

# INCONTESTABLE

*Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.*

## April 2009 Issue

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2009 WL 805304 (Fed. Cir. Mar. 30, 2009)**

*by Dana M. Nicoletti*

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*by David M. Kelly*

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*by Scott T. Harlan*

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*by Linda K. McLeod and Dana M. Nicoletti*

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*by Robert D. Litowitz*

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***Aycock Eng'g, Inc. v. Airflite, Inc.,*  
2009 WL 805304 (Fed. Cir. Mar. 30, 2009)**

*by Dana M. Nicoletti*

### **ABSTRACT**

In a decision assessing the “use in commerce” requirements of the Lanham Act prior to the effective date of the Trademark Law Revision Act of 1988 and the corresponding intent-to-use provisions, the Federal Circuit upheld the TTAB’s decision to cancel a registration where the registrant had undertaken a number of preparatory steps to create the network necessary to offer the services identified in its registration, but had never actually offered those services to the general public. In reaching its decision, the Federal Circuit emphasized that the description of the services embodied in the issued registration (as contrasted with the description as originally filed and amended during a lengthy prosecution process) ultimately controlled.

### **CASE SUMMARY**

#### **FACTS**

William Aycock formed Respondent-Appellant Aycock Engineering, Inc. (“AEI”) in 1960 to obtain charter flight seats for individual airline passengers. At the time, air taxi companies leased entire airplanes rather than individual seats, making it difficult, if not financially prohibitive, for solo travelers to locate and travel on charter flights. Operating under the mark AIRFLITE, Aycock planned to serve as a middleman between members of the public and a network of air taxi service operators to arrange for individual customer flights. He planned to advertise his AIRFLITE service to the public via a toll-free reservations number.

In March of 1970, Aycock distributed fliers with in-depth information about AIRFLITE to FAA-certified air taxi operators and invited them to join his operation. During testimony, Aycock stated that he believed he needed to contract with at least 300 air taxi operators before his service could become operational, a goal that was never reached. Between the 1970s and 2001, Aycock entered into contracts with 12 air taxi service operators. While Aycock secured two toll-free telephone numbers, he never advertised the AIRFLITE service to the general public, nor arranged for a single passenger to fly on a charter flight.

In August of 1970, AEI filed an application to register the AIRFLITE mark for services. During a lengthy prosecution period, AEI agreed to describe its services as: “arranging for individual reservations for

flights on airplanes.” The mark registered on the Supplemental Register on April 30, 1974, and was renewed in April 1994.

In 2001, Petitioner-Appellee Airflite, Inc. (“Airflite”) filed a petition for cancellation, alleging that AEI did not use the AIRFLITE mark “in commerce” for the covered services prior to registration. The TTAB ruled in Airflite’s favor and cancelled AEI’s AIRFLITE registration.

#### **ANALYSIS**

On appeal, the Federal Circuit considered whether AEI’s use of the AIRFLITE mark satisfied the Lanham Act’s requirements for “use in commerce.” As an initial matter, the court emphasized the need to define with particularity the nature of the services covered by AEI’s AIRFLITE mark and the ultimate consumer to whom those services would be offered. AEI argued that its services should be construed as the arranging of a network of air taxi operators. The court rejected this argument, agreeing with both the TTAB and Airflite that the covered services were more accurately interpreted as arranging for the transportation of a person to his destination or providing a communication service between a person desiring custom air travel and an air taxi operator.

Having determined the proper construction of the services and their end user (namely, members of the public), the court turned to the question of whether AEI had satisfied its “use in commerce” requirement by taking initial steps to form a network of air taxi operators but never offering its services to the public. Having issued in 1974, the AEI registration predated the November 16, 1989, effective date of the Trademark Law Revision Act of 1988 (“TLRA”), which ushered in the intent-to-use provisions and simultaneously altered the burden that applicants must meet by requiring that an applicant make “a bona fide use of the mark in the ordinary course of trade.” This new requirement was intended to prevent applicants from acquiring registrations based on mere “token uses” that did not qualify as legitimate uses in commerce.

Under Section 45 of the Lanham Act, the “use in commerce” requirement for service marks is satisfied when: (1) a mark is “used or displayed in the sale or advertising of services,” and (2) either (i) the services are “rendered in commerce” or (ii) the services are “rendered in more than one state or in the United States and a foreign country and the person rendering those services is engaged in commerce in connection with those services.” Noting that the use requirement for a service mark was “materially identical” in both the pre-TLRA and post-TLRA Lanham Act, the court emphasized that its holding should apply also to post-1989 service mark use.

By requiring that a mark be “used or displayed in the sale or advertising of services” and “that the services are rendered in commerce,” the language of the Lanham Act makes clear that mere preparations to use a mark sometime in the future are insufficient and, further, that there must be “an open and notorious” public offering of the services to the intended customer base for an applicant to satisfy the use in commerce requirements. Noting that the record did not indicate a single instance of a potential customer contacting one of the toll-free numbers or, alternatively, that anyone associated with AEI ever spoke with a member of the general public about making a flight reservation through the AIRFLITE services, the court found substantial evidence to support the TTAB’s conclusion that AEI’s preparatory activities in registering toll-free telephone numbers and soliciting members for a network of air taxi operators, but never advertising or offering services to the general public, failed to qualify as “use in commerce” within the meaning of the Act. Instead, the court found that AEI undertook merely “sporadic steps in preparing to offer” its services to the public which, even taken together, did not constitute a service that falls within the defined recitation of services in the AIRFLITE registration. The

court characterized Aycock's transactions with the several air taxi operators as mere preparatory steps that reflected attempts to build the underlying service infrastructure rather than to offer the services themselves. Finding that AEI did not make even a "token use" of the AIRFLITE mark for the covered services, the court affirmed the TTAB's decision to cancel the challenged registration.

