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February 2011 Issue

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by Anna C. Bonny and Jonathan M. Gelchinsky

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Civil Cases

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., 2011 WL 631449 (9th Cir. Feb. 23, 2011)

by Anna C. Bonny and Jonathan M. Gelchinsky

ABSTRACT

In evaluating the validity of the plaintiff's copyright and trademark rights in the Betty Boop character, the Ninth Circuit held that the district court did not err in finding that the chain of title purportedly transferring the copyright in the Betty Boop character to plaintiff instead transferred only the copyright in certain Betty Boop films. As to trademark infringement, the court held that the name and Betty Boop image were functional, aesthetic components of the defendants' allegedly infringing products, not trademarks. Therefore, there could be no infringement. The court also rejected plaintiff's trademark-infringement claims because, under plaintiff's theory, the Betty Boop character would in effect be subject to perpetual copyright protection and may never enter the public domain.

CASE SUMMARY

FACTS

Max Fleischer, the head of Fleischer Studios, Inc. ("Original Fleischer"), created the Betty Boop character in the 1930s and developed a number of Betty Boop cartoon films. In 1941, Original Fleischer sold its rights in the Betty Boop character and films to Paramount Pictures, Inc., the first of several subsequent sales involving interests in the Betty Boop character and/or films.

Plaintiff Fleischer Studios, Inc. ("Fleischer"), a distinct new entity created by Max Fleischer's family in the 1970s under the same name, claimed that it owned copyright and trademark rights to the Betty Boop character through a multiple-step chain of title involving numerous entities over a time period from 1941 to 1997. Fleischer alleged that it reacquired exclusive copyright and trademark rights to the Betty Boop character in 1997, and filed suit against the defendants for copyright and trademark infringement based on their use of the Betty Boop image on dolls, t-shirts, and handbags.

Defendant A.V.E.L.A., Inc. and others (collectively "A.V.E.L.A.") claim the right to license the Betty Boop character to third parties based on A.V.E.L.A.'s copyright obtained from restoring vintage posters featuring Betty Boop's image.

On summary judgment, the district court found that Fleischer failed to establish each link in the chain of title transferring ownership of the alleged copyright, and thus could not prove ownership sufficient to support a copyright claim. The district court also found that Fleischer provided insufficient evidence of ownership of trademark rights in the Betty Boop name or image. Fleischer appealed the district court's decision to the Ninth Circuit.

ANALYSIS

The Ninth Circuit first addressed the district court's dismissal of Fleischer's copyright-infringement claim. It found, as the district court did, that Fleischer did not establish each link in the alleged chain of title in the Betty Boop character's copyright.

Turning to the trademark-infringement claim, the Ninth Circuit noted that the parties' arguments had focused on the issues of Fleischer's ownership of trademark rights and whether cartoon characters are protectable as trademarks. Instead of addressing the particular arguments briefed by the parties, however, the appeals court sua sponte cited *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980), and concluded that A.V.E.L.A.'s use of the Betty Boop image on its products was a *functional* use, not a trademark use. In *Job's Daughters*, the Ninth Circuit had previously held:

> Trademark law does not prevent a person from copying so-called "functional" features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product . . . . It is not uncommon for a name or emblem that serves in one context as a collective mark or trademark also to be merchandised for its own intrinsic utility to consumers . . . . Although these inscriptions frequently include names and emblems that are also used as collective marks or trademarks, it would be naive to conclude that the name or emblem is desired because consumers believe that the product somehow originated with or was sponsored by the organization, the name, or emblem signifies.

Citing *Job's Daughters*, the Ninth Circuit held that the defendants' allegedly infringing products and merchandising practices revealed that "A.V.E.L.A. is not using Betty Boop as a trademark, but instead as a functional product." In reaching this conclusion, the appeals court noted that Betty Boop was "a prominent feature of each item so as to be visible to others when worn," and that A.V.E.L.A. "never designated the merchandise as 'official' [Fleischer] merchandise or otherwise affirmatively indicated sponsorship." Moreover, as in *Job's Daughters*, Fleischer did not establish that there was any actual confusion or that it received any complaints about the defendants' products.

