pages” to describe their directory
   2. **Holding:** Because mark was not registered, burden on Π to DISPROVE genericness, which it did not 🡪 Complaint dismissed
   3. **TAKEAWAY: Generic 🡪 PRIMARY SIGNIFICANCE TEST**
      1. **Who are you v. What are you Test**
         1. **Idea**: How the term is understood by the consuming public 🡪 “if the primary significance of the TM is to describe the TYPE OF PRODUCT rather than the PRODUCER, the TM is generic”
         2. **Factors for Test**:
            1. Use by Π as generic terms
            2. Unchallenged Third-Party Generic uses (even in different region)
            3. Unchallenged generic uses by the Media (try cease/desist letter)
   4. **TAKEAWAY 2: Burdens of Proof**
      1. If NOT registered, BOP falls on Π to DISPROVE genericness
      2. If REGISTERED, BOP on ∆ to show generic
      3. Evidence of genericness is ick compared to *Mil-Mar,* but BOP decides
   5. **TAKEAWAY 3: Anti-Dissection Rule Advanced**
      1. *SurgiCenters* case REJECTED 🡪 combination of 2 generic terms is not automatically generic and should be analyzed as a whole (“holistic approach”) (D. Ct. misapplied)
         1. *SurgiCenters*: deviation from normal uses in generic + generic phrase or unusual, unitary combination may trigger finding of not generic
      2. BB: Court breaks anti-dissection rule ALL THE TIME 🡪 not very strong
3. ***Mil-Mar Shoe Co. v. Shonac Corp.* (7th Cir. 1996)**
   1. **Facts:** Π “Warehouse Shoes” sued for PI against ∆ “DSW Shoe Warehouse” claiming infringement on term ‘warehouse’ – said it was descriptive + secondary meaning
   2. **Holding:** In retail context, term “warehouse” is GENERIC
   3. **TAKEAWAY:** Another application of **PRIMARY SIGNIFICANCE Test**
      1. Generic if primary significance of the term is to describe the TYPE OF PRODUCT rather than the particular producer
         1. Significant use by competitors denotes mere descriptiveness
         2. Not being a primary definition in dictionary does not imply secondary meaning (e.g., “Light” v. “Lite” are generic for beer)
         3. Look to common usage of term, not whether it’s the most common use of the term
4. ***Murphy Door Bed v. Interior Sleep Systems* (2d Cir. 1989):**
   1. **Facts:** Murphy originated term “Murphy bed” for a pivot bed, others called it disappearing/ concealed/wall beds. PTO denied registration in 1981 because became generic; defendants entered into agreement with Murphy Co. to be exclusive distributor in FL and stop using term generically; after PTO decision, ∆s formed corp. with term in name 🡪 sued
   2. **Holding:** “Murphy bed” is generic term, having been appropriated by the public to designate generally a type of bed 🡪 ∆s couldn’t infringe on Π’s TM
      1. When public is said to have expropriated a term established by developer, burden is on ∆ to prove genericness
      2. Generally, burden on Π to show unregistered mark is not generic
   3. **Learned Hand:** aspirin generic because so adopted by public as to become generic
   4. **TAKEAWAY - Factors:**
      1. PTO/TTAB afforded great wight
      2. Dictionaries have “Murphy bed” defined 🡪 reflect general public’s perception
      3. Newspapers/magazine usage
      4. Policing of Mark 🡪 convinced lower court to side with Π, but not Circuit
5. ***Pilates, Inc. v. Current Concepts, Inc.* (SDNY 2000): How a court decides GENERIC v. DESCRIPTIVE?**
   1. **Holding:** Pilates is undoubtedly generic
   2. **TAKEAWAY:** Gives factors for when generic v. descriptive
      1. Dictionary definitions
      2. Generic use by competitors
      3. Π’s own generic use
      4. Generic use by media
      5. **Consumer surveys, forms:**
         1. *Thermos Survey*: asks respondent how s/he would ask for the product at issue 🡪 if respendents generally use the brand name (“Thermos”) rather than product category name (“Vacuum Bottle”), survey evidence brand name has become generic
         2. *Teflon Survey*: Gives short course in generic v. descriptive 🡪 survey runs participant thorugh a number of terms asking whether they are common names or brands (a little more authority than Thermos because can see if the rest make sense)
      6. **Competitor need for term (not mentioned in case!)**
         1. *Kellogg v. Nat’l Biscuit* (1938, Brandeis): elements of functionality and descriptiveness / secondary meaning; “shredded wheat” must show primary significance in consuming public 🡪 failed, so only right to have ∆ take reasonable care to inform the public of source of its product
6. **SUMMARY OF CHOOSING WHICH ABERCROMBIE SPOT YOU ARE AT**
   1. ***Pilates + Zatarains*:** Generic?-Descriptive?-Suggestive?
      1. ***Pilates*: When is something GENERIC v. DESCRIPTIVE?**
         1. Dictionary definitions
         2. Generic use by competitors
         3. Π’s own generic use
         4. Generic use in media
         5. Consumer surveys
      2. ***Zatarains*: When is something DESCRIPTIVE v. SUGGESTIVE/ARBITRARY**
         1. Dictionary Definition
         2. Imagination Test
         3. Competitive Need
         4. Third-Party Uses

**E. Distinctiveness of Nonverbal Identifiers: Logos, Packages, Product Design, & Colors**

1. **Main Question** 🡪 Can we analyze graphic marks under the Abercrombie spectrum, or do we need some other standard?
2. **Different Tests; Different Standards?**
   1. ***Star Indus., Inc. v. Baccardi & Co.* (2d Cir. 2005)**
      1. **Facts:** PTO denied registration of “Georgi O” then Star tried to register just stylized “O” 🡪 protectable, but no LOC with Bacardi
         1. Star relies on inherent distinctiveness
      2. **Holding**: O-Design satisfied inherently-distinctive analysis; however, protection mark is THIN and therefore limited protection
      3. **TAKEAWAY: Stylized shapes or letters may qualify as marks if the design is unique or unusual**
   2. ***Seabrook Foods v. Bar-Well* (1977): Seabrook factors as an ALTERNATIVE to Abercrombie spectrum (Inherently Distinctive)!**
      1. **Facts:** Vine/leaf design with “Seabrook” and “Arctic Gardens” inside
      2. **Holding:** Seabrook Farms logo IS distinctive
      3. **TAKEAWAY: Established factors for INHERENTLY DISTINCTIVE graphic marks! (compared to Abercrombie categories for non-graphic marks!)**
         1. Whether design is a “common” basic shape or design
         2. Unique or unusual in a particular field
         3. Mere refinement of a commonly adopted and well-known form of ornamentation for the goods
         4. Capable of creating a commercial impression distinct from the accompanying words
      4. Used only for **product packaging** (*Wal-Mart v. Samara Bros.* – design/configuration can never be inherently distinctive)
      5. **Note**: can receive protection for a font, even if a generic term – exclusive right to use generic term in a particular font
   3. **Second Circuit 🡪 Insists that they use Abercrombie test for image and designs, BUT! Seabrook Factors keep slipping in**
      1. Not explicitly used by 2nd Circuit, but they will consider them and then come to conclusion that the trade dress fits somewhere on the Abercrombie Spectrum
      2. ***Fun-Damental Too, Ltd. V. Gemmy Industries Corp.* (2d Cir. 1997):** “We see no reason to abandon Abercrombie distinctiveness spectrum in this case.”
      3. ***Nora Beverages, Inc. v. Perrier Group of America, Inc.* (2d Cir. 1998):** Applying word-mark spectrum to packaging trade dress
      4. **But, compare: *Landscape Forms, Inc. v. Columbia Cascade* (2d Cir. 1997):** “We are not so confident [as the Fun-Damental court] that the Abercrombie analysis is more naturally fit for direct application to product packaging case than configuration cases.”
      5. ***Amazing Spaces v. Metro Mini Storage* (2d Cir. 2010):** Π alleged infringement of a star design that Π claimed as a service mark 🡪 SJ for ∆ aff’d in part where:
         1. Many similar/identical 5-pointed stars, raised and set in circles 🡪 no reasonable jury could find that the star symbol was even a mere refinement of this commonly adopted and well-known form of ornamentation; and
         2. Π failed to raise a fact issue of secondary meaning wrt the symbol 🡪 judgment is rev’d in part so Π can introduce trade dress claims evidence
3. **Three Supreme Court Cases Describing Product Configuration**

**Samara Bros - 2000**

**Qualitex  
1995**

**Two Pesos  
1992**

Packaging can be ID but design/config always requires secondary meaning

Color can be TM but can’t be inherently distinctive – need secondary meaning

Trade Dress can be inherently distinctive

1. **Expanding the Types of Nonverbal Marks**
   1. ***Two Pesos, Inc. v. Taco Cabana, Inc.* (SCOTUS 1992)**
      1. **Facts:** Taco Cabana adopted a unique trade dress for restaurants and charged infringement against Two Pesos
      2. **TAKEAWAY:** **Trade dress CAN be inherently distinctive without secondary meaning**
         1. “An identifying mark is distinctive and capable of protection if either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning.”
            1. Even when mark is unregistered
         2. **Does NOT limit it to product packaging/design distinction**
            1. Trademark and Trade Dress serve same purpose 🡪 Same Analysis with Abercrombie spectrum, may have inherent distinctiveness in trade dress
            2. Pullback: Later pulled-back by *Samara* 🡪 case went too far; doesn’t make sense with old ideas where primary meaning of TD is decoration + secondary meaning is to point to the source

***Do the Hustle v. Rogovich* (SDNY 2003):** decade-themed bar, Π wants to define as broadly as possible, ∆ as narrowly as possible 🡪 Evaluates under Abercrombie and finds no good evidence of inherent distinctiveness and not enough use to develop secondary meaning

* + 1. **Rationales:**
       1. Policy 🡪 Court worried about protection of small business
          1. INCENTIVE: “Adding a secondary meaning requirement could have anticompetitive effects.” 🡪 requiring secondary meaning might be anticompetitive allowing competition to appropriate originator’s dress in other markets and deter originator from expanding
          2. MORAL: protect against intentional copying
          3. PUBLICITY RIGHTS (Posner): existence of congestion externality provides argument that rights of publicity should be perpetual and inheritable 🡪 form of information/expression less valuable in public domain
       2. Doctrinal 🡪 Court notes expansiveness of subject matter included in §43(a) protection
          1. Justice Stevens notes how §43(a) has morphed over the years 🡪 not objection, but wants to point it out
          2. “There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under §43(a).”
    2. **Aftermath 🡪 *Toys Mfrs. Of America . Helmsley-Spear* (SDNY1997):** holding Π’s “unique” registration process, forms, and location of toy fair (taken together) constituted protectable trade dress which the ∆s had infringed
  1. ***Qualitex Co. v. Jacobson Products Co., Inc.* (SCOTUS 1995)**
     1. **Facts:** Green-gold dry cleaning pads
     2. **Holding:** Not inherently distinctive, but did show secondary meaning
     3. **TAKEAWAY:** Ontological things (color, shape, fragrance, sign) CAN be protectable, but MUST show secondary meaning because they are never inherently distinctive
        1. An allowance, but a pullback
           1. Allow: protection for ontological things generally
           2. Pullback: cannot go as far as inherent distinctivenss 🡪 must show secondary meaning for colors, etc.!

DO NOT do inherently distinctive test for this!! (from *Seabrook / Abercrombie*)

Rather 🡪 DO apply secondary meaning factors from ***Yankee/ Zatarains***

* + 1. **Rationale (Similar to *Two Pesos*):** Lanham §45 defined what can be used as a mark very broadly, so color included
       1. **Rationale for limiting:** color may be a form of functionality; high bar for things like color that can be functional!
    2. **TMEP §1202.05 – Color As Mark:**
       1. Color marks are never inherently distinctive, and can’t be registered without showing of acquired distinctiveness under §2(f) (*Samara Bros.*)
       2. Color can function as a mark if it is used in manner of TM / service mark and if it is perceived by the purchasing public to ID / distinguish goods or servies on or in connection with which it is used and to indicate their source
       3. Functional color marks are not registrable, e.g., yellow or orange for safety signs, black to make something look smaller, colors needed for color coding, even something like color coral for earplugs functional because visible during safety checks
          1. May be functional if (1) cheaper to make; (2) aesthetic functionality if evidence indicates color at issue provides specific competitive advantages that, while not necessarily categories as purely ‘utiltitarian’ in nature, nevertheless dictate what color remains in public domain

1. **The Design/Packaging Distinction**
   1. ***Wal-Mart Stores, Inc. v. Samara Bros., Inc.* (SCOTUS 2000)**
      1. **Issue:** What must be shown to establish that a product’s design is inherently distinctive for purposes of Lanham Act trade-dress protection (of unregistered TD)
      2. **Holding:** In action for infringement of unregistered TD under §43(a), a product’s deign is distinctive, and therefore protectable, only upon a showing of secondary meaning
      3. **TAKEAWAY1: Product-packaging TD CAN be inherently distinctive, BUT! Product configuration TD CANNOT be inherently distinctive!**
         1. If product design/configuration 🡪 MUST show secondary meaning (*Zatarains / Yankee*)
         2. If product packaging 🡪 Test for inherent distinctive (*Seabrook / Ambercrombie*)
         3. SCOTUS pulls back on *Two Pesos* (limits holding to packaging!)
            1. Only TRULY inherently distinctive nonverbal marks are inherently distinctive
         4. Critiques:
            1. (1) just about everything today in post-industrial world part of design
            2. (2) Tertium quid: there is something between the 2 (design / packaging)
      4. **TAKEAWAY 2:** Assume product **DESIGN/CONFIGURATION** if it’s unclear!! A presumption for making them show secondary meaning - cautious
      5. **Rationale:**
         1. Packaging and word marks have purpose of identifying source / telling customers that they refer to a brand /source
         2. Product Design – no consumer predisposition to equate design feature with source or see as indication of source
            1. Design intended not to identify source but to make the product itself more appealing
         3. Application of inherently distinctive test in product design cases could deprive consumers of “the benefits of competition with regard to the utilitarian and aesthetic purposes that product design ordinarily serves”
      6. *Rock and Roll Hall of Fame & Museum v. Gentile Productions* (6th Cir. 1998): photographer took photos of Museum’s building with Cleveland skyline; rev’d D. Ct. and found the building is not TD 🡪 design is fanciful but not in TM sense, doesn’t function as TM and not recognized by public as such, owner’s inconsistent use of design as source-ID function
      7. *Herman Miller v. Palazetti Imports/Exports* (6th Cir. 2001): genuine issue of material fact as to whether lounge chair and ottoman had acquired secondary meaning
         1. *BUT! McNeil Nutrition v. Heartland Sweeteners* (EDPA 2008): yellow packaging of Splenda sugar substitute was arbitrary and thus inherently distinctive
      8. *Baker v. Selden* (SCOTUS): foreclosed competition under copyright law for acconting systems 🡪 high burden for establishing a product feature or configuration that has been the subject of utility patent can ever qualify for TD protection (*See TrafFix*)
      9. *Fashion Originators Guild v. FTC* (2d 1940, Hand): clothes, useful articles, are not copyrightable
   2. **TMEP §1202.02(b)**
      1. Regardless of whether mark is functional, must also determine whether it’s distinctive 🡪 use *Samara Bros.* distinction and use *Seabrook* factors to determine if packaging is inherently distinctive
2. **Trade Dress Protection After Wal-Mart**
   1. ***In re Slokevage* (Fed. Cir. 2006): Further defining what is configuration**
      1. **Facts:** “flash dare” jeans – crazy designs on back pockets
      2. **Holding:** Mark is part of the product 🡪 CONFIGURATION! Secondary meaning is required. (BB thinks packaging argument used is ridiculous)
         1. Argument that consumers recognize the butt pockets as identifying the source of the garment and her designs are more akin to a label being placed on garment, but court disagrees 🡪 design incorporated into garment itself
      3. **TAKEAWAY:** If it has a utilitarian or aesthetically functional purpose, it is PRODUCT CONFIGURATION and requires showing of secondary meaning!
   2. ***In re Chippendales*: The Tertium Quid problem**
      1. **Facts:** Bowtie and cuffs
      2. **TAKEAWAY:** If you are selling something, there is design and packaging. Whether it is distinctive of the source is the only question.
   3. ***Yankee Candle Co., Inc. v. Bridgewater Candle Co.* (1st Cir. 2001)**
      1. **Facts:** YC display system has shelves, store layout, and most centrally – jars + labels 🡪 “total look and feel” (alternatively, claims only in the labels)
      2. **Holding:** Court finds no inherent distinctiveness NOR secondary meaning evidence
      3. **TAKEAWAY:** Applying *Samara*, where TD rests somewhere between product packaging and design 🡪 we assume design!
         1. Configuration is design/configuration 🡪 needs secondary meaning
         2. Unlike *Two Pesos*, not the whole store, but particular elements YC points out
      4. **Product Configuration v. Packaging Analysis:**
         1. Bridgewater: this is configuration because they relate to non-reputation value
         2. Yankee: this is packaging – paying for the experience, not the candle
         3. Court: this falls somewhere between product packaging and configuration; assumed configuration (under Samara Brothers) and conducted test for secondary meaning
      5. **Factors for Finding SECONDARY MEANING (use with *Zatarains* Factors)**
         1. \*\*\*NOTE: Secondary meaning requires STRONG EVIDENTIARY SHOWING
            1. Court Cites *Seabrook* (Citing *Chippendales*):

Whether design is a “common” basic shape or design

Unique or unusual in a particular field

Mere refinement of a commonly adopted and well-known form of ornamentation for the goods

Capable of creating a commercial impression distinct from the accompanying words

* + - 1. Consumer surveys/testimony of actual consumers
      2. Circumstantial evidence: length/manner of use, nature/extent of advertising
         1. NOTE: ads should feature elements claiming as TD!
      3. Indication that consumers associate TD with source
    1. Labels are packaging, but don’t’ rise to level of inherently distinctive under Abercrombie 🡪 court found it appropriate to supplement bare-boned Abercrombie categories with *Seabrook* Factors
       1. “While particular combination of common features may indeed be arbitrary, we do not think any reasonable juror could conclude that these elements are so unique and unusual that they are source-indicative in absence of secondary meaning.”
    2. No Secondary Meaning 🡪 Π points to ∆’s copying as evidence of secondary meaning, but court says this may be the copier exploiting desirable feature that than seeking to confuse as to the source 🡪 bad intent is to pass off, not just copy

1. **RECAP: Tests for Protectability of Trade Dress**
   1. (1) Product Packaging or Configuration?
      1. What is the product?
      2. Does the claimed TD come off before you use the product (packaging) or is it part of the product itself (configuration)?
   2. (2)(a) Product Packaging: Is it inherently distinctive?
      1. Second Circuit: after considering *Seabrook* factors, put it somewhere on Abercrombie spectrum
      2. If not inherently distinctive, then need secondary meaning
   3. (2)(b) Product Configuration: Secondary meaning is needed, is it there?
      1. Same analysis for color
   4. (3) Functionality can defeat finding of distinctiveness
      1. Utilitarian (*Inwood*)
         1. Purist: Essential to use/purpose of the product?
            1. Effect on cost/quality forcing competitor to design around it?
            2. Non-reputational competitive disadvantage?
         2. Non-Purist: Competitive alternatives?
      2. Aesthetic Functionality
         1. Is this feature necessary for competitors to effectively compete in marketplace?

**F. Functionality**

1. **General**
   1. **Lanham Act 2(e)(5)**: No trademark …shall be refused registration…unless it consists of a mark which comprises **any** matter that, as a whole, is **functional**
   2. A product feature cannot serve as a trademark if it is essential to the use or purpose of the article or if it affects the cost or quality of the article
      1. Regardless of distinctiveness, a mark cannot receive protection if it is functional
      2. Key is determining if it is a **non-reputation related use**
   3. **Rationales**
      1. Stops TM law from allowing a producer to control a useful product feature (patent law)
         1. Would allow for indefinite expansion of patent protections which are time-limited
      2. *TrafFix* shows SCOTUS limiting scope of TM law after expanding it in *Two Pesos* & *Qualitex*
      3. Functionality is a question of fact – consumer perception is not taken into account
   4. **Problem today in determining which test to apply**
      1. **Essential to the use or purpose test** (TrafFix Devices/Inwood) – **SCOTUS/5th cir**.
      2. **Competitive Necessity multi-factor test** (Morton-Norwich) – **Federal Cir**.
      3. **Restatement (3) 17:** Ultimate inquiry simply whether it hinders competition
2. **Statutory Sections**

**Lanham Act, §2(e)(5)**

“No trademark… shall be refused registration … unless it … (e) consists of a mark which, … (5) comprises any matter that, as a whole, is functional.”

* 1. **Goals of functionality doctrine:**
     1. Preserve integrity of patent law
     2. Preserve “effective” competition

**EU Trademark Directive Article 3(1)(e)**

The following shall not be registered: … (e) signs which consist exclusively of:

* (i) The shape which results from the nature of the goods themselves;
* (ii) The shape of goods which is necessary to obtain a technical result;
* (iii) The shape which gives substantial value to the goods;

1. **TMEP §1202.02(a) – Functionality**
   1. Trade dress is functional, and cannot serve as a trademark, if a feature of that trade dress is “essential to the use or purpose of the article or if it affects the cost or quality of the article.” (*Qualitex* – quoting *Inwood*)
2. **Introduction to the Concept of Functionality**
   1. Functionality Overview 🡪 Doctrine is a total mess! Federal courts don’t know which test to employ
      1. SCOTUS is narrowing scope of TM subject matter after expanding in *Dos Pesos* + *Qualitex*
      2. Function = non-reputation related
   2. **Functionality Questions** 
      1. Would protection restrict he right o compete effectively?
      2. Will protection hinder the competitor in competition?
      3. Would protection inhibit competition?
      4. Is the availability of the design “essential to effective completion?
      5. Would protection put competitors at significant non-reputation related disadvantage?
   3. **Utilitarian Functionality**
      1. *Morton-Norwich*: establishes 4 *Morton-Norwich* factors
         1. Most important *Morton-Norwich* factor is 3rd factor (availability of alternative designs)
      2. *Qualitex*: equates *Inwood*’s “essential to use or purpose” with competitive need
      3. *TrafFix Devices*: emphasizes *Inwood*’s “essential to use or purpose” test and minimizes importance of availability of alternative designs (essential = cost/quality)
         1. If a feature is essential, it is functional, even if there are competitive alternatives
         2. If feature is NOT essential, and yet there are no competitive alternatives, it is nevertheless functional (“competitive advantage” test, perhaps)
      4. Circuit Court split after *TrafFix Devices*
         1. *Valu Engineering*: essentially ignores *TrafFix* and returns to *M-N*
         2. *Eppendorf:* seeks to follow *TrafFix* and focuses on “essential to use or purpose test”; if product feature is “essential to use or purpose,” no need to consider whether product feature is a “competitive necessity”
   4. **Aesthetic Functionality**
      1. *Wallace Int’l Silversmiths*: Rejects *Pagliero*’s “important ingredient in commercial success” test, and embraces “availability of alternative designs test”
         1. *Pagliero*: China pattern
      2. *TrafFix Devices*: claims that *Qualitex* was an aesthetic functionality case
         1. In cases of aesthetic functionality, “it is proper to inquire into a ‘signficant non-reputation-related disadvantage” 🡪 Courts should apply the availability of alternative designs / competitive necessity test
   5. **Two Test Summary**
      1. **(1) *Inwood/TrafFix* – “Essential to the Use or Purpose” Test**
         1. How you define the market will in realty affect the outcome
         2. *Inwood*: blind to competitors, looks at product in isolation 🡪 may ignore cost / quality effects because everything effects cost or quality
      2. **(2) Competitive Necessity *Morton-Norwich* Factor Test**
         1. Is there an availability alternative design (3rd Factor)? If so, likely to give protection even for expired patents (caused the problem in *TrafFix*)
3. ***Morton-Norwich Products* (CCPA 1982): Genesis of Functionality Doctrine**
   1. **Facts:** Appellant tried to get registration for its spray bottle (container design)
   2. **Holding:** Spray bottle design NOT DE JURE functional under 4-Factors
      1. **De Jure v. De Facto Functionality**
         1. De Facto 🡪 The actual utilitarian function of the product or design
            1. May be protected as an indication of soruce
         2. De Jure 🡪 functionality as a matter of law (if protecting will impede competition, lack of alternatives, etc.)
            1. May NOT be protected as TM
      2. “Examination into the possibility of TM protection is not to the mere **EXISTENCE** of utility, but to the **DEGREE** of design utility.”
         * 1. Bottle shape has a function that can be performed by a variety of other shapes with no sacrifice to any functional advantage 🡪 not the best or one of few surperior designs available
   3. **TEST: *M-N* Factors to Establish if something has DE JURE FUNCTIONALITY** 
      1. **(1) Existence of expired utility patent**
         1. ***Vornado Air Circulation v. Duracraft Corp* (10th Cir. 1995):** even if alternatives, expired patent will trump all 🡪 dispositive factor
            1. SCOTUS Response in *TrafFix* 🡪 Strong evidence, but NOT dispositive
            2. 10th Circuit Wacky Test: If the asserted TM feature was an important part of patent document, there is a *per se* barto TM regardless of competitive alternatives 🡪 poisoned the well with patent
         2. **Application: *Georgia-Pacific Consumer Products v. Kimberly-Clark Corp:*** GA Pacific seeks patent protection in quilted design (central advance that diamond design was softest bulk + non-nesting) 🡪 enough to find utility
      2. **(2) Utilitarian advantages touted in advertising**
         1. ***In re Gibson Guitar Corp.* (TTAB 2001):** promoted shape as producing better music 🡪 denied protection
         2. ***In re Witco Corp:*** Advertised bottle as providing stability in pouring oil
         3. ***In re Babies Beat* (TTAB 190):** small grasp of baby 🡪 functionality
         4. ***But see, In re Weber-Stephen* (TTAB 1987):** Weber claimed to have made up slogan “round for a reason” for advertising reasons and judge agreed it was MERE PUFFERY to say oblong shape would cause more uniform grilling
      3. **(3)Availability of alternative designs**
         1. **IMPORTANCE: Historically 🡪 leading factor because patents rarely exist**
         2. ***In re Zippo Mfr* (TTAB 1999):** Zippo itself could not tell if another company had made a counterfeit! 🡪 no competitively effective ways for competing lighter market except for Zippo shape, it’s perfect
            1. Zippowent to PTO and showed 1000s of other lighter designs, alternatives appeared, so no longer competitively necessary shape
         3. ***In re American National Can* (TTAB 1997):** ribbed design significantly affected the strength of the can 🡪 does not require the best, design works just as well
      4. **(4) Manufacturing advantages 🡪 does design result from competitively cheap or simple manufacturing method?**
         1. ***Kellogg v. Nabisco*:** pillow design for shredded wheat found to be functional under this factor (also had expired patent)
4. **The Scope of the Functionality Doctrine – Expansion of *M-N to Aesthetics?***
   1. ***Wallace Int’l Silversmiths v. Goldinger Silver Art Co.* (2d 1990):** Baroque silverware
      1. **Holding:** No TM right because aesthetically functional in this market
         1. Use *Inwood* Test: product feature is functional if it is essential to the use / purpose of the article or if it affects the cost/quality of the article
         2. Features are purely ornamental 🡪 aesthetic functionality applies
      2. **TAKEWAY: Turns on how relevant market is characterized 🡪 Functionality CAN apply to aesthetic things as well**
         1. “Though a producer does not lose a design TM just because the public finds it pleasing, there may come a point where the design feature is SO important to the value of the product to consuemrs that continued TM protection wold deprive them of competitive alternative,” (quoting Posner – *WT Rogers*)
      3. Π doesn’t seek protection in precise expression of decorative style but for the basic elements of the style that is part of the public domain (sounds like CR) but if he were able to show secondary meaning in a precise expression of the style, competitors might be excluded from using identical/virtually identical design
      4. **Interesting way market and effective competition defined 🡪** to be able to compete in Baroque market, have to use it, but not just silverware market!
   2. ***Brunswick Corp v. British Seagull* (Fed Cir. 1994):** color black for outboard engines
      1. **Facts:** sought to register black for outboard engines
      2. **Holding:** Functional 🡪 it would impede competition
         1. Board said no, found to be de jure functional because of competitive need 🡪 doesn’t make them function better as engines, but exhibits color compatibility with lots of boat colors and makes motors look smaller
5. **Modern Supreme Court Approach to Functionality**
   1. ***Inwood Labs. v. Ives Labs.* (SCOTUS 1982):** 
      1. **TAKEAWAY:** 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
   2. ***Qualitex Co. v. Jacobson Prods.* (SCOTUS 1995):** 
      1. **TAKEAWAY:** Functional if it is essential to the use or purpose of the article OR if it affects the cost or quality of the article, that is, if use of feature puts competitors at significant non-reputation-related disadvantage
         1. **Expands *Inwood* Idea 🡪** Equates “essential” with “non-reputation-related disadvantage” (later decisions cabin this to aesthetic functionality only)
         2. Basically saying *Inwood* test is THE SAME as *M-N* Factors / competitive advantage test
   3. ***TrafFix Devices, Inc. v. Marketing Displays, Inc.* (SCOTUS 2001):**
      1. **Facts:** MDI had expired utility patent on 2-spring withstand wind design for road signs and TrafFix copied
      2. **Holding:** No infringement because MDI spring design is functional
         1. **Utilitarian Functional** – Look at Design in Isolation: look as a matter of physics or architecture
         2. Trying to push all de facto functionality to de jure 🡪 any purpose that isn’t strictly reputation related is functional
         3. Brings up market/audience question 🡪 who thinks the item is an indicator of source? Highly specialized or average consumer?
      3. **TAKEAWAY 1 – TWO-STEP TEST!!!:** J. Kennedy tries to get rid of the ‘competitive alternative’ branch of *M-N* Test by putting forward a new test because that factor is hard to apply 🡪
         1. **Focus on “essential use or purpose” rather than competitive alternatives!**
            1. **Two-Step Test**: 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,” even if competitive alternatives are available

If a feature is essential, it is functional, even if there are competitive alternatives

Something is essential 🡪 if it affects the COST OR QUALITY of an item

If feature is NOT essential, and yet there are no competitive alternatives, it is nevertheless functional (“competitive advantage” test, perhaps)

* + 1. **TAKEAWAY 2 – Prior Patent:** prior patent is STRONG EVIDENCE of functionality and places a HEAVY BURDEN on Π to show the feature is not functional!
       1. Can show not functional by demonstrating it is merely ornamental, incidental, or arbitrary
       2. Changes ***Vornado* 🡪** an expired patent is no longer dispositive
    2. For unregistered marks, Π has burden of showing non-functional
    3. For federally registered mark, shifts the burden to ∆ 🡪 functionality is a statutory defense to an incontestably registered mark