#### **CONCLUSION**

This decision offers a useful framework for evaluating the "use in commerce" standard for a service mark under both the pre-TLRA and post-TLRA Lanham Act. The court's construction of the services covered by the challenged registration and, in particular, its rejection of the registrant's arguments that the prosecution history supported an interpretation of the services apart from what appeared on the face of the registration itself, also serves as a reminder to both applicants and practitioners to ensure that applications contain accurate and complete recitations of goods and services.

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***Cintas Corp. v. Unite Here,*  
2009 WL 604099 (S.D.N.Y. Mar. 9, 2009)**

*by David M. Kelly*

### **ABSTRACT**

The Southern District of New York dismissed plaintiff's trademark infringement, unfair competition, dilution, and cybersquatting claims, finding that defendant labor union's use of plaintiff's mark in domain names for a criticism website was not actionable. The labor union's display of a "prominent disclaimer," coupled with the negative content of the website, precluded any possible initial-interest confusion. And the linking of the criticism site to the union's website and from there to the union's store website was too attenuated to make the criticism website commercial or for-profit, as required for dilution and cybersquatting.

### **CASE SUMMARY**

#### **FACTS**

Plaintiff Cintas Corporation ("Cintas"), a leading uniform supplier, owned the federally registered CINTAS mark. Defendant Unite Here and other labor unions (collectively "Unite Here") attempted to recruit Cintas employees and pressure Cintas into recognizing it as the employees' bargaining agent. In addition to distributing newsletters, press releases, and letters critical of Cintas's customers and shareholders, Unite Here also registered the domain names [cintasexposed.com/](http://cintasexposed.com/), [cintasexposed.org/](http://cintasexposed.org/), and [cintasexposed.net](http://cintasexposed.net/) and set up a website at [cintasexposed.org](http://cintasexposed.org) that featured union-composed "Consumer Bulletins." These bulletins, some of which contained the CINTAS mark, provided Cintas customers with recommendations regarding their weekly Cintas invoices, including how to object to price increases, how to refuse "trial" products and services, and how to interpret the "fine print" in their Cintas contracts. The website also had a forum for the public to share negative stories about Cintas. Although the [cintasexposed.com](http://cintasexposed.com) domain forwarded users to the same website hosted at [cintasexposed.org](http://cintasexposed.org), the [cintasexposed.net](http://cintasexposed.net) domain took users directly to Unite Here's website.

Cintas objected to use of its mark on the [cintasexposed.org](http://cintasexposed.org) website, claiming that the website "compete[d] unfairly" and "generate[d] profits . . . by disparaging Cintas and its business practices, products and services, confusing Cintas's customers, diverting customers, sales and profits away from Cintas and portraying Cintas in a bad light to the general consuming public." Cintas alleged that some customers refused to continue to do business with Cintas after seeing the website. Cintas also alleged that the

cintasexposed.org website linked to Unite Here's website, which provided links to both Unite Here's union store and other "Buy Union" themed websites that published lists of competing uniform manufacturers that employed unionized workers. The cintasexposed.org website displayed a disclaimer, but Cintas argued the disclaimer would not cure any initial-interest confusion because many search engines did not display the disclaimer in the search results and the website name "Cintas Exposed" would attract "unsuspecting users who believe the website is related to Cintas." Cintas sued for trademark infringement, dilution, and cybersquatting. Unite Here moved to dismiss all claims.

### **ANALYSIS**

The court dismissed all of Cintas's claims. Regarding infringement, the court applied the Second Circuit's eight-factor likelihood-of-confusion test and found that "at least four of the factors weigh[ed] heavily in Defendants' favor": (1) there was no proximity between the parties' goods or services and there was no likelihood that either party would enter into the other's field; (2) Unite Here did not act in bad faith because its "entire effort [was] directed at attacking Cintas," rather than attempting to associate with Cintas; (3) Cintas's customer base was a "sophisticated corporate audience"; and (4) Unite Here was "not using the CINTAS mark as a source identifier, but rather solely to criticize Cintas's corporate practices." Although the website could disparage Cintas, the court found that the likelihood that Cintas's actual or potential customers would be confused was "remote."

The court also rejected Cintas's initial-interest confusion claim, noting that because misled Internet users "can more readily get back on track than those in actual space, thus minimizing the harm to the owner of the searched-for site from consumers becoming trapped in a competing site, Internet initial interest confusion requires a showing of intentional deception." The court found "no plausible inference of intentional deception" here because the cintasexposed.org website would not be confused for Cintas's corporate website and the display of a "prominent disclaimer" showed that Unite Here was "transparent in their disdain for Cintas."

Cintas's dilution claim failed because Unite Here was not making a for-profit, commercial use of Cintas's mark. Cintas claimed that Unite Here was using its CINTAS mark for-profit, because the cintasexposed.org website linked to the Unite Here website, which in turn linked to the Unite Here online store where the union sold shirts, pins, and other items. The court, however, found that these "twice-removed links . . . [were] at least one bridge too far and insufficient to establish the use of the CINTAS mark for profit." The court also rejected Cintas's claim made at oral argument regarding the redirecting of the cintasexposed.net domain to Unite Here's site, which put it only one link away from Unite Here's online store. Because Cintas had not alleged that any search engine would take a user to that site or that users would ever arrive there except for typing that URL in directly, the court refused to consider this "conclusory allegation." The court next rejected Cintas's claims that Unite Here attempted to profit on the CINTAS mark through efforts to unionize Cintas workers to begin collecting union dues and pension contributions. Because employees had to first accept Unite Here as its union, it deemed these activities "too attenuated and independent from the accused conduct to support any inference that the use is an attempt to profit."