Accordingly, the Ninth Circuit determined that Fleischer, even if it held any valid trademark rights in the Betty Boop character, could not use such rights to prohibit the aesthetically functional uses made by the defendants.

The Ninth Circuit also sua sponte raised the case of *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), which held that a trademark-infringement action cannot be used as a substitute for a copyright claim when the relevant work has entered the public domain. Doing so, the Ninth Circuit held, would circumvent the Copyright Act and provide Fleischer with something akin to a perpetual copyright in the Betty Boop character contrary to law.

CONCLUSION

Surprisingly, the Ninth Circuit did not cite any post-*Job's Daughters* cases that limit or narrow its holding to apply only to cases in which the mark at issue did not possess any source-identifying significance. For example, in *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062, 1073 (9th Cir. 2006), the Ninth Circuit held that "[i]n practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function." Additionally, in *Vuitton et Fils S.A. v. J. Young Enterprises*, 644 F.2d 769, 773 (9th Cir. 1981), the Ninth Circuit rejected the notion that "any feature of a product which contributes to consumer appeal and saleability of the product is, as a matter of law, a functional element of that product." Professor McCarthy has also criticized the decision in *Job's Daughters* and aesthetic functionality in general. Numerous courts in other circuits have distinguished or refused to follow *Job's Daughters.*

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Civil Cases

Jurin v. Google, 2011 WL 572300 (E.D. Cal. Feb. 15, 2011)

by David M. Kelly

ABSTRACT

Google suggested and sold plaintiff's trademark as a search-engine keyword to plaintiff's competitors. Plaintiff sued for false designation of origin under the Lanham Act and breach of contract. The court granted Google's motion to dismiss plaintiff's breach-of-contract claim, holding that Google's AdWords policy did not create a contract and that Google did not breach the implied covenant of good faith and fair dealing because Google followed its AdWords policy. However, the court denied Google's motion to dismiss plaintiff's false-designation-of-origin claim, rejecting Google's argument that such claims apply only to those who directly compete with plaintiff.

CASE SUMMARY

FACTS

Plaintiff Daniel Jurin marketed and sold a building-material product under the trademark STYROTRIM. As part of its AdWords program, defendant Google suggested STYROTRIM as a keyword to Jurin's competitors, who then purchased STYROTRIM as a keyword. As a result, Jurin's competitors' ads appeared as sponsored links on Google search-results pages when users searched for STYROTRIM. Jurin sued Google for various claims, including false designation of origin and false advertising under the Lanham Act and breach of contract. The court had earlier granted Google's motion to dismiss these claims due to Jurin's failure to properly plead his claims. In dismissing Jurin's false-designation-of-origin claim, the court held that Jurin failed to allege that Google's use of the term STYROTRIM in its AdWords program, or the display of sponsored links incorporating the term STYROTRIM, created a misleading suggestion as to the *producer* of the goods. The court, however, allowed Jurin to amend his complaint.

ANALYSIS

In the present decision, the court granted Google's motion to dismiss Jurin's amended breach-of-contract claim, but denied its motion to dismiss Jurin's amended false-designation-of-origin claim.

The court first examined Jurin's false-designation-of-origin claim, which was based on false-association and false-advertising grounds. Section 43(a)(1)(A) of the Lanham Act prohibits the use in commerce of any mark "which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." Like before, Jurin's second amended complaint alleged that Google's AdWords program and its keyword-suggestion tool caused a false-association between Jurin's STYROTRIM products and his competitors' products by displaying links to the competitors' websites when Internet users searched for STYROTRIM. Google argued that the false association ground could not stand because Google did not produce building materials, so its goods could not be confused with Jurin's. Specifically, Google contended that Section 43(a)(1)(A) should be construed narrowly to require that the defendant produce the goods that the plaintiff has alleged caused confusion with its own goods. The court rejected Google's argument, stating that the statute uses "indefinite" language such as "any person" or "another person" rather than narrow terms like "competitors." Although the court previously dismissed Jurin's false-designation-of-origin claim based on an identical argument by Google, it stated that its present analysis "is the correct one" and overruled its prior holding.