1. **Post-*TrafFix* Functionality 🡪 CIRCUIT SPLIT**
   1. **FIRST LINE: ValuEngineering Line** (includes *In re Organon* (TTAB-PTO) and *In re Kong Company*) 🡪 have virtually ignored TrafFix decision (except to cite it for the nearly overwhelming significance of expired utility patents) and gone back to *Morton-Norwich* Factors
      1. ***ValuEnginering v. Rexord* (Fed Cir. 2002):** Valu 🡪 conveyor belt rails were configuration 🡪 ISSUE: Whether the design of these things can get TM protection
         1. “The availability of alternative designs can be a legitimate source of evidence to determine if the first instance if a particular feature is in fact ‘functional’
            1. Concerned about COMPETITIVE ALTERNATIVES/ NECESSITY
      2. **Post-*Valu* they apply the OVERALL INWOOD STANDARD and then go to M-N Factors**
         1. **TEST**: If the product feature is essential the use or purpose (or affects cost / quality):
            1. Expired patent?
            2. Utilitarian advantages touted in advertising?
            3. Availability of alternative designs?
            4. Manufacturing advantage?
   2. **SECOND LINE: Eppendorf Line 🡪** applies Inwood formally, but uses Traffix Test
      1. ***Ependorf-Netheler-Hinz v. Ritter GmbH* (5th Cir. 2002):** If you can satisfy Inwood, you do not need to go to the M-N Factors!
         1. **Facts:** Pipette with supporting features; claimed distinctive to Eppendorf, probably identifiable to people in the industry, but fins are supportive feature, so become necessary to the product
         2. **Holding:** The fins are design elements and necessary to the operation f the product.” 🡪 not a ‘competitive necessity’ but necessary to the operation of the product
            1. **Look at this in a vacuum** 🡪 if we removed the features, would it junction just as well? No because product feature performs a function – keep it stable and prevents breakage!!!
         3. Traffix Test 🡪 tries to DISCOUNT competitive alternatives; no real need to consider them
   3. **Second Circuit:** looks like tending toward Eppendorf/TrafFix, but unclear, so generally argue both
      1. **This is unclear, and can’t say for certain**
   4. ***In re the Kong Company, Serial No. 78259826* *(*TTAB 2006) (*Valu*-Line):** dental hygiene dog toy patent expired; went to TM side of PTO asking for exclusive rights to product configuration as their TM
      1. **Holding:** functional 🡪 rejected
         1. (1) expired patent; (2) own website advertises and totes dental advantages; (3) no alternative designs
   5. ***Dippin’ Dots v. Frosty Bites Distribution* (11th Cir. 2004):** microball structure/ configuration is functional; color too is aesthetically functional 🡪 color for flavors correspond with natural association (orange = orange; brown = chocolate; red = strawberry)
   6. ***Eco Mfg v. Honeywell Intern* (7th Cir.):** company showed 30-40 designs to make a thermostat cover because wanted to TM the round 🡪 many competitive alternatives
      1. ***De Facto* functionality is applied!** If it does something other than designate source, then we will not give TM.
      2. Functionality trumps designation of source 🡪 easy to think of 3 ways in which round would be functional (decorative choices, injuries, arthritis)
2. **Aesthetic Functionality (use Eppendorf line)**
   1. M-N factors don’t really work in aesthetic cases. Only the 3rd factor (availability of alternative designs) really makes sense in this context
      1. Therefore, apply competitive necessity test
   2. ***Abercrombie & Fitch Stores v. American Eagle Outfitters* (6th Cir. 2002)**
      1. **Facts:** Discussion of functionality of catalogue; a combination of individually functional traits
      2. **TAKEAWAY:** Illustrates danger of far-reaching scope; easy for judge to find no infringement
   3. ***Au-Tomotive Gold v. Volkswagen of America* (9th Cir. 2006):** D. Ct. found Porshe TM functional wrt keychains and floor mats
      1. **2-Step Test 🡪 Correct reading of *TrafFix*** 
         1. (1) Essential to the use/purpose?
         2. (2) If no, are there competitive alternatives?
            1. No 🡪 functional
            2. Yes 🡪 non-functional
   4. ***Ford Motor v. Lloyd Design*:** like Auto-Motive Gold, but D. Ct. said they couldn’t use Ford design on floor mats
3. Problem! *M-N* remains the leading approach (competitive alternatives)
   1. *Eppindorf* is the minority approach
   2. *Automotive Gold* is a strain
4. **Functionality Overview**
   1. **Utilitarian Functionality**
      1. *Morton-Norwich*
         1. Establishes 4 M-N Factors
         2. Most important is 3rd Factor (availability of alternative designs)
      2. *Qualitex*: equates *Inwood*’s “essential to the use or purpose” test with competitive need
      3. *TrafFix:* emphasizes *Inwood*’s “essential to the use or purpose” test and minimizes importance of availability of alternative designs
         1. If product feature is “essential to use or purpose,” no need to consider alternative designs
         2. Implies that a product feature can be “essential to use or purpose” and thus functional even if there are alternative designs
      4. Circuit Split after TrafFix
         1. Value Engineering: essentially ignores TrafFix and returns to MN
         2. Eppendorf: seeks to follow TrafFix and focuses on “essential to use or purpose test;” if product feature is “essential to use or purpose,” no need to consider whether product feature is “competitive necessity
   2. **Aesthetic Functionality**
      1. *Wallace Int’l Silversmiths*
         1. Rejects Pagliero’s “important ingredient in commercial success” test
         2. Embraces availability of alternative designs test
      2. *TrafFix Devices*
         1. Claims that *Qualitex* was aesthetic functionality case
         2. In cases of aesthetic functionality, “it is proper to inquire into a ‘significant non-reputation-related disadvantage’ that is, courts should apply the availability of alternative designs/comeptiive necessity test
      3. *Auto-Motive Gold v. Volkwagen*: 2-Step Test 🡪 Correct reading of *TrafFix*
         1. Essential to the use/purpose?
         2. If no, are there competitive alternatives?

**G. Marks that May not be Registered**

1. **Exclusions from Registration – Lanham Act §2**

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| **Lanham §2:**  No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principle register, **UNLESS:**   * §2(a): Disparaging, scandalous or deceptive mark * §2(e)(1): Merely descriptive mark * §§2(e)(2)-(3): Geographical issue (details below) * §2(e)(4): Surname mark * §2(e)(5): Functional Mark |

* 1. **Scandalous, Disparaging, and Deceptive Marks under §2(a)**

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| --- |
| **Lanham §2(a):**  Registrable unless… consists of or comprises **IMMORAL, DECEPTIVE, OR SCANDALOUS MATTER; or matter which may DISPARAGE** or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt… |
| **Lanham §2(d):**Confusion basis for rejections |
| **Lanham §2(e):** Refusal for descriptive or deceptively misdescriptive |
| **Lanham §2(f):** Some marks can be “redeemed” by secondary meaning |
| **Lanham §14:** Cancelation requires mark was “obtained contrary to”… [§2(a)] *at time it was registered* |

* + 1. **SCANDALOUS AND DISPARAGING TESTS 🡪** 
       1. **Two 2-Part Tests for Scandalous + Disparaging (*Harjo v. Pro-FootBall*)**
          1. **SCANDALOUS 🡪 2-Part Test**

(1) What is the ***meaning of the matter in question*** as it appears in the marks and as those marks are used in connection with services identified in registration?

(2) During the period when the mark(s) was registered, would the mark be **SHOCKING TO THE SENSE** of truth, decency, or propriety to, or give offense to the conscience or moral feelings of, excite reprobation or call out for condemnation by a **SUBSTNTIAL COMPOSITTE OF THE GENERAL POPULATION**

**NOTE:** evaluates by contemporary attitudes because what was once scandalous (“Bubby Trap” brassieres) is quaint, but Old Glory Condom is scandalous (with flag)

* + - * 1. **DISPARAGEMENT 🡪 2-Part Test**

(1) What is the **meaning of the matter in question** as it appears in the marks and as those marks are used in connection with the services identified in the registrations?

(2) Whether, at relevant times, **SUBSTANTIAL COMPOSITE OF THE TARGETED GROUP** may perceive the subject matter as disparaging of their group?

* + - 1. **NOTE: Both tests are applied to the words at the TIME of registration,** as social standards and perceptions may change – want to give companies some certainty
         1. **Can use to show meaning**: dictionary, common usage at the time, printed publications, survey evidence (questions must be appropriate)
      2. ***Harjo v. Pro-Football* (DC Cir. 2003) (Scandalous/Disparaging Tests)**
         1. **Facts:** Petitioners, Native Americans, brought cancellations proceeding against ∆, Redskins, claiming violated §2(a) as being BOTH disparaging AND scandalous
         2. **Holding:** Enough evidence to find mark is DISPARAGING, but NOT scandalous
         3. **Barred by Laches 🡪 Redskins survived because of laches, but will likely be struck from Register soon**
      3. **Additional Examples of §2 Disparaging Rejections**
         1. ***In re Heeb* (TTAB 2008):** applicant wanted to register “HEEB” for apparel; historically disparaging to Jewish people

**Holding: 🡪 Refusal Aff’d**

Applicant: context (magazines – not in app., so not considered); mainstream support (Hillel); cooption; generational; other disparaging marks are registered (TTAB doesn’t buy it)

TTAB: Dictionary entries; anti-defamation league; testimony; public viewing; older generation / disparate views; intent doesn’t matter 🡪 balance interests

Substantial Composite: not necessarily a majority (*McGinley*)

No 1A violation to refuse registration 🡪 still free to speek

* + - * 1. ***Dykes on Bikes* (Filed 2003) (self-disparagement):** rejected, but then allowed 🡪 cooptation/appropriation
        2. ***Jesus Jeans*:** some countries refuse, but US allowed
        3. ***Trash bin Laden*:** US refused registration, disparaging to individual
    1. **DECEPTIVE TEST 🡪 *In re Budge Mfg.* (Fed. Cir. 1988):**
       1. **Three-Part Test for when mark is deceptive (for NON-GEOGRAPHIC MARKS)** 🡪 **ALL THREE MUST BE YES!!**
          1. (1) Is the term misdescriptive of the character, quality, function, or composition of the use of the goods?

**If NO 🡪** term either (1) merely descriptive and registered with secondary meaning showing, or (2) inherently distinctive and can be registered

**If YES 🡪** move on

* + - * 1. (2) Are the prospective purchasers likely to believe that the misdescription actually describes the goods?

**If NO 🡪** term is probably inherently distinctive, go to functionality

**If YES 🡪** move on

* + - * 1. (3) Is the misdescription likely to affect the decision to purchase?

**If NO 🡪** term is “deceptively misdescriptive” under §2(e)(1) and MAY be registered upon a showing of secondary meaning under §2(f)

**If YES 🡪** mark deceptive under §2(a) 🡪 cannot be registered

* + - 1. ***In re Budge Mfg.* (Fed. Cir. 1988):**
         1. **Facts:** Applicant appeals TTAB rejection of registration of its mark for synthetic fiber automotive seat covers with the name “Lovee Lamb” on grounds it was deceptive under §2(a).
         2. **Holding:** Held mark was deceptive 🡪 rejection was fine
      2. ***E.g.,* “Cafeteria” Restaurant in Chelsea is not a cafeteria**
  1. **Geographic Marks Under §§2(e)(2)-(3)**
     1. **General**
        1. **§2(e)(2)**: registrable unless…
           1. when used in connection with the goods of the application, the mark is primarily geographically descriptive of them
           2. Must be able to show secondary meaning!
        2. **§2(e)(3):** registrable unless…
           1. used on or in connection with the goods of the applicant is primary geographically deceptively misdescriptive
           2. Cannot register, even with a showing of secondary meaning
        3. We treat geographically misdescriptive and geographically deceptively misdescriptive marks differently than we treat non-geographic deceptively misdesciptive marks
           1. Treat geographically deceptive marks in exactly the same way that we treat geographic misdescriptive marks
           2. Need secondary meaning where a mark is geographically descriptive

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| --- |
| **Lanham §2(e)(2)**  Trademark is registrable UNLESS … when used on/in connection with the applicant’s goods is primarily geographically descriptive of them, except as indications of regional origin |
| **Lanham §2(e)(3)**  Trademark is registrable UNLESS… when used on or in connection with the applicant’s goods is primarily geographically deceptively misdescriptive of them |

* + 1. **TEST FOR GEOGPRAHIC DESCRIPTIVENESS (TMEP 1210.01(a)): Test to establish prima facie case for refusal to register a mark as primarily geographically descriptive, examining attorney must show:**
       1. Is the primary significance of the mark is a generally known geographic location (TMEP §§1210.02 et seq)?
          1. No 🡪 not geographic mark
          2. Yes 🡪 move on
       2. If so, do the goods or services originate in the place identified in the mark (TMEP §1210.03)?; and
          1. No 🡪 probably inherently distinctive
          2. Yes 🡪 move on
       3. If so, would the purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark (TMEP §§1210.04 et seq)
          1. **If YES to all 3 Questions 🡪 Mark is ‘geographically descriptive’ and MAY BE REGISTERED upon showing secondary meaning, in accordance with 2(e)(2) read with §2(f)**
          2. **If YES to 1 and 2, but NO to 3 🡪 go on to**
          3. **NOTE**: If the mark is remote or obscure, the public is UNLIKELY to make a goods/place or services/place association (TMEP §12010.404(c))
    2. **TEST FOR GEOGRAPHICALLY DECEPTIVELY MISDESCRIPTIVE MARKS (TMEP 1210.01(b) (like *California Innovations* – Fed. Cir. 2003): To support a refusal to register a mark as primarily geographically deceptively misdescriptive, examining attorney must show:**
       1. Is the primary significance of the mark is generally known geographic location (TMEP §§1210.02 et seq)?
          1. No 🡪 not a geographic mark
          2. Yes 🡪 move on
       2. If so, do the goods or services **NOT** originate in the place identified in the mark (TMEP §1210.03)?
          1. No 🡪 See above analysis
          2. Yes 🡪 move on
       3. If so, would purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark (TMEP §§1210.04 et seq)?
          1. No 🡪 mark probably inherently distinctive
          2. Yes 🡪 move on
          3. **NOTE**: If the mark is remote or obscure, the public is unlikely to make a goods/place or services/place association (TMEP §1210.04(c)); and
       4. If so, would the misrepresentation is a material factor in a significant portion of the relevant consumer’s decision to buy the goods or use the services (**MATERIALITY)**(TMEP §§1210.05(c) et seq)
          1. YES 🡪 Mark is geographically deceptively misdescriptive, and CANNOT be registered in accordance with §2(e)(3)
          2. NO 🡪 Mark is “geographically misdescriptive,” and STILL cannot be registered if the mark is note registered before 1993-post NAFTA
       5. **NOTE (HOWEVER) that leading scholar has suggested that if geographically deceptively misdescriptive mark is arbitrary, then it may be treated as such and registered as inherently distinctive with no requirement of secondary meaning**
    3. **RECAP 🡪 INCREDIBLY FUZZY LAW:**
       1. **(1) Geographically Deceptive – §2(a):** same as descriptive generally, central point is materiality and deceiving consumer 🡪 *can NOT be overcome with secondary meaning*
          1. Although unclear and may be treated as arbitrary and registrable as inherently distinctive with no requirement of secondary meaning
       2. **(2) Geographically Descriptive – §2(e)(2):** *can* be overcome with secondary meaning
       3. **(3) Geographically Deceptively Misdescriptive – §2(e)(3):** possibly treated same as deceptive (post-NAFTA) and requires showing that goods/place association is material to purchase 🡪
          1. **If it is DECEPTION** then POSSIBLY *can NOT be overcome by secondary meaning*
          2. A place being well-known or renowned for the goods supports a finding of materiality
          3. Misdescriptive but not material 🡪 just arbitrary 🡪 may be inherently distinctive and require no showing of secondary meaining
    4. **Additional Cases:**
       1. ***In re Spirits Int’l, NV* (Fed. Cir. 2009):** Spirtis appeals TTAB refusal of “MOSKOVSKAYA” for Vodka 🡪 TTAB said “geographically deceptively misdescriptive
          1. **Holding:** The materiality test of subsection (e)(3) incorporates a requirement that a significant portion of relevant consumers would be deceived 🡪 not wheher any absolute number or particular segment

Applied doctrine of foreign equivalents 🡪 “Moscow”

* + - 1. ***In re Joint-Stock Company – “Baik” –* (TTAB 2007) (PRECEDENTIAL):** “Baikal” is geographically descriptive and known location; satisfies 3 prongs, so must show secondary meaning for geographic descriptiveness
      2. ***Nantucket Nectors*:** geographically descriptive because HQ in Nantucket even if not produced there (other courts would rule the other way)
      3. ***Societe Genenerale* (*Vittel*) (Fed. Cir. 1987)**: geographically known location, but obscure place in France, so unknown to cosmetics buyers 🡪 arbitrary or fanciful
      4. ***In re Gale Hayman* (*Sunset Blvd*) (TTAB 1990):** perfume; refers to street in LA 🡪 goods/services do not originate in the place, so no finding of geographically descriptiveness
  1. **Name Marks –Marks that are Primarily Surnames:**

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| --- |
| **Lanham §2(e)(4)**  No TM by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principle register on account of its nature UNLESS it:   * (e) consists of a mark which… (4) is PRIMARILY A SURNAME * **NOTE**: CAN BE SAVED by showing Secondary Meaning under §2(f) |

* + 1. **Name Mark Rationales** 
       1. Names are not really source identifiers 🡪 they are common
       2. Functionality: want to preserve surnames with respect to others unless they have made an effort to show secondary meaning
    2. **Test for whether barred from Registration because Surname with no Secondary Meaning (*In re Bentham* (TTAB 1995, name used as symbol – not just the word)):**
       1. Degree of the surname’s “rareness”
       2. Whether anyone connected with applicant has the mark as a surname
       3. Whether the mark has any recognized meaning other than as a surname
       4. Whether the mark has the “look and sound” of a surname
       5. Whether the manner in which the mark is displayed MIGHT negate any surname significance
    3. ***In re Joint-Stock Company – “Baik”* (TTAB 2007):** Applicant filed to register BAIK for vodka on ITU; examining attorney refused as “merely surname” 🡪 *Benthin* Factors applied, REVERSED
       1. Surname extremely rare
       2. No connection 🡪 neutral
       3. Other meanings 🡪 applicant says ‘coined term’ – evocative of “Baikal” – no famous people with surname
       4. Look and Feel 🡪 very rare name, can’t assume public will know; Yahoo People Search shows <3000 people with similar name

**H. Priority**

1. **General**
   1. For any action to be brought as trademark infringement, plaintiff must be able to show “use”
      1. Actual trademark use is a prerequisite for obtaining common law rights
      2. Actual OR constructive use prerequisite for registration
   2. “Use” comes up in several contexts:
      1. Demonstrating use In commerce requirement - very broad
      2. Determining Priority
         1. Actual use for common law
         2. Actual or constructive use for Lanham Act registration
      3. Determining Ownership
      4. Determining Abandonment
      5. Actionable Use (“google” or use in movies) – see Google case – does search engine “use” the TM
      6. Fair use defense
      7. Surrogate Use
         1. Public use of a term can create TM rights for company (“Coke” and “Bug’)
         2. Affiliate use – right to continue to use if continuous involvement & control
2. **Use in Commerce Requirement**
   1. **§1(a)** – Requires “use in commerce” to be registered
      1. **§45** - use in commerce” means bona fide use of a mark in the ordinary course of trade and not made merely to reserve right in a mark
         1. **Goods**: (1) placed in any manner on the goods or containers (or similarly) AND (2) goods are sold or transported in commerce
         2. **Services**: used or displayed in advertising AND those services are used in commerce or in more than one state
   2. **Intent to Use Registration (TLRA)**
      1. **§1(b)** - allows registration of mark that a person has “a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce”
      2. **§1(d)** – registrant under 1(b) has 6 months to show, with evidence, actual use in commerce
      3. Available only to inherently distinctive marks; can receive extensions not longer than 24 months
         1. Rationale: bring US in line with the rest of the world; notice to competitors
         2. Secondary meaning, by nature, requires prior use
         3. Non-inherently distinctive marks can show use of other goods and services referenced in the application that have developed secondary meaning that will transfer to new use
   3. Rationales:
      1. Provides constitutional authority for federal trademark law
      2. Ensures that competitors cannot reserve brand names to make competition more costly
   4. Open question: websites – not clear what is “use” for websites
3. **Relevant Statutory Sections**

**Lanham Act §7(c), §22, §35(b)(5)**

* **§7(c):** date of application, “constructive use of the mark, conferring a right of priority, nationwide in effect.” TLRA 11/16/89 🡪 date of registration changed to application
* **§22:** date of registration, “Registration of mark on principal register provided by this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be constructive notice of the registrant’s claim of ownership thereof.”
* **§33(b)(5):** immediate junior user defense 🡪 frozen to area of use as of date of application f senior user and applies to senior user, but ambiguous
  1. **§7(c):** application to register mark considered constructive use
     1. If after date of application, someone starts to use your mark 🡪 ENJOINABLE after you have perfected your mark (Subject to *Dawn Donut*)
     2. Senior Common Law User: someone in the country has used it before you applied for registration at PTO
  2. **§22:** date of registration
     1. Becomes less and less important over the years

1. **Common Law Priority:** Where nothing has been registered at the federal level
   1. ***Theodore Rectanus* (1918) (STILL GOOD LAW) (concurring use)**
      1. **Facts:** United Drug is senior user of drug wrt US-overall; United sells product under REX in MA (1777); Recantanus uses REX in KY (1883); United Registers in State, federal, and then ships REX to KY for first time in 1912
      2. **TAKEAWAY:** If the use is remote and undertaken in good faith, then we will allow that use to continue!!
         1. **Good Faith:** MA user was first user and then Rectanus took a train up to MA and decided to apply drug (REX) idea in KY 🡪 may question good faith
         2. **If not acting in good faith** 🡪 lose local priority if clearly trying to take advantage of good will
      3. **Remote junior may continue use in locality if adopted in good faith**
   2. **Exceptions to Common Law Rule**
      1. (1) TM Owner entitled to exclusive use of mark in any geographic area in which mark’s reputation established, even if product is not sold in that geographic area
         1. TM owner entitled to protect mark in territory that he is expected to reach in normal expansion of his business, even if there is no current LOC in area (*Hanover Star Milling)*
      2. (2) TM owner is entitled to prevent anyone from intentionally trading on her goodwill, even outside her established geographic area 🡪 only innocent (good faith) use of same mark is protected
2. **Lanham Act: Exercising Priority and Obtaining an Injunction to Stop Junior User’s Use**
   1. **To obtain an injunction, Senior User must show:**
      1. 1) Priority, and
      2. 2) Likely to cause consumer confusion as to source
         1. If registrant has not entered and has no immediate plans to enter competitor’s geographic area 🡪 **EXCEEDINGLY HARD TO SHOW LOC**
   2. ***Dawn Donut v. Hart’s Food Stores* (2d Cir 1959):Requirement of Actual use for Injunctions**
      1. **Facts:** MI Company sues NY company that adopted Dawn in good faith; Dawn Donut had licensed out its mark a few times early on, but MI company had ceased operations in NY (retreated) by 1950s
      2. **Holding:** MI company could not enjoin NY company for using word “Dawn” for donuts until it could show that it was expanding into NY area even though it had nationwide senior rights
      3. **TAKEAWAY 1:** **Even though nationwide priority, you MUST show ACTUAL use where you seek injunctions to suppress other people’s use**
         1. **How relevant today when everything is online?**
   3. **Applications of *Dawn Donut***
      1. *Snelling & Snelling v. Snelling & Snelling* (DPR 1970): federal registrant has not entered the Puerto Rico market 🡪 complaint dismissed
      2. *Pizzeria Uno v. Temple* (4th Cir. 1984): court denied present injunction against user in “remote” territory without prejudice to registrants right to renew claim when it enters the territory
      3. *Comidas Exquisitos v. O’Malley & McGees* (8th Cir 1985): Atlanta restaurant could not obtain present injunction against use in IA because of lack of reputation in IA and no present plan to expand there
      4. *Minnesota Pet Breeders v. Schell & Kampeter* (8th Cir. 1994): If TM owner not entitled to an injunction in ∆’s trade area because, under *Dawn Donut* Rule, Π has not shown a LOC there, then no profits should be awarded as to that area
      5. *Lone Star Steakhouse & Saloon v. Alpha of Virgnia* (4th Cir. 1995): registrant had already expanded into junior user’s Washington, DC trade area, and thus entitled to injunction
      6. *BUT SEE, Circuit City Stores v. CarMax* (6th Cir. 1999)
      7. ***What-a-Burger VA v. Whataburger TX* (4th Cir. 2004)**:
         1. **Facts:** Started in TX 1954, federally registered, then junior Waterburger started in VA, disappeared – then Waterburger begins to expand in mid-Atlantic, and finds Waterburg Stand in VA because had opened new shops
         2. **Latches Argument:** Waited 30 years, sat on rights, junior user wants to continue use
         3. **TX Lawyers:** Dawn Donut 🡪 no basis to enjoin VA use because we had not expanded to the area yet
         4. **Holding:** Latches does not apply under *Dawn Donut*
      8. ***Burger King of Fla. V. Hoots* (7th Cir. 1968):** Π (BK) started use of BK mark in FL; ∆ (Hoots) opened BK restaurant in Mattoon, IL (1957); ∆ registers in IL (1959); Π gets federal registration (1961) 🡪 mid-60s Π had 38 outlets from FL to KY
         1. **Holding:** ∆ had 33(b)(5) defense for a 25-mile radius around Mattoon
         2. **Note:** May have been different if BK had plans to expand earlier
      9. ***Thrifty Rent-A-Car System v. Thrifty Cars* (D. Mass. 1986)**
         1. **Facts:** Thrifty began use of mark in OK (1958) applied for federal registration (1962); Thrift began use in MA (1962); Thrifty receives registration (1964); Thrifty enters MA and seeks to enjoin Thrift (1967)
         2. **Holding:** Because 7(c) was not yet in effect, only §22 (date of registration) applied 🡪 Thrift could continue to use its zone as of date of registration
         3. **BUT NOW!!** §7(c) in effect, Thrifty would have nationwide priority as a date of application, and Thrift would have to stop
   4. **General Applications**
      1. **Senior uses 🡪 Junior uses 🡪 Senior applies for and receives registration**
         1. Senior sues Junior and vice-versa: Under 33(b)(5), Junior is frozen to its area of use as of the date of application
      2. **Senior uses 🡪 Junior uses and then applies for and receives registration 🡪** 
         1. Junior files suit against Senior, Senior Counterclaims: Junior has nationwide priority except in Senior’s zone of use as of the date of application or registration (unclear which)
   5. ***Zazu Designs v. L’Oreal* (7th Cir. 1992, Easterbrook) (pre-TLRA registration)**
      1. **Facts:** Cosmair (L’Oreal in US) developed ‘hair cosmetics’ (wash-out pink hair dye) called ZAZU and sold in stores (1985), flopped in late-1980s; Zazu Hair Designs (ZHD) registered with IL 1980 – said no products under name, but had been trying to enter market; ZHD applied for registration of ZAZU after L’Oreal applied to register mark and began to sell nationwide
      2. **Holding:** 
         1. Slight sales insufficient for priority; ZHD didn’t register ZAZU federally
         2. Potential users shouldn’t have to wait until other firms decide whether to market a product
      3. **Dissent:**
         1. Serious issue of good faith 🡪 Good faith user is simply one that begins using a mark without knowledge of another party’s preexisting use; L’Oreal knew
         2. ZAZU had registered service mark, and that can be infringed upon by closely related product because of LOC
         3. Test for use was satisfied because more than de minimus
         4. Zazu should have exclusive rights in Local Area
      4. If case were decided today, §22 doesn’t matter at all anymore, §7(c) is where it’s at 🡪 CONCERNED with date of APPLICATION, NOT date of registration
   6. **Priority and Bad Faith**
      1. Cannot receive priority where there is a showing of bad faith use to establish such priority
      2. ***Bell Inc v. Farah (5th Cir. 1975)***– although race is to the swift in trademark law, race must be run cleanly if a firm wants to prevail
         1. Here, put new labels on old jeans in order to use first in commerce and apply for registration (before intent to use registration under 1(b); court determined priority by first sales date, not by individual shipments and discussions with customers
   7. **Priority Disputes**
      1. Resolved by TTAB through oppositions or interferences 🡪 §13 provides, “any person who believes that he would be damaged by the registration of a mark upon the principal register may… file an opposition in the PTO, stating the grounds therefore.”
         1. §1062(a): TM applications must be published before issuance, so that interested parties may have the opportunity to search for / oppose potentially damaging applications
            1. May be opposed by showing mark is not entitled to registration – e.g., because others made use of it before applicant did
      2. *Chance v. Pac-Tel Teletrac* (9th Cir 2001): ∆’s pre-launch marketing campaign (press releases/presentations, soon followed by launch of service established analogous use priority 🡪 May establish priority through ‘use analogous to TM use,” provided user makes actual use of mark within a reasonable period of time following analogous use
      3. **Priority by Contract:** may may covenants not to sue and the like; powerful second-comer may pay-off senior user 🡪 economic efficiencies theory
      4. **Property Rationale/Incentives v. Consumer Protection Rationale:** What do you do when consumers develop the TM uses – e.g., Volkswagen “Bug” started in the public, so how much protection do consumers need here?
   8. **Priority v. Secondary Meaning**
      1. Descriptive marks are not entitled to protection until owner can prove secondary meaning in minds of consumers, but priority suggests TM is presumptively owned by first person to use it in commerce (barring federal registration)
         1. *Laureyssens v. Idea Group* (2d Cir. 1992): trade dress infringement suit by makers of “Happy Cube” 3-D puzzles against makers of “Snafooz” puzzles; no question of actual secondary meaning existing (low sales, low ad spending), evidence of imitation, but not copying of trade dress 🡪 **reject doctrine of secondary meaning in the making under §43(a), rev’d injunction because there are alternative forms of protection**
            1. Intentional copying is persuasive evidence of secondary meaning
            2. Secondary meaning can develop quickly to prevent knock-offs
            3. NY CL unfair competition: producer’s trade dress protected without proof of secondary meaning against bad faith practices
      2. **Courts virtually unanimous in rejecting idea of protecting “secondary meaning in the making”**

**I. Registration: Trademark Office Procedures**

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| **1(A) Basis: Use-Based** | **1(B) Basis: Intent to use Basis (most common)** |
| * Application * Examination (look for exceptions) * Publication * Opposition (if brought) * Registration * Post-Registration Requirements * Cancellation? (§14 w/in 5-years) | * Application * Examination (look for §2 exceptions) * Publication * Opposition (if brought) * Statement of Use * Registration * Post-Registration Requirements * Cancellation? (§14 w/in 5-years) |