Finally, because cybersquatting required a bad faith intent by Unite Here to profit from its CINTAS-formative domain names, Cintas's cybersquatting claim failed based on the court's earlier dilution determination that Unite Here's use of the CINTAS mark was insufficient to establish for-profit use.

### **CONCLUSION**

This decision is consistent with many other recent decisions allowing others to use domain names

containing a brand owner's mark for purposes of non-commercial critical commentary on the brand owner or its goods or services. It is also consistent with other decisions that twice-removed links to a commercial website are generally too attenuated to make a criticism site a commercial site.

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***Enea Embedded Tech., Inc. v. Eneas Corp.,  
2009 WL 648891 (D. Ariz. Mar. 11, 2009)***

*by Scott T. Harlan*

### **ABSTRACT**

The District of Arizona dismissed plaintiffs' federal infringement and unfair competition claims for lack of subject matter jurisdiction under Rule 12(b)(1). Relying on the Ninth Circuit's decision in *Bosley*, the court noted that both of plaintiffs' claims include a requirement that defendants are making commercial use of the allegedly infringing marks. Here, the court held that plaintiffs failed to plead that defendants used the disputed mark in commerce, because they alleged only that defendants registered the mark as a corporate name in various states and sent correspondence under the mark to plaintiffs. The court explained that this was not sufficient commercial use to render consumer confusion likely for Lanham Act purposes, because defendants in no way used the mark in connection with goods and services before the public.

### **CASE SUMMARY**

#### **FACTS**

Plaintiffs were a Swedish corporation and its subsidiaries that distributed telecommunications goods and services under various "Enea"-formative names. One of these companies owned the registered mark ENEA for telecommunications goods and services. In 2006, the companies initiated a global effort to change all of their names to "Enea, Inc.," including an attempt to change the corporate name of their Texas-based company with the Texas Secretary of State. However, their request was refused, because defendants already owned a Texas corporate registration under the name Eneas Corporation, even though they were not offering any goods or services at the time.

Plaintiffs proceeded to seek consent from defendants to register the name. Defendants allegedly agreed but demanded payment as consideration for the consent. As the parties exchanged letters to resolve the dispute, Defendants registered several more "Enea"-formative corporate names in Oklahoma and Arizona, including "Enea Embedded Technology, Inc.," a name identical to one of the plaintiffs. After plaintiffs learned of these registrations, the dispute escalated and both parties sent cease-and-desist letters. Eventually, plaintiffs filed a lawsuit asserting federal and state trademark infringement and unfair competition claims. Defendants moved to dismiss under Fed. R. Civ. P. 12(b) for lack of subject matter jurisdiction, lack of personal jurisdiction, improper venue, and failure to state a claim.

## ANALYSIS

The court first addressed subject matter jurisdiction. As a threshold matter, the court noted that under *Bosley Med. Inst. v. Kremer*, 403 F.3d 672 (9th Cir. 2005), both of plaintiffs' Lanham Act claims required that defendants had made commercial use of the allegedly infringing marks. In their complaint, plaintiffs alleged that defendants used the disputed marks in commerce when they registered the disputed marks as corporate names and corresponded under the marks with plaintiffs, including the very correspondence in which defendants allegedly demanded money as part of the agreement to change the corporate registrations. However, plaintiffs did not allege that defendants ever used the marks in connection with the sale or advertisement of any goods or services.

With these facts in mind, the court surveyed federal case law to determine whether plaintiffs sufficiently pled commercial use. The court concluded that mere registration of a mark alone, either as a corporate or domain name, "simply cannot mislead consumers" because defendants did not use the mark before the public in connection with goods and services. Thus, the mere fact that defendants registered the disputed marks as corporate names was insufficient use in commerce to sustain plaintiffs' Lanham Act claims.

Similarly, the court found that defendants' use of the marks in correspondence was not directed to consumers, and thus did not constitute commercial use of the mark. In total, because plaintiffs never alleged that defendants used the marks in connection with goods or services "before the public," the court found that plaintiffs' allegations of commercial use were merely "conclusory," and not supported by its factual allegations.

Accordingly, because plaintiffs' complaint failed to plead a federal claim, the court dismissed plaintiffs' claims for lack of subject matter jurisdiction. Because the court's federal jurisdiction over plaintiffs' state law unfair competition claim was dependent on its federal claims, the court also dismissed it for lack of federal subject matter jurisdiction.

## CONCLUSION

This decision shows that, at least in the Ninth Circuit, merely registering a corporate name and sending correspondence under that name not directed to consumers is insufficient commercial use to sustain an infringement or unfair competition claim under the Lanham Act.

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***Geisha LLC v. Tuccillo*,  
2009 WL 674360 (N.D. Ill. Mar. 13, 2009)**

*by Lynn M. Jordan*

### **ABSTRACT**

In a case analyzing the critical distinction between constructive use and constructive notice as applied to intent-to-use applications, the Northern District of Illinois found that a senior user's rights in a mark for a critically acclaimed restaurant in Chicago could not be said, as a matter of law, to have extended to New York based solely on publicity, so that when defendant later filed an intent-to-use application for the mark, but did not actually begin to use the mark in New York until after plaintiff opened its own restaurant in New York, there were genuine issues of material fact as to priority.