Turning to Jurin's breach-of-contract claim, Jurin did not rely on any written agreement with Google, beyond Google's AdWords policy on its website. As an initial matter, the court held that Google's AdWords policy regarding keywords did not constitute a contract between the parties. Moreover, even if this policy was a contract, Jurin's argument that Google was required by the terms and conditions of its AdWords policy to investigate Jurin's complaint of trademark infringement and to remove the STYROTRIM mark from its keyword database was misplaced. Jurin admitted in his second amended complaint that Google did not violate its policy by stating: "Google does not prohibit itself from misusing the trademark of the owner in the keyword suggestion tool. . . . Further, the stated policy of investigating ad words and keywords is not applicable in the United States." Google's AdWords policy makes clear that it will not disable keywords in response to trademark complaints in several regions, including the United States. Google thus did not violate any express provisions of its AdWords policy or of any contract that may have existed.

Jurin also argued that Google breached the implied covenant of good faith and fair dealing by "taking a strong stance against trademark infringement, yet encouraging misuse of trademarks in the keyword suggestion tool." The court noted, however, that Google followed the terms of its AdWords policy by investigating only instances where a trademark-related keyword appears in sponsored ads. Because Google followed the express terms of its policy, its "good faith [was] satisfied." Moreover, because the implied covenant of good faith and fair dealing "cannot override express provisions," Jurin could not force Google to do what its policy clearly states it will not do. Accordingly, the court granted Google's motion to dismiss Jurin's breach-of-contract claim.

CONCLUSION

This decision is interesting because it is one of the few keyword decisions that focus on a plaintiff's false-designation-of-origin claim instead of a trademark-infringement claim. This case is also unique for plaintiff's assertion of a breach-of-contract claim based on Google's alleged failure to follow its own AdWords keyword policy or an implied covenant of good faith and fair dealing.

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Civil Cases

Levi Strauss & Co. v. Abercrombie & Fitch Trading Co., 2011 WL 383972 (9th Cir. Feb. 8, 2011)

by Margaret A. Esquenet

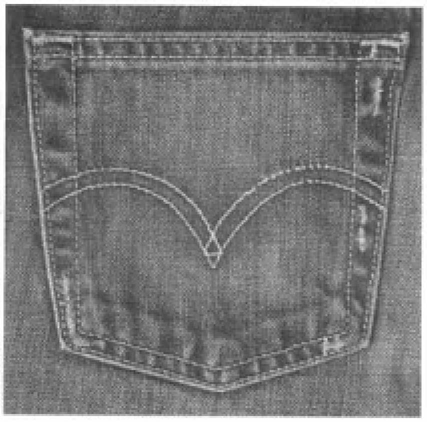
ABSTRACT

The Ninth Circuit held that the district court's analysis of a dilution-by-blurring action relating to the stitched design on jean pockets was faulty because it used an outdated test to compare the parties' marks. The Ninth Circuit announced that the plain language of the Trademark Dilution Revision Act of 2006 ("TDRA") does not require that the marks at issue in a dilution-by-blurring claim be identical or nearly identical. Rather, under the TDRA, the degree of similarity between the marks is one of several factors a court must balance when evaluating a claim for trademark dilution.

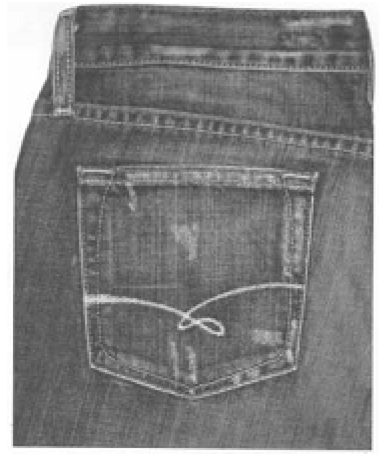
CASE SUMMARY

FACTS

Levi Strauss & Company ("Levi"), the manufacturer of LEVI-brand jeans, uses a famous stitched design on the back pockets of its denim pants, as well as on many other goods. The Levi design, called "Arcuate," features two connecting arches that meet in the center of the pocket. The Abercrombie & Fitch Trading Company ("Abercrombie") design, called "Ruehl," features "two less pronounced arches that are connected by a 'dipsy doodle,' which resembles the mathematical sign for infinity." The respective designs are reproduced below.