1. **General**
   1. **Bases under which you can file an application**
      1. Actual use 1(a)
      2. Bona fide intent to use 1(b)
      3. Use/registration/application in a Paris Convention Country
      4. Forwarded application from Home Country Madrid Protocol 🡪 if you’re a national of one country belonging to MP, you can file TM application in your home country and request your application be forwarded to the WIPO, and request that WIPO forward to other member countries asking them to register
      5. Forwarded application from home country under Madrid Protocol
   2. **Advantages to Registration (Not required to Register) (Taken from §33)**
      1. **Provides** **prima facie evidence of validity, ownership, and registrant’s exclusive rights** (§§7(b), 33) 🡪 BB: easy to burst this bubble with some evidence
         1. Unclear how much weight courts actually place on §33 presumption of validity
      2. **Establishes nationwide priority at time of application** (§7(c))
         1. Nationwide constructive use and constructive notice 🡪 cuts off rights of other users of same or similar marks (§22)
      3. **Start clock running for** **purposes of incontestability:** after 5 years 🡪 eliminates many defenses (§§15, 33), and limits on cancelation (§14)
   3. **Registration procedures dependent upon basis under which TM is being registered**
2. **Statutory Sections**
   1. **Basic Registration Actions:**
      1. Unlike previous sections, registration is mainly statutory with some supplementation by PTO
      2. **Registration requires examination in the US**

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| **Lanham §1** (a) Use registration applications  (b) intent to use (ITU) applications  Requirements   * List of particular goods or services with which the applicant intends to use or has used the mark * A drawing of the mark, except for registration of sound, scent or other non-visual marks * A specimen showing the use of mark in connection with goods or services (NOT required for ITU §1(b), but must submit with statement of use a specimen!) |
| **Lanham §§7-9**  Issuance of registration, duration, renewal |
| **Lanham §12-15**  Examination and publication of pending applications; opposition and cancellation proceedings |
| **Lanham §22-27**  Registration on the supplemental register |
| **Lanham §29-30**  Notice, classification |
| **Lanham §33**  Any registration … of a mark registered on the principal register… shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce or in connection with the goods or services specified in the registration |

* 1. **Rationale for allowing Intent-To-Use applications 🡪 effective in 1989 (TLRA)**
     1. Foreign companies had unfair advantage under § 44
     2. Uncertainty
     3. Token use process not available to small companies and certain manufacturers

1. **Post-Registration Actions – Maintaining Registrations**
   1. **Declarations and Applications**
      1. Continuing Use (§8)
      2. Declaration of Incontestability (§15)
      3. Renewal Application (§9)
   2. **During 6th year from date of registration:**
      1. Registrant must file **§8 Declaration of CONTINUING USE**
      2. Registrant may (SHOULD) also file **§15 Declaration of INCONTESTABILITY**
   3. **During the 10th year from date of registration**
      1. Registrant must file **§8 Declaration of CONTINUING USE**
      2. Registrant **must also file §9 RENEWAL APPLICATION**

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| **Lanham §8:**  Each registration shall remain in force for TEN YEARS … upon the expiration of … SIX years following the date of registration |
| **Lanham §9(a):**  Each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration |
| **Note – Lanham §22:**  Registrants MAY display registered mark with ® donation, and if they do not, they cannot collect damages for infringement unless they can show ACTUAL NOTICE |

1. **Exclusions from Registration – Lanham Act §2 (see above for analysis)**
   1. **Disparaging, Scandalous, Deceptive, Etc…**

**J. Incontestability – §§ 14, 15, 33**

1. **§14 Gives immunity from cancellation (TIME LIMIT) 🡪** for the first 5-years after mark is registered, someone can come in and seek to cancel your registration on any grounds on which someone could have opposed registration in the first place
   1. AFTERthe 1st 5-years, grounds for cancellation are restricted to exceptions in §§14(3)-(5)
2. **§15 Goes further: Additional benefits given to mark over time 🡪 a mark becomes INCONTESTABLE if:**
   1. Mark registered for 5 years
   2. Filed §15 affidavit showing that not only registered but also continuously used for 5-years
   3. No pending claim against your mark or right to use
   4. Mark can’t have become generic
3. **§33 – Nine Exceptions to Incontestability**
4. **§§33, 15 Together – Incontestability of *exclusive right to use the mark in federal courts* (§§15, 33(b))**
   1. After 5-years, cannot bring challenge by showing lack of distinctiveness; 5-years of registration serves as uncontested evidence of distinctiveness
   2. CAN bring a challenge that mark has become generic
5. **Triggered for all registrations, regardless of whether registrant files 6-year declaration under §15**
   1. **Problem**
      1. Π’s registration is 5+ years old, but Π fails §15 declaration 🡪 ∆ counterclaims seeking to cancel Π’s registration on grounds that would, at TTAB, be barred by §14’s SOL
      2. Read §15 🡪 look at §33(b) 🡪 then look at §14 🡪 TM lawyers don’t know how these all relate
6. **BB:** overstated and difficult to apply or predict how it will protect you 🡪 unstable doctrine and so many exceptions
   1. **Only real protection is *Park and Fly* 🡪 against claims of no secondary meaning outside of 5-year window**

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| **Lanham §14 – Time Limit on Cancellation of Registration**  Quiets title by imposing FIVE YEAR TIME LIMIT on all initiation cancellation proceedings; subject to set of exceptions   * Triggered for all registrations, regardless of whether applicant has followed procedures set forth in §15 * Exceptions (§§14(3)-(15)): (1) Becomes generic; (2) Registered under prior act; (3) Certification mark stuff |
| **Lanham §15 – Incontestability of Right to Use the Mark**  Subject to certain exceptions, the right of a registrant to use a registered mark in commerce for the goods or services on or in connection with wihc such registered mark has been in continuous use for FIVE CONSECUTIVE YEARS subsequent to the date of each registration and is still in use in commerce, shall be INCONTESTABLE   * Quiets title by making the registration presumption “conclusive” in litigation, subject to set of preserved defenses * Only triggered if registrant has met conditions and followed procedures set forth in §15 |
| **Lanham §33(b)**  Gives privileges of incontestability and in addition to exceptions set forth in §15, but lists 9 exceptions:   * **Benefit: Incontestability not just prima facie evidence of validity of mark and exclusive right to use, but CONCLUSIVE evidence** * 9 Exceptions to Incontestability   + (1) Fraud in registration; (2) Abandonment; (3) Misrepresentation; (4) ∆’s name or description in good faith (fair use); (5) Adopted without knowledge of the registration during the ITU/pre-publication period; (6) Prior registration (only for whatever area the registration was in); (7) Mark is being used to violate antitrust; (8) Mark is functional; (9) Equitable principles such as laches or acquiescence apply |

* 1. **From McCarthy:** “The structure of the Act is to list those defenses or challenges which are not foreclosed. While §33(b) lists nine exceptions to incontestability, it seems clear that §33(b) incorporates exceptions of §15 by reference, and §15 in turn incorporates §§14(c), (e), and §14(c) in turn incorporates the exceptions of §§2(a)-(c) and §4. As many as 21 possible exceptions to incontestability have been listen, although this may involve some double counting.”
  2. ***Park ‘N Fly v. Dollar Park and Fly* (SCOTUS 1985) (not in class)**
     1. **Facts:** Π filed infringement action against respondent for using “incontestable mark” 🡪 respondent argued mark is merely descriptive and therefore not contestable
     2. **Holding:** Under §§14, 15, 33, incontestable marks CANNOT be challenged on ground of MERE DESCRIPTIVENESS because incontestable registered marks are presumptively valid due to the fact that they were registered
     3. **TAKEAWAY: Incontestability allows TM owner of descriptive mark to avoid having to show secondary meaning**

**III. Trademark Infringement**

**A. Structure of Analysis**

1. Subject matter – Owner / Property Right?
   1. Protectable?
      1. Packaging/configuration?
   2. Distinctiveness?
      1. *Seabrook* – common in industry?
      2. 2d Cir – *Abercrombie*?
2. Has this been infringed?
   1. LOC?
      1. Polaroid Factors
   2. LOD?
      1. Blurring/Tarnishment
3. ∆’s fair use of TM?

**B. Use as a Trademark**

1. **Use of owner’s mark by defendant – actionable use requirement** 
   1. For a use to be actionable today, it must meet the definition of “commerce” and not of “use in commerce”
      1. This is a higher standard and means that fewer uses will be actionable by owners
      2. Means in some places, will win if not commercial (commerce)
   2. *\*Beebe does not focus much on use – mention and analyze quickly!\**
   3. **§45** – deemed used in commerce…when it is used or displayed I the sale or advertising of services and the services are rendered in commerce
2. **Six Aspects of “Use in Commerce” –** bona fide use of a mark in ordinary course of trade 🡪 not merely to reserve right in a mark (no warehousing marks in US – maybe in Europe)
   1. (1) Commerce clause limitation
   2. (2) Establishing priority
      1. Common Law Rights 🡪 Actual Use
      2. Federal Registration Rights 🡪 Actual or Constructive Use
   3. (3) Establishing ownership 🡪 who is the user?
   4. (4) Determining whether a mark has been abandoned (when does “use” stop?)
   5. (5) Determining types of actionable use
   6. (6) Determining “fair use”
3. ***Rescuecom Corp. v. Google* (2d Cir. 2009)**
   1. **Facts:** Rescuecom is national computer service company; registered TM since 1998; 17-30k visitors to site/month; advertises on Google; people search and Google shows links and ads (“sponsored links”); Google makes 97% revenue from AdWords 🡪 upon ∆’s advice, Π’s competitors purchased Π’s TM as a keyword triggering their ads
   2. **D.Ct:** Not ‘use in commerce’ because ads triggered didn’t exhibit Π’s Tm
   3. **Holding:** Use of mark in ∆’s internal algorithm could constitute an actionable TM use
      1. **Not like “product placement” in a grocery store**
      2. **Distinguished *1-800* Case**
         1. Google is recommending and selling Π’s TM to its advertisers
         2. Google displays, offers, sells Π’s TM to advertising customers
         3. Google encourages purchase of Π’s mark through Keyword Suggestion Tool
4. ***1-800 Contacts v. WhenU.com* (2d Cir. 2005) (distinguished in *Rescuecom*):** 
   1. **Facts:** pop-up ad software has WhenU.com ad appear on Π’s wesbite; ∆ uses similar, but not identical TM for Π
   2. **Holding:** For ∆ to infringe, it would need to have put the actual TM on the list, and not the similar address
   3. **TAKEAWAY:** “Use” is a thresfhold matter; separates the 3-elements 🡪 “USE” + “In Commerce”+ “LOC”
5. ***Network Automation v. Advanced Systems Concepts* (9th Cir. 2011):** The use of a trademark as a search engine keyword that triggers the display of a competitor’s advertisement is a “use in commerce” under the Lanham Act.”
6. ***BUT SEE, Daimler Chrysler v.* *Bloom* (8th Cir. 2003):** telecommunications company did not use the term “Mercedes” in a TM sense merely by licensing a vanity phone number “1-800-Mercedes”
7. ***Bosley v.* *Kremer*:** “use as a mark” concept focuses on language in §32 (use in connection with sale, distribution, or advertising of any goods or services
   1. **Holding:** ∆ is not selling anything in connection with Bosley.com, so not using as a mark
      1. *C.f.,* Bad faith cybersquatters like PETA
8. ***Holiday Inns v. 800 Reservations* (SCOTUS 1997):** Holiday Inns used number 1800-holiday and ∆ used 1800-h0liday; Holiday Inns charged unfair use of Π’s TM
   1. **Holding:** ∆ did NOT “USE” Π’s mark and there was no confusion 🡪 no infringement
      1. **Today:** This would be considered typo-squatting, and find for Π
9. **Criticism of the “Use in Commerce” Doctrine:**
   1. **Dogan & Lemley:** TM use doctrine services important limiting function 🡪 prevent TM holders from asserting generalized right to control language (like newspaper’s use and generic drug manufacturers placing drugs near brand names) 🡪 may make money off the TM, but they are not TM uses and therefore, outside the ambit of the statute (Hous. L. Rev. 777 – 2004)
   2. **McCarthy:** doctrine does not exist and likelihood of confusion is the only requirement for infringement 🡪 post –hoc creation rather than actual requirement of the statute

**C. Confusion-Based Trademark Infringement: Likelihood of Confusion**

1. **General**
   1. **Three-Part Process**
      1. **(1) Π owns the mark**
      2. **(2) The mark is valid and protectable:** If you have a registered mark (**§32 Registered -** PF case that it is valid and protectable just by showing registration/**§43(a) - Unregistered**)
      3. **(3) ∆’s use in commerce is likely to create confusion**
         1. **Use + In Commerce + LOC (in some courts)**
         2. **Apply the POLAROID FACTORS**
   2. **Two-prong test for infringement (*Gruner*):** 
      1. **Is the plaintiff’s mark entitled to protection**
      2. **If yes, is the defendant’s use likely to cause consumer confusion**
   3. **Forms of Confusion-Based Claims** 
      1. **Point of sale**
      2. **Initial Interest Confusion**
      3. **Post Sale Confusion**
      4. **Reverse Confusion**
      5. **Indirect and Vicarious Theories**
2. **Early History of Trademark Infringement Cause of Action**
   1. **Early 20th Century – Competing Goods Restriction**
      1. Origin-1900s: Courts would only enjoin others’ use of Π’s mark on goods directly competitive with Π’s goods
         1. ***Borden Ice Cream v. Borden’s Condensed Milk* (7th Cir. 1912**): Junior use of “Borden” for ice cream did not infringe senior use of “Borden” for milk
   2. **Modern –Consumer Confusion Replaces Direct Competition in Product Market Idea**
      1. ***Yale Elec. v. Robertson* (2d Cir. 1928):** Junior use of “Yale” for flashlights and batteries infringed senior use of “Yale” for locks and keys
3. **Statutory Sections**

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| **Lanham §32: Registered Mark TM Infringement**  Any person who shall, without the consent of the registrant, *use in commerce* any reproduction, counterfeit, copy or colorable imitation… which… is *likely to cause confusion or to cause mistake, or to deceive… shall be liable* |
| **Lanham §43(a): Unregistered Marks – Slightly broader language, but analyze the same!**  Any person who, on or in connection with any goods or services, or any container for goods, *uses in commerce* any word, term, name, symbol, or device, or any combination thereof, or false designation of origin, false or misleading description of fact, or false or misleading representation of face, which is likely to cause confusion… shall be liable |
| **Art. 5.1 of EU Trademark Directive + TRIPS:**  Identical signs always presume likelihood of confusion. Not the case in US 🡪 always go through the analysis (which probably turns out the same) |

1. **Factors Analysis for Likelihood of Confusion**
   1. **Multifactor Test – Basic Test for Infringement** 🡪Whether an appreciable number of reasonably prudent purchasers are likely to be confused, that can be decided through direct and circumstantial evidence, based on the factors applicable in the relevant circuits
      1. **Varies Circuit-to-Circuit**
      2. **2d Circuit – Most Important Here 🡪 Polaroid Factors**
         1. Multifactor Test dates back to 1938 RST of TORTS, but now circuit dependent
   2. **8 *POLAROID* FACTORS 🡪 SUMMARY**
      1. **(1) Strength of senior user’s mark**
      2. **(2) Degree of similarity between the two marks**
      3. **(3) Proximity of the products**
      4. **(4) Likelihood that the prior owner will bridge the gap**
      5. **(5) Actual confusion**
      6. **(6) Junior user’s good faith in adopting its own mark**
      7. **(7) Quality of ∆’s product**
      8. **(8) Sophistication of buyers**
   3. **Two-Dimensional Model of Trademark Scope**
2. **Detailed *Polaroid* Factor Analysis – *Polaroid Corp. v. Polaroid Elec.* (1961), reaffrirmed *Playtex Prod. V. Georgia-Pac.* (2004):** BB Order of Analyzing (5 Factors + 3 Tossed-out)
   1. **(1) Degree of Similarity between the Two Marks**
      1. **Overview** 
         1. For Π, similarity is NECESSARY, but not sufficient
            1. **If No 🡪 ∆ wins**

65:192 PI and Bench Trial Opinions found not similar 🡪 each opinion found in favor of ∆ in overall test

Easterbrook (*Top Tobacco*): If so dissimilar that there is no LOC, no need to go through other factors when we know there is no confusion

* + - * 1. **If Yes 🡪 Necessary, but not sufficient, so move on**
    1. **Characteristics and Notes**
       1. Very flexible analysis
       2. Anti-dissection principles
       3. No side-by-side comparison, unless products are frequently near each other on shelves (*LVM v. Burlington*)
       4. Sound, sight, and meaning (RST 3d) 🡪 can shift among all types to establish identity / similarity
       5. Family of Marks (e.g., McDonald’s): recognizable common feature, used together such that public association is common feature with owner and common feature is distinctive
       6. If goods/services are virtually identical 🡪 level of similarity needed declines
    2. **Verbal Similarity** 
       1. ***Coca-Cola v. Essential Products* (CCPA):** Coca-Cola v. Coco Loco soft drinks 🡪 ***no LOC***, drinks sufficiently different notwithstanding similarity of mark because may not be next to each other in the aisle
       2. ***Johnson & Johnson v. Colgate-Palmolive* (DNJ 1972):** Shower-to-shower body power v. Hour-after-hour aerosol deodorant 🡪 ***no LOC***, dissimilarity of marks (discounting sound in sound, sight, meaning test)
       3. ***Wrenn v. Boy Scouts of American* (NDCAl. 2008):** Boy Scouts for boys v. Youth Scouts for boys and girls 🡪 ***no LOC,*** strength of Boy Scouts so distinctive consumers would detect any slight difference
       4. ***Hancock v. American Steel & Wire* (CCPA 1953):** Cyclone v. Tornado for wire fencing 🡪 ***LOC!***Marks are identical in ORDINARY meaning, and likely to result in confusion without verbal similarity
       5. ***TGIF v. Int’l Restaurant Group* (MDLa. 1975):** TGI Friday’s v. EL Saturdays for restaurants 🡪 ***No LOC***, good faith/intent (surprising decision)
       6. ***Quality Inns v. McDonald’s* (D. Md. 1988):** LOC of confusion with McSleep highway-side hotels because of McDonald’s strong FAMILY 🡪 e.g., McDentist 🡪 ***if not to source, but association, sponsorship, connection, endorsement, or authorization***
          1. ∆ survey evidence about ads 🡪 not conclusive (16.3% confused); NYU Jacoby – low level of likelihood of confusion
          2. Π 30-40% confused
          3. Quality Inns used qualifying language; but even still 20+% confused
    3. **Nonverbal Similarity Examples**
       1. ***Hansen Beverage v. Nat’l Beverage* (9th Cir. 2007):** Monster v. Freek energy drinks 🡪 ***No LOC,*** *Circuit* re’v’d D. Ct’s preliminary injunction: (1) low consumer sophistication because low price/impulse purchase; (2) color of font, size of cans, products, and meaning of names similar but not enough, crowded energy drink market; some bad faith/evidence of actual confusion (surprising decision)
       2. ***AutoZone v. Strick* (7th Cir. 2008):** AutoZone v. Oil Zone 🡪 appellate remanded saying reasonable jury could find AutoZone sufficiently strong and similarity of word “zone” could create FAMILY of Marks
       3. ***Conopco v. May Dept. Stores* (Fed. Cir. 1994):** Vaseline brand location v. Venture Skin Care lotion; ***No LOC***, consumers conditioned to know store brands look similar to name brand, so when side-by-side on shelf, there is low LOC 🡪 sophistication of consumer
       4. ***Yamaha v. Yamoto:*** ∆ knocking-off Π’s trade dress, agreed to stop
  1. **(2) Junior User’s Intent / Good Faith in Adopting its own Mark**
     1. **BB says ask this SECOND (65:67 finding bad faith 🡪 LOC)**
        1. **If Yes 🡪 Π wins if they win both this + similarity**
        2. **If No 🡪 court will move on to other factors**
     2. Some circuits don’t think this is important, but still in *Polaroid*
        1. E.g., Judge Levall (2d Cir.): should not matter because ∆’s intent does not affect consumer
     3. **Characteristics and Notes**
        1. Relevance to empirical question of LOC: Multifactor testing isn’t purely fact-finding analysis 🡪 legal rules and realism weave in
           1. In practice, this factor tends to stampede others
        2. Finding of bad faith strikes against ∆; however, NO bad faith doesn’t favor ∆
     4. ***Rolls-Royce v. A&A Fiberglass* (NDGa 1976):** modification kit for VW Bug 🡪 enough that motivation is association to Rolls-Royce (today more likely tarnishment / blurring case)
  2. **(3) Actual Confusion 🡪 moderate weight given according to BB**
     1. **Third Inquiry**
        1. **If yes 🡪 highly likely that Π will win**
        2. **If no 🡪 then go on to next factors**
     2. **Anecdotal Evidence of Confusion:** CAN be enough to show actual confusion!
        1. Testimony of consumers
        2. Emails of consumers
        3. Testimony of operator for the company (people calling thinking they are ∆)
     3. **Survey Evidence:** Routine and good to have, although rarely presented, and even more rarely credited 🡪 **In survey battle, look at methodologies to see how much weight to give!!**
        1. 16% had evidence, 35% credited, and if credited, only 7% ruled in favor
        2. **TAKEAWAY:** don’t believe hype of survey experts that you HAVE to have one, especially in preliminary injunction hearing **🡪 BUT!** May be helpful to get a settlement
        3. **Squirt Format:** Place side-to-side, ask if it’s made by the same company
           1. **Criticism**: may be leading; context implies answering yes
        4. **Ever-Ready Format:** Putting out just ∆’s product and saying, “what company might have put this out?”
           1. **Criticism:** Leading again; they have to say a company made it
           2. *E.g., Starbuks v. Lessbucks Coffee,* Quality Inn v. McDonald’s
        5. **Exxon Format**: just show ∆’s product and ask, “what is the first thing that comes to mind when you see this?
           1. **Criticism:** generates high confusion results, so generally not given much weight
     4. **Damages REQUIRES Actual Confusion or Willful Intent 🡪 Injunction Requires LOC**
     5. **Cases**
        1. ***LeSportsac v. K Mart* (2d Cir. 1985):** no confusion at point of purchase, post-sale confusion
        2. ***Walmart / Wal-O-Caust*:** 7:10 consumers surveyed thought Wal-Mart sponsored Walocaust; 3:10 Wal-Qaeda
  3. **(4) Sophistication of Buyers/Consumers 🡪 Moderate weight (BB)**
     1. **Characteristics and Notes**
        1. **Stampeding Factor 🡪** Π argues consumers are dumb, ∆ argues consumers are smart
        2. **Mixed Population:** most courts average
           1. May have different class of consumer for Π & ∆, average, but some courts will go with ∆’s consumer
           2. Expensive items may entail assumption of greater sophistication by prudent purchasers
        3. **Extreme Cases:** children; professional buyers
     2. ***Atomic Energy of Canada v. AREVA Canada* (209 FC):** **No LOC 🡪** All AECL’s experts acknowledged in cross-examination that the relevant consumers would not be confused into purchasing the wrong nuclear reactor – despite great similarity of the marks and products
  4. **(5) Proximity of the Product – Moderately Important (BB)**
     1. This is a highly flexible analysis; often combined with bridging the gap analysis
        1. Very policy-laden; difficult to have actual fact-finding here
           1. Arguably, ALL policy 🡪 no fact-finding at all
     2. Replaced ACTUAL competition of Production notion from *Borden* case
        1. If goods are in same category 🡪 Π usually wins, and vice versa
        2. When 2 users are operating in different areas of commerce, consumers are less likely to assume similarity
           1. But does not have to be that similar: CDs and phones seen as similar (***Virgin Enterprises***); also likelihood of bridging the gap here
        3. ***Death Tobacco v. Black Death (Cal. 1993)*** – court placed considerable weight in finding confusion on the fact that the products were sold to the same class of consumers & most owners had the products next to each other on the shelf
     3. Physical proximity in stores carries less weight when consumers are used to it (ex: generic drugs - *Conopco v. May Dep’t Stores*), *c.f.,* internet consumer expectations side-by-side
  5. **(6) Strength of Senior User’s Mark 🡪 Not that important (BB) (but used in all circuits)**
     1. **Two forms of Strength:** More emphasis on **ACTUAL** than **Abercrombie Strength**
        1. **Conceptual/Inherent Strength (Abercrombie spectrum)**
        2. **Actual / Acquired Marketplace Strength (Zatarains)**
     2. Abercrombie Spectrum not very strong here
        1. Courts increasingly focus more on acquired to show strength of mark in the community
           1. Rationale: in looking at confusion, key is strength to the actual consumers

Counter: the more famous the mark, the greater the likelihood that consumers are sophisticated wrt that mark and will not be confused/tricked (**Beebe believes**)

* + - * 1. Example:

Under *Abercrombie*, IORMYX should conceptually get more strength than COCACOLA because Coke is actually descriptive and the former is fanciful, doesn’t make sense in practice

***Virgin Enterprises* (2d Cir. 2003):** almost all Polaroid factors favored Π, but clear that strength of mark weighed heavily in favor of ∆ to win

* + 1. Empirical strength trumps theoretical strength
       1. Courts explicitly found Π’s mark to be inherently weak, but commercial strong in 23 of opinions sampled 🡪 22:23, court found strength factor favored confusion
          1. But! Courts explicitly found Π’s mark to be inheres strong, but commercial weak n27 of opinions sampled, and 24:27, court found strength factor did not favor LOC.
    2. **Policy Problem** 🡪 big strong marks actually favored over smaller, weaker ones
    3. ***Virgin Enterprises v. Naqab* (2d Cir. 2003):**
       1. **Facts:** Virgin Enterprises sues Virgin Wireless for TM infringement
       2. **Holding:** Almost all of the Polaroid factors favored Π and therefore 🡪 LOC
       3. **TAKEAWAY:** **The more famous, the less important the proximity of the goods factor**
  1. **(7) Likelihood that prior owner will bridge the gap 🡪 Not that important (BB)**
     1. Courts widely ignore this factor
        1. Why would we care? If likelihood of confusion is empirical, then why does it matter if trying to bridge the gap?
  2. **(8) Quality of Defendant’s product 🡪 Not that important (BB)**
     1. BB 🡪 idiotic favor 🡪 more of a dilution factor than proximity issue
        1. This factor will always favor Π. If the same quality, then confusion. If worse quality, then injures Π.

1. **Applying the Multi-Factor Test in Unique Contexts**
   1. **The internet 🡪** internet actually increased LOC
      1. ***GoTo.com v. Walt Disney*** 
         1. **Facts**: GoTo sought preliminary injunction against Disney for use of the mark GoTo
         2. **Holding**: In 9th Circuit there are only three factors, the Troika Factors; but this is extremely pertinent in the internet context!
         3. **Takeaway: Internet “Troika” 🡪**
            1. **Similarity**
            2. **Relatedness of Goods**
            3. **Use of Web as market channel**
      2. **Note:** In 2000, internet consumers seen as very unsophisticated 🡪 may have changed since then
   2. **Private Label / Promotional Goods 🡪** generic versions of goods often get found not tbe confusing as policy matter; facilitating generics trumps the test
2. **Implications of the Multi-Factor Analysis on POLICY** 
   1. **Test-wide Questions:**
      1. Which factors drive the outcome? Which factors are irrelevant to the outcome?
      2. How do the factors interact? Do the factors typically “stampede”?
      3. Inter-Circuit Variation?
   2. **Specific Factors:**
      1. What is the significance of evidence of actual confusion, particularly survey evidence?
      2. How do courts typically assess trademark strength?
   3. **Judge-Specific Questions:**
      1. Is there any relation between the ideology, age, gender, tenure of the judge, and the outcome of the test or of specific factors?
   4. **Multifactor Theoretical Questions:**
      1. How does legal analysis use multifactor tests?
      2. Extension of model to fair use factors in copyright law?
3. **Modes of Confusion: Can have more than One in Each Confusion Analysis**
   1. **(1) Point of Sale Confusion (most common)**
      1. Most common, traditional form of likelihood of confusion analysis
   2. **(2) Initial Interest Confusion 🡪 Classic Bait-and-Switch**
      1. Where Junior user plays on goodwill of senior user in order to draw consumers in
         1. McDonald’s sign on highway, but no McDonald’s
      2. Arises most frequently on the internet, but movement away from finding initial interest confusion because it is so easy to correct 🡪 bad button
      3. ***Playboy Enters v. Netscape* (9th Cir 2004)**
         1. **Facts:** Netscape “keyed” the TMs “playboy” and “playmate” to other Netscape advertisers and Playboy sued claiming initial interest confusion
         2. **Holding:** SJ can NOT be granted to web advertiser who uses a registered mark to key to other advertisers
         3. **TAKEAWAY:** Important part of case is concurrence 🡪 stating initial interest confusion is not found simply because consumer is given an alternative choice
            1. Labeling not good enough
            2. Initial Interest Confusion is rarely found by courts, ESPECIALLY on the internet because it is easy to click the back button
      4. ***Gibson Guitar v. Paul Reed Smith Guitars* (SCOTUS 2006)**
         1. **Facts:** Gibson has TM on design of single-cutaway guitar body
         2. **TAKEAWAY:** Not available to product shapes
            1. ***But note,* 2d Cir. Would adopt Kennedy dissent/concurrence🡪** Shape must be an indicator of source
         3. Compare: different than BK putting up sign that says “McDonald’s Next Exit”
            1. Rather, *Smoky-Bar* Theory here: would someone be confused when looking across a smoky barroom to see the guitar?
         4. **Rationale**: Would make doctrine too expensive -> don’t want to give shape monopoly rights
   3. **(3) Post-Sale Confusion 🡪 harm is “dilution of distinctiveness”**
      1. Confusion created in third parties who will think that the products are the same
         1. This is somewhat similar to a delusion theory)
      2. ***Lois Sportswear v. Levi Strauss (2nd Cir. 1986)*** – Lois sold product with clearly different labels but an identical stitching pattern on the pocket
         1. 2nd circuit found that this 3rd party confusion could influence stitching patterns
      3. Some courts still require point of sale confusion (see, e.g. *Gibson v. Paul Reed Guitar*), but moving towards allowing more post-sale confusion claims
      4. **Rationale**:
         1. Senior user still hurt in that some will buy the product in order to have other think they bought senior user’s product
         2. Sales can go down out of concern that they are buying knockoffs as well
            1. People get sick of LVM because too many people have knockoffs!
      5. ***Ferrari v. Roberts* (SCOTUS 1992)**
         1. **Facts:** ∆ produces replicas of Ferraris using half fake parts
         2. **Holding:** 6th Cir. Found this would be post-sale confusion
         3. **TAKEAWAY:** Post-sale confusion CAN be found if, as owner is driving a ha fake Ferrari, OTHER PEOPLE will think it is a real Ferrari, and if it loks bad it will demean Ferrari’s image
            1. **Critique:** isn’t this a tarnishment dilution claim? Dissent says it’s basically anti-dilution by other means of of post-sale confusion

**Today:** courts will rely on dilution in these cases

* + 1. ***Mastercrafters Clock v.*** ***Vacheron & Constantin:*** Status symbol atmos clock v. electric version 🡪 INFRINGMENT, not LOC at point of purchase, Πs trying to reap financial benefits from poaching goodwill (motivation of appropriation)
  1. **Additional types of confusion**
     1. **Confusion as to Source:** 2 products bearing similar TMs are likely to be confused only if both companies actually sell the same or similar products
        1. *E.g.,* Windows Paper Towels; *Zazu Designs v. L’Oreal*
     2. **Confusion as to Sponsorship/Affiliation:** Use of TM may confuse consumers to believe TM-holder sponsors a particular unrelated product
        1. *E.g.*, Olympics Sponsored Soup if TM is on soup can