### **CASE SUMMARY**

#### **FACTS**

Plaintiff Geisha LLC ("Geisha") operates a restaurant called JAPONAIS in Chicago and uses a design with the mark in all capital letters, with inverted V's substituted for the A's. The restaurant opened to critical acclaim in 2003 and received extensive press coverage including articles in *Bon Appetit*, *Conde Nast Traveler*, and *Time* magazines. Geisha did not seek federal registration for either the word mark or the design.

Defendant Tuccillo owns a frozen seafood supply house in New York. Nine months after plaintiff's restaurant opened, and less than two weeks after the *Time* magazine article, defendant filed an intent-to-use application for the mark JAPONAIS in a stylization virtually identical to that used by Geisha. Geisha did not learn of Tuccillo's application until a Notice of Allowance issued, precluding Geisha from opposing registration of the mark. Geisha immediately sent Tuccillo a demand letter containing more than fifty pages of evidence documenting Geisha's prior use. Tuccillo responded that he intended to pursue his plan to use the JAPONAIS name and mark for a restaurant in New York and claimed he had used the mark in the same stylization in the window of a retail store in connection with the sale of seafood since 2000.

Geisha filed a ten-count complaint against Tuccillo, alleging, among other things, false designation of origin under Section 43(a) of the Lanham Act. Geisha then opened two new JAPONAIS restaurants, one in New York City and the other in Las Vegas. Tuccillo, in turn, opened his own restaurant in New York

and filed a Statement of Use to perfect his registration. Geisha moved for summary judgment on the false designation of origin claim. At the time of the decision, defendant's registration had not yet issued.

### **ANALYSIS**

The court acknowledged that Geisha's right to use the JAPONAIS mark for restaurant services in Chicago based on its 2003 use was not in dispute, as that use predated defendant's intent-to-use application. The question the court faced, then, was whether Geisha's rights extended to markets that it had not entered as of the June 25, 2004, filing date of defendant's intent-to-use application. The general rule is that a junior user who is unaware of the senior user's use may adopt a mark in a geographically distinct area, provided that the mark has not been registered. But an important exception to this rule recognizes that the senior user may possess rights in a mark by virtue of a reputation that extends beyond the immediate geographic area where the mark is employed. The court thus considered whether the publicity surrounding Geisha's JAPONAIS restaurant in Chicago was sufficient to bestow common law rights in New York. Finding that most of the publicity had been in the Chicago media and trade publications, and that the distance between Chicago and New York was substantial, the court ultimately determined that it could not conclude, as a matter of law, that the JAPONAIS mark had obtained such widespread notoriety by 2004 that Geisha possessed common law rights in the mark in New York.

The court next determined that Geisha's expansion to New York did not create enforceable trademark rights in New York that Tuccillo violated by opening his restaurant. Noting that in the absence of Tuccillo's intent-to-use application, Geisha would have been able to claim enforceable rights against defendant as the senior user, the court concluded that the critical distinction in the case is between constructive *use* and constructive *notice*. Constructive notice, the court explained, is obtained when a mark is actually registered. Constructive use, by contrast, prevents a third party from acquiring any rights in a mark as of the date the intent-to-use application is filed. Under this doctrine, defendant's constructive use date was June 25, 2004, but was subject to two important limitations: (1) constructive use is contingent upon actual registration; and (2) constructive use does not bar use of the mark by senior users. Although defendant's registration had not yet issued at the time of the decision, the court found this of no consequence as defendant could not have violated plaintiff's rights in the mark in New York unless plaintiff possessed common law rights in New York prior to defendant's June 25, 2004, constructive use date, a finding that the court had already held was an issue of material fact precluding summary judgment.

The court further acknowledged that the constructive use doctrine ordinarily does not preclude use of the mark by a senior user, but that this exception did not require judgment in favor of Geisha. While the territory in which a senior user is entitled to use the mark is ordinarily frozen as of the date of registration by the junior user, rather than the filing date of the junior user's ITU application, because Geisha had *actual* notice of the pending application prior to its expansion, it could be barred from expanding its use to New York.

Ultimately, the court concluded that there was a genuine issue of material fact as to whether Geisha had penetrated the New York market prior to defendant's constructive use date, and on the motion for summary judgment, the court drew the reasonable inference that Geisha had not done so. Thus, given Geisha's actual notice of defendant's application, the court concluded that Geisha's rights would not be enforceable in New York against defendant once defendant's mark registered. The court denied Geisha's motion for summary judgment, concluding that it could not hold, as a matter of law, that defendant had no rights in the mark and infringed plaintiff's rights when he opened his restaurant in New York pursuant to his intent-to-use application.

## CONCLUSION

This decision provides a thoughtful explanation of the important and often misunderstood distinction between constructive use and constructive notice as applied to rights originating from intent-to-use applications, and serves as a cautionary tale for local businesses that do not take the necessary steps to protect their marks early on in order to ensure their ability to later expand nationwide.

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#### ***Hearts on Fire Co., LLC v. Blue Nile, Inc., 2009 WL 794482 (D. Mass. Mar. 27, 2009)***

*by David M. Kelly*

#### **ABSTRACT**

The District of Massachusetts denied defendant's motion to dismiss trademark infringement claims related to its purchase of search engine keywords. The court determined that such purchases constituted a use in commerce under the Lanham Act based on the broad definition of "use" in the civil remedies section of the Act. Additionally, the plaintiff alleged facts sufficient to support its claims that defendant's keyword-triggered sponsored ads, even those not containing plaintiff's mark, caused initial-interest confusion. Finally, the court articulated a multifactor test to supplement the traditional likelihood-of-confusion for assessing likelihood of confusion test in the context of sponsored ads.