ARCUATE



RUEHL

Alleging that the Ruehl stitching too closely mimicked the famous Arcuate mark, Levi filed suit against Abercrombie, including a claim for a violation of the TDRA, among others. Specifically, Levi asserted that Abercrombie's design diluted the Arcuate mark by blurring its distinctiveness in the marketplace. Relying on Ninth Circuit precedent, Abercrombie countered that dilution claims are available only where the marks at issue are identical or nearly identical, and that because the Ruehl design was not identical or nearly identical to the Arcuate design, Levi could not sustain a claim under the TDRA. The district court, trying the case with the assistance of an advisory jury, found in favor of Abercrombie, accepting the jury's finding that the marks are not identical or nearly identical and, accordingly, that Levi had not established that the Ruehl design was likely to cause dilution by blurring. Levi appealed the district court's holding that the TDRA requires the owner of a famous trademark to prove that the allegedly diluting mark is identical or nearly identical.

ANALYSIS

Levi asserted that the TDRA expressly identifies the nonexclusive factors courts are to consider when evaluating a dilution-by-blurring claim. The TDRA does not include the terms "identical or nearly identical" and instead instructs courts to consider "the degree of similarity between the mark or trade name and the famous mark." 15 U.S.C. § 1125(c)(2)(B)(i). Accordingly, Levi argued that the "degree of similarity" language allows actions against marks that may not be virtually identical but are nonetheless likely to cause dilution by blurring by being sufficiently similar, particularly in light of the other factors that must be considered and balanced.

Abercrombie responded by relying on three post-TDRA Ninth Circuit decisions that utilized the "identical or nearly identical" formulation, namely, *Perfumebay.com Inc. v. eBay, Inc.*, 506 F.3d 1165 (9th Cir. 2007); *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008); and *Visa Int'l Serv. Ass'n v. JSL Corp.*, 2010 WL 2559003 (9th Cir. June 28, 2010). Abercrombie argued that the Ninth Circuit law on this issue was settled because each of the three decisions required the senior user to prove that the junior mark was identical or nearly identical to the senior mark to sustain the claim.

In coming to the conclusion that the TDRA foreclosed the use of the "identical or nearly identical" requirement, the appeals panel recounted the history of the TDRA, including the TDRA's predecessor, the Federal Trademark Dilution Act (FTDA), and painstakingly distinguished the earlier post-TDRA decisions cited by Abercrombie.

The “identical or nearly identical” standard had been developed in the Ninth Circuit through case law such as *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002), which held that the mark PLAYMATE OF THE YEAR cannot be diluted by the mark PMOY. The panel noted that *Welles* relied on an earlier Eighth Circuit decision and *McCarthy on Trademarks and Unfair Competition*, both of which opined that the target customers must see the marks at issue as “essentially the same.” Subsequently, *Thane International v. Trek Bicycle Corp*., 305 F.3d 894 (9th Cir. 2002), tied the “identical or nearly identical” standard to the language of the FTDA, and made the requirement virtually unassailable in the Ninth Circuit.

In 2002, however, the Supreme Court’s decision in *Moseley v. V Secret Catalogue, Inc*., 537 U.S. 418 (2003), gutted the FTDA and, in response thereto, Congress passed the TDRA in 2005. Comparing the FTDA and the TDRA, the Ninth Circuit noted that the TDRA was entirely new legislation that completely overhauled the FTDA, and was not merely a targeted amendment to overturn the *Moseley* decision. Importantly, the panel noted, despite several appellate cases that relied on the “identical or nearly identical” requirement under the FTDA, the standard is noticeably absent from the TDRA statute. Therefore, the appeals court concluded that “the text of the TDRA articulates a different standard for dilution from that which we utilized under the FTDA.”

Finding that the test articulated by the courts under the FTDA was no longer valid, the panel turned to the three post-TDRA decisions cited by Abercrombie, distinguishing each one and noting that none of them specifically addressed or resolved the issue of whether the “identical or nearly identical” requirement survived the TDRA.