1. **Reverse Confusion**
   1. **Overview: A senior (David) confronts a junior (GOLIATH) 🡪** Senior user that nobody really knows about is overwhelmed by advertising or other monster junior user
      1. **Harm:** consumers will think senior David’s product is coming from junior Goaliath
   2. **Duel Use Exception** – where the public and not the defendant appropriates a trademark for a larger use, trademark law will not stand in the way
      1. ***Ill. High School v. GTE Vantage (7th Cir 1996)*** – Ill. HS had trademark for “March Madness”; 7th Circuit refused to grant protection under reverse confusion doctrine because it was the public and not any junior company who appropriated the term
         1. Now NCAA has the right to use the mark, as does the HS
   3. ***A&H Sportsweawr v. Victoria’ Secret Stores* (3d Cir. 2000)**
      1. **Facts:** A& registered the mark “Miracle-Suit” for its swimsuit in 19992, Victoria junior user who by 1995 used its mark “miracle bra” in connection with swimsuits 🡪 A&H sued for reverse confusion
      2. **Holding:** 3d Cir. Reversed no finding of reverse confusion and remanded – so possible it will be found
      3. **TAKEAWAY:** The Polaroid Factors (or Frisch Factors in 3d Cir.) STAY THE SAME when dealing with reverse confusion, yet some treated differently
      4. **Factors that Remain – Frisch Factors**
         1. Consumer attentiveness
         2. Degree at channels overlap
         3. Similarity of Products
         4. Similarity of targets of parties’ sale effort
      5. **Factors Treated Differently**
         1. Similarity of Marks
            1. Disclaimer by senior user may reduce confusion, but same disclaimer for junior goliath will have the different effect 🡪 may do the opposite or consumers will forget when looking at the senior user’s mark
            2. Putting the “housemark” on junior goliath’s products will further aggravate, rather than mitigate reverse confusion because consumers will associate the housemark with “miracle”
         2. Strength of Mark
            1. Commercial Strength 🡪 in direct confusion case a commercial strong mark will work in favor of senior Π, in reverse confusion a commercially weak mark of Π will benefit Π 🡪 LOOK AT:

Commercial strength of junior COMPARED to senior

Acquired Strength: Any advertising or marketing by junior goliath that resulted in public saturation

* + - * 1. Conceptual Strength 🡪 Conceptually strong (Fanciful or arbitrary) weighs in favor of Senior David the same way as in direct confusion
      1. Intent of the ∆
         1. Though intent to confuse is less likely in reverse confusion, if intent is a factor (like wanting to push senior out of industry) will favor Π
      2. Factors relating to Actual Confusion
         1. Look at confusion where consumer thought senior was junior
  1. ***Harlem Wizards v. NBA* (DNJ 1997):** NBA renames their DC basketball team “Wizards,” but the Harlem Wizards are a senior, but small basketball entertainment company 🡪 No LOC (but BB says could have gone either way)
  2. ***Dreamwerks Sci-Fi Conferences v. Dreamworks* (9th Cir. 1998):** Dreamwerks Conventions infringed by junior giant Dreamworks
  3. ***Pump v.*** ***Colins Mgt* (D. Mass. 1990):** Aerosmith album “Pump” and “Pump” band 🡪 No infringement
  4. ***Labo Enterprises v. Tunnel* (SDNY 1988):** senior “Tunnel Bar” sues junior “Tunnel” 🡪 NO infringement
  5. ***Andy Warhol Enterprises v.*** ***Time* (SDNY 1988):** senior interview magazine and jnior “interview” section of Time Magazine 🡪 No infringement

**D. Trademark Dilution**

1. **General**
   1. **Test Under TDRA (Lanham 43(c))** – owner of a famous mark entitled to an injunction or other remedy…against another’s use in commerce if such use
      1. **(1) begins after the mark becomes famous and**
      2. **(2) dilutes the distinctiveness of the mark** by blurring or tarnishment
         1. Can get damages upon showing intentional dilution
         2. **§45 – dilution**: lessoning of the capacity of a famous mark to ID & distinguish goods or services
   2. Recognizes the importance of the advertising function of a mark
      1. *Odal Decision (1924)* – complainant has the utmost interest in seeing that its mark is not diluted; it would lose in selling power is everyone used it as the designation of his goods
      2. Marketing recognizes two important aspects of a brand
         1. Brand dominance
            1. Probability that a brand will be recalled given its category as a retrieval cue
         2. Brand typicality
            1. Probability that a category will be recalled given the brand name as a retrieval cue
            2. Dilution cases (blurring in particular) focuses on stopping dilution of brand typicality
   3. Search cost rationale
      1. A trademark seeks to economize on information costs by providing a compact, memorable and unambiguous identifier of a product or service.
      2. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service
         1. Posner’s search-cost/efficiency theory
      3. Irony: some brands cannot claim dilution because they are too strong (Jacoby)
         1. But doctrine is meant to protect strong/famous brands
         2. Must be famous to qualify under 43(c)
   4. May be a weakened claim today:
      1. ***Mattel*** case (Barbie Girl) – Court found parody exception applies to blurring or tarnishment whenever it is not purely commercial speech
2. **Statutory Sections**

|  |
| --- |
| **Lanham §43(c)**  Owner of a FAMOUS mark shall be entitled to an INJUNCTION or other remedy as provided by this section against another’s use in commerce if such use begins after the mark becomes famous and dilutes the distinctiveness of the mark   * NOTE: in order to get more than an injunction, must show actual bad faith intentional dilution |
| **Lanham §45**  The term “dilution” means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of   * Competition between the parties, or * LOC, mistakes or deception |

* 1. ***Paris Convention, Article 6bis***
  2. ***TRIPS Art. 16(2)-(3)***
  3. **EC Trademark Directive, Art. 5(2)**

1. **Development of Dilution Cause of Action** 
   1. Protection for famous marks from unauthorized users that attempt to trade upon goodwill and established renown of such marks 🡪 diluting distinctive quality
   2. Born in Germany 🡪 came to US through Frank Schecter 🡪 rational basis of TM protection
      1. No diversion of trade or harm upon which TM Π can sue 🡪 say that confusion itself (even for a second) is a harm that courts should seek to solve
   3. 1946: Lanham Act contained NO anti-dilution provision
   4. 1947: Mass. Enacts first state anti-dilution statutory provision
      1. Currently 36 states provide this, including NY
   5. 1996: Federal TM Dilution Act
   6. **2006: Trademark Dilution Revision Act (TDRA –§1125(c)(2))**

|  |
| --- |
| **TDRA 2006:** Owner of *famous mark* … shall be entitled to injunction against another person who … commences use of mark or trade name in commerce that is likely to cause *dilution by luring or dilution by tarnishment* of the famous mark, regardless of the presence/absence of actual/likely confusion, competition, or actual economic injury. |

* + 1. Included major reforms
       1. Pro-Π
          1. Established likelihood of dilution standard
          2. Provides that non-inherently distinctive marks may qualify for any protection

2nd Circuit does not accept this!

* + - * 1. Explicitly states that blurring AND tarnishment are forms of dilution
      1. Pro-∆
         1. Rejects doctrine of “niche fame” – famous amongst consumers in local area or a particular line of products (e.g., Lexis – lawyers market – v. Lexus).

Expands scope of exclusions: must be widely recognized by the general consuming public of the US

* + - * 1. Expanded scope of exclusions under 43(c)(3)

Fair use

All forms of news

Non-commercial

* + - 1. Neutral
         1. Reconfigures fame factors
         2. Sets forth factors for determining blurring
  1. **43(c)(2) – Dilution by Blurring or Tarnishment:**
     1. **Factors for “fame” prerequisite – §43(c)**:
        1. Duration, extent, and geographic reach of advertising and publicity of the mark
           1. Courts will take into account ads by owners and by third parties
        2. Amount, volume, and geographic extent of sales of goods offered under the mark
        3. Extent of actual recognition of the mark
           1. Niche fame no longer counts!
        4. Whether the mark was registered
  2. **THE CURRENT TEST 🡪 Π must show (prerequisite if FAME! – Factors above!)**
     1. **(1) Association (*Nikepal* factors below)**
     2. **(2) That arises from similarity**
        1. Cannot be the similarity of the products or sales methods, but of the MARKS themselves
     3. **(3) Between the ∆’s mark and the Π’s famous mark**
        1. There also appears to be a USE OF A MARK requirement built into TDRA, but not all courts follow this
     4. **(4) That impairs the distinctiveness of the famous mark**
        1. Read literally, mere associations is NOT enough 🡪 MUST impair
  3. **“Dilution by Blurring”** **TDRA §43(c)(2)(B)** 🡪 is an association arising from similarity between mark or trade name and a famous mark that *impairs the distinctiveness* of the famous mark.
     1. **(1) Demonstrating association and Similarity, consider factors, *Nikepal*):**
        1. Similarity between mark or trade name and famous mark
           1. Applied a heightened standard – identical or nearly identical
           2. Heightened similarity standard now obsolete! (***Levis-Strauss, 9th Cir***)

Would place undue weight on this factor in the analysis

Statute does not say “very” or imply a heightened standard

* + - 1. Degree of inherent or acquired distinctiveness
         1. Inherently distinctive marks will be more evidence for plaintiff
         2. But extremely famous marks may not be blurrable! (Jacoby study)

***Haute Diggity Dog*** – first example of an appellate court making this finding, but may be limited to parody cases

Counter argument: the mark may be too strong for an individual defendant to dilute it, will create a slippery slope that will eventually dilute the mark

* + - 1. Extent that Π has substantially exclusive use of mark
      2. Degree of recognition of famous mark
      3. Whether ∆’s use is intended to cause association
         1. ***National Pork Board v. Supreme Lobster (TTAB 2010)*** – found likelihood of dilution for “other red meat” by lobster group in copying “other white meat”

Here, ALSO liable for confusion; can be liable for both blurring & confusion

* + - 1. Actual Association
      2. **Note: Some courts require 6 Factors PLUS Impairment (Factor 3), others only require Association**
         1. **2d Cir:** leaning towards requirement BOTH 🡪 so move on
      3. **(4) Demonstrating that distinctiveness of the famous mark is likely to be diminished**
         1. ***Louis Vuitton v. Haute Diggity Dog (4th Cir. 2007)*** – created dog chew toys “Chewy Vuitton”

Did not impair/diminish because the copies were imperfect and signaled to consumers that they were copies/were not created by Louis Vuitton

Also focused on strength of Louis Vuitton – would be hard to dilute!

Also see this as an example of parody (below)

Focuses also on areas of exclusion from liability under 43(c)(3):

Any fair use

Does not really apply here but court bends over backwards to show parody

News

Non-commercial

* + - * 1. Key: most courts today do NOT require showing of impairment, only require showing of association, applying the factors above

2nd seems to require showing BOTH association and blurring (***Starbucks***)

* 1. **“Dilution by Tarnishment” TDRA §43(c)(2)(C)**🡪 is association arising from similarity between mark and famous mark that *harms the reputation* of the famous mark (no factors in statute)
     1. Arises where a junior user undermines the image that consumers hold of a famous mark by using the mark to advertise unsavory products
        1. ***Dallas Cowboy Cheerleaders v. Pussycat Cinema (2nd Cir, 1979)*** – found dilution where pornographic movie implied Dallas Cowboy cheerleaders were participating
     2. **Exclusions (*Haute Diggity Dog*)**
        1. (a) fair use 🡪 nominative or descriptive, or facilitation of fair use, using mark other than as a designation of source for ∆’s own good or services, including use in comparative advertising or parody/criticism
        2. (b) news reporting and commentary
        3. (c) noncommercial use
        4. 43(c)(6):ownership of valid registration by ∆ is complete bar to action
           1. ***Whamo v. Paramount Pictures*** (Slip n’ Slide in Dickie Roberts) – silly use of the mark, but not capable of tarnishing it; was the actual product
     3. Dilution by generitization
        1. No court has endorsed this theory

1. **Evolution of Federal Dilution Cause of Action**
   1. ***Ringling Bros. v. Utah Div. of Travel Dev.* (SCOTUS 1999)**
      1. **Facts:** Ringling coined “greatest show on Earth,” sued UT use of phrase 🡪 claimed dilution under §43(a)
      2. **Holding:** 4th Cir held only showing of likelihood of dilution need be shown under then state statute
      3. **TAKEAWAY: Example of early dilution case 🡪 no federal law on point, and inconsistency among states**
         1. About half of states had no anti-dilution protection, while in some only required “likelihood of dilution”
2. **Rationales for Non-Confusion Based Liability Theories**
   1. **Frank Schecter**: problem of bad faith actors attaching famous marks on products and said that “selling power” of actual TM and brand differentiation is actually what awe are protection
   2. **Limitations of confusion claims as to source and COA**
      1. If there is no competition, there can be no unfair competition (*Carroll v. Duluth Superior Milling –* 8th Cir. 1916)
         1. Schecter: anti-confusion COA can’t reach all cases
            1. Π would lose in sling power if everyone used it as a designation of his goods (even if no LOC) (*Odal*, 1924)
   3. **Vagaries of Consumer-Perception Basis for Liability**
      1. Unpredictability of the outcome for confusion based doctrines
         1. Schecter: “This psychological element is in any event at best an uncertain factor, and the so-called ordinary purchaser changes his mental qualities with every judge.”
      2. Want more formal test to protect famous marks (get rid of intent, confusion, etc.)
   4. **Current Anti-Dilution Theory 🡪 You have to THINK for a moment, and thinking is INEFFICIENT (economic argument)**
      1. Search costs explanation (Posner)
         1. “A TM seeks to economize on information costs by providing a compact, memorable and unambiguous identifier of a product or service. The economy is less when, because the TM has other citations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.”
      2. **Peterson, et. al. (1999): Brand Dominance v. Brand Typicality**
         1. **Brand Dominance:** probability that a brand will be recalled when its category is a retrieval cue
            1. Truck? 🡪 Ford. Watch? 🡪 Rolex.
         2. **Brand Typicality (this is more blurring**): probability that category will be recalled given brand name is a retrieval cue
            1. Ford? 🡪 Truck. Rolex 🡪 Watch.
3. **Actual Dilution v. Likelihood of Dilution**
   1. ***Moseley v. V Secret Catalogue* (SCOTUS 2003)**
      1. **Facts:** Moseley owned “Victor’s Little Secret” and VS sued for dilution 🡪 COA was TM infringement under §32, infringement under §43(a), and Dilution infringement under §43(c), plus state law causes
      2. **Holding:** SCOTUS held that the FTDA (prior to TDRA) through Lanham §43(c) requires showing of “actual dilution” in order to win and that §45 says NOTHING about “likelihood of dilution”
      3. **TAKEAWAY: For a claim under FTDA, owner of FAMOUS mark MUST show ACTUAL dilution 🡪 cannot be likelihood**
         1. Created Circuit Split: in order to show actual dilution, Π would have to either show (1) only that junior and senior marks are identical; or (2) that junior and senior marks are identical ALONG with circumstantial evidence
   2. **TODAY! TDRA allows for likelihood of dilution**
      1. ***Levi Strauss v. Abercrombie & Fitch* (9th Cir. 2011):** Plain language of §1125(c) does not require that Π establish junior mark is identical, nearly identical or substantially similar to the senior mark in order to obtain injunctive relief 🡪 **RATHER,** Π must show, based on factors in §1125(c)(2)(B), including degree of similarity, that a junior mark is likely to impair the distinctiveness of the famous mark
4. **TDRA Case Law – BLURRING §43(c)(2)(B)**
   1. **Case Law**
      1. ***Nike v. Nikepal* (ED Cal. 2007):**
         1. **Facts:** NikePal provides products/services to science labs; survey evidence of actual association by Nikepal customers of Nikepal with Nike 🡪 what they would think of website called nikepal.com
         2. **Holding:** Nike prevails on feral and state dilution by blurring claims 🡪 Nikepal permanently enjoined from using NIKEPAL in connection with goods/services in commerce
      2. ***Federal Exp. V. Federal Espresso* (2d Cir. 2000):** Marks must be “very” or “substantially similar” 🡪 affirmed denial of PI based in part on holding that FED ESPRESSO was not sufficiently similar to FedEx
      3. ***Nat’l Pork Board v.* *Supreme Lobster* (TTAB 2010) [PRECEDENTIAL]:** “The Other Red Meat” for fresh and frozen salmon dilutes “The Other White Meat” for pork.”
      4. ***Hershey v. Art Van Furniture* (ED Mich. 2008):** unregistered trade dress 🡪 must be shown to be non-functional under §§43(a), (c); truck with image of Hershey-like wrapper unwrapping brown leather sofa and wrapper said “Art Van”
         1. **Holding:** finding no confusion, but blurring
      5. ***Louis Vuitton Malletier v. Haute Diggity Dog* (4th Cir. 2007):** LVM sues HDD alleging TM infringement, TM dilution; HDD manufactures plush dog toys – one is “Chewy Vuitton” little handbag 🡪 D. Ct. found parody – aff’d
         1. **Holding:** No LOC; more prominent a mark, the less susceptible to dilution by blurring (*PETA* cited) 🡪 LVM failed to make-out cases of TM dilution by blurring failing to show distinctiveness of marks was likely to be impaired y HDD and products
         2. **TAKEAWAY: Focuses on TDRA 43(c)(3)**
            1. Three main areas of exclusion from liability of dilution:

(A) Any fair use including nominative or descriptive

NOT used as designation of source

Here, use as designation of source, so HDD doesn’t qualify (“TM-Like Uses”) 🡪 but account for parodic nature of ∆’s use in assessing likelihood of dilution

(B) all forms of news

(c) Noncommercial

* + 1. ***Mead Data Cent. v. Toyota Motor Sales* (2d Cir. 1989):** Lexis used Lexus for dilution 🡪 considered COA for dilution under NY law
       1. **Holding:** Lexis mark enjoyed only “niche fame” among lawyers, and thus not famous enough to qualify for anti-dilution protection
  1. **Empirical Studies**
     1. **Morrin & Jacoby:** very famous marks apparently immune to dilution 🡪 calls TDRA protection justification into question
        1. Standard Π Response: while ∆’s act alone may not dilute mark, if court allows ∆’s conduct, will create a slippery slope that will eventually dilute mark
     2. **BB:** dealing with very small results; crazy way to measure distinctiveness by response time

**E. Extension by Contract: Franchising and Merchandising**

1. **TMs are the “Cornerstone of a Franchise System” (*Susser v. Carvel –* SDNY 1962)**
   1. TMs of franchisor is the identifiable symbol of continuity; presence of national brand at each location 🡪 franchisor + franchisee will come to TM license agreement
2. **Franchising mix of contractual and integrated characteristics**
   1. Franchisee may be tempted to “free-ride” off quality investments of franchisor and other franchisee by selling inferior products (customers come from far away, not repeaters) 🡪 but agreements prevent such outcome (ingredients, inspections, profit-sharing, etc.)
      1. Substantial rents or profits left to franchisee after franchisor’s cut 🡪 Incentive system in franchise contracts is working
3. **Turning Logos into Profit Centers:** sports team logos, universities, other badges of affiliation and prestige 🡪 TMs were historically symbols representing, but now the product themselves
   1. **De-materialization of products 🡪**
      1. Consumers are buying an image; TM owner possesses rights in a symbol associated with certain qualities
   2. **Upsurge and increased recognition since 1970s:**
      1. ***Boston Professional Hockey . Dallas Cap & Emblem* (5th Cir. 1975):** finding unauthorized sales of team emblems violated Lanham Act, and granting permanent injunction 🡪 improper to permit anonymous 3rd party to profit from Π’s logo
      2. ***Louisiana State v. Smack Apparel* (5th Cir. 2008):** enjoining sale of t-shirts in university colors that didn’t include any TMs from universities
4. **Franchising and Dilution Theories**
   1. Ability to sell mark/contract through franchise is one of the more important rights of TM owners
      1. But once mark is franchised, mark may be harmed if franchisee sells inferior quality goods
   2. Logos pose difficult questions for trademark law
      1. Trademark law protects marks only insofar as they are emblematic of the goodwill behind a product
      2. Logos make the mark the product themselves (ex: NBA); the consumer is buying an image
      3. Lending the mark to diverse products connects those products to the feelings the symbol evokes
   3. Courts began to accept logos as protectable in the 1970’s
      1. ***Boston Professional Hockey v. Dallas Cap (5th Cir. 1975)*** – found infringement where a company placed sports emblem on clothing without permission
         1. Did not require a showing of consumer confusion as to source!

**F. Domain Names and Cybersquatting**

1. **General**
   1. **Cybersquatting**: registering a domain name of a famous mark not to use the domain, but to sell it to the mark’s owner for a price in excess of the cost of initial registration
   2. Trademark law remains inept at dealing with this problem
      1. Before ACPA, courts would sometimes find liability for cybersquatting under 43(C), which arguably had a bad effect on dilution law under the FTDA
      2. 43(d) still not very helpful and most plaintiffs use UDRA instead
   3. Generally, internet reseller of product is okay
   4. Trademark law is not in the business of ensuring domain names go to proper owners
      1. Looking only to single out the few cases in which the registration is clearly problematic
2. **Anti-Cybersquatting Consumer Protection Act (ACPA): Lanham §43(d)**

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| **Lanham §43(d): Anti-Cybersquatting Consumer Protection Act (ACPA)**  A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if without regard to the goods or services of the parties, that person –   * Has a bad faith intent to PROFIT from that mark, including a personal name which is protected as a mark under this section, and * Registers, traffics in, or uses a domain that   + (1) in the case of a mark that is DISTINCTIVE at the time of registration of the domain name 🡪 is IDENTICAL or CONFUSINGLY SIMILAR to that mark   + (2) In the case of a FAMOUS MARK at the time of registration of the domain name 🡪 is IDENTICAL or CONFSUINGLY SIMILAR to or DILUTIVE to that mark |

1. **Basics – §43(d) enacted in 1999**
   1. **Pre-ACPA:** Courts stretched meaning of “dilution” to protect TM owners
   2. **Two Cause of Action**
      1. In personam against the cybersquatter
      2. In rem against the actual domain name where jurisdiction or just locating the cybersquatter are not possible
   3. ***PETA v. Doughney* (4th Cir. 2001):** bad faith intent very easily shown; ∆ registered multiple other infringing domain names and offered to sell peta.org, both of which are very significant red flags triggering finding of bad faith
   4. **Most Πs now use UDRP rather than §43(d) because significant faster and cheaper**
2. **Bad Faith Intent – §43(d)(1)(i)**
   1. (I) the TM or other IP rights of the person, if any, in the domain name;
   2. (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
   3. (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
   4. (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
   5. (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a LOC as to the source, sponsorship, affiliation, or endorsement of the site;
   6. (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use;
   7. (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name;
   8. (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names; and
   9. (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of §43(c)(1)
3. ***PETA v. Dougherty (4th Cir. 2001)*** – Doughterty registered peta.org and set up a page “People Eating Tasty Animals” that was a parody of PETA and its goals; found for PETA
   1. Easy case for the courts because of clear evidence of two key factors of bad faith intent to profit under 43(d):
      1. Dougherty did this with other names as well (factor 8)
      2. Dougherty offered to sell the domain name to PETA at a hefty price (factor 6)
   2. Also found clear intent to confuse/mislead consumers into going to his site where there was harmful information to the mark’s owners
4. ***Lamparello v. Falwall* (SCOTUS 2006)**
   1. **Facts:** ∆ maintains website critical of Jerry Falwall (slight misspelling of name in domain); considers TM through LOC and cybersquatting; considers if §§32 and 43(a) cover noncommercial speech
   2. **Holding:** No TM infringement; no LOC and no commercial intent/bad faith to profit
      1. Struggles to distinguish PETA 🡪 finds Lamparello different when use considered in full context because intent is to lampoon Falwall, and PETA was pretextual
   3. **TAKEAWAY: Must have intent to PROFIT (Factor IV) 🡪 allow for “gripe” sites**
5. **Uniform Dispute Resolution Policy (UDRP) + (ICANN)**
   1. Domain name holders are subject to UDRP through terms of domain name registration contract with domain name registrars
      1. Registrars must require the UDRP in order to qualify with ICANN as domain name registrars
   2. UDRP Paragraph 4:
      1. **4(a) – Complainant must prove**: (1) identity or confusing similarity; (2) respondent has “no rights or legitimate interests in respect of the domain name,” and (3) respondent has registered domain name and is using it in bad faith
      2. **4(b) – Bad Faith**
         1. ***Telstra.org case*:** Australian company named Telstra and some guy registered the name, but was not doing anything with it 🡪 not using it in bad faith (just waiting – perhaps for money but no proof)
            1. **Holding:** this itself constituted bad faith USE of domain name 🡪 very important finding on behalf of Πs in these cases
   3. **Most Common Dispute Resolution Service – WIPO**
      1. WIPO’s statistics show very high complainant win rate 🡪 say there are very clear cybersquatting cases
         1. Π selects the arbitrator 🡪 Πs will usually win in UDRP context
      2. **No damages** 🡪 Only transfer of registration of domain name
   4. **Resellers’ Use of Marks in Resellers’ Domain Names**
      1. *Toyota Motor Sales v. Tabari* (9th Cir. 2010): “buyorselltoyota.com” 🡪 uses are generally nominative fair uses
         1. Seems to settled scattered case law on subject
      2. *Ty v. Perryman* (7th Cir. 2002): “bargainbeanies.com” for site that sold beanie babies 🡪 nominative fair use

**G. Indirect Infringement**

1. **General**
   1. There is no statutory support for contributory/vicarious liability
   2. Courts have accepted it as a form of statutory interpretation/policy
   3. Must have primary liability in order to have secondary liability!
2. **Two forms:**
   1. Contributory liability:
      1. when a defendant who does not control the direct infringer purposefully induces or assists his infringing action
      2. Must have knowledge and material contribution!
   2. Vicarious liability:
      1. Defendant somehow controls the direct infringer
      2. Based on theory of *respondeat superior*
      3. Less common in trademark context
3. **KEY: There can be no secondary liability without primarily liability**
   1. You MUST first test for primary infringement
4. **There are two main types of secondary liability (some courts use interchangeably)**
   1. **(1) Contributory Liability:** arises when ∆ who does not control the direct infringer purposefully induces or assists his infringing actions
      1. Intentional inducement, OR
         1. E.g., bribing pharmacist, advertising “they won’t know the difference” .v. merely suggesting (*Ives*)
      2. Knowledge and material contribution
         1. Showing has/dad knowledge of primary infringing acts and makes/made a material contribution to those acts
   2. **(2) Vicarious Liability:** involves situation in which a ∆ somehow controls the direct infringer
      1. Control (“right and ability to supervise”), AND
         1. E.g., *Hard Rock Café v. Concession Services* (7th Cir. 1992): applied *Inwood* test for contributory test for contributory TM liability to operator of flea market 🡪 found operator would be liability for copyright infringement of vendors if it permits on its premises of knows/has reason to know vendor is acting / will act tortuously
      2. Direct financial benefit
5. **Why does difference matter 🡪** Historically, vicarious liability was based upon the idea that master was responsible for servant (respondant superior), where contributory was built up next to and came later
   1. ***E.g., Google v. Rosetta Stone***
6. ***Inwood Labs v. Ives Labs* (SCOTUS 1982)**
   1. **Facts:** Π had expired patent for cyclopasmol and ∆ manufactures generic drug in similar shape and similar colors which were sometimes distributed by pharmacists in bottles saying they were ΠS and were the same color as Πs
   2. **Holding:** NO infringement under §32 derivatively or under §43(a) for copying the color
   3. **TAKEWAY:** Case stands for proposition that if a manufacturer or distributor (1) **INTENTIONALLY** induces another to infringe a TM, or (2) **continues** to supply product to one whom they have knowledge is infringing TM, they are CONTRIBUTORILY LIABLE
7. ***Tiffany v. eBay* (2d Cir. 2010)**
   1. **Facts:** widespread counterfeit Tiffany jewelry on eBay; question was whether eBay had “knowledge” to trigger contributory liability – Tiffany argued “general knowledge” enough
   2. **Holding:** eBay must have specific and contemporary knowledge of individual acts of infringement in order to fall within knowledge requirement🡪 eBay was NOT contributorily liable for its refusal to take such preemptive steps in light of their reasonable anticipation (not willfully blind like *Hard Rock* 🡪 implemented policing policies)
      1. Πs must show the primary liability of auction sit users in order to assert secondary liability against the auction site itself
   3. **TAKEAWAY:** Restates Contributory Liability framework seen in *Inwood* 🡪 also states vicarious as (1) the right to control, AND (2) direct financial benefit
      1. Contributory liability framework requires SPECIFIC knowledge in second prong
   4. **POLICY:** Relied on who was the lowest-cost avoider was for economic efficiency 🡪 judge ultimately decided it was Tiffany
      1. **BB:** unfair and unjust as most efficient outcome; consumer is lowest cost avoider 🡪 personal responsibility libertarian ideal
      2. **Tiffany Response:** can’t rely on consumer sophistication when issues of goodwill and product quality
      3. **Europeans:** would have put responsibility on eBay
8. ***GEICO v. Google* (ED Va. 2005):** Π could not demonstrate that mere sale of keyword confused consumers, BUT 🡪 left open possibility that advertisers themselves might be liable for infringement if the text of ads were confusing, and that Google might be liable for contributory infringement

**IV. Defenses to Trademark Infringement**

**A. General**

1. Even where a Π can show likelihood of confusion or dilution, a ∆ can escape liability by showing one or more affirmative defenses
2. Affirmative defenses include:
   * + - 1. Abandonment
         2. Laches
         3. Accepted Use

Fair use

Nominative Use (Non-Trademark use)

Parody

**B. Abandonment, Assignments in Gross, Laches**

1. **3 Major Forms**
   1. (1) Abandonment (*MLB*)
   2. (2) Failure to Supervise Licenses (*Dawn Donut*)
   3. (3) Rule Against Assignments in Gross
2. **Statutory Sections**

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| **Lanham §45 – Trademark Abandonment**  A mark shall be deemed to be “abandoned” if either of the following occurs:   * (1) When its use has been discontinued with INTENT not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be PF evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, not merely to reserve right in a mark * (2) When any course of conduct of the owner, including acts of omissions as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph. |