#### **CASE SUMMARY**

#### **FACTS**

Plaintiff Hearts on Fire Company ("Hearts on Fire"), a wholesaler of diamonds that sold only to authorized dealers, owned the federally registered HEARTS ON FIRE mark. Hearts on Fire advertised via its heartsonfire.com website at which it promoted its diamonds and directed customers to its authorized resellers. Defendant Blue Nile, an online diamond and jewelry retailer, was not an authorized reseller of plaintiff's diamonds. Blue Nile purchased the HEARTS ON FIRE mark as a search engine keyword to trigger the display of sponsored advertisements that linked to Blue Nile's website. Some of these sponsored ads contained the HEARTS ON FIRE mark in the ad text, while others did not. Hearts on Fire further alleged that Blue Nile's own website search functionality returned a list of Blue Nile web pages when the phrase "HEARTS ON FIRE" was searched. These returned pages, however, featured combinations of the words "hearts" and "on fire," but did not display the exact phrase "HEARTS ON FIRE." Hearts on Fire sued for trademark infringement and unfair competition, among other claims. Blue Nile moved to dismiss those claims based on its purchase of HEARTS ON FIRE as a keyword and on the search results using the Blue Nile website's search functionality. Blue Nile did not seek to dismiss plaintiff's claims regarding the appearance of its sponsored ads.

#### **ANALYSIS**

The court denied Blue Nile's motion to dismiss. It first addressed whether Blue Nile's purchase of the HEARTS ON FIRE mark as a keyword to trigger sponsored ads constituted a "use in commerce," noting

the existence of a circuit split on this issue. The court discussed the Second Circuit's holding in *1-800 Contacts* that the defendant's advertising program using an "internal" database of URLs to trigger sponsored pop-up ads did not constitute a use in commerce,\*\* and the fact that lower courts in the Second Circuit have extended this ruling to keyword purchases. In finding no use in commerce, these courts relied on the Lanham Act's definition of "use in commerce" in Section 45 requiring that the mark be placed on goods or associated "displays" or "displayed" in the sale or advertising of services. It then discussed decisions from other courts holding that the purchase of trademarks as keyword triggers constituted a use in commerce. Those courts relied on the broader "use" definition in Section 32 of the Lanham Act regarding civil remedies, which penalizes the "use in commerce" of "any reproduction . . . of a registered mark *in connection with* the sale, offering for sale, distribution, or advertising of any goods or services." Based on this definition, the court here found that the purchase of trademarks as keyword triggers "is precisely such a use in commerce, even if the trademark is never affixed to the goods themselves." It held that "[t]he Lanham Act's use requirement is not so narrow or cramped" that it would not encompass a company "rel[ying] on its competitor's trademark to place advertisements for its own products in front of consumers searching for that exact mark."

Turning to likelihood of confusion, the court analyzed Hearts on Fire's allegations of initial-interest confusion. It noted that the First Circuit had not "fully explored or addressed" the subject of initial-interest confusion and then considered decisions of other courts involving initial-interest confusion in both the bricks-and-mortar world and cyberspace. The court concluded that initial-interest confusion could support a Lanham Act claim "but only where the plaintiff has plausibly alleged that consumers were confused, not simply diverted." In the context of the Internet and sponsored links, the court determined that the "crucial question... is one of degree: Whether the consumer is likely confused in some sustained fashion by the sponsored link and the defendant's website, or whether the link serves instead as a benign and even beneficial form of comparison shopping." To prevail, the confusion "must be more than momentary and more than a 'mere possibility.'"

Some of Blue Nile's keyword-triggered sponsored ads featured the HEARTS ON FIRE mark in the ad text, while others did not. Blue Nile did not contest that ads containing the HEARTS ON FIRE mark stated a claim for trademark infringement, so the issue was whether Blue Nile's use of the trademark as a keyword trigger for sponsored links not containing plaintiff's trademark stated a claim. The court determined that Hearts on Fire had alleged enough to defeat Blue Nile's motion to dismiss, finding that even if the ads did not display the mark, "the surrounding context supplie[d] a sufficient basis to support allegations of consumer confusion at this early stage of the litigation." According to the court, a consumer who had just entered a search for HEARTS ON FIRE diamonds "might easily believe" that Blue Nile was an authorized Hearts on Fire diamond retailer when presented with the sponsored link, even if the ad did not contain the HEARTS ON FIRE mark. Further, if the consumer clicked on the ad link to Blue Nile's website expecting to find HEARTS ON FIRE diamonds there, plaintiff alleged that "nothing there would immediately alert him to his mistake."

After denying Blue Nile's motion to dismiss, the court looked ahead at the legal test it would use to decide whether Blue Nile's use of the HEARTS ON FIRE trademark here was likely to cause confusion. In addition to the traditional likelihood-of-confusion factors, the court believed that the likelihood of confusion would "ultimately turn on what the consumer saw on the screen and reasonably believed, given the context." The court then articulated a list of nonexclusive factors it would consider when judging the "content and context," including: (1) the overall mechanics of web-browsing and Internet navigation, in which a consumer can easily reverse course; (2) the mechanics of the specific consumer search at issue; (3) the content of the search-results web page that was displayed, including the content of the sponsored

link; (4) downstream content on the defendant's linked website likely to compound any confusion; (5) the web-savviness and sophistication of the plaintiff's potential customers; (6) the specific context of a consumer who has deliberately searched for trademarked diamonds only to find a sponsored link to a diamond retailer; and, in view of the foregoing factors, (7) the duration of any resulting confusion.