Perfumebay.com had been decided under California state law, which, at the time it was decided, still mirrored the FTDA and had not been amended to more closely follow the TDRA. The appeals court stated that “there simply was no opportunity for us to consider whether a change in the language of the federal statute effected a change in the standard applicable to federal claims.”

The court also distinguished *Jada Toys* in a similar manner, holding that the case was argued and decided based on the FTDA, not the TDRA. The court was not persuaded by the subsequent amended opinion in *Jada Toys*, which took into account the effect of the TDRA, finding that the opinion was amended solely to reflect the new “likelihood of dilution” standard set forth in the TDRA. Moreover, the marks at issue in *Jada Toys* were “nearly identical” and, accordingly, the degree-of-similarity issue was moot.

Finally, the marks at issue in *Visa International* were found to be “effectively identical,” and Abercrombie relied on that finding to support the argument that the standard continues to be “identical or nearly identical.” However, the panel rejected this reading of the decision, holding that the reference to the marks as being “effectively identical” was not a legal conclusion based on the TDRA standard, but rather “a factual assessment of the similarity of the two marks with which we were presented.”

Holding that FTDA decisions were not binding on the court’s interpretation of the TDRA, the court turned to the language of the TDRA to determine the appropriate test for dilution by blurring. Reviewing the plain language of the statute and rejecting Abercrombie’s reliance on the legislative history of the FTDA and the TDRA, the court held that the statute indicates that “any number of unspecified junior marks may be likely to dilute the senior mark.” Moreover, the court found that the use of the term “similarity” when describing the relationship between the marks at issue in a particular dispute “sets forth a less demanding standard than that employed by many courts under the FTDA." The court also recognized that Congress made the "degree of similarity" between the marks the first factor, but not the controlling factor, for evaluating a dilution-by-blurring claim. This choice, the court noted, supports the notion that something less than perfect or near identity between a senior mark and a junior mark is enough to assert a claim for dilution by blurring.

Applying the new TDRA standard to this dispute, therefore, the panel noted that the legal error of requiring near identity of the marks permeated the district court's evaluation of the other TDRA factors, causing a biased and erroneous reading of the statute. Even with this bias, the district court had found in favor of Levi in connection with several factors, including the fame and degree of recognition of the Arcuate mark and the exclusive use of the Arcuate mark. Accordingly, the court remanded the proceedings, holding that, "[g]iven the relative balance of the parties' positions, we cannot say with any confidence that the district court would have reached the same result absent the legal error."

CONCLUSION

As noted in the opinion, this decision concurs with the Second Circuit's conclusion in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009), which also held that the requirement of near or exact identity did not survive the enactment of the TDRA. As two appellate courts have now found that the owner of a famous senior mark is not required to show that the junior mark is identical or nearly identical to obtain relief under the TDRA, this standard will likely be difficult to challenge, even outside the Second and Ninth Circuits.

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Civil Cases

S. Snow Mfg. Co. v. SnoWizard Holdings, Inc., 2011 WL 601639 (E.D. La. Feb. 16, 2011)

by David M. Kelly

ABSTRACT

Plaintiff alleged that defendant used plaintiff's trademark in defendant's website metatags and sued for trademark infringement. The court granted defendant's motion for summary judgment, finding that plaintiff failed to show that defendant's actions were likely to confuse consumers. The court rejected plaintiff's argument that use of a trademark as a metatag constitutes initial-interest confusion and trademark infringement as a matter of law. It noted that such actions *may* constitute infringement because of the initial-interest confusion that *may* be created, but the plaintiff must prove that use of the "hidden" metatag is likely to cause consumer confusion as with an infringement claim involving a visible trademark.

CASE SUMMARY

FACTS

SnoWizard Holdings, Inc. ("SnoWizard") manufactures shaved-ice machines under its federally registered SNOWIZARD mark. Parasol Flavors, LLC ("Parasol") produces flavored syrups for shaved ice. SnoWizard alleged that Parasol used the phrase "snow wizard" in metatags on its website and sued for trademark infringement. Parasol moved for summary judgment on SnoWizard's infringement claim.