1. **Details of Abandonment**
   1. **(1) Intent not to resume**
      1. Rarely expressed, so may infer from circumstances
      2. 3 consecutive years of non-use is prima facie evidence, but NOT conclusive
         1. Owner may overcome presumption by presenting evidence that notwithstanding 3-years of nonuse, it nevertheless intends to resume use
      3. **NOTE:** §45 does not establish a requirement that the owner use the mark at least once in any three-year period 🡪 owner may not use the mark for a longer period of time, but still retain ownership provided that owner intends to resume at some point in the reasonably foreseeable future (*Silverman*)
         1. *Silverman v. CBS* (2d Cir. 1989): CBS claimed intent to resume use of TM “Amos ‘n Andy” when no longer demeaning to African Americans 🡪 abandonment of TM - must be sometime in the reasonably foreseeable future
   2. **(2) Mark becomes generic / loses significance as mark / loses control of mark**
      1. If it licenses the mark out to others without any attempt to control the quality of goods bearing the mark
         1. Quality control requirements in US TM law are surprisingly lax 🡪 example of sufficient quality control is inspecting the manufacturing facility once/year or requiring licensee to send specimens annually to the licensor
         2. ***Dawn Donut v. Hart’s Food Stores (2nd Cir. 1959)*** – found no abandonment by plaintiff in licensing out the mixtures
            1. ***Dissent***: true that Dawn Donut’s contracts gave them control over how the donuts were baked, etc but they did not ex. **actual control** – did not inspect the factories, etc. Must police, etc.
            2. Discussion in the dissent is the primary rule today.
      2. Assignments in Gross (see below)
2. **Applications of Abandonment Defense**
   1. Hypo
      1. Facts:
         1. 2000: A begins using a mark and registers it
         2. 2001: A stops using the mark
         3. 2006: B starts using the mark
      2. Questions to ask here:
         1. Did A use the mark within the three consecutive years? NO
         2. Can A show evidence of intent to resume use during the three-year period?
   2. Sports teams
      1. There will be a strong presumption in favor of the franchise owner for priority (*Colts v. Metropolitican Baltimore Football Club, also see Rams Case*)
   3. ***Major League Baseball v. Sed Non Olet Denarius* (SCOTUS 1993):** 
      1. **Facts:** Brooklyn Dodgers moved to Los Angeles; MLB sues ∆ (corporate operators of 3 restaurants – “Brooklyn Dodger”) for infringement of Π’s TM;
         1. Looks at: (1) ∆’s use intentional copying in logo; (2) Π’s use limited to occasional retrospectives, never pub/restaurant; (3) Abandonment Affirmative Defense (preponderance of evidence) – TM is “Brooklyn Dodgers” not just “Dodgers” – Πs can’t show intent to resume use since leaving NY; (4) resumption would be limited to type of use since resumption (apparel, etc.)
      2. **Holding:** Court declines to enjoin ∆’s very limited use of TM by ∆’s for use in connection with local restaurant for older Brooklyn Dodgers fans in NY
      3. **TAKEAWAY:** You cannot warehouse a TM 🡪 even if you continue to renew registration, it must be used in a SUBSTANTIAL way
   4. ***Dawn Donut v. Hart’s Food Stores* (2d Cir. 1959) 🡪 UNSUPERVISED LICENSES**
      1. **Facts:** Dawn Donut alleged TM infringement by Hart; Hart counterclaimed to cancel Π’s registration of “Dawn” and “Dawn Donut” on ground that Π abandoned mark due to inadequate quality control and supervision on part of its licensees – retail bakeries that sold donuts made from Dawn’s mix
      2. **Holding:** No abandonment by Π of its registrations, and ∆ not entitled to cancel TMs
         1. **Dissent:** would instruct D. Ct. to investigate policing and cancel if insufficient
      3. **TAKEAWAY:** naked licensing (grant of licenses without retention of control) is invalid! (*DuPont v. Celanese*)
         1. Requires: (1) Sufficient policing; (2) inspection of licensee’s operations
         2. Contracts may be sufficient, but cancel if operations not adequately policed
3. **Rule against Assignment in Gross**
   1. **Lanham §10:** “A registered mark or mark for which application to register has been filed shall be assignable with the goodwill of the business by which the mark is used, or with that part of goodwill of the business connection with the use of and symbolized by the mark.”
   2. **Assignment in Gross:** Assignments of TM alone without any underlying assets or goodwill
      1. **Originally 🡪** very strict
      2. **Recently 🡪** relaxed
   3. **Contemporary Rule:** Operating in cases involving assignment of “soft” TM-related assets (customer lists, production formulas, and amorphous “goodwill)
      1. ***In re Roman Cleanser* (6th Cir. 1986):** validating transfer of TM in satisfaction of security interest in it, together with formulas and customer lists
      2. ***Money Store v.* *Harriscorp Finance* (7th Cir. 1982):** assignment of Money Store TM by senior user for $1 not invalid 🡪 nominal recitation of “goodwill” in assignment contract, without any other assets was enough
      3. ***C.f.,* Richard Posner & William Landes (1987):** “assignment in gross” doctrine makes sense only in “final period” cases, where sellers of goods are leaving the market and hence do not care if consumers are disappointed by the low quality of the assignee’s goods
   4. ***C.f.,* Japan:** 
      1. **Private property rights in the TM itself** 🡪 assignments in gross are valid even if totally divorced from any goodwill;
      2. **TM rights are severable** 🡪 may be assigned by class, providing goods of remaining classification would not cause confusion with goods assigned to the class
4. **Laches Defense**
   1. **Lanham Act has no SOL 🡪 ∆’s who might otherwise use that turn to laches**
   2. **Laches:** equity aids the vigilant and not those who slumber on their rights (*NAACP v. NAACP Legal Def.* – DC Cir. 1985)
      1. **Requires Proof of… (*Passenger Corp. v. Morgan* – SCOTUS 2002)**
         1. (1) Lack of diligence by party against whom the defense is asserted, AND
         2. (2) Prejudice to the party asserting the defense
            1. ∆ must do more than merely show that it has continued to use its infringing mark during the delay period

*Tap Pub. V. Chinese Yellow Pages NY* (SDNY 1996): mere continuing use of infringing mark without expansion does not satisfy requirement

* + - * 1. Generally require expansion 🡪 substantially increased level of investment in promotion of the mark
  1. Progressive Encroachment 🡪 Laches Unavailable
     1. **Progressive Encroachment:** ∆ formerly used Π’s mark to goods unrelated to Π’s, but has since expanded its use of the mark to goods related to the Π’s
        1. *Westchester Media v. PRL USA Holdings* (5th Cir. 2000): Π’s obligation to sue was triggered only when ∆ Polo Magazine expanded its content beyond news of the sport of polo and began to feature mainstream fashion and travel news closer to Π’s market (D. Mass – Π waited until some viable impact on its business is excusable delay)
  2. **E.g., *Harjo v. National Football*:** Disparagement challenge to “Redskins” failed because of Redskin’s laches defense

1. **Residual Goodwill**
   1. Very minor issue in US TM law 🡪 company abandons its mark or engages in 3-consecutive years of nonuse, but goodwill outlasts the use of the TM in commerce

**C. Fair Use**

1. **Classic/Descriptive Fair Use:** ∆ uses Π’s mark to describe the ∆’s goods

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| **Lanham 33(b)(4):**  That the use of the name, term or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in the privity with such party, or of a term of or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin |

* 1. **Defense provided that the name, term of device is a use 🡪 3 Prongs!**
     1. Other use than as mark (advertising, packaging, slogan 🡪 but NOT goods identifier)
     2. Descriptive of the individual name of own business, party, or term
        1. Dictionary definition, commonness, no significant alternatives
     3. Use in good faith / Intent (*KP Permanent Makeup*)
  2. ***KP Permanent Make-up v. Lasting Impression* (SCOTUS 2004)**
     1. **Facts:** Lastings TM is “microcolors” for permanent make-up;
     2. **9th Circuit:** cannot be held in good faith if consumers are confused
        1. Defense of descriptive fair use can only succeed where there is NO LOC as to source 🡪 But! That is the only situation in which ∆ would need to use the defense 🡪 can never be used! 🡪 SCOTUS says “defies logic”
     3. **Holding:** ∆ can win on fair use even if Π can show some likelihood of consumer confusion as to source; can still be found to have been fairly used in good faith
     4. **TAKEWAY:** If you can make out a FAIR USE DEFENSE, you DON’T have to prove NO LOC in order to win 🡪 even if some confusion, you can still potentially get fair use
  3. **Steps for analyzing use of defense**
     1. Facts
     2. LOC Test
        1. If no LOC 🡪 no need to go on
        2. If LOC< then turn to affirmative defense of descriptive fair use under §33(b)(4)
           1. (1) used other than as mark; (2) accurately descriptive of individual name of business/party/term; (3) good faith
  4. **Applications**
     1. ***Wonder Labs v. P&G* (SDNY 1990): ‘**“The dentists’ choice for fighting cavities” for toothbrushes is fair use of Π’s TM “Dentist’s Choice for toothbrushes”’
     2. ***Western Publishing v. Rose Art Industries* (SDNY 1990):** “golden” describing gold color of children’s writing slate not infringement of Π’s mark “golden” for children’s books an toys
     3. ***Playboy Enterprises v. Terri Welles* (9th Cir. 2002):** ∆ was Playboy’s “Playmate of the Year” in 191; her use of words “playmate of the year” in title on homepage and in her advertising banners fell within class fair use 🡪 “Public persona is based on tittles and they accurately describe her. Court can’t say she took more than was necessary to merely ID herself or her goods.”
     4. ***Car-Freshner v. SC Johnson & Son* (2d Cir. 1995):** image mark case 🡪 image marks can also have fair use
     5. ***Kelly-Brown v. Winfrey* (SDNY 2012):** Oprah sued by “Own your power” for workshops and seminars after saying “Own your Power” on magazine cover

1. **Nominative Fair Use:** 
   1. Where∆ makes commercial use of Π’s mark to refer to Π’s product
   2. **Judge Made Law 🡪 no statutory section**
      1. ***RG Smith v. Chanel* (9th Cir. 1968) (Seminole Case):**
         1. **Facts:** Advertisement for knock-off perfumes, and recommends blindfold test between Chanel 5, and knock-off
         2. **Holding:** No statutory basis on the confusion side of TM law, but OK with this judge-made defense
   3. **Rationales for nominative fair use**
      1. Naming the TM owner – using the only word is the only reasonably available way to name the product/owner
      2. Concern that TM owner’s rights not to hamper other’s access to language
   4. **Ninth Circuit Test 🡪 *New Kids on the Block v. News America Publishing* (9th Cir. 1992, 900# voting for favorite NKOTB member):**
      1. (1) Product or service in question must be one not readily identifiable without use of TM (like functionality),
      2. (2) Only so much of the mark or marks may be used as is reasonably necessary to identify the product or service, AND
      3. (3) User must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the TM holder
         1. Here, this was a newspaper and while they made money, there was no source identification function
         2. But ultimately, this makes confusion part of the analysis (rejected by 3rd cir)
   5. **Second Circuit 🡪 Analysis Order: No clear doctrine on this, but 2d Cir. D. Cts have done:**
      1. **Polaroid LoC test FRIST (burden on Π) (no confusion 🡪 stop)**
      2. **If confusion found, turn to Fair Use, and apply *New Kids* Test (burden on ∆)**
         1. **Note:** 2d Cir has not officially adopted *New Kids* factors, but still go through factors in practice balancing them out
            1. *C.f.,* 9th Cir. Has ∆ claim fair use first, skips LOC; if they lose on Fair Use, they lose LOC by default
   6. **Third Circuit Test 🡪 *Century 21* Test (3d Cir.) 🡪 Multifactor Two-Step Analysis**
      1. **Part One** 🡪 **Truncated LOC Factors**
         1. (1) price of goods and other factors indicative of the care and attention that may be expected of consumers when making a purchase
         2. (2) Evidence of actual confusion
         3. (3) Length of time if any of use without actual confusion
         4. (4) intent of ∆ in utilizing the mark
      2. **Part Two 🡪 Modified *New Kids* Factors**
         1. (1) Challenged use of Π’s mark is necessary to describe both Π’s product or service and defendant’s products service;
         2. (2) ∆ has used only so much of Π’s mark as is necessary to describe Π’s products or services; AND
         3. (3) ∆’s conduct or language reflects the true and accurate relationship between Π and ∆’s products or services
   7. **Fed. Cir. Applies DuPont Factors for LOC**
2. **Parody**
   1. **Generally**
      1. Recent trend has been an increase in allowing parody defense
         1. ***E.S.S. Entertainment v. Rock Star Videos (9th Cir. 2008)*** – Video game mocking “Pay Pen” with “Pig Pen”
            1. Develop a practice of allowing this and has become so common that there is no likelihood that players will see it as an endorsement
         2. Could easily have gone the other way (so rare that it is an endorsement)
      2. **Satire vs. Parody**
         1. Satire: targeting something external
            1. Will never be protected/not a defense
         2. Parody: uses of the work to target the work itself
            1. Protected under trademark law unless it is purely commercial speech (***Mattell***)
      3. ***Inringement-based causes of action*** 
         1. Apply one of the doctrines below, but all incorporate Rogers Analysis
         2. ***Rogers v. Grinaldi***: artistic titles to do violate trademarks unless:
            1. **No artistic relevance**
            2. **Some artistic relevance and specific misleading as to source or content**

Expanded beyond titles to all infringement based causes of action

* + 1. **Dilution: apply** **Mattel’s commercial speech test**
       1. ***Mattel v. MCA Record (9th Cir. 2002)*** – BarBi Girl lyrics
          1. Applied *Rogers v. Grinaldi* to infringement claim
          2. **If speech is not purely commercial, then it is entitled to full first amendment protection**
       2. If there is **ANYTHING** other than the offer of a commercial transaction, non-commercial use exception applies and there can be no tarnishment or blurring under 43(d)
       3. **One drop rule is not followed in all circuits**
          1. Represents a huge weakening of dilution doctrine
    2. Unclear which approach any given federal court will take to parody doctrine – DISCUSS ALL
  1. **Doctrinal Approaches to Parody**
     1. **Element of Traditional LOC Test (primary approach)** 
        1. Most common test but certainly not a given that a federal court will apply this test
        2. Simply go through the normal Polaroid Factors, considering the use of the mark as a parody
        3. Rationale: a working parody will not create confusion!
           1. ***Hard Rock Café v. Pacific Graphics (WD Wash 1991)*** – parody is another factor to consider in the likelihood of confusion analysis

True parody will be so obvious and heavy-handed…clear distinction is preserved

* + - * 1. **Counter**: making the parody strong-armed enough to avoid all likelihood of confusion will run the parody and make the point meaningless (**Beebe**)
      1. **Different approaches to this:**
         1. In some cases (9th Circuit, especially) – ***Rogers v. Grimaldi*** will replaced Polaroid where there is parody
         2. Some cases (2nd circ) – engage in Polaroid analysis and then look at ***Rogers*** as a defense

If very clear, will not address because of strength of the affirmative defense

* + - 1. ***ESS Entertainment 2000 v. Rock Star Videos* (9th Cir. 2008):** Grand Theft Auto video games sued by LA strip club claiming game infringed on club’s TM and TD **🡪 Court applies *Rogers v. Grimaldi***
         1. **Holding:** No TM infringement 🡪when TM right clashes with 1st Amendment, 1A wins wrt artistic/creative judgment
         2. **Make it so people would never imagine it was endorsed**
         3. **Second-Life Games 🡪 uncharted TM world**
      2. ***Smith v. Walmart Stores (ND 2008)*** – Smith made Wal\*Ocaust and other offensive shirts based on the Walmart name and symbols shirts to mock Walmart
         1. Court found no likelihood of confusion because it was a clear parody and no actual confusion
         2. Never reached first amendment discussion
      3. ***MasterCard v. Nader 2000* (SDNY 2004):** MasterCard sues Nader campaign for ad spoofing their “priceless” da campaign
         1. Applies LOC analysis
      4. ***Dallas Cowboys v. Pussycat Cinema* (2d Cir. 1979):** porn featuring Dallas Cowboy cheerleader; action under 43(a) 🡪 got injunction (disparaging)
      5. ***LVM v. Haute Diggity Dog* (4th Cir. 2007):** parody is unlikely to confuse
    1. **Parody as Trigger of “Alternative Avenues of Communication” Analysis:**
       1. Consider BOTH LOC and 1st Amendment Interest INDEPENDENTLY, then BALANCE these interest
       2. ***Mutual of Omaha Ins. v. Novak* (8th Cir. 1987):** “We believe, however, that protection afforded by 1A does not give Novak license to infringe on rights of Mutual. Mutual’s TM’s are form of property, and Π’s rights therein need not ‘yield to the exercise of 1A rights under circumstances where adequate alternative avenues of communication exist.” 🡪 Today this would be dilution claim and non-commercial speech
          1. **BB:** example of court reaching the conlucion it wants to reach
       3. **Approach is borderline obscolete**
    2. **Parody as Trigger of First Amendment Balancing Test:** FIRST, consider Multifactor Polaroid test, and **THEN** talk about expressive use balancing 1st Amendment interest with result 🡪 Even if some confusion, 1A can trump
       1. **Note:** Make note of the Cause of Action
       2. **Test is in decline, but may be applied as a secondary prong after the court goes through a likelihood of confusion test (*Cliff Notes*)**
       3. ***Rogers v. Grimaldi* Test (2d Cir.) (Parody in Titles, Infringement-Based COA):** involved Italian movie *Ginger and Fred* with 2 dancers clearly meant to be Ginger + Fred
          1. **Holding:** No infringement because movie title was related to the movie 🡪 no artistic relevance to the title of the song and not misleading
          2. **TAKEAWAY:** Literary titles do not violate unless:

**(1) No artistic relevant**

**(2) Some artistic relevance and specific misleading to the source or content**

* + - * 1. Does NOT apply to the dilution COA
      1. ***Mattel v. MCA Records* (9th Cir. 2002, Kozinski, Dilution-Baesd COA):**
         1. **Fact:** Mattel sued over Aqua’s song “Barbie Girl” - clear blurring,
         2. **Holding:** Barbie Girl is not purely commercial speech, and is therefore fully protected

**3 Statutory Exceptions:** 2 don’t apply, but the 3rd ‘noncommercial use’ may 🡪 1-drop rule to dilution may have hugely weakened

TMs often fill in gaps in our vocabulary and add contemporary flavor to our expressions

***Rogers* Test:**

Use of Barbie in song title relevant to underlying work

Song did not explicitly mislead as to the source of work

* + - * 1. **TAKEAWAY:** Where an artistic work targets the original and does not merely borrow another’s property to get attention, First Amendment interests weigh more heavily in the balance
      1. ***Cliff Notes v. Bantam Doubleday Dell Pub* (2d Cir. 1989):** Cliffs and Spy Notes 🡪 satire, but mad eSpy Notes put “A Satire” on the cover
         1. Appropriation of speech most effective when not-obvious
         2. LOC factors at end of multifactor test 🡪 taking into account that somewhat more risk of confusion is to be tolerated when TM holder when TM holder seeks to enjoin artistic expression such as parody”
         3. Degree of risk of confusion between Spy Notes and Cliffs Notes does not outweigh the well-established public interest in parody
      2. **Appropriationist Speech**: punchline is told at the end with appropriation 🡪 heavy-handed parody; estranging shows something and then slowly becomes clear that it’s appropriation
         1. ***Protect Marriage v. Courage Campaign*:** non-straight marriage organization pro-Prop 8 appropriated and changed same-sex marriage group’s logo to 2-women; same-sex marriage group sued over infringement of unregistered property right

**TAKEAWAY:** No LOC because parody 🡪 parody is not technically a defense, but aspect of confusion because successful parody will not confuse

* + - * 1. ***Smith v. Wal-Mart* (ND Ga. 2008):** battle of experts in LOC
    1. **Possible Fourth: *E.S.S. Entertainment***
       1. Separated ***Rogers v. Grimaldi*** test from the First Amendment and applies it on it own
       2. Simply asks:
          1. Is it a parody?
          2. Was it explicitly misleading? If not, parody defense applies
  1. **Parody/Expressive Use – Walk Through**
     1. **Threshold Question: Is this SATIRE or PARODY?**
        1. Satire 🡪 use of work to target something external 🡪 not protected
        2. Parody 🡪 use of work to target work itself 🡪 this IS protected under TM law
     2. **Is it a literary title?**
        1. No 🡪 move on
        2. Yes 🡪 *Rogers v. Grimaldi* Test
           1. Does the title have artistic relevance to the work?
           2. Does it mislead as to the source of the contents of the work?
     3. **Parody Infringement Analysis (state that this is *probably* 2d approach):**
        1. Combine the *Polaroid* Factors with *Rogers v. Grimaldi* Test
        2. Parody itself should not confuse consumers 🡪 Court can find some confusion
     4. **Parody Dilution Analysis**
        1. Is it purely commercial speech? (sole purpose to propose commerce transaction from *Mattel*)
           1. No 🡪 PROTECTED under §43(c)(4)(B) exception
           2. Yes 🡪 NOT protected

**V. International Issues in Trademark**

**A. Overview**

1. **Madrid System:** procedural to make the process of TM registration more efficient around the world 🡪 submit application and it can be forwarded to other countries for registration

**VI. Right of Publicity**

**A. Overview**

1. **General**
   1. Protects an individual’s marketability or persona
   2. No federal right of publicity under the Lanham Act
      1. §43(a) – used to create a right of publicity but applies ONLY to the famous (celebrities) for whom there can be an argument that the name has achieved secondary meaning
   3. Right of publicity under state law
      1. Most states have either a common law or statutory right of publicity (or both)
      2. Rights fall into two main categories (detailed below):
         1. Property-based right of publicity (California)
            1. Descendible like property
         2. Privacy-based right of publicity (New York)
            1. Not-descendible
            2. More applicable to non-celebrities
      3. TN special rule: descendible for 10 years and then continues indefinitely (Elvis!)
2. **Sources of Law**
   1. **There is NO federal right of publicity statue**
      1. **But, §43(a) – Closest we come:** only applies to celebrities because it is a means of identifying a person’s identity with a product 🡪
         1. **Can argue that name/image has acquired secondary meaning**
   2. **States have granted Rights of Publicity**
      1. **15 States have Codified Right of Publicity in Statute** 
         1. Including NY and CA
   3. **Common Law**
      1. **16 States Recognize Common Law Right of Publicity**
         1. Not in NY (*Robertson v. Rochester Folding Box Co (1992)*)
      2. CA has both Statute and Common Law
   4. **New York**
      1. **NY Civil Rights Law §§50-51:** privacy-based, non-descendible
         * 1. Any person whose name, portrait, picture or voice…

Used within the state for advertising / trade purposes …

Without prior written consent…

* + - * 1. May …

Seek equitable remedy to restrain use

Sue for damages for any injuries

If ∆ knowingly used Π’s NPPV, jury may award exemplary damages

Note: Voice added in 2005 because of Midler and similar cases

Under statutory basis, courts rely on the language of the statute, not a general conception of rights

***Vanna White v. Samsung Electronics (9th Cir. 1992)*** – robot used in advertisement that looked similar to Vanna White, had the wheel (concept of things not really changing in the future)

This was a CA case but how would it come out in New YorK?

Robot was not her “name, portrait, picture or voice” – it was only creating the inference

Name, portrait, picture and voice do not come together to create “persona”

***Onassis v. Christian Dior-New York (1994)*** – she is in the back

She won because they actually used her face

Clearly show privacy-function of New York law – in no way did this indicate endorsement

**California**

* 1. **California**
     1. **Statutory and Common Law**
     2. **Cal. Civ. Code §3344:** property-based, descendible, assignable
        1. Any person who knowingly uses another’s name, voice, *signature*, photograph, or likeliness…
           1. In any manner, on or in products, merchandise, goods…
           2. For purposes of advertising/selling/soliciting purchases of products, merchandise, goods/services….
           3. Without prior consent, or consent of parent/guardian…
        2. Shall be liable…
           1. For any damages sustained by person/s, and
           2. $750 or actual damages suffered by unauthorized use, and profits not taken into account with original damages
     3. ***Midler v. Ford (9th Cir. 1988) –*** Midler would not do Ford commercial so used a “sound-alike”
        1. Statutory right – CA civil code does not include a voice-sound alike provision
        2. Court took a highly restrictive interpretation; no property interest in sound of the voice, only in OWN voice
        3. Common law right – Midler won because voice was very distinctive
        4. Nancy Sinatra did not win in similar case (voice not distinctive enough)
     4. Property right basis much broader than privacy basis
        1. ***Vanna White v. Samsong Electronics*** – she won in CA
           1. Under New York privacy conception, could not have won
           2. Kazinski dissent: Insane to give property rights to celebrities based on the slightest indication of their celebrity
           3. First amendment protections should apply here
           4. Parody is key and protected (see above)

1. **Rationales for Right of Publicity**
   1. **Privacy Arguments**
      1. Warren & Brandeis (1890): lamenting technological/cultural developments in private sphere, advocated right of privacy to forbid publication of idle gossip and restore propriety and dignity to the press
      2. NY (1903): banned unauthorized use of “name, portrait or picture of any living persons” for “advertising purposes, or for purposes of trade.”
         1. Very limited 🡪 celebrities exploit their image, so can’t stop other uses
            1. *O’Brien v. Pabst* (5th Cir. 1941): nationally famous football play who disapproves of alcohol had no claim against beer distributor that used his photos on calendar advertising product because Π had actively sought publicity in ther contexts
      3. 2d Cir. – NY (1953): found right of publicity in NY common law
      4. *Stephano v. News Group Pub.* (1984): no right of publicity independent of privacy protections in NY Civil Rights Laws §§50-51.
   2. **Economic Arguments**
      1. **Labor:** people invest labor into creating a memorable “persona” 🡪 reward
         1. **But!** Celebrities’ fame is product of fans, managers, agents, etc.
      2. **Incentives:** utilitarian purpose of providing an incentive for people to invest in creating and publicizing some sort of public good (*Zacchini* *–* SCOTUS 1977)
         1. Failure to protect celebrity’s image could produce congestion externality 🡪 value of image can be inefficiently depleted by oversaturation in the marketplace, which an exclusive right to exploit can prevent
      3. **False Endorsement:** prevent unauthorized use of person’s name or other indicia of identity in connection with products or services where the use would generate among consumers the false impression that Π endorses the product or service
   3. **Autonomy**
      1. Mark McKenna: publicity rights protect individual’s interest in preserving his/her ability to exercise autonomous self-definition
      2. Kantian/Hegelian view of private property as being invested with owner’s inalienable will/personality
2. **Who is entitled to Right of Publicity?**
   1. **Non-celebrities (privacy):** protecting persons from unwanted publicity (early cases)
      1. ***Eick v. Perk Dog Food* (Ill. App. 1952):** recognizing claim for unauthorized use of non-celebrity’s photo in dog food ad
      2. **RST 3d Unfair Competition §§46:** evaluation of relative fame of Π is more properly relevant to determination of appropriate relief 🡪 private persons may recover damages measured by value of use at market price ∆ would have had to pay
   2. **Celebrities (economic):** persons whose names and likeness are commercially valuable
      1. **Politicians:** Once they become public figures, they lose all right to publicity, except in VERY limited situations
         1. **Obama:** Weatherpoof image in Times Square, stopped when White House called
         2. **Schwartzeneger:**used OH company over Governator bobble
         3. **Bob Dole:***without consent of Viagra*
   3. **People to whom rights have been assigned (economic):** may require conflict of laws principles because not all states allow for descendibility
      1. *Marilyn Monroe*: Mizrahi inherited Monroe LLC (MMLLC) license Monroe’s publicity rights; conflict of laws between CA/NY
      2. 1970s 🡪 Courts said CL and statutory publicity rights terminate at death
      3. 1984/1999: Statutory response conferring post-mortem publicity rights

**B. Indicia of Identity**

1. **RST 3d of Unfair Competition, §46 (d) – most commonly name/likeness**
   1. Right of publicity is infringed by an appropriation of another’s identity for purposes of trade; use must be 🡪
      1. Sufficient to identify the person whose identity ∆ is alleged to have appropriated
      2. Understood by audience as referring to Π
         1. If visual likeness 🡪 Π must be reasonably identifiable from photo/depiction
   2. Relevant Evidence
      1. Nature/extent of identifying characteristics used by ∆
      2. ∆’s intent
      3. Π’s fame
      4. Actual identification made by third persons
      5. Surveys indicating perceptions of the audience
2. **Types of Likeness**
   1. **Voice: Only Widely Known (professionals) with Distinctive Voice**
      1. ***Midler v. Ford Motor* (9th Cir. 1988):**
         1. **Facts:** Ford hired sound-alike to sing like Bette in commercial
         2. **Holding:** Only when a distinctive voice of a professional signer is widely cmt. appropriated what is not theirs and committed a tort in CA
            1. Π loses on statutory grounds, but wins under CA Common Law
            2. CA Civil Code 🡪 very restrictive: must be ACTUAL voice, but voice used was Hedwig’s 🡪 not all states would find this way
         3. **NOTE:** presented LOC evidence (issue of TM LOC being read in 🡪 consumer confusion over Midler’s purported endorsement)
      2. ***Nancy Sinatra v. Goodyear*:** Goodyear used “Boots are made for Walking” with sound-alike for Nancy Sinatra 🡪 Nancy loses because does not have enough identity in her voice
         1. Voice was not distinct enough to trigger right to identity
   2. **Picture/Portrait**
      1. ***Onassis v. Christian Dior-NY* (NYS 2d 1984):** Jackie sued for appropriation of right of publicity because face is hidden in background of ad with many well-known people in it
      2. ***Allison v.* *Vintage Sports Plaques* (11th Cir. 1998) – First Sale Defense:** ∆ purchased authorized sports trading cards and posted for sale 🡪 ∆ may lawfully resell images of celebrities that he lawfully purchased
   3. **Likeness**
      1. ***White v. Samsung* (9th Cir. 1992, Kozinski Dissent):** Vanna White robot in ad, but just a wig and letters, posture 🡪 not name, picture/portrait, voice 🡪 triggers right of publicity
         1. CL Persona Approach to right of identity/publicity **🡪 anything can evoke persona**
         2. Goes too far with right of identity given to celebrities
         3. **Adds extra burden on creators of works to draw on celebrity attributes**
            1. Allows celebrities to veto parody
      2. ***Wendt v. Host Int’l* (9th Cir. 1997):** animatronic robots representative of characters from TV show *Cheers* placed in barstools 🡪 actors retained publicity rights in their portrayal of fictional characters under CA law and NOT the producers
      3. **Possibilities: Mere Evocation of a Celebrity 🡪 Hugely broad**
         1. Walk/running style; characteristic gesture (Eastwood’s sneer); signature joke (take my wife); style of chess opening by grand master; shot/move/ technique by professional athlete (Tiger’s fist pump) 🡪 no end?
3. **False Endorsement**
   1. Right of publicity claims are sometimes coupled with Lanham Act claims alleging false endorsement
      1. (1) Claim may amount to false advertising if all elements are met
      2. (2) Claim may violate Lanham Act §43(a)(1)(A):
         1. (1) Imitation of distinctive attribute of celebrity’s identity
            1. Standard would overlap with indicia of identity analysis
         2. (2) Connection with goods or services, or container for goods
         3. (3) ∆’s use in interstate commerce, and
         4. (4) LOC among substantial portion of relevant class of purchasers, regarding celebrity’s endorsement of goods/services; FACTORS:
            1. Level of recognition that Π has among segment of society for whom ∆’s product is intended
            2. Relatedness of fame or success of Π to ∆’s product
            3. Similarity of likeness used by ∆ to actual Π
            4. Evidence of actual confusion
            5. Marketing channels used
            6. Likely degree of purchase care
            7. ∆’s intent on selecting the Π
            8. Likelihood of expansion of the product lines
   2. ***Downing v. Abercrombie & Fitch* (9th Cir. 2003):** Πs (professional surfers) asserted right of public and false endorsement claims against A&F for including their pictures in A&F catalogue without consent 🡪 genuine issue of material fact on LOC, set forth factors above
   3. ***But, Kournikova v.*** ***General Media* (CD Cal. 2003):** mere possibility that consumers may be misled is insufficient to prevail on an endorsement claim
   4. ***Waits v.*** ***Frito Lay:*** upholding false endorsement under 43(a) for ∆’s use of lookalike in TV commercial; $2.4M damages
   5. ***Oliveria v. Frito-Lay* (2d 2002):** not well-known enough to win
   6. ***Woody Allen v. National Video* (SDNY 1985):** didn’t endorse 🡪 won $11M