## CONCLUSION

The court joined a growing list of courts holding that the purchase of a trademark as a search-engine keyword to trigger sponsored ads constitutes a Lanham Act use in commerce. Unlike other courts, however, the court here appears to be the first to articulate a specific test or special factors to assess Internet-based likelihood-of-confusion claims relating to keyword-triggered sponsored ads.

**\*\*Author's Note:** The Second Circuit in *Rescuecom v. Google* held on April 3, 2009, that Rescuecom's allegations that Google's encouragement of the purchase of Rescuecom's mark through its keyword suggestion tool and the sale of the mark to Google's advertisers to trigger sponsored ads and links properly alleged a Lanham Act claim, and reversed the district court's grant of Google's motion to dismiss. The Second Circuit distinguished its prior decision in *1-800 Contacts* because Google, unlike the defendant in *1-800 Contacts*, allegedly displayed, offered for sale, and sold Rescuecom's mark to advertisers and encouraged the purchase of Rescuecom's mark. The Rescuecom decision is summarized below.

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## **Civil Cases**

***Rescuecom Corp. v. Google Inc.*,  
2009 WL 875447 (2d Cir. Apr. 3, 2009)**

*by David M. Kelly*

### **ABSTRACT**

The Second Circuit Court of Appeals reversed and remanded the decision of the Northern District of New York that a search engine's promotion and sale of plaintiff's trademark as a keyword trigger was not a use in commerce under the Lanham Act. The Second Circuit clarified and narrowed its prior holding in *1-800 Contacts v. WhenU.com* involving pop-up ads, which the court below and a number of other district courts in the Second Circuit had relied on to find that the sale or purchase of trademarks as keyword triggers did not constitute a use in commerce. The Second Circuit distinguished its *1-800 Contacts* decision in several material respects and found that, accepting the plaintiff's allegations as true as it must do on a motion to dismiss, plaintiff's allegations that Google recommended and sold plaintiff's exact trademark to Google's advertisers to trigger ads in a manner likely to cause confusion properly alleged a Lanham Act claim.

### **CASE SUMMARY**

#### **FACTS**

Rescuecom operated a computer-services franchising business under the federally registered trademark RESCUECOM. Google allowed advertisers, including Rescuecom's competitors, to purchase the RESCUECOM mark as a search-engine keyword through Google's AdWords advertising program. Under this program, when users entered a search query containing the purchased RESCUECOM keyword, advertisements for Rescuecom's competitors appeared as "sponsored links" that linked to the competitors' websites. Google displayed sponsored links to the right of and/or immediately above its regular, relevance-based search results. Google also offered advertisers its "Keyword Suggestion Tool," which recommended the most profitable keywords related to an advertiser's business. Google's Keyword Suggestion Tool recommended "rescuecom" as a keyword to plaintiff's competitors to make their sponsored advertising more successful. Rescuecom sued for trademark infringement, false designation of origin, and dilution, among other claims, alleging that the sale and use of its trademarks as keyword triggers created a likelihood of confusion. Specifically, Rescuecom alleged that searchers will mistakenly believe that its competitors' paid advertisements (and website links) are sponsored by, endorsed by, approved by, or affiliated with Rescuecom because: (1) users could easily be misled to believe that the "sponsored links" were part of the relevance-based search results, (2) Google failed to clearly label or

identify the ads as purchased ads rather than relevance-based search results, and (3) sponsored links appearing immediately above the regular search results may appear to users as the first, and thus most relevant, relevance-based search results instead of paid ads. Google filed a motion to dismiss all claims for failure to state a claim upon which relief could be granted.

The Northern District of New York granted Google's motion to dismiss, ruling that Rescuecom had not alleged a "use in commerce" of its trademark by Google. The district court based its decision on the Second Circuit's ruling in *1-800 Contacts v. WhenU.com* ("1-800"), in which the appeals court held that the defendant's advertising program using an "internal" database of URLs to trigger sponsored pop-up ads did not constitute a use in commerce under Section 45 of the Lanham Act. Section 45 requires that a mark be "used or displayed in the sale or advertising of services . . . rendered in commerce" for the use of the mark to be considered a "use in commerce." Because the competitors' keyword-triggered ads did not "display" Rescuecom's trademark, the district court found that such use did not constitute a use in commerce, even if Rescuecom could establish a likelihood of confusion. Rescuecom appealed to the Second Circuit.

### **ANALYSIS**

The Second Circuit reversed and remanded the case back to the district court because the district court "misunderstood the holding of *1-800*." The appeals court found this case to be "materially different" from *1-800* in two ways. First, the defendant in *1-800* "did not use, reproduce, or display the plaintiff's mark at all" because the search term used to trigger the pop-up ads was the plaintiff's website address, not its trademark. Here, Google recommended and sold Rescuecom's exact trademark, RESCUECOM, to advertisers to trigger the advertisers' sponsored ads.

Second, the advertising program used to generate the pop-up ads in *1-800* did not allow advertisers to "request or purchase keywords to trigger their [pop-up] ads"; "did not disclose the proprietary content of [its internal] directory to its advertising clients"; and did not "manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory," instead relying on the general category (e.g., eye care) associated with the website or keyword rather than the website or keyword itself. Here, however, advertisers could purchase Rescuecom's exact trademark and specify which sponsored ads would be triggered whenever that keyword was part of a user's search-engine query. The court found that this "utilization of Rescuecom's mark fits literally within the terms specified by [Section 45]," i.e., Google "displays, offers, and sells" Rescuecom's mark when selling its advertising services in commerce.