ANALYSIS

The district court granted Parasol's motion and dismissed SnoWizard's trademark-infringement claim. Parasol argued that SnoWizard could not show that Parasol used "snow wizard" on its website, and that such use would not constitute a "use in commerce" of the SNOWIZARD mark even if it could be shown. Parasol argued that although "snow wizard" and SNOWIZARD sound the same to a human ear, computer search engines do not process searches by sound and know the difference between the two terms. Parasol also noted that SnoWizard did not offer any expert testimony to establish how a search engine would process the term "snow wizard" so as to establish that there would even be any likelihood of confusion based on the search results. SnoWizard responded that the cases applying *Brookfield Communications* recognize that a defendant's use of a plaintiff's mark in website metatags creates initial-interest confusion, and thus constitutes trademark infringement as a matter of law.

The court rejected SnoWizard's contention that a likelihood of confusion is automatically established as a matter of law when there is metatag use of a competitor's trademark. According to the court, the cases cited by SnoWizard merely recognize that use of metatags *could* constitute trademark infringement because of initial-interest confusion that may be created, even if consumers never actually see the "hidden" metatag. The plaintiff in such a case, however, must still carry its burden of proving the existence of a likelihood of confusion. In this regard, the court noted that "[i]t would be odd indeed for the law to require a plaintiff in an ordinary trademark infringement case to prove likelihood of confusion to the jury, yet to create a lighter burden where metatags are involved, given that with metatags the consumer never actually sees the trademark or knows that it is in use." Because of the "hidden" nature of website metatags, the court held that SnoWizard could not prevail on its infringement claim without showing the actual effects of Parasol's use of "snow wizard" as a metatag on its website, i.e., SnoWizard must show a likelihood of confusion. Because SnoWizard did not offer any such evidence, Parasol was entitled to judgment as a matter of law on SnoWizard's infringement claim.

CONCLUSION

This case highlights the importance for trademark owners of not taking anything for granted. Even though defendant used a metatag virtually identical to plaintiff's mark to sell closely related products, plaintiff still had to prove that defendant's actions were likely to cause consumer confusion.

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Salon FAD v. L'Oreal USA, Inc., 2011 WL 70591 (S.D.N.Y. Jan. 10, 2011)

by Michael R. Justus

ABSTRACT

The Southern District of New York denied beauty-product manufacturers' motions to dismiss a class-action false-advertising lawsuit brought on behalf of a class of beauty salons based on the manufacturers' false statements that certain beauty products were sold only in professional salons. The court held that plaintiffs' allegations regarding potential reputational harm caused by the false statements were sufficient to satisfy the Article III standing and Lanham Act prudential-standing requirements. The court further held that plaintiffs adequately alleged a Lanham Act false-advertising claim because the defendants' false statements were sufficiently related to the inherent quality of the products, and the advertising was likely to have a material effect on consumers' purchasing decisions.

CASE SUMMARY

FACTS

A group of beauty salons and a related nonprofit organization ("Plaintiffs") filed a class-action false-advertising lawsuit against a group of beauty-product manufacturers ("Defendants") based on Defendants' false representations on product labels, company websites, and in print advertisements that their hair-care products were available for purchase exclusively through professional salons, when in fact they were also available through nonsalon retail outlets. Plaintiffs alleged that Defendants' false advertising resulted in a loss of sales and damage to their reputation and goodwill with consumers who purchased the "salon-only" products at Plaintiffs' salons only to discover that the products are also widely available at mass retailers.

The manufacturers moved to dismiss the lawsuit on three grounds: (1) Plaintiffs lacked Article III standing because they failed to allege an injury that is "fairly traceable" to the Defendants' false advertising; (2) Plaintiffs lacked statutory standing under the Lanham Act because they failed to identify a likelihood of injury caused by the Defendants' false advertising; and (3) Plaintiffs did not allege the necessary elements of a false-advertising claim because they did not show that the false statements were material to consumers purchasing the Defendants' products.