**C. Right of Publicity + the First Amendment**

1. **Overview**
   * 1. **Content-Based Regulation Theory**
        1. Content-based Regulations of noncommercial speech 🡪 strict scrutiny
           1. **Expressive Merchandise 🡪** t-shirts, photos, news
        2. Content-based Regulations of commercial speech/content-neutral 🡪 intermediate scrutiny
           1. **Commercial Speech Analysis 🡪** (1) whether speech is misleading/ promotes illegal transactions; 2) whether regulation serves important governmental interest; (3) whether regulation directly advances government interests; (4) whether regulation is narrowly tailored to achieve goals and doesn’t abridge more than needed.
     2. **Economic Theory – First Amendment Rarely Applies**
        1. Publicity rights are a form of property
        2. 1A doesn’t guarantee speakers right to use another person’s property to express speaker’s point of v
        3. **Criticism**: this would allow states to restrict expression merely be characterizing certain interests as property
     3. **More like IP Rights – No Strict Scrutiny**
     4. **Incidental Use Doctrine**
        1. Courts say: “fleeting,” “incidental,” “insignificant,” or “de minimus” uses of names or other indicia of identity are not actionable because they are likely to have no commercial impact
        2. ***Aligo v. Time-Life* (ND Cal. 1994):** *Rolling Stone* put photo of Officer Aligo holding club over student protester on cover, and Time-life aired 29-min infomercial with Aligo’s image on screen for 4seconds 🡪
           1. **Rationale:** Incidental use has no commercial value; limiting would unduly burden expressive activity
           2. (1) whether use has unique quality/value that would result in commercial profit for ∆
           3. (2) Whether use contributes something of significance
           4. (3) Relationship between reference to Π and purpose/subject of work
           5. (4) Duration, prominence, or reposition f name/likeness relative to the rest of the publication
   1. **Restatement (Third) of Unfair Competition §47**
      1. “The name, likeness, and other indicia of a person’s identity are used ‘for purposes of trade’ under §46 if used in advertising user’s goods/services, or placed on merchandise or in connection with services.”
         1. “For Purposes of Trade” 🡪 does not *ordinarily* include use of person’s identity in news reporting momentary, entertainment, works of fiction/ nonfiction, or in advertising that is incidental to such uses.”
            1. But, CA: does not explicitly except unauthorized use of living perosn’s identity in books, movies, and audiovisual works
      2. Suggest some circumstances in which use of person’s identity in expressive work will violate person’s right of publicity
         1. If name or likely used solely to attract attention to work that is not related to the person (e.g., Rosa Parks v. LaFace Records (6th Cir. 2003)(OutKast’s song)
         2. Appropriation of ModelingServices 🡪 use of photograph of Π in place of professional model
   2. **First Amendment and the Right of Publicity: The Transformation Rule**
      1. Often, defendants will raise First Amendment defense to the right of publicity
      2. Where First Amendment protections do apply, apply intermediate scrutiny (***Central Hudson***):
         1. Is it misleading?
         2. Regulation serves important government interests?
         3. Regulation advances government interest directly?
         4. Narrowly tailored?
      3. **Test: is the work transformative**?
      4. ***Zacchini v. Scripps Howard Broadcasting* (SCOTUS 1977) (Read Narrowly):**
         1. **Facts:** Π is entertainer who does 15-second human cannonball act – family business 50+ years; ∆ reporter filmed without permission and showed whole act on TV; Π claimed unlawful appropriation of Π’s professional property
         2. **Holding:** No violation of 1A/14A if state law were to prevent news from showing clips of this length of entertainment acts 🡪 1A/14A do not prohibit bars of news broadcasts showing things like full length of his act 🡪 like showing a whole movie in the theater
            1. Non-celebrity v. Performer: here, economic concerns Broadcast of Π’s entire act poses substantial threat to economic value of his performance
            2. Ability to reap rewards of endeavors – less reputational 🡪 “exclusive control over publicity given to his performance” – media can’t give it away for free
         3. **Dissent (Powell):** He made decision to be publicly known 🡪 can’t complain of routine news coverage consistent with 1A (privacy-based protection)
         4. **TAKEAWAY:** Publicity rights = incentive / economic value + exclusive control
      5. **Problem with the transformative test: elitism (*Jireh, McFarlene*)**
   3. ***ETC Corp. v. Jireh Pub.* (6th Cir. 2003):** painting of Master’s program showing Tiger Woods with previous winners looking down at him 🡪 limited edition serigraphs and lithographs had sufficient transformative elements to outweigh Woods’ assertion of right of publicity
   4. ***Hoepker v. Kruger* (SDNY 2002):** museum reproductions of works of art incorporating Π’s photographic image – even on T-shirts and magnets, did not violate Π’s right of publicity under NY law because reproductions retained “essential nature of artistic expression”
   5. ***Simoneov v. Tiegs* (NY City. Civ. Ct. 1993):** sculptural work depicting model 🡪 artist may make a work of art that includes recognizable likeness of a person without his/her written consent and sell at a limited number of copies
   6. ***Brinkley v.* *Casablancas* (NY App. Div. 1981):** unauthorized distribution of mass market posters depicting model Brinkley violated her right to publicity
   7. ***Blanche v. Koons* (2d Cir. 2006):** Breaking down distinction between satire and parody 🡪 satire acceptable as fair use in copyright
   8. ***Doe v.* McFarlene (MO Ct. 2006):** hockey enforcer’s identity appropriated in form of a comic book “Spawn” 🡪 comic book loses, $15M damages and injunctions
      1. **Looking for Plus-Factors:** Are there enough different evocations to bring to mind celebrity’s identity for sufficient number of people?
         1. Character named after Π; spin off merchandise to hockey fans; tough guy sports association; Affiliation with spawn character
   9. ***Comedy III Products* v. *Saderup* (SCOTUS 2001):** 
      1. **Facts:** Comedy III owns all rights to 3 Stooges (deceased personalities), and ∆ is artist making charcoal drawings to create lithographs for t-shirts – earned $75k
      2. **Holding:** The right of publicity prevails against insufficient creative elements of transformation 🡪 must be transformed into something more than mere celebrity likeness or imitation (can’t merely supersede 🡪 must be new/transformative)
         1. T-shirts depicting 3 Stooges were noncommercial speech; reproductions are entitled to 1A protection, but must be balanced with right of publicity
         2. Right-of-publicity holder has monopoly on production of conventional, fungible images of celebrity (*Cardtoon v. MLB –* 10th Cir. 1996).
         3. 1A Tension: (A) market place of ideas; (b) respect for individual development and self-realization
      3. **TAKEAWAY:** When artistic expression takes form of literal depiction or imitation of celebrity for commercial gain, directly trespassing without adding significant expression, the publicity interest outweighs imitative art’s expressive interests
   10. ***Hoffman v. Capital Cities/ABC* (9th Cir. 2001):** Magazine article “Grand Illusions” had celebrities photo-shopped to wear spring fashions; Hoffman in drag; he sued 🡪 9th Cir. Reversed $3m+ award
       1. **Holding:** Π (public figured) need (and failed) to show “actual malice” in sense that ∆ knew/ recklessly disregarded that depiction was false
          1. Magazine appropriation of Π’s identity was ‘communicative’ not purely ‘commercial’ = highest 1A protection
          2. No falsity element in cause of action 🡪 Court assumed consumer confusion is proper rationale for right of publicity
   11. ***Toffoloni v. LFP Publishing* (11th Cir. 2009):** brief newsworthy article incidental to private, nude photographs of pro wrestler’s murdered wife; photos unrelated to time / concept of current public interest news 🡪 photos outside newsworthiness exception to right of publicity

**VII. False Advertising, Product Disparagement, and Related Claims**

**A. Economics of Advertising 🡪**

1. **Theories + Policy Implications: Mad Men v. the Suits (Culture Clash)**
   1. **1920s – Economic Theory of Monopolist Competition:** advertising enables sellers to differentiate products 🡪 but may allow them to discourage market entry and raise prices
      1. Suspicious of ads suggesting incorrect differentiation
      2. Policymakers would want to strictly regulate even *truthful* advertising 🡪 but regulation is costly and 1A implications; if false and rampant, consumers will be less likely to rely on ads
   2. **1960s – Chicago School (most influential):** advertising provides social benefit providing consumers with valuable information (quality/durability/cost) and lowers search cost
      1. But, how can this justify Super Bowl lavishness?
      2. Policymakers would want to target only false advertising
      3. Today, academics pointing to confusion seen as weak (actually misogynistic)
   3. **omplementary Theory (Bagwell/ Miller):** consumers may value ‘social prestige’ and consumption of a product may generate greater social prestige when product appropriately advertised
      1. But, signaling effects of purchases are often socially wasteful
2. **Responses to False Advertising**
   1. **Regulation:** FTC, Baby FTC, CL
   2. **Private Legal Response:** Πs class actions
   3. **Market Response:** no repeat purchases if defrauded
   4. **Industry Self-Regulation:** NAD + CARU responsible for receiving or initiating complaints / questions from any source of truth / accuracy of national advertising 🡪 monitoring and resolving disputes
3. **Rationales for Advertising and Policy Implications of False Advertising Law**
   1. Concern for over-deterring advertising and minimizing benefits of advertising

**B. The Common Law Approach to False Advertising**

1. **Common Law**
   1. Requires “intent to deceive” (RST §761 – 1939) (unlike Lanham Act)
   2. **Early Case – American Washboard . Saginaw Mfg. (6th Cir. 1904):** absent proof that ∆ was deceiving customers into thinking that source of ∆’s product was Π (“passing off”), Π had no viable COA
      1. **Some allowed for misstatements of geographic origin**
   3. **Restatement §761 – 1939**
      1. One who *diverts trade* from a competitor by
      2. *Fraudulently representing goods* which he markets have
      3. *Ingredients or qualities* which in fact they do not have but competitor does have
      4. Is liable to competitor for harm caused if:
         1. (a) when making representation intends that it should / knows that it’s likely to – divert trade from competitor
         2. (b) competitor is not marketing his goods with material fraudulent misrepresentation of them
2. ***Ely-Norris Safe v. Mosler Safe* (2d Cir. 1925, Hand):** Π manufactured/sold safes with explosion chambers to stop burglars, public values this chamber; ∆ manufactured without chamber, but said metal frame around door was to cover the chamber (deceptive)
   1. **Holding:** Competitor may not use deceit (geographic or descriptive) to attract customers; it’s as if Π had monopoly of explosion chambers and ∆ falsely represented that its safes had such chambers
   2. **TAKEAWAY:** Unlawful to lie about quality of wares in market 🡪 subject to action by buyer and competitors 🡪 no difference that ∆ sold goods as his own
      1. Consumer would have gone to Π but for ∆’s deceit
   3. Single-source theory to prove loss of sales
3. ***Mosler Safe v. Ely Norris Safe* (SCOTUS, 1927, Holmes)**
   1. **Holding:** If representation that safes had chamber is true, ∆ had perfect right to say that; but, if false, there is nothing to show that customers had they known facts would have gone to Π rather than other competitors in the market, or to lay foundation for claim of loss sales
4. Competitor in position to enforce; incentives uproot false advertising 🡪 better to eliminate or modify requirement that they prove actual harm

**C. False Advertising Under the Lanham Act**

1. **Statutory Sources of False Advertising: Lanham Act §43(a)(1)(B)**

|  |
| --- |
| **Lanham Act §43(a)(1)(B)**  1. ∆ made (a) false or misleading (b) statements of fact about goods, services, or commercial activities in its advertisements;  2. Those ads actually deceived or have the tendency to deceive a substantial segment of their audience;  3. Such deception if material because it is likely to influence buying decisions;  4. ∆ caused false advertisements to enter instate commerce;  5. Π has been, or is likely to be, injured as the result of those activities, either by direct diversion of sales from itself to ∆, or by damaging goodwill its products enjoy with the buying public |

* 1. **Background**
     1. At time of Lanham Act, movement to “likelihood of injury” standard from “actual harm” standard was in full force
     2. Initially, courts read 43(a) as allowing for false advertising at all, even with its broad language
     3. 1954 – 3rd Circuit held that 43(a) applies to False Advertising
        1. No actual harm requirement
        2. Did not extend to disparagement
     4. 1988 revisions: included false advertising in **43(a)(1)(B)** and includes commercial disparagement
  2. **Elements**
     1. (1) False or misleading
     2. (2) Description or representation of fact
     3. (3) Regarding nature, characteristics, qualities, or geographic origin
     4. (4) Of Π’s or ∆’s goods
     5. (5) in commercial advertising / promotion, which
     6. (6) either actually deceives or has tendency to deceive a substantial segment of intended audience;
     7. (7) is material, and
     8. (8) used in interstate commerce, such that
     9. (9) Π has been / is likely to be injured as a result
  3. **Details**
     1. **Note: No “intent to deceive” requirement (unlike CL)**
     2. False or Misleading + Statement of Fact
        1. 2 separate sub-elements
        2. Statements of fact 🡪 NOT mere puffery; must go to the heart
           1. NOT: opinions and omissions

But! Omissions actionable if forms half-truth that communicates an untrue fact

But! Opinions if they are interpreted as stating / implying a proven fact

* + - * 1. ***Insignia v. News Am* (D. Minn. 2007) – Four Factors**

(1) statement’s precisions and specificity

(2) statement’s verifiability (\*\*May be most important)

(3) social and literary context in which statement as made

(4) statement’s pubic context

* + 1. Nature, Characteristics, Qualities, or Geographic Origin
       1. 2d Cir: actionable statement must relate to an ‘inherent quality or characteristic of the product’
    2. Actually Deceived/ Tendency:
       1. Grouped with false/misleading element; survey evidence
       2. **Presumed in most courts if statement is literally false**
          1. **But! *Sanfield v. Finlay* (7th Cir. 2001, Easterbook):** requiring proof of actual or likely injury resulting from actual or likely consumer deception, even if statement is literally false
    3. Materiality: but-for impact on buying
       1. **May be entitled to rebuttable presumption if literally false**
       2. Representation is *likely* to influence prospective purchasers to some substantial degree

1. **Modes of False Advertising Liability**
   1. **(1 + 2) Literally False: Two Options – highly technical term of art**
      1. **(A) Literally False: False on its face**
         1. Π is not required to present extrinsic evidence of consumer deception/ misleadingness or materiality 🡪 presumed
         2. ***Surdyk’s Liquor v. MGM Liquor* (D. Minn. 2000): Test for Literal Falsity**
            1. (1) Whether challenged ad conveys an explicit factual message, and
            2. (2) whether that explicit message is false

Evaluate in full context of ad 🡪 the more suggestive message is, less likely there is to be literal falsity

* + 1. **(B) False by Necessary Implication**
       1. Grouped with above; may require contextual evidence to prove literally false, but does not require *extrinsic* evidence wrt deception and materiality
       2. ***Clorox v. P&G* (1st Cir. 2000):** Considering the ad in entirety, audience would recognize claim as readily as if it had been explicitly stat4ed 🡪 necessary implication of statement
          1. E.g., “Longer engine life and better engine protection” – necessarily implies than competitors
       3. ***United v. Clorox* (8th Cir. 19998):** Commercial claims that are implicit, attenuated, or merely suggestive cannot fairly be characterized as literally false
    2. **Key: determine by considering the ad in its entirety 🡪** Can be very difficult to distinguish between literally false & literally false by necessary implication
       1. ***Cashmere v. Saks (1st Cir. 2002)*** – demonstrates that determination of false by necessary implication is a very fact-intensive inquiry
          1. Here, assume they meant “virgin cashmere” making it false by necessary implication because the practice in the industry was to point explicitly state when it was recycled
    3. **NOTE:** Literally false may be rendered true by context
       1. ***Schering-Plough Health v. Schwarz Pharma* (7th Cir. 2009, Posner):** ∆ made generic and FDA required using identical label as drug, including “Rx” despite getting FDA approval to sell OTC 🡪 No one is deceive, so no injury… if no one is or could be fooled, no one would be hurt (same rationale as puffery) 🡪 may have result of limiting (1)(B) to “bald-faced, egregious, undeniable, over the top” literally false by necessary implication claims
  1. **(3) Impliedly False 🡪 Literally True/Ambiguous but Misleading by Implication:** 
     1. Requires *extrinsic* evidence of consumer deception and materiality (survey)
     2. ***Johnson & Johnson Vision v. 1-800-Contacts* (11th Cir. 2002):** tying in with element (6) actual/likely deception, question is whether ‘substantial portion of audience’ for whom ad was intended would likely be deceived by statement
     3. ***Mead Johnson v.* *Abbott Labs* (7th Cir. 2000, Easterbrook):** infant formula ads “1st Choice of Doctors” misinterpreted by consumers 🡪 **TEST**
        1. (1) literally true statements are misleading when they imply something that is false
        2. (2) whether claim is false or misleading is a question of act, law; and
        3. (3) on facts presented, Π’s evidence must support a conclusion by reasonable person that ∆’s claim was false or implied a falsehood
     4. Determine falsity/misleading with reference to the group to which it is addressed!
     5. **Key**: most courts will assume other elements are satisfied for both forms of literally false ads
        1. True or ambiguous statements that are misleading, courts will not make presumption
     6. **Note**: courts generally do not require substantiation of defendant’s claims under 43(a)(1)(B)
        1. Plaintiff must instead demonstrate that statement is literally false or misleading
        2. Exception: Establishment claims (surveys show…) require pre-existing substantiation
        3. Compare w/ FTC: Must have evidence substantiating all claims!
  2. ***Time Warner Cable v. DirecTV* (2d Cir. 2007)**
     1. **Facts:** Jessica Simpson “For picture quality this good, you’ve got to get DirectTV” but false because quality is the same; Shatner “(“settling would be illogical”); Internet ads grossly distorted poor quality of competition
     2. **Findings:** 
        1. Simpson statement **is literally false**;
        2. Shatner’s ad is **false by necessary implication** 
           1. “unambiguously made false claim that competitor’s quality is inferior;
           2. But! if language or graphic is susceptible to more than one reasonable interpretation, the ad cannot be literally false”
        3. **Internet ads**: “explicitly and literally false” but are not representation of fact
           1. **Puffery in Two Forms:**
           2. (1) Opinion;
           3. (2) Overly boastful statement no consumer is justified in relying upon
  3. ***Pizza Hut v. Papa John’s* (5th Cir. 2000):**
     1. **Facts:** Pizza Hut sues Pap John’s over slogan “Better ingredients. Better Pizza.” Major issue is whether slogan has been ‘tainted’ by comparative ads
     2. **Slogan Alone:** puffery and all pizza companies do it; can’t rely on it
     3. **Holding:** Slogan used in connection with statements about sauce/dough comparisons takes on characteristics of statement of fact, but this is not material
     4. **Note:** if you want damages in addition to injunction, courts will require more of a showing
  4. ***AT&T v. Verizon*:** AT&T claimed Verizon ad made it look like AT&T has no wireless coverage, but Verizon said it emphasizes 3G Coverage
  5. ***Tambrands v. Warner-Labert* (SDNY 1987):** fast pregnancy test commercial; impliedly false claim (10 min if pregnant, but 30 if not pregnant) 🡪 challenged and found to be misleading with survey evidence 🡪 commercial enjoined
     + - 1. Literally false statements that are not representations of fact are not actionable under 43(a)

1. **Not statements of fact:**
   1. Three Non-Facts
      1. Opinions
         1. Actionable if they can reasonably be interpreted as stating/implying provable fact
      2. Omissions
      3. Puffery
         1. 4 Factors Distinguishing Puffery from Statement of Fact:
            1. Precision and Specificity of the statement
            2. Verifiability
            3. Social or literary context
            4. Public context
         2. Examples: “best in the world”
   2. Note: Puffery/opinions can become tainted by other elements of the ad and *become* a statement of fact
      1. ***Pizza Hut v. Papa Johns*** – slogan; found it to be SO tainted, that the lower court issued an injunction against the slogan forever, even outside of that context 🡪 had become a statement of fact!
         1. Note: found no evidence of materiality
      2. Must relate to goods/services/commercial activities in advertisements
         1. Some courts have construed this to mean it must be a core element of the product
         2. Others are more lenient: claiming hold a patent, etc is actionable
      3. Rationale for “fact” requirement:
         1. Purpose of false advertising provisions of the Lanham Act is to protect the sellers from having their customers lured away from them by deceptive advertising
         2. If no one can be fooled, no one is hurt!
2. **Actual Deception/Tendency to Deceive** 
   1. Literally false: courts will presume deception
   2. Misleading: Plaintiff must offer some evidence of actual or likelihood of deception
      1. Generally use same survey evidence used to show misleading
   3. Key: whether a substantial portion of the relevant audience is likely to be deceived
      1. Generally seen as a reasonable person standard
   4. Note: ***Pizza Hut*** court conflated actual deception factor with materiality factor; also often combined with actual/likelihood of injury
3. **Materiality**
   1. Weakened materiality standard
      1. Need to show that false/misleading statement likely influenced perspective buyers
         1. Do not need to show that customers would have changed their purchasing decisions
      2. Mixed question of law and fact (commenters; Courts have not said)
   2. Rebuttable Presumption of materiality for literally false claims only
      1. ***Pizza Hut v. Papa Johns*** – though statement found to be misleading, plaintiff showed no evidence that it was material to consumers
         1. Key: Court indicated that if the statement was literally false, rather than misleading, plaintiffs would have been entitled to a rebuttable presumption of materiality
4. **Used in Interstate Commerce**
   1. Because it is an ad, usually easy to satisfy
5. **Establishment Claims + Substantiation:**
   1. Most §43(a) actions: ∆ not initially required to come forward with evidence substantiating its claims, but MUST for establishment claims
      1. Exception: Establishment claims (“Surveys show…”) require the ∆ to have pre-existing evidence substantiating establishment claims (surveys, data)
   2. In FTC actions, ∆ must have evidence substantiating all claims

**D. False Advertising under the Federal Trade Commission Act**

1. **Overview**
   1. FTC has authority to challenge anti-competitive practices as (1) “unfair methods of competition,” and (2) to challenge “unfair trade practices” and “deceptive practices” that affect interstate commerce
      1. Unfair trade practices: wide variety of practices
      2. Deceptive Trade Practice: more narrowly to false advertising
   2. May investigate matters and issue Civil Investigative demands, may propose consent order, if rejected, then vote whether to issue a formal complaint 🡪 goes to ALJ 🡪 appeals to Full Commission and then to appellate court
      1. Seeks remedy in cease and desist but may seek other injunctive relief such as compelling firm to provide consumers with refunds
      2. May request firm take out corrective ads or be assessed civil penalties
      3. No PRA
   3. **Statutory Authority – FTC Act §§5 and 12**

|  |
| --- |
| **FTC Act §5**  Unfair methods of competition in or affecting commerce, and *unfair or deceptive acts or practices in or affecting commerce,* are hereby declared unlawful |
| **FTC Act §12**  (a) Unlawfulness: it shall be unlawful for any person, partnership, or corporation to disseminate or cause to be disseminated, by false advertisement:  (1) by US mail, or having effect upon commerce, or by any means, for purpose of inducing / likely to induce, directly/indirectly the purchase of food, drugs, devices, services, or cosmetics; or  (2) by any means, for purpose of inducing, which is likely to induce, directly or indirectly, the purchase in or having an effect upon commerce, of food, drugs devices, services or cosmetics  (b) Unfair or deceptive act or practice  \*\*The dissemination or causing to be disseminated any false advertisement within provisions of subsection (a) shall be an unfair or deceptive act or practice in or affecting commerce within meaning of §45 |

1. **Elements of FTC Action: (1) REPRESENTATION; (2) MISLEADING: (3) MATERIALITY**
   1. The respondent must make a (1) representation, omission or practice that is likely to be misread (2) consumers acting reasonably (3) in a way that is material to such consumers’ purchasing decisions.
      1. **Representation**: FTC does not generally require extrinsicevidence to establish interpretation of representation; relies on expertise
         1. Focus on expertise rather than survey evidence
         2. Must substantiate representation ex ante (no presumption of validity)
         3. Focus on entire advertisement, not just words in question (***FTC Policy Statement***)
            1. True advertisement may not cure a false headline where a reasonable consumer (see below) will only glance at the headline
            2. Curing disclosures must be clear and may not be detracting from my other elements
         4. Includes omissions: Key difference with 43(a)(1)(B):
         5. Most common in “bait and switch” cases where offer is not bona fide
      2. **Reasonable Consumer**: If one of multiple meanings is false, then seller is liable for that false meaning; judge wrt target group
         1. When consumers can evaluate product or service, it is inexpensive, and frequently purchased 🡪 little incentive for sellers to misrepresent because incentives to encourage repeat purchases
         2. Current Standard: Reasonable Consumer Standard (***FTC Policy paper, Cliffdale Assoc. 1984***))
            1. Key: reasonable consumers acting reasonably in the appropriate context

Focus on targeted group: different standard for children vs. professional (drug advertisement to doctors, less easily deceived)

* + - * 1. If there are several reasonable interpretations, only one must be misleading for liability
        2. Note: *Cliffdale Assoc*. represents the end of 1960’s visceral reaction to advertising
    1. **Materiality:** representation pertaining to certain categories (express claims; pertaining to central character) are presumptively material; may require evidence that claim or omission is likely to be considered important by consumers
       1. **Injury:** finding materiality is also finding that injury is likely 🡪 different names for same concept because injured if would have chosen differently
       2. FTC Policy statement: material if it: is likely to affect the consumer’s conduct or decision re: product or service
          1. Old rule: anything consumer would find important, regardless of reliance
          2. Some cases it can be inferred; in others will have to be shown with evidence
          3. Intent to convey the message brings presumption of materiality (***Kraft***)
  1. **“Wayfaring Fools” Test – *Charles of the Ritz v. FTC* (2d Cir. 1944):**
     1. Commission may “insist upon the most literal truthfulness” in advertisements,” and should have undisturbed discretion to insist if it chooses upon a form of advertising clear enough so that “wayfaring men, though fools, shall not err therein.”
  2. **Today – FTC “Deceptive” Definition Policy: Practice is deceptive if.**
     1. (1) has tendency/capacity to mislead;
     2. (2) substantial number of consumers (more rigorous than “wayfaring fools”)
        1. Old Figure: about 20-25% consumers likely to be deceived is okay
        2. Now: reasonable Consumer Standard (Chicago Influence)
     3. (3) Material way
  3. ***Southwest Sunsites v. FTC* (9th Cir. 1986):** Each of 3 elements of new standard imposes a greater burden on FTC to show violation of §5
     1. (1) FTC must show PROBABLE not possible deception
     2. (2) FTC must show potential deception of “consumers acting reasonably in the circumstances” and not just any consumers
     3. (3) Only deceptions that are likely to cause injury to reasonably relying consumer are material (unlike old standard not requiring reliance)
  4. ***Kraft v. FTC* (7th Cir. 1992, Flaum) (BB: Weak Case)**
     1. **Facts:** FTC found Kraft violated §§5, 12 with ad; 2 claims (1) milk equivalency claim (5oz of milk), and (2) imitation superiority claim (more milk than other slices)
     2. **Holding:** Order is enforced; finding of violations is supported by the evidence
        1. **FTC Policy 🡪 Net Impression + 3-Part Inquiry for Reasonable Consumer**: (1) What claims are conveyed in the ad; (2) are those claims false or misleading; and (3) are those claims material to prospective customers?
        2. Relies on “reasonable consumer” (average) (*Cliffdale Assos.*)
        3. Grants presumption of materiality
           1. (1) Express claims; (2) implied claims where evidence that seller intended to make the claim; (3) claims that significantly involve health, safety, or other areas of concern for reasonable consumer
        4. Evidence of consumer reliance 🡪 materiality/injury
        5. Evidence of Kraft’s increase in market share 🡪 infer imitation superiority message, as central theme of ads, contributed to increased sales
     3. **Concurring:** Concern that FTC can avoid extrinsic evidence by simply concluding that deceptive, implied claim is facially apparent 🡪 questionable expertise
     4. **TAKEAWAY:** Even literally true statement s can have misleading implications

1. **Advertising Substantiation – FTC Policy, Appended to *Thompson Medical***
   1. **May be brought under §5 “Deceptive trade practices” or “Unfair Trade Practices”** 
      1. **Unfair Trade Practices:** contemplates cost-benefit analysis;
         1. **3 Factors - *Sperry & Hutchinson***:
            1. (1) Whether practice injures consumers- MOST IMPORTANT

Substantial (not speculative); not outweighed by competitive benefits

* + - * 1. (2) Whether it violates established public policy

Policy established by statue, common law, industry practice

* + - * 1. (3) Whether it is unethical or unscrupulous

Immoral, oppressive = UNFAIR; such practices will almost always injure consumers and violate public policy too

* 1. **Reasonable Basis Requirement**
     1. **Failure to possess reasonable basis 🡪 unfair and deceptive act/practice in violation of §5** 
        1. Advertisers / ad agencies must have reasonable basis for claims before disseminated
     2. Vigorous enforcement of existing legal requirement 🡪 substantiate express and implied claims, however conveyed, that make objective assertions about the item or service advertised
        1. Objective claims represent explicitly or by implication that advertiser has reasonable basis for claims 🡪 consumer reliance
     3. ***Thompson Medical v. FTC* (DC Cir. 1986) (BB: Crazy Outcome):** 
        1. **Facts:** Thompson sells OTC pain reliever cream (Aspercreme) for arthritis; no aspirin but ads suggests they’re related – shows aspirin tablets; ALJ reviewed 6500 pages evidence and issued 127 page finding Thompson liable 🡪 lacked reliable and credible information for reasonable basis for efficacy claims; represented better than aspirin and scientifically proven efficacy
           1. **Reasonable basis:**

**Establishment claims:** must have level of proof claimed in ad

FTC would require 2 clinical studies

Question of fact within FTC’s expertise

**Non-Establishment (e.g. efficacy):** more flexible analysis

Generally no pre-existing substantiated needed

FTC downplays distinction, but no prior case requiring clinical testing to support non-establishments