The appeals court also briefly addressed several other rulings of district courts within the Second Circuit that had found no use in commerce when the disputed trademark was used "in an internal computer directory," such as in a website's metadata or as a search-engine keyword. The Second Circuit stated that these courts "over-read[ ] the *1-800* decision," because *1-800* "did not imply that . . . an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace." If the court adopted such a rule, "the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion," a result not intended by the Lanham Act.

The Second Circuit also rejected Google's argument that keyword purchases were no different from retail vendors that used "product placement" to allow one vendor to benefit from a competitor's name recognition (e.g., the positioning of store-brand generic products next to trademarked products on a store's shelves). According to the court, Google's argument "misses the point." Simply because non-

deceptive product placement was not actionable under the Lanham Act did not mean that product placement was a “magic shield against liability” that would protect deceptive or confusing product placements. The positioning of competing goods on a store’s shelves avoids liability “because it is a benign practice which does not cause a likelihood of consumer confusion,” not because of the absence of a use of a mark “in commerce.” The Second Circuit viewed Google’s acts, as alleged, to be “significantly different from benign product placement that does not violate the [Lanham] Act.” The court declined, however, to consider whether Google’s practices were in fact benign or confusing at this juncture, leaving that determination for the district court to decide on remand.

Finally, the court attached a lengthy appendix to its decision in which it engaged in an extended discussion and statutory analysis regarding the definition and scope of a “use in commerce” under Sections 32, 43(a), and 45 of the Lanham Act. The court deemed the discussion dictum and not a binding opinion of the court, but did note that the judges of the panel who decided *1-800* had read the appendix and stated that they agreed with it.

### **CONCLUSION**

The Second Circuit’s decision significantly narrows the scope of its prior decision in *1-800 Contacts*, the case that the court below and other district courts within the Second Circuit had relied on to find that the sale or purchase of trademarks to trigger paid advertisements did *not* constitute a use in commerce under the Lanham Act. This decision effectively overrules these other district court decisions, which now means there is near uniformity on this issue among the courts. Further, the court’s detailed discussion in its appendix, albeit dicta, may help lower courts decide what constitutes a Lanham Act use in commerce for purposes of infringement and dilution claims relating to the sale and purchase of search-engine keywords to trigger paid advertisements.

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## TTAB Cases

### ***In re Chippendales USA, Inc.,* App. No. 78666598 (TTAB Mar. 25, 2009)**

*by Linda K. McLeod and Dana M. Nicoletti*

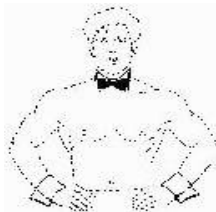
#### **ABSTRACT**

The Examining Attorney refused to register the "Cuffs & Collar Mark" for adult entertainment services on the ground that it is not inherently distinctive. The TTAB held that a costume/uniform like the one at issue here is a form of trade dress which *may* be inherently distinctive for services. In this case, however, the "Cuffs & Collar Mark" was a common shape or design, not unique or unusual in the particular field, and a mere refinement of an existing form of ornamentation for the particular class of services. Accordingly, the TTAB affirmed the refusal to register.

#### **CASE SUMMARY**

##### **FACTS**

Chippendales USA, Inc. ("Applicant") filed an application for the "Cuffs & Collar Mark" shown below for "adult entertainment services, namely exotic dancing for women in the nature of live performances" in Class 41. The Cuffs & Collar Mark represents key aspects of the costume that Applicant's employees have worn since 1979 while performing a "Las Vegas-style dance act."



Applicant owned an earlier registration for the Cuffs & Collar Mark for essentially the same services, which issued under Section 2(f) based on a claim of acquired distinctiveness. By this recent application, Chippendales sought to register the same mark without the Section 2(f) claim, claiming that the costume trade dress is inherently distinctive.

The Examining Attorney refused registration under Sections 1, 2, and 45 of the Lanham Act on the ground that the mark was not inherently distinctive. Applicant appealed the Examining Attorney's

decision.

On appeal, Applicant argued that the case was “one of first impression,” and it urged the TTAB to adopt a new two-part test to determine whether its trade dress was inherently distinctive:

- (1) Is the costume used in such a channel of trade where consumers are conditioned through past experiences to presume a source identification function?
- (2) Is the costume immediately associated with an iconic larger-than-life character where the costume acts as an intrinsic symbol for the character?

If the answer to either question is yes, Applicant argued, then the costume should be considered inherently distinctive. Only if the TTAB answered both questions in the negative, Applicant argued, should the costume be considered not inherently distinctive.

Applicant also argued that the Cuffs & Collar Mark is a uniform rather than a costume, that the Cuffs & Collar Mark is highly unusual due to the separation of the cuffs and collar from the shirt or garment to which they would normally be attached, and, finally, that the Cuffs & Collar Mark had never been used before for exotic adult entertainment services targeted to female audiences.

The Examining Attorney argued that exotic dancers commonly perform in various styles of exotic dress, and included examples of such costumes in the record.

#### **ANALYSIS**

The TTAB commenced its analysis by acknowledging the difficulties in evaluating whether Applicant's mark is or was ever inherently distinctive. Applicant's first application to register its Cuffs & Collar Mark was filed in 2000, more than twenty years after Applicant commenced use of the mark, and Applicant's claim of acquired distinctiveness had been found sufficient to support registration. By the time the current application was filed, Applicant had been using and promoting the mark for nearly 30 years. As a result, Applicant's use, promotion, and enforcement of the mark had certainly affected the relevant consumers' perception of the mark, making it extremely difficult to judge how the relevant consumers would have perceived the mark when Applicant first commenced use.