ANALYSIS

The court first analyzed the standing requirements under Article III of the U.S. Constitution. To establish Article III standing, a plaintiff must show (1) that he suffered an injury-in-fact—an invasion of a legally protected interest that is (a) concrete and particularized, and (b) actual or imminent, not conjectural or hypothetical; (2) that there was a causal connection between the injury and the conduct complained of; and (3) that it is likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision.

Defendants argued that Plaintiffs failed to establish the second prong of the Article III standing test, namely, a causal connection between the injury alleged and the Defendants' false advertising. Defendants argued that any injury caused by the diversion of the products from salons to mass retailers did not flow from the false "salon-only" advertising, but rather it was the act of diversion itself that formed the basis of Plaintiffs' injury. The court recognized that Plaintiffs' market share would likely be reduced by the diversion of products to mass retailers even if the false advertising ceased, but held that the complaint identified an injury separate from the injury created by the diversion. Specifically, the court noted that Plaintiffs' complaint asserted an injury to their reputation based on customers who may associate the "salon-only" advertising with the salons themselves as opposed to the manufacturers, and therefore may stop patronizing the salons when they discover the falsity of the advertising. The court rejected Defendants' arguments that this chain of causation was too attenuated, and determined that Defendants' false statements have a "determinative or coercive effect" on the consumer's decision to stop patronizing the sellers' salons. Accordingly, the court held that Plaintiffs satisfied the standing requirements of Article III.

The court then turned to the issue of Lanham Act standing. Section 43(a) of the Lanham Act extends standing to any plaintiff who "believes that he or she is likely to be damaged by" the false advertising. The Second Circuit, however, employs prudential-standing limitations that narrow the class of potential plaintiffs to only those who are able to demonstrate (1) a reasonable interest to be protected against the alleged false advertising, and (2) a reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising. The Second Circuit requires a more substantial showing of injury and causation where the plaintiff's products are not obviously in competition with the defendant's products, or the defendant's advertisements do not draw direct comparisons between the parties' products.

For the same reasons Defendants contended that Plaintiffs lacked Article III standing, Defendants argued that Plaintiffs failed to satisfy the Second Circuit's prudential-standing requirements. Additionally, Defendants argued that Plaintiffs lacked Lanham Act standing because Plaintiffs were not competitors of Defendants. Again, the court rejected these arguments, holding that Plaintiffs had an interest in maintaining their reputation for integrity among their customers. Defendants' false advertising undermined Plaintiffs' perception of integrity among customers and thus resulted in injury to Plaintiffs' reputation. Rejecting Defendants' argument that the advertising was unconnected to Plaintiffs' injury because it was based on consumers' disbelief of the advertising, the court recognized that consumers' disbelief could indeed constitute an injury. The court thus held that Plaintiffs satisfied the prudential-standing requirements under the Lanham Act.

Finally, the court addressed Plaintiffs' substantive false-advertising claim. To establish a claim for false advertising under Section 43(a) of the Lanham Act, Plaintiffs must demonstrate that the statement at issue is false by proving either that (1) the advertising is literally false as a factual matter, or (2) although the advertisement is literally true, it is likely to deceive or confuse customers. In addition to proving falsity, the Plaintiffs must also show that Defendants misrepresented an "inherent quality or characteristic” of the product.

Defendants argued that the false statements did not misrepresent an “inherent quality or characteristic” of the products because the statements related to the marketing of the products, specifically, the extrinsic characteristic of the channels through which they are sold. The court rejected this argument, holding that the false statements implied that the quality of the products was so superior that they were available only through professional hair salons. Defendants further argued that the “salon-only” advertising was unlikely to have a material effect on consumers’ purchasing decisions. The court held that Defendants’ false “salon-only” claim went directly to a highly relevant aspect of the products—quality and superiority—and that consumers may be willing to pay a premium for products sold exclusively through professional salons because they associate those products with professional expertise. The court thus held that Plaintiffs adequately alleged their false-advertising claim.

Accordingly, the court denied Defendants’ motions to dismiss.

CONCLUSION

This case demonstrates that sellers can establish standing to sue their suppliers for false advertising relating to the supplied products if the sellers