FTC has expertise to gauge what’s needed to substantiate claims

* + - * 1. **FTC:** actual deception need not be shown; tendency to deceive determined by net impression it is likely to make on viewing public; literally true can be deceptive if misleading

May rely on own reasoned analysis without consumer surveys

* + - 1. **Holding:** FTC adequately considered a large mass of technical evidence and reasoned analysis reached proper finding of deceptive ads
      2. **TAKEAWAY:** **MUST REFRAIN from saying it’s EFFECTIVE**
  1. **Standards for Prior Substantiation: Needed for Establishment Claims**
     1. **Factors:**
        1. Type of claim
        2. Product
        3. Consequences of false claim
        4. Benefits of truthful claim
        5. Cost of developing substantiation for the claim
        6. Amount of substantiation experts in field believe is reasonable
     2. Extrinsic evidence: expert testimony or consumer surveys is helpful
     3. Advertisers on notice that must have reasonable basis even for implied claims
  2. **Procedures for Obtaining Substantiation**
     1. Nonpublic requests for substantiation directed to individual companies or civil investigative demand, if necessary
  3. **Relevance of Post-Claim Evidence in Substantiation Cases: Flexible Enforcement**
     1. Rely on post-claim evidence to…
        1. Evaluate appropriate policy of enforcement / public interest
        2. Assess adequacy of substantiation at time claim was made exposing deficiencies in materials
        3. Determine need or scope of order to be entered against firm lacking reasonable basis
  4. **Self-Regulation Groups and Government Agencies**
     1. Close working relationships with self-regulation groups and government agencies
     2. Will not necessarily defer to finding of self-regulation group
     3. Commission makes its judgment independently, evaluating each case on merits
     4. May rely on expertise and findings of other groups and government agencies

1. **Endorsements and Testimonials**
   1. **Background 🡪 rules have become much stricter**
      1. 1970’s: FTC published first set of guidelines
      2. 1980: Amended
         1. Seen as created safe harbor for “results my vary”
         2. Ex: Jared the subway guy
      3. 2000 Amendment
         1. Eliminates safe harbor
         2. Concern: will limited ability for advertisers to create aspirational ads
         3. Discusses blogging 🡪 OK if telling of own opinion or experiences factually
      4. 2009 Guidelines 🡪 comprehensive attempt to address internet advertising and viral marketing
   2. **FTC Guides Concerning use of Endorsements and Testimonials in Advertising (2009)**

|  |  |
| --- | --- |
| **Endorsement** | **Not Endorsement** |
| - Well-known golfer in ad for golf balls  - Well-known auto racing driver speaking of quality of tires reflecting his personal views  - Infomercial hosted by well-known entertainer | - Obvious fictional dramatization  - Voiceover announcement  - Personal blog (unless person receives product for free as part of marketing program for product reviews) |

* + 1. **Endorsements must reflect the honest opinions, finding, beliefs, or experience of the endorser**
       1. **Requirements for Permissible Endorsement**
          1. Endorsements may not convey deceptive representations

Can’t convey any express/implied representation that would be deceptive if made directly by advertiser

Subject to Substantiation

* + - * 1. “An advertiser may use an endorsement of an expert or celebrity only so long as it has good reason to believe the endorser continues to subscribe to the views presented.” (§255.1(c))

E.g., building contractor loves house paint 🡪 must confirm still believes it’s great / bona fide user before user

E.g, administrative assistant of 10 years may be expert endorsement of keyboard

* + 1. **Endorser Liability – §225.1(d)**
       1. Experts and celebrities (and BLOGGERS) may be personally liable for any misrepresentations they express (*Garvey –* actual opinion)
          1. E.g., celebrity + 30 min chicken cooker that takes 60 min
       2. **Bloggers**: To limit potential liability, advertiser should ensure advertising service trains bloggers concerning need to ensure statements are truthful and substantiated 🡪 advertiser has responsibility too!
    2. **Advertiser Liability – Consumer Endorsements – §255.2**
       1. Consumer endorsements must be substantiated
       2. Endorsement MUST disclose “generally expected performance” (“typicality”)
       3. Use of actors must be “clearly and conspicuously disclosed”
          1. If ad says “actual consumer,” MUST be ACTUAL consumer or disclose
       4. MUST DISCLOSE if circumstances to obtain endorsement would materially affect the weight/credibility of endorsement
          1. E.g., Restaurant “spontaneous” patron, but informed of potential interviews before entering, but do NOT have to disclose if informed of hidden camera only after interviews completed even if compensated
    3. **Disclosure of Material Connections – §255.5**
       1. Pharmaceutical research
       2. Celebrity Endorsements
          1. TV Commercials 🡪 do NOT need to disclose ($ is assumed)
          2. Social Networking 🡪 MUST disclose (consumers might not realize $)
       3. Physicians (financial motivation shouldn’t materially affect credibility)
       4. Actors
       5. Bloggers, forum posters (receive merchandise / compensation for reviews)
       6. Viral marketers (kids with SWAG on playground)
    4. **RECAP:**
       1. Don’t say anything through endorsement that advertiser couldn’t say directly
       2. “Actual” must be **ACTUAL**
       3. Focus on **TYPICALITY** for results
       4. **Think about consumer impressions** 🡪 Social media v. TV commercials; street teams/bloggers; medical field
       5. **If there are incentives that would materially affect the weight or credibility of endorsement 🡪 CLEARLY AND CONSPICUOUSLY Disclose**
  1. ***FTC v. Garvey* (9th Cir. 2004):**
     1. **Facts:** Weight loss system by Enforma – 2 dietary supplements – hired Modern Media for 2 infomercials – hired Garvey (retired 1st basement LA Dodgers) to star and be spokesperson 🡪 gave him and wife supply for 4 weeks, he lost 8 lbs and wife lost 27lsb 🡪 received script 2 days before filming, read from script; aired 48k times across US over 18 months; also made radio/TV appearances to promote 🡪 FTC said violated §§5 and 12
        1. **D. Ct. 🡪** Garvey can’t be liable as ‘endorser’ because no evidence showing statements not good faith belief/opinion, and reasonable substantiation
     2. **Holding: Not liable as ‘endorser’ or ‘direct participant’ under the Guides**
        1. **Direct Participant Liability:** 
           1. **Injunctive Relief:** individual may be subject to injunctive relief if direct participation or authority to control them;
           2. **Restitution:** requires actual knowledge of material misrepresentations or reckless indifference to falsity; or awareness of high probability of fraud and intentional avoidance of truth
           3. **Reasonable basis collapses into knowledge requirement for restitution 🡪 what did individual know when making claims?**

**Garvey’s experience** 🡪 REASONABLE BASIS for claims

* + - 1. **Endorser Liability / Endorsements:** must reflect honest opinions, findings, beliefs or experience 🡪
         1. Garvey only shared his actual experiences with weight loss with Enforma, so substantiated
    1. **TAKEAWAY – ENDORSER LIABILITY:** No intent requirement; no need to show ∆ intended to deceive customers 🡪 STRICT LIBAILITY COA
    2. **TAKEAWAY – DIRECT PARTICIPANT LIABILITY:**
       1. Actual Knowledge or Recklessly Indifference to truth of statements
       2. Aware that fraud was highly probably and intentionally avoided truth

**E. “Little” or “Baby” FTC Acts**

1. **State Statutes Targeting Unfair and Deceptive Trade Practices (rise in 1960s)**
   1. Most have State AG public enforcement (like FTC)
   2. Many (not all) provide for private enforcement by competitors / businesses (like Lanham)
   3. Typically confer PRA upon consumers who purchased for personal use for practices, including false ads (UNLIKE FTC + Lanham), MAY ALSO:
      * 1. Enhance Remedies
        2. Make it easier for consumers to proceed than if using common law claims
        3. Provide claims based on violations of state administrative regulations
2. **State Regimes differ along 3 Critical Dimensions**
   1. **Standing to sue**
   2. **Scope and extent to which they look to applicable federal law (Lanham/FTC)**
   3. **Remedies**
3. **Choosing Baby Acts over Federal Acts: State Acts are NOT Preempted**
   1. Standing easier under Little FTC than under Lanham
   2. Lanham Act requires actionable conduct in interstate commerce
   3. Remedies may be easier, and Lanham does not provide PUNITIVE damages
4. **FDA Preemption – REJECTED:** ∆s may argue that Food, Drug, and Cosmetic Act (FDCA) preempts state (or even federal advertising laws) 🡪 **REJECTED (*Altria Group v. Good* (SCOTUS 2009))**
   1. Lanham Act claims should not (generally) be precluded on basis of FDCA law as long as Lanham claim can be resolved without reference to that body of law
   2. ***Schwarz Farm v. Breckenridge Pharm* (ED Wis. 2005):** mere FDA regulation of a term does not necessarily bar all Lanham Act claims that pertain to that term

**F. Commercial Disparagement and False Attribution**

1. **Overview**
   1. **Commercial Disparagement:** publication of false statements about another’s personal property or business
      1. **AKA:** Product disparagement, business disparagement, injurious falsehood, slander on title, and trade libel
      2. **Two Branches**
         1. Common Law (older):
         2. Offshoot of False Advertising (newer):
2. **Common Law Commercial Disparagement – Important because §43 is limited**
   1. **RST 2d Torts – Defamation Elements:**
      1. (1) ∆ published
      2. (2) Defamatory Statement
      3. (3) Concerning Π
   2. **Old Common Law Defamation 🡪 strict liability with truth as defense**
      1. ∆ shouldered burden of proving statement was true
      2. Damages could be presumed for statement that was defamatory on its face
         1. Per se Defamatory: Π’s character for dishonesty, fraud, unchastity, reprehensible personal characteristics, or professional incompetence
         2. Injurious statements about a person’s reputation/character serious
   3. **Current Defamation Standard:** Officials or public figure Πs must prove falsity + “**actual malice**” by clear and convincing evidence (*NYT v. Sullivan* – SCOTUS 1964)
      1. Actual malice = knowing falsity or reckless disregard for the truth
   4. **Commercial Disparagement: More difficult to prove than defamation**
      1. Involves statements about important *things*
      2. Higher bar for Πs commercially because business bad mouth each other
         1. **Π must prove (1) Intent, (2) Falsity, (3) Special Damages**
   5. **STEPS for COMMON LAW Commercial Disparagement**
      1. **(1) Elements Π Must Prove (*Paidar –* Minn. 2000)**
         1. Publication by ∆
         2. Disparaging words
         3. Of and concerning the ownership, quality, or other characteristics of Π’s goods, services, or property
         4. Falsity
         5. Intent
         6. Special Damages:
            1. Pecuniary loss resulting directly + immediately from effect of conduct of third persons and expense of measures reasonably necessary to counteract the publication
            2. Speculative damages precluded, BUT, evidence that Π lost specific sales or growth opportunities can support damages award
         7. “Malice” – varies by state, some presume after showing first 6 (burden shifts to ∆), some states require Π to prove
            1. RST 2d Torts §623A - Malice: (1) ∆ knew falsity / acted recklessly wrt falsity; (2) ∆ motivated by ill will towards Π; (3) ∆ intended to interfere with economic interest of Π in unprivileged fashion
      2. **(2) ∆ Qualified/Conditional Privileges**
         1. **Product comparisons**: puffery, unless false wrt unfavorable facts
         2. **Rival claimant**: ∆ claims he not Π owns property 🡪 must be subjectively honest and in good faith
         3. **Common interest**: speaker reasonably believes publication protects/furthers common interest – reasonable + good faith
         4. **Speaker’s interest**: sufficiently important interest + reasonably believes publication necessary to protect/further interest
         5. **Recipient’s interest:** reasonable belief that information affects important interest of recipient + obligation to inform recipient
         6. **Fair Comment:** privilege limited to statements of opinion 🡪 today, opinions absolutely privileged, so little applicability
      3. **(3) Π can prove ∆ abused privilege**
         1. **Proof of malice:** negates ALL conditional privileges, except for product comparison
         2. **Excessive (more than reasonably necessary) Publication**
3. **Lanham Act §43(a) –** “Depictions or Representations concerning His or *Another’s* Goods, Services, or Commercial Activities” 🡪 Elements the same as False Ads, but Π’s goods

**§43(a)(1)(B): Prohibits misrepresentation of another person’s goods or services in commercial advertising or promotion**

1. ∆ made (a) false or misleading (b) statements of fact about goods, services, or commercial activities in its advertisements;

2. Those ads actually deceived or have the tendency to deceive a substantial segment of their audience;

3. Such deception if material because it is likely to influence buying decisions;

4. ∆ caused false advertisements to enter instate commerce;

5. Π has been, or is likely to be, injured as the result of those activities, either by direct diversion of sales from itself to ∆, or by damaging goodwill its products enjoy with the buying public

* 1. **“Commercial Activities” of Π - Should be construed broadly (*P&G*)**
     1. Congress did not intend to narrowly limit term, but indeed to encompass those activities which do not solely involve provision of services / production of goods
  2. **“Commercial Advertising or Promotion” by ∆ – *Gordon & Breach* (SDNY 1994)**

1. (1) Commercial speech
2. (2) by ∆ who is in commercial competition with Π
3. (3) for purpose of influencing consumers to buy ∆’s goods or services, and
4. (4) disseminated sufficiently to the relevant purchasing public to constitute advertising/promotion within that industry
   * + 1. Need not be classic advertising campaign; may consist of informal promotion
       2. 7th Cir: form of promotion to anonymous recipients, as distinguished from face-to-face communication and relies on prefabricated promotional material
     1. Note:
        1. Reactive badmouthing of a competitor over the counter does not rise to commercial speech (*Fendi*)
        2. Mere fact that speech contains other elements does not transform it from commercial speech (*P&G*)
        3. False statements alone not sufficient absent commercial advertising/promotion (*Oprah*)
   1. **Major Cases**
5. ***P&G v. Haugen* (10th Cir. 2000):** 
   * + 1. **Facts:** Haugen (Amway rep) spread rumor about P&G (competitor) supporting Lucifer over industry distribution network
       2. **Holding:** SJ improvidently granted for ∆ 🡪 P&G has claim for commercial disparagement
          1. **Commercial Activities:** extends to association with Lucifer claims
          2. **Commercial Speech:** Yes, *Gordon & Breach* factors + message’s promotion of ∆’s products at expense of P&G’s **🡪** patently fallacious message here = commercial speech, okay by 1A
       3. On remand, D. Ct. later awarded $19.25M
     1. ***Fashion Boutique of Short Hills v. Fendi* (2d Cir. 2002)**
        1. **Facts:** Π alleges commercial disparagement – former seller of Fendi products, ruined when Fendi opened on Madison Ave, claimed Fendi employees told customers Π sold bogus bags – in-person and rumors
        2. **Holding:** Π failed to prove ∆s actions constituted “commercial advertising or promotion” 🡪 more than traditional ads, but not so broad as to encompass *all* commercial speech; not face-to-face communication unless
           1. Proactive policy to disparage, or
           2. Reactive to customers and ∆ maintains well-enforced policy to disparage its competitor each time mentioned by a customer
   1. **Special Issue – False Statements about Health Risks of Food – “Food Disparagement”**
      1. **Some states devised their own statutes after food industry fall-outs**
      2. ***Auvil v. CBS “60 Minutes”* (9th Cir. 1995):** JMOL for ∆s because Πs didn’t prove statements made during broadcast were false (Alar chemical may cause cancer)
      3. ***Texas Beef v. Winfrey* (5th Cir. 2000):** JMOL because Πs failed to show ∆s had not knowingly disseminated false information 🡪 didn’t show her comment was ‘commercial advertising or promotion;’ reserved judgment whether TX statute applied to fed cattle as “perishable food product”
6. **Commercial Disparagement Claims based on False Accusations of Infringement**
   1. ∆ falsely accused Π of infringing a patent or other intellectual property right
      1. Forms of Accusation
         1. Cease + Desist letter
         2. Forms of communication warning others against using/buying Π’s infringing goods
   2. Common Law 🡪 claims are privileged and non-actionable if in good faith
      1. *Kenmart v. Printing Arts* (9th Cir. 1959): qualified privilege is recognized in cases where publisher and recipient of publication have a common interest which might be reasonably believed to be protected / furthered by publication, and publication is made in good faith
   3. Patent Policy Approach
      1. Once patent granted, presumption of validity only overcome by proof of invalidity by clear and convincing evidence (*Ariad Pharm* – Fed. Cir. 2009)
      2. Patent-holders may give notice to public that it holds patent 🡪 would be undermined by allowing commercial disparagement
         1. But, Π would have to prove falsity anyways
   4. First Amendment Approach 🡪 patent monopolist may enforce monopoly on patent
      1. **Exception-Sham Litigation**: where persons use governmental *process* as opposed to *outcome* of process as anticompetitive weapon 🡪 baseless claims of infringement against competitor merely to raise competitor’s costs of production 🡪 must prove by clear/convincing evidence, difficult
   5. Federal Circuit: substantial obstacles for unfair competition claims premised on false assertion of patent or other IP claims 🡪 federal patent law preempts state law commercial disparagement claim absent proof of bad faith
      1. No preemption if claim is federal under Lanham commercial disparagement

**G. False Attribution**

1. **Background**
   1. Concerned with Passing Off (TM Infringement) v. Reverse Passing Off (Plagiarism)
   2. Copyright law in most other countries confer a “moral right” of attribution to their work
      1. Moral Rights of Attribution – French & German Law:
         1. (1) against misattribution: name on another’s work or another’s name on your work
         2. (2) against non-attribution: omission of one’s name from one’s own work
         3. (3) right o publish anonymously or pseudonymously
         4. (4) right to void promise to publish anonymously or pseudonymously (sometimes)
   3. 1970’s began to see this idea in the US:
      1. Federal cases seemed to accept expansive readings of the law to allow this (***Gilliam***, below)
      2. State laws in CA & NY allowed for limited moral rights re: certain visual arts
      3. Federal Visual Artists Rights Act (VARA, see below)
         1. Limited to: paintings, drawings, prints, sculptures or photos existing in a single copy for exhibition, single copy signed by the author, or certain limited editions
   4. Licensing arrangements often used in lieu of Lanham Act
2. US Visual Artist’s Rights Act (VARA): Federal Statute after Berne Convention
   1. Qualifying “works of visual art” rights of attribution and integrity
      1. (1) paintings, drawings, prints, sculptures in single/limited copy/copies
      2. (2) still photographic images produced for exhibition purposes only, single/limited copy/copies
      3. (3) created after enactment (6/1/91)
      4. (4) OUTSIDE SCOPE: all other works (movies, literary works, works for hire), reproductions of visual art not in limited edition copies; pre-6/1/91
3. Alternatives to VARA
   1. Contractual or licensing arrangements; binding promises
      1. But, bargaining power problem, courts reluctant to enforce promises running with chattel beyond initial purchasers
   2. Creative Commons: license conditions use of copyright works on proper attribution
   3. Directors Guild has collective bargaining agreements for motion pictures
   4. Copyright: confers upon authors exclusive right to prepare derivative works
   5. State Laws: NY and CA created limited moral rights protection for qualifying visual art
   6. False advertising: if misrepresentation meets all false advertising elements
   7. Unfair Competition: Lanham §43(a) – false designation of origin, or false description or representation
4. **Lanham §43(a) – Unfair Competition Protection against False Attribution**

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| **§43(a):** “Any person who shall affix, apply, or annex, or use in connection with any goods or services, … a false designation of origin, or false description or representation … and shall cause such goods or services to enter into commerce … shall be liable to a civil action by any person … who believes that he is or is likely to be damaged by the use of any such false description or representation.” |
| **§43(a)(1)(A):** Covers the use of “any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which is likely to cause confusion.” (Normal TM Infringement) |
| **§43(a)(1)(B):** Covers uses in “commercial advertising or promotion” which “misrepresent nature, characteristics, qualities, geographic origin of his/another’s goods, services, or commercial activities.” |

* 1. **Passing Off:** B sells B’s product labeled as A’s product (c.f., trademark infringement)
     1. **RST 3d Unfair Competition §4:** “If in marketing of goods or services, actor makes a representation likely to deceive or mislead prospective purchasers by causing the mistaken belief that the actor’s business is the business of the other, or that the actor is the agent, affiliate, or associate of the other or that the goods or services that he actor markets are produced, sponsored or approved by the other”
        1. **Injury:** consumers misled into buying wrong product 🡪 B benefits from A’s goodwill
     2. **NOTE:** If Π’s name amounts to a TM (e.g., “Monty Python”), the unauthorized use of that name in connection with goods or services might amount to trademark infringement and false endorsement 🡪 LOC in consumers viewing program
        1. But, reverse passing off claims are less likely to dovetail with TM infringement or false endorsement claims, insofar as they remove source-identifying characteristics of original
  2. **Reverse Passing Off:** B sells A’s products labeled as B’s Product (c.f., plagiarism)
     1. **RST 3d Unfair Competition §5:** “If in marketing goods or services manufactured, produced, or supplied by the other, the actor makes a representation likely to deceive or mislead prospective purchasers by causing the mistaken belief that the actor or a third person is the manufacturer, producer, or supplier of the goods or services if the representation is to the likely commercial detriment of the other.”
     2. **E.g., *Teller* (Magician’s Shadow Rose):** magicians formerly self-policed, but European magician began performing US-magician’s trick and passing off as European’s own.
  3. ***Gilliam v. ABC* (2d Cir. 1976) 🡪 Providing Moral Rights-Like Remedies with §43(a)**
     1. **Facts:** Π (Monty Python) have copyright on scripts, retain artistic rights in agreement with BBC to veto any alterations prior to recording; BBC deal with ABC to air, but ABC cut 24 of 90min to make room for ads 🡪 **Theory**: ABC mutilated work to such extent that ABC falsely identified Π as author of the work violating §43(a)!!
     2. **Holding:** Πs have valid COA for distortion that impairs integrity of Π’s work and represents to public product that is mere caricature of their talents
        1. §43(a): invoked to prevent misrepresentation that may injure Π’s business or personal reputation even where no registered TM is concerned
           1. Sufficient if representation of product, although technically true, creates false impression of product’s origins (like passing off)
           2. Deforming work and presenting artist to public as creator of work that is not his own makes him subject to criticism for work he hasn’t done 🡪 artist would suffer consequences of mutilation
        2. Unauthorized editing of underlying work, if proven, would constitute infringement of copyright exceeding license granted by copyright owner
           1. BBC can’t give rights it doesn’t have; legal protection for artists increase production and dissemination (public interest)
     3. **Concurrence:** No need to reach Lanham Act 🡪 not substitute for moral rights; so long as ABC makes clear ABC version is not approved by Monty Python 🡪 no misdescription of origin
  4. ***Dastar v. 20th C. Fox Film* (SCOTUS 2003, Scalia): 🡪 Goods = TANGIBLE**
     1. **Facts:** Eisenhower’s bio; Fox ended-up derivative rights (*Crusade*) of public domain material 🡪 fell out of copyright, Dastar used film to make *Campaigns* and for less than *Crusade*; Fox alleged copyright infringement, and then said “**reverse passing off**” because sold without crediting *Crusade* in violation of Lanham §43(a)
     2. **Holding:** Lanham doesn’t require search for Nile and all its tributaries 🡪 “Origin” of “Goods” refers to where tangible goods originate
        1. §43(a) does not have boundless application: Dastar didn’t ‘merely repackage’ the videotapes; took public domain creative work, copied it with minor modifications and produced own videotapes 🡪 **ORIGIN refers to PHYSICAL goods; CANNOT trace origin of communicative products**
        2. Lanham Application too difficult for communication because potential liability for giving credit (passing off/mutilation) or not giving credit (Dastar/reverse passing off) 🡪
           1. **Catch 22**: liability for failing to designate (reverse passing off) and for designating and implying endorsement (passing off)
        3. Lanham subbing for plagiarism conflicts with *Samara* (clothingknock-offs) finding product-design trade dress never inherently distinctive
        4. Would make VARA superfluous
     3. **TAKEAWAY:** “Origin of Goods” refers to the producer of tangible goods that are offered for sale, and NOT to the author of any idea, concept or communications embodied in those goods
     4. **TAKEAWAY:** If advertising/promotion for *Campaigns* implies substantial difference from *Crusades*, then may have §43(a)(1)(B) misrepresentation of nature/characteristics/ qualities
     5. **AFTERMATH:**
        1. **BB:** §43(a) may survive if strong *Gilliam*-like facts
        2. **Courts have construed broadly, see below:**
        3. ***Zyla v. Wadsworth* (1st Cir. 2004):** cookbook co-author fall-out; Zyla wants her name off 4th edition 🡪 ***DASTAR*** controls 🡪 false authorship claims should be pursued under Copyright
        4. ***Bretford v. Smith Mfg* (7th Cir. 2005, Easterbrook):** no passing-off when competitor (∆) used some of Π’s pieces to sell ∆’s A-frame computer tables
           1. “ORIGIN” was Smith (∆) 🡪 doesn’t matter who made *component parts*
        5. ***Rudovsky v. West Publishing* (ED PA 2010):** refused to do their part of treatise without more money, but published with professors’ names (reverse passing off claim) 🡪 ***Dastar* was forward passing off, but applied here!**
           1. **Consumers only care about physical origin of physical good!**
     6. **Policy Note:** *Destar* represents a very “American” view; contrast w/ moral rights view
        1. **BB**: this is tragic; in an ideal world, we would have a sense of the tradition thinkers leading up to current ideas; instead we treat it like a product
  5. **False Advertising Claims premised on ∆’s Falsely Advertising Π’s authorship, performance in, or substantial involvement with, a creative work**
     1. *Stephen King v. Innovation Books* (2d Cir. 1992): Author assigned producer rights to short story, and film billed as “Stephen King’s Lawnmower Man” (“possessory credit”) and as being “based upon” Π’s story 🡪 King filed §43(a) claiming film departed from story too much that both credits were literally false
        1. Holding: Π likely to succeed on possessory credit, but not “based upon” credit because more leeway with that claim
     2. *PPX Enters v. Audiofidelity* (2d 1987): misattribution of Jimi Hendrix as feature performer in recording where Hendrix either didn’t participate at all or only in background violated §43(a)
     3. ***De minimus non Curat Lex* (Get over it):**
        1. *Choe v. Fordham Law* (SDNY 1995): dismissed former law students §43(a) claim based on Journal publishing note with tons of errors
        2. *Stratta v. George Duke Enterprises* (SDNY 1997): dismissing conductor’s §43(a) claim premised on ∆’s release of CD with Π’s name misspelled

**H. First Amendment Constraints 🡪 §43(a)(1)(B) + Freedom of Expression**

1. **Two Important Speech-Protecting Limitations in §43(a)(1)(B)**
   1. “In Commercial Advertising or Promotion”
      1. *P&G v. Haugen (10th Cir. 2000)*
      2. *Fashion Boutique v. Short Hills v. Fendi* (2d Cir. 2002)
   2. “False or misleading description of fact” 🡪 not “mere statement of opinion”
2. **Four-Step Balancing Test – *Central Hudson Gas v. Public Service Comm’n* (SCOTUS 1980)**
   1. (1) Whether speech is misleading (or promotes illegal transactions)
      1. States may ban this speech entirely
      2. Doesn’t apply to Dilution (Blurring/Tarnishment) 🡪 BLURRING not misleading by definition; tarnishment may be just an opinion, and opinions can’t be misleading
   2. (2) Whether asserted government interest is substantial
      1. Wide array of government interests considered for restrictions on purely commercial speech
   3. (3) Whether regulation directly advances the important government interest
      1. Least restrictive means not required 🡪 reasonable fit
   4. (4) Whether regulation is narrowly tailored to achieve its goals + does not restrict more speech than necessary
      1. Least restrictive means not required 🡪 reasonable fit
3. **Regulation of Speech**
   1. **Content-Based**: regulates on the basis of content 🡪
      1. Strict Scrutiny 🡪 compelling state interest + narrowly tailored to achieve that end
   2. **Content-Neutral:** justified without reference to the content of regulated speech 🡪
      1. Intermediate Scrutiny 🡪 substantial government interest + do not unreasonably limit alternative avenues of communication
   3. **Non-Speech:** such low social value that outside scope of 1A
      1. Obscenity; fighting words; “true threats;” incitement of imminent lawless action, and child pornography (*Miller v. California*  - SCOTUS 1973)
   4. **Commercial Speech:** strong public interest in the free flow of commercial information 🡪 protected by lesser 1A (*VA Bd. of Pharmacy v. VA Citizens Consumer Council –* SCOTUS 1976)
      1. **Less, but Substantial 1A Protection**: justification for protection is providing accurate information to consumers + it’s “objective,” “more easily verified,” and more “hardy” than other speech and less likely to be chilled
         1. **Different Treatment Justifications (*US Healthcare*):** 
            1. (1) Contribution to marketplace of ideas; (2) Durability of comm. speech; (3) Sophisticated speakers; (4) Avoid diluting 1A
         2. Courts will bend and manipulate tests to reach desired result
      2. **TEST (*Bolger* – 1983):** (1) ads; (2) specific product; (3) ∆’s economic motivation
      3. **TEST (*Mattel* – 9th Cir.):** ∆-friendly 🡪 commercial speech is speech that does no more than propose financial transaction
         1. **One-Drop Principle (*VA Pharmacy*):** if one drop of something other than transaction-speech, then non-commercial speech deserving 1A protection
      4. **TEST (*US Healthcare*):** *purpose* is financial, and differentiate from other speech (Bending *Virginia Pharmacy*)
   5. **Statement of Opinion does NOT Fall under §43(a)(1)(B)**
      1. ***Boule v. Hutton* (2d 2003):** Π art collectors claimed ∆’s questioning in ARTnews of authenticity of Khidekel works in Π’s collection violated §43(a)(1)(B) 🡪 Comments were OPINION, and were NOT commercial speech
         1. **Test for “Commercial Advertising or Promotion” (*Fashion Boutique*):** 
            1. (1) Commercial Speech
            2. (2) For the purpose of influencing consumers to buy ∆’s goods or services; and
            3. (3) Although representations less formal than those made as part of classic ad campaign may suffice, they must be disseminated “sufficiently to the relevant purchasing public”
         2. **Test is 3 of 4 Prongs from *Gordon & Breach*:** 4th prong (Π and ∆ competitors) not necessary to find commercial ads/promotion here
      2. ***Gmurzynska v. Hutton* (2d Cir. 2004):** Art experts’ opinions on authenticity of certain art works, solicited by an art collector and museum, are not commercial advertising or promotion for ∆ art gallery and *NOT* within §43(a)(1)(B)
      3. ***Groden v. Random House* (2d Cir. 1995):** ∆ published ad stating Π was “Guilty of misleading the American public” 🡪 Statements of opinion are not generally the basis for Lanham liability 🡪 subject of manifest public interest (like Kennedy assassination) needs ample leeway to advertise books by expressing opinions, no matter how extravagantly worded, about merits of opposing viewpoints.
4. **Anti-SLAPP Statutes (CA) (Strategic Lawsuit Against Public Participation)**
   1. If Π tries to silence ∆’s speech
   2. Allows ∆s to dismiss early and get attorney’s fees
5. **False Advertising v. Commercial Disparagement 🡪 Current Law Treats them the Same**
   1. False Advertising 🡪 false information about ∆
   2. Commercial Disparagement 🡪 false information about Π
      1. Sounds more like defamation which could trigger 1A *Sullivan* – Actual Malice standard, but NO! Treated the same.
   3. ***NYT v. Sullivan* (SCOTUS 1964): DEFAMATION REQUIRES ACTUAL MALICE** 
      1. **Holding:** Officials or public figure Πs must prove falsity + “actual malice” by clear and convincing evidence 🡪 actual malice = knowing falsity or reckless disregard for the truth
   4. **Actual malice does NOT apply to commercial disparagement claims under the Lanham Act** 
      1. ***US Healthcare v. Blue Cross of Greater Philadelphia* (3d Cir. 1990):** 
         1. **Facts:** BCBS started PPO and started PPO v. HMO ad campaign; US Healthcare responded with own ads and civil action against BCBS for commercial disparagement, defamation, tortious interference; BCBS counterclaimed
         2. **Holding:** Statements (ads pure and simple) are commercial in nature 🡪 1A requires no higher standard of liability than mandated by substantive law of each claim
            1. **Commercial Speech:**(1) ads; (2) refers to specific products; (3) desire for revenue motivated speech
         3. **TAKEAWAY:** commercial disparagement Πs need NOT show actual malice
   5. **Actual malice standard likely applies to common law commercial disparagement claims**
      1. ***Bose v. Consumers Union* (1st Cir. 1982)(NOT Lanham):**
         1. **Facts:** Bose designed Bose speaker system, CU engineers wrote a critical report in magazine describing sound as “wandering about the room” 🡪 sued under product disparagement; Π won damages, but liability reversed on appeal
         2. **Holding:** Unable to find clear and convincing evidence that ∆ published statement with knowledge that it was false or with reckless disregard of falsity 🡪 guilty of imprecise language, but that is NOT actual malice
            1. Debate: ∆ says statement is “merely the opinion” expert panel despite sounding scientific/factual; no such thing as a false idea 🡪 assume factual and false 🡪 applies *NYT v. Sullivan* and Π failed to prove actual malice
      2. *Key Note: Bose did not contest that it was a public figure and that actual malice standard applied*
         1. Supreme Court has NOT addressed the issue, though courts apply NY Times to all common law commercial disparagement