Turning to the merits, the TTAB rejected Applicant's proposed new test for determining the inherent distinctiveness of trade dress, stating that it must follow the precedent set forth in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (CCPA 1977), namely:

- (1) Whether the mark is a common shape or design;
- (2) Whether the mark is unique or unusual in the particular field;
- (3) Whether the mark is a mere refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods or services viewed by the public as a dress or ornamentation for the goods or services; or
- (4) Whether the mark is capable of creating a commercial impression distinct from any accompanying words.

The TTAB also recognized that subsequent trade dress cases, notably the Supreme Court's opinions in *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205 (2000), *Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159 (1995), and *Two Pesos Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), "complement" the *Seabrook* test, and provide additional guidance. Under these cases, the TTAB held as a threshold matter that the mark at issue here is "a form of trade dress which *may* be inherently distinctive." Whether or not the Cuffs & Collar Mark is inherently distinctive was then analyzed under *Seabrook*.

Applying the first *Seabrook* factor, the TTAB rejected as "inconsequential" Applicant's contention that the Cuffs & Collar Mark was a uniform, rather than a costume, and that uniforms are generally inherently distinctive since they are more likely to be perceived as source indicators. The TTAB found that the Cuffs & Collar Mark was a common shape or design, because it was the general type of revealing, provocative costumes or uniforms used in the adult entertainment industry.

Under the second *Seabrook* factor, the TTAB held that the Cuffs & Collar Mark was not unique or unusual in the particular field at the time of its inception. Similar to the "common shape or design" discussion, the TTAB noted that the Cuffs & Collar Mark is a simple variation on typical revealing and provocative costumes used in the field of exotic dancing. The TTAB also noted that Applicant's own expert report referenced an article discussing the Cuffs & Collar Mark and "the [Playboy] bunny suit which inspired them," suggesting that the Cuffs & Collar Mark was not a new or unique variation on the typical costume even at its inception. The TTAB stated that even if Applicant was the first and only party in the adult entertainment field to use the cuffs and collar uniform, that fact alone would not be sufficient to render the mark inherently distinctive.

By the same reasoning, the TTAB found that the Cuffs & Collar Mark was a mere refinement of an existing form of ornamentation for the particular class of services under the third *Seabrook* factor. Thus, the TTAB held that the Examining Attorney established a *prima facie* case that the Cuffs & Collar Mark is not inherently distinctive, and Applicant's evidence was insufficient to counter that conclusion.

As a final matter, the TTAB addressed the substantial amount of evidence that Applicant submitted in support of its argument that the Cuffs & Collar Mark was inherently distinctive. Applicant submitted a report by an expert in the dramaturgy field. While noting the credentials of Applicant's expert, the TTAB concluded that since she was not an expert in trademark law and did not conduct any empirical research, her analysis ultimately had little probative value. Her report, as well as Applicant's evidence, served only to support the conclusion that the Cuffs & Collar Mark acquired distinctiveness rather than being inherently distinctive when it was first introduced.

In his dissent, Judge Bucher contested the Board's finding that the PTO had met its burden of demonstrating that the Cuffs & Collar Mark was a mere refinement of an existing form of ornamentation. Judge Bucher sided with Applicant in finding that the Cuffs & Collar Mark was inherently distinctive trade dress at its inception as an original creation and an immediately recognizable source indicator for Applicant.

## **CONCLUSION**

This decision holds that costumes/uniforms are a form of trade dress that *may* be inherently distinctive for services. It also reaffirms the viability of the *Seabrook* test for evaluating the inherent distinctiveness of trade dress marks.

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### Unregistrable

#### Ma@ch Madness

*by Robert D. Litowitz*

With March Madness winding down from the Sweet Sixteen to the Elite Eight and ultimately the Final Four, it seems only fitting that I find myself traversing upstate New York on a spring break college tour with our son, a high-school junior, to hear a dizzying barrage of information about GPAs, SATs, and the wonders of a capella vocal groups. With the deadline for this column looming, it seems that no obvious topic would emerge from the rarified atmosphere of academia. But then, traipsing the quad during the obligatory campus tour at a venerable university in Ithaca, the preternaturally cheerful student guide tells this story: over a century ago, two businessmen from a fledgling canned-goods company were on campus for an intercollegiate football game. While the details of the game itself have faded into oblivion, the event's impact on trade dress can be felt every time we wander down the supermarket soup aisle. That's because the two entrepreneurs at that primitive gridiron contest so admired the home team's colors—carmelian and white—that they decided to use those very colors for the label of their new soup brand. That's how the iconic color scheme for Campbell's soup—immortalized in both commerce, art, and popular culture—came into being.

All due to an on-campus visit.

Has academia made other indelible contributions to the universe of trademarks? We know that researchers seeking a way to replenish athletes depleted from the punishing Florida sun invented Gatorade. And the Federal Express phenomenon, while setting the bar for overnight delivery services, purportedly sprang from a graduate thesis that barely made the grade. Then there's Colgate University, whose founder's son founded the toothpaste company now called Colgate-Palmolive. And Ben and Jerry began their marriage of confection at the University of Vermont. From Yale locks to Harvard beets, academia has been a breeding ground (figuratively as well as literally) for brand names and business concepts. So as this, the third and final of our college tours, winds down, the motto of what is perhaps the most revered institution of higher learning, Animal House's Faber College, rings with newfound resonance: "Knowledge Is Good" indeed.

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