**H. International and Comparative Law Considerations**

1. **General**
   1. Article 10 of the Paris Convention Operationalizes the agreements
      1. Originally, not way to force compliance from member states
      2. 1995 – TRIPS art. 2(1) requires compliance
      3. But Art. 10 leaves most of the details of compliance up to the member states themselves
   2. §44 of the Lanham Act applies the Paris Convention to American law
      1. **§44(h)** – protection of foreign nationals against unfair competition
         1. Courts have generally held that this does not create additional substantive rights, other than national treatment for foreign nationals
         2. Some but very few courts have found that it does create separate substantive rights
      2. **§44(i)** – citizens or residents of the US also entitled to benefit from §44
         1. In practice, just throw §44 in as an addition when raising other claims
         2. Where 2 US citizens: 44(i) does not to create substantive rights beyond what is already in 43(a)
   3. Includes dormant anti-competition clause that may become important in the future
2. **Paris Convention:** International Treaty requiring member nations to recognize claims for false advertising and disparagement

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| **Paris Conv., Art. 10 – Unfair Competition:**  (1) [Member countries] are bound to assure to nationals of such countries effective protection against unfair competition  (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition  (3) Following in particular shall be prohibited:   * All acts of such a nature to create confusion by any means whatever with establishment, goods, industrial/commercial activities (ESICA), of a competitor * False allegations in course of trade to discredit ESICA of competitor * Indications/allegations of use in which course of trade is liable to mislead the public as to nature, manufacturing process, characteristics, suitability of purpose, or quality of the goods   (4) Must provide nationals of other countries appropriate legal remedies |
| **TRIPS Agreement:** requires members of WTO to comply with Paris Conv., Arts. 1-12 |

1. **Lanham Act §44:** Operationalizing Paris Convention, Art. 10
   1. **Basically covered by §43(a), but toss it in with other actions**
      1. **§44 🡪** doesn’t confer any substantive rights other than national treatment
         1. *Int’l Café v. Hard Rock* (11th Cir. 2001): §44 incorporated Paris Convention, ***BUT***! Paris Convention creates substantive rights beyond those independently provide in Lanham Act 🡪 only requires “national treatment”
            1. No new COA for unfair competition in §44

A few courts *HAVE* found incorporation of substantive provisions of Paris Convention

*GM v. Ignacio* (ED Mich. 1996): creates fed law of unfair competition applicable in international disputes

* + - * 1. **National Treatment:** foreign nationals should be given same treatment in each of member countries as that country makes available to its own citizens

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| **Lanham §44(b):** *Benefits of section to persons whose country of origin is party to convention or treaty…*  Any person whose country of origin whose country is party to treaty relating to TMs, trade or commercial names, or repression of unfair competition, to which US is also a party, shall be entitled to benefits under the conventions |
| **Lanham §44(h):** *Protection* of Foreign Nationals against Unfair Competition  Any person entitled to benefits and subject to provisions of chapter shall be entitled to effective protection against unfair competition and remedies provided in this chapter for infringement of marks … so far as appropriate to repress unfair competition |
| **Lanham §44(i):** *Citizens of the US entitled Benefits of section*  Citizens or residents of US shall have same benefits as those persons described above |

* 1. **Dormant unfair competition clause may become more important in the future**
  2. **Extraterritorial Application:** some case of ‘national treatment’ may require extraterritorial application, but courts can reject this (*Int’l Café v. Hardrock*)

**VIII. Remedies to Trademark Infringement and False Advertising**

**A. Remedies to Trademark Infringement**

1. **General**
   1. Trademark remedies are organized around a property rule
      1. infringers have no “right” to use the trademark by paying damages like under a liability rule
      2. key difference with most property rules: TM owners cannot sell property right
   2. Primary method of relief is injunctions, but Lanham Act allows for some other remedies where appropriate
2. **Injunctive Relief – Lanham §34:** Courts may grant injunctions “to prevent the violation of any right of the registrant of the mark … or to prevent a violation of §43(a).” 🡪 Πs may seek injunction as matter of course once infringement is proven
   1. **5-Part Test for TM Injunction (*Pretty Girl v. Pretty Girl Fashion –* EDNY 2011- eBay):**
      1. (1) Likelihood of success on the merits (examination of LOC *Polaroid* Factors)
      2. (2) Π is likely to suffer irreparable injury absent injunction
      3. (3) Remedies at law (such as monetary damages) are inadequate to compensate for injury
      4. (4) Balance of hardships tips in Π’s favor
      5. (5) Public interest will not be disserved by issuance of preliminary injunction
   2. **Rationales**
      1. TMs protect a unique good (Π’s business goodwill) that can’t be bought back
      2. Protect consumers from confusion
   3. **Injunction Functions:** 
      1. (1) Stop sale or use of TM
      2. (2) Issue corrective ads or implement disclaimers
   4. ***PBM Products v. Mead* (4th Cir. 2011):** injunctive relief proper because PBM suffered irreparable harm based primarily on fact that Mead’s advertising misled customers
3. **Profits, Damages, Costs – Lanham §35:**

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| --- |
| **Lanham §35:** Πs may recover…   * (1) ∆’s profits   1. Generally, Π need not show intentional deception, though it’s an important factor in equitable analysis (2d Cir. still requires showing of willful intent)   2. Π need only show ∆’s gross profits * (2) Any damages sustained by Π, and   1. Generally, Π must show actual confusion or willful intent 🡪 later gives presumption of actual confusion (3d and 9th Cirs. don’t require this) * (3) Costs of the action (Court costs)   Π must prove ∆’s sales only  ∆ must prove all elements of cost or deduction claimed |

* 1. **General Concepts**
     1. No double-counting: If court awards Π’s losses, will NOT include ∆’s profits
     2. Not to be a windfall for Πs (*Bandag*) 🡪 should only be made whole
     3. Compensation not a penalty
     4. Deterrence justification varies
        1. Deterrence is too week and too easily invoked a justification for severe / cumbersome remedy of profits award (*Alpo Petfoods*)
     5. Π must prove fact + amount of damage 🡪 measured by any direct injury Π can prove, lost profits which Π would have earned but-for infringement
        1. Accounting is to award profits only on sales attributable to infringing conduct
        2. Difficult calculation, so may award damages based on ∆’s profits 🡪 unjust enrichment theory
     6. Where there is no actual competition between TM good and infringing product, some courts may allow injunction but NOT damages (*Minn.* Pets, 8th Cir 1994)
  2. **Issue of Intent**
     1. **Disgorgement 🡪** may or may not require intent post-1999 (see below)
     2. **Attorney’s Fees (Exceptional)** 🡪 malicious, fraudulent, deliberate, willful
  3. **Considerations**:
     1. Strength of mark
     2. Actual confusion
     3. Willful Infringement: deliberate, false, misleading, fraudulent
  4. **Disgorgement**
     1. Previously limited to fraud/palming off bad faith cases (*Champion Spark* – 1947)
     2. Post-1999 Lanham Amendment: no bright-line willfulness requirement
        1. **1999:** “With a violation under §43(a), or “willful violation under §43(c).”
     3. **Factor-Based Approach (*Banjo Buddies*– 3d Cir. 2005, citing *Quick Techs.*)**
        1. (1) ∆’s intent to confuse/deceive
        2. (2) Whether sales have been diverted
        3. (3) Adequacy of other remedies
        4. (4) Any unreasonable delay by Π in asserting rights
        5. (5) Public interest in making misconduct unprofitable
        6. (6) Whether case of palming off
     4. ***C.f., LVM v. Dooney & Bourke* (SNDY 2007):** McCarthy’s right 🡪 *Bajo Buddies* places too much weight on 1999 Amendment 🡪 willfulness is still required!
  5. **Bad Faith – Requirement to Search for Mark’s Senior use before Junior Uses?**
     1. *Int’l Star Yacht v. Hilfiger* (SDNY 1999): no bad faith with cursory search of TM bank
     2. Blair & Cotter: some level of search activity for TM should be required of ∆
  6. **Enhancements:** Courts may award enhanced damages for TM infringement
     1. **Must be framed as compensation and not punitive damages**
        1. Punitive damages ONLY in the context of counterfeiting
     2. **§35(a):** “May enter judgment … above actual damages, not exceeding 3x amount.”
        1. Willful conduct 🡪 Market Distortion 🡪 Compensation for misconduct causing lost profits and continuing distortion in the market (but may not award interest and inflation) (*Alpo*)
  7. **NOTE on Pre-Lanham – Mark Thurmon:**
     1. Common Law Actions 🡪 Πs could recover their provable lost profits
     2. Equity Actions 🡪 Courts would award injunctions and either Π’s lost profits or (more commonly) ∆’s profit attributable to infringement, but $ required willfulness
     3. Courts retained discretion to raise/lower monetary awards, but not to award penalties
     4. By mid-1900s, some courts had begun to award punitive damages when Π could prove actual damages
  8. ***Lindy Pen v. Bic Pen* (9th Cir. 1993):** Lindy sues Pic for TM infringement of “Auditor’s” pen 🡪 LOC wrt telephone orders because can’t compare side-to-side
     1. **Holding:** Weak mark, no actual confusion, unintentional infringement 🡪 compensation not penalty calculated with loss of profits from infringing conduct; no attorney’s fees because not exceptional (willful, malicious)
     2. **TAKEAWAY:** Π must prove fact + amount (direct injury Π can prove + lost profits) or can prove unjust enrichment in form of ∆’s profits
        1. **Exceptional Cases (Willfulness):** treble damages + attorney’s fees
     3. **TAKEAWAY:** Merely needs to show general level of Πs and then ∆s must come up with specificity, and judges will determine profits
        1. Specificity typically required, but may estimate where ∆ has not maintained records
  9. ***ADIDAS v. Payless* (D. Or. 2008):** awarding ADIDAS $31M as damages in form of reasonably royalty and $19.7M in Payless’ profits 🡪 denied Payless’ motion for new trial, conditioned on ADIDAS accepting remittitur of $15M punitive damages award
  10. ***LVM v. Akanoc* (9th Cir. 2011):** vacating judgment/remanding with instructions that D. Ct. award statutory damages in amount of $10.5M for contributory TM infringement, and $300k for contributory copyright infringement, for which 2 ∆s jointly/severally liable
  11. ***Rodgers v. Wright* (SDNY 2011):** finding infringement, but concluding Π is not entitled to damages for ∆’s infringement of his TM or attorney’s fees where ∆ did not act in bad faith

1. **Corrective Advertising**
   1. Πs with money may begin combatting the ads and be reimbursed for expenditures
      1. Πs without resources are not disadvantaged 🡪 still compensated for cost of proportional corrective ad campaign (*Big O*)
   2. No requirement that ∆ engage in ‘passing off’ 🡪 would grant big brands impunity in snatching small senior’s marks
      1. Case of reverse confusion, no intent to trade on Π’s goodwill = still may be compensated for corrective ad campaign
   3. **Calculation of Corrective Advertising Award:** Market-presence of Π (where Π must run corrective ads) to correct for ad campaign of ∆, take that percent of ∆’s ad expenditure, discount by 75% under FTC rule (award 25% of amount ∆ spent infringement) 🡪 Does not have to be a 1:1 ratio to correct!!
      1. E.g., *Big O v. Goodyear* (10th Cir. 1977): Big O in 14:50 states Goodyear advertised (28%) 🡪 28% of %10M = $2.8M 🡪 25% of $2.8M = $680k cap
         1. Also awarded punitive damages of $4M
2. **Trademark Counterfeiting – Special Remedies:**
   1. **Trademark Counterfeiting Act of 1984:** knowingly counterfeiting a mark in connection with sale of goods/service is a FELONY 🡪 FINES + IMPRISONMENT for offenders + Permissible DESTRUCTION of counterfeit goods
      1. **Lanham §34(d):** seizure of counterfeit goods/records of sale before trial
      2. **Lanham §35(d):** award of treble damages + attorney’s fees and prejudgment interest against counterfeiters unless court finds ‘extenuating circumstances’
      3. **Lanham §36:** destruction of counterfeit goods
   2. **Exception** **to 1984 Act**: those who are authorized to use TM “at time of manufacture or production” of goods
   3. **Anti-Counterfeiting Consumer Protection Act 1996:** Amended Lanham §35(c) 🡪 statutory damages as alternative to actual damages in civil counterfeiting cases
      1. **2008 – Doubled statutory range:** May award statutory damages “not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold,” and may award up to $2M if violation is “willful”
   4. **Posner (*LVM v. Lee* – 7th Cir. 1989):** Deterrence with multiple damages in counterfeiting because impossible for TM owners to police every retail store in nation + stop counterfeiting with injunctions
   5. **Special Counterfeiting** – **Aerospace and pharmaceuticals:** Especially dangerous 🡪 double penalties ($5M or 20 years in prison)
   6. ***US v. Giles* (10th Cir. 2000):** I’m not trafficking in goods because I only have labels/marks, and no purses! 🡪 Innocent because labels not attached, but NOW AMENDED!!

**B. Remedies for False Advertising 🡪 May treat the same, but note the different Cause of Action!!!**

1. **Remedies: Doctrine is Basically the same as TM Infringement**
   1. **Injunctive Relief under Lanham**
      1. Must show LIKELIHOOD of Deception/Confusion
   2. **Damages under Lanham** 
      1. Must show ACTUAL Deception/Confusion
2. **Elements of False Advertising Claim – Lanham §43(a)(1)(B)**
   1. **(1) False or misleading**
   2. **(2) Description or representation of fact regarding Π’s goods, which**
   3. **(3) Actually deceives or is likely to deceive consumers, and is**
   4. **(4) Material to the consumers purchasing decision, and**
   5. **(5) Injures the Π**
3. **Modes of False Advertising**
   1. **Literally False 🡪 Presumption of Deception (unclear if Likelihood or Actual)**
      1. Literally False (*Direct TV –* Simpson)
      2. False by Necessary Implication (*Direct TV* – Shatner)
   2. **Misleading (Impliedly False)**
      1. *Kraft* – processing removes calcium
4. **Injunctive Relief – Overbreadth Arguments:** 
   1. Courts must closely tailor injunctions to harm addressed (*Gulf Oil* – DC Cir. 1985)
      1. Redressing the harm, not suppression of speech (e.g., *ALPO –* Ralston barred from hip discussion in veterinary magazines 🡪 not related to harm)
      2. 1A concerns
      3. Also applies to FTC Cease & Desist Orders (*Kraft* – argument rejected by 7th Cir.)
5. ***ALPO v. Ralston* (DC Cir. 1990):**
   1. **Facts:** Both sued under §43(a) about puppy food claims (Ralston – hip dysplasia; ALPO – 2:1 vets prefer); both violated §43(a), but ALPO awarded ∆’s profits ($10.4M) 🡪 VACATED
   2. **Damages Holding:** Both entitled to actual damages (lost profits) and no attorney’s fees
      1. D. Ct. erred awarding ALPO Raston’s profits (no willful, targeted wrongdoing) 🡪 ALPO entitled to actual damages. Since both violated §43(a), §35(a) does not authorize damages to less blameworthy party 🡪 Ralston gets actual damages too
      2. Attorney’s Fees 🡪 exceptional cases ‘willful/bad faith’ no found here
   3. **TAKEAWAY: Π may not get ∆’s profits (false ads or infringement) absent proof of ∆’s conduct was willful**
   4. **Injunction Holding:** Injunction too expansive (barring all hip claims even non-Ralston)
      1. **D. Ct. 🡪** enjoined use of false ads, required to disseminate corrective releases
6. ***Balance Dynamics v. Schmitt Ind.* (6th Cir. 2000) – Corrective Ads:** 
   1. **Facts:** Π (Balance) sued ∆ for false ads over use of ozone-depleting materials; Π had engaged in corrective ads to mitigate damage
   2. **Holding:** (1) Π can recover for control costs without showing false ads created actual confusion in marketplace or actual damages; (2) To recover damages to goodwill or disgorgement of profits, MUST show at least some damage and cannot rely solely on literal falsehood of ad
      1. **Literal Falsity Proof:** presumption of confusion, so Π doesn’t have to demonstrate, BUT! Can’t recover marketplace damages on this (*Lindy*)
         1. Literal falsity alone doesn’t raise inference of damage to goodwill, but may if accompanied by bad faith / deliberate intent 🡪 But! Even though Schmitt targeted Balance, no damages to recover
      2. **Damage Control Costs must be reasonably necessary to counter ∆’s false ads**
   3. **TAKEAWAY:** Marketplace damages require ACTUAL damages, but Damage control expenses different 🡪 LIKE INJUNCTION done to prevent lost sales/profits/goodwill
      1. **No requirement that Π wait to take action until actual damages**
7. ***Cashmere & Camel v. Saks Fifth Ave.* (1st Cir. 2002):**
   1. **Facts:** Cashmere manufacturers association sues Saks for saying (1) that goods sold contained cashmere, and (2) that it didn’t specify ‘recycled cashmere’ when industry assumption is it is virgin 🡪 manufacturers seek injunction (other Πs sought damages)
   2. **Holding:** A reasonable factfinder could conclude that ∆’s material mislabeling of their garments deceived the consuming public, enabled ∆s to lower garment prices and caused Πs to lose sales
      1. Statement (1) 🡪 literally false; Statement (2) 🡪 false by necessary implication
      2. Materiality 🡪 likely to influence purchasing decision (prominent labels)
      3. LOC/LOD 🡪 presumption of deception for literally false statements
         1. **Presumption of Deception for Literal Falsity 🡪 Injunction + Damages!**
         2. Some Circuits find when ad is literally false, for damages, Π need not prove any of its customers were actually persuaded by ads (*EFCO v. Symons* – 8th Cir. 2000) 🡪 may grant relief without evidence of consumer reaction if ads are literally false
      4. Interstate commerce is clear
      5. Injury 🡪 usually goodwill/diversion of sales
8. ***Porous Media v. Pall* (8th Cir. 1997):** Π suing to enjoin need not prove specific damage, but courts require heightened level of proof of injury to recover money damages (affirmed $1.5M award)

**IX. Trademark Infringement in the Age of the Internet**

1. ***Rescuecom Corp. v. Google* (2d Cir. 2009) – Use of Π’s mark in search = Use in Commerce**
   1. **Six Aspects of Use in Commerce – TM use for Targeting Search = Actionable Use**
      1. (1) Commerce clause limitation
      2. (2) Establishing priority: CL = actual use; Federal = actual/constructive use
      3. (3) Establishing ownership: who is the “user”?
      4. (4) Determining whether a mark has been abandoned: when does “use” stop?
      5. (5) Determining actionable use
      6. (6) Determining “fair use”
2. ***Network Automation v. Advanced Systems Concepts* (9th Cir. 2011):** 
   1. **Facts:** Network (declaratory Π seeks judgment of non-infringement) sells “AutoMate,” and Systems sells “ActiveBatch” 🡪 Network paid for “ActiveBatch” keyword on search engines (Google/Bing) to serve sponsored links; D. Ct. ruled in favor of ∆ granting injunction
   2. **Holding:** (1) Use of mark as search engine keyword was “use in commerce,” and (2) use of mark was NOT likely to cause initial interest confusion
      1. **Applied 8-Factor (pliant/non-exhaustive) *Sleekcraft* LOC Test:**
         1. (1) strength 🡪 inherently distinctive
         2. (2) proximity of goods 🡪 closeness bolsters confusion (*Playboy*); interchangeable products, so consider degree of labeling/ad appearances
            1. Are consumers mislead or presented with choices?
         3. (3) similarity of marks 🡪 D. Ct. erred in treating keyword differently from System’s TM 🡪 artificial distinction doesn’t reflect what consumers ‘encountered in the marketplace ‘
            1. Consider labeling/appearance of ad, whether it identifies Network’s mark, care and sophistication of consumer
         4. (4) evidence of actual confusion 🡪 proof is difficult; diminished weight at injunction stage (more so in SJ)
         5. (5) market channels 🡪 less important when marketing channel less obscure; it would be rare for commercial retailer not to advertise online
         6. (6) types of goods/degree of care of purchaser 🡪 sophisticated consumer would shop for business software; growth of online marketplace
         7. (7) ∆’s intent in selecting mark 🡪 only relevant insofar as it bolsters finding that use of TM serves to mislead consumers rather than truthfully inform them of choice of products 🡪 must first find intent to deceive
         8. (8) likelihood of expansion into product lines 🡪 unimportant where direct competitors
         9. \*\*(9) other relevant factors 🡪 what was seen on screen + what did consumers believe in context?
      2. **D. Ct. 🡪 3-Factors Significant for Internet (*Brookfield*)(Internet Trinity / “Troika” Factors):** (1) similarity of marks; (2) relatedness of goods or services; (3) simultaneous use of Web as marketing channel 🡪 all favored ∆
         1. **Poor fit here! Two Principles:** (1) Non-exhaustive; (2) Flexible
         2. ***Sine qua non* of TM Law is Consumer Confusion**
      3. Use of a TM as search engine keyword that triggers the display of a competitor’s advertisement is a “use in commerce” under Lanham Act
      4. Implies sufficient labeling of sponsored link to distinguish it from organic links 🡪 can’t make the finding of fact, LOC must be found by D. Ct.
         1. Google has persuaded courts that organic links are “objective” 🡪 may be an issue if Google had biased approach to search results
            1. Open to abuse/retaliation 🡪 if Google didn’t list site, online presence would be dead 🡪 Google = “Gateway to Internet”
   3. **TAKEAWAY:** LOC is KEY! (1) Labeling / appearance of ads; (2) Sophistication/care of consumers
   4. **Note:** “We must be acutely aware of excessive rigidity when apply the law int eh Internet context; emerging technologies require a flexible approach.”
   5. ***Brookfield* (2001):** Π had entertainment database “MovieBuff” and ∆ registered domain for his movie store 🡪 LOC test is flexible; Π will likely succeed as senior user and LOC
      1. Metatags are different than domain names 🡪 used to attract people to the site, may be less likely to be confused, but found INITIAL INTEREST CONFUSION
   6. ***Playboy* (2006):** ‘keying’ practice by Netscape; sold lists of terms to sponsors and ads would appear when keywords were searched; Netscape required advertisers from adult entertainment industry to link ads to list with 400 terms, including Playboy’s TM 🡪 reversed SJ for ∆ as inappropriate because issues of fact
      1. Analyzed initial interest confusion 🡪 banners for ads unlabeled = more likely to cause confusion
      2. Playboy claimed Netscape misappropriated goodwill of marks by leading Internet users to competitor’s sites 🡪 expert study that ‘statistically significant number’ of internet users thought Playboy SPONSORED ads
      3. Analyzing nature of goods + consumer 🡪 presumed average searcher seeking adult material online is easily diverted from a specific product s/he is seeking 🡪 especially if more graphic ones appear quickly
   7. ***Hearts on Fire v. Blue Nile* (D. Mass. 2009):** LOC will ultimately turn on what consumer saw on screen and reasonably believed given the context
3. **Analogies to Shopping in the Store**
   1. ***Playboy* Concurrence:** Shopping in Macy’s en route to CK, diverted by big Charter One ads, eventually reaches CK 🡪 can’t say that Macy’s infringed on CK’s TM by diverting customer with clearly labeled, but more prominent display
   2. **Assumptions about Consumers:** familiar with grocery stores, assume they can distinguish between name brand/generic products (*Conopco*); varying degrees of skill/sophistication wrt Internet
      1. Not the store shelf, you may start on the right thinking it is a featured link (*Network*); *Playboy* assumption of unsophisticated consumers
   3. **Dematerialization of Economy** 🡪 resisted in *Dastar* grounded in tangible goods; consumers don’t’ care what the origin is (fetishization of commodity)
4. ***Rosetta Stone v. Google* (4th Cir., 4/9/2012):** 
   1. **Facts:** Pre-2004 Google said 3rd parties couldn’t buy TMs that belong to others; Post-2004, Google changed allowing 3rd parties to bid on ‘keywords’ to prompt ads linked to search terms – ranging from few cents to $2 per click! Process can pit company against competitor for its own TM! 2009 Policy: (1) Sponsor/reseller of genuine TM product; (2) sponsor makes/sells parts for TM product; (3) sponsor offers compatible parts/goods for TM product; (4) sponsor provides info/reviews on TM product. Π’s product best known in market by far, 150 countries, millions on ads. **🡪 Claims not only LOC, but actual confusion misleading internet users into purchasing counterfeits** 
      1. Rosetta Stone sues Google for direct + contributory + vicarious TM infringement, and TM dilution. SJ vicarious + unjust enrichment claims; vacate SJ wrt direct + contributory infringement and dilution
   2. **Holding:**
      1. **LOC (*Haute Diggity Dog*  Factors):** (1) Π owns valid mark; (2) ∆’s use was use in commerce; (3) ∆ used mar (or imitation of it) “in connection with sale, offering for sale, distribution, or advertising” Of goods or services; (4) ∆’s LOC (9-Factor Test)
         1. D. Ct. didn’t address all LOC factors 🡪 Okay because in ‘referential or nominative type of use” application is difficult with all factors (e.g., mark will always be identical; strength of mark limited probative value)
            1. \*\*\*NOT adopting position about viability of nominative fair-use doctrine as a defense to TM infringement or whether it should alter LOC test 🡪 save for another day
            2. INTENT FACTOR: Google increased revenue from 2009 policy 🡪 solicited advertisers “you may now use TM terms in ad text even if you don’t own TM”
            3. EVIDENCE OF LOC: anecdotal and survey + Google’s in house survey

Sophistication of consumers 🡪 high (tech + educational)

* + - 1. **Contributory Infringement (*Inwood Labs.*):** intentionally induces another to infringe TM or continues to supply product to one whom knows / has reason to know is engaging in TM infringement
         1. Google allowed keyword advertisers to continue after Π notified they were not authorized resellers / counterfeiters (200 times)
      2. **Vicarious Infringement (*Hard Rock v. Concession* – 7th Cir. 1992):** ∆ and infringer have apparent or actual partnership, authority to bind one another in transactions with 3rd parties or exercise joint ownership or control over infringing product 🡪 NOT the case wrt Google
      3. **Dilution (*Mosely v. V Secret Catalogue* – SCOTUS 2003):** dilution not concerned with confusion, but concern over strong mark losing value through unauthorized use by others
         1. **Federal TM Dilution Act (FTDA, 1996):** Owner of *famous mark* … shall be entitled to injunction against another person who … commences use of mark or trade name in commerce that is likely to cause *dilution by luring or dilution by tarnishment* of the famous mark, regardless of the presence/absence of actual/likely confusion, competition, or actual economic injury.
  1. **D. Ct. 🡪** TM “FUNCTIONAL” when used by search engine to trigger sponsored links, and therefore, uprotectable based on function (VACATED BY CIRCUIT)
     1. **BB**: This is absolutely INSANE 🡪 could have called it ‘nominative fair use’

1. ***Tiffany v. eBay* (2d Cir. 2010):** eBay maintained “Verified Rights Owner (‘VeRO’) Program” which allowed TM owners to report potentially infringing items so eBay could remove the listings 🡪 eBay promptly removed challenged listings
   1. ***But, Rosetta Stone*: Issue of whether continued supply after notice of confusion / counterfeiting.**
2. **European Court of Justice:** Google search engine is likely NOT liable for any confusion caused by sponsored links, BUT! Advertisers may potentially be found liable (and choose not to advertise with Google to avoid liability)
3. **TM of Domain Names:** *In re Oppendahl* (Fed Cir 2004): “Patents.com” merely descriptive of computer software for managing database of records/tracking records on Internet
   1. TLDs (**.**com, .net, .org, etc.) 🡪 don’t hold meaning
      1. Compare to Corp., Co., Inc., and similar designations 🡪 TLDs give more information (type of association with internet)
      2. But! BB says ridiculous to think .com has no ID significance; e.g., “Half.com” never identified as “Half”
4. **Confusion**
   1. **LOC 🡪 Applying the Multi-Factor Test in Unique Contexts**
      1. **The internet 🡪** internet actually increased LOC
         1. ***GoTo.com v. Walt Disney*** 
            1. **Facts**: GoTo sought preliminary injunction against Disney for use of the mark GoTo
            2. **Holding**: In 9th Circuit there are only three factors, the Troika Factors; but this is extremely pertinent in the internet context!
            3. **Takeaway: Internet “Troika” 🡪**

**Similarity**

**Relatedness of Goods**

**Use of Web as market channel**

* + 1. **Note:** In 2000, internet consumers seen as very unsophisticated 🡪 may have changed since then
  1. **Initial Interest Confusion:** rarely found on the internet by courts, ESPECIALLY on the internet because it is easy to click the back button
     1. Recent movement away from finding initial interest confusion, especially in the internet context because it is easy for consumer to “correct” mistake
        1. ***Playboy Enterprises v. Netscape (9th Cir 2004)*** – concurrence by Berzon: initial interest confusion should not be found simply because consumer is given a choice (here, however, it was found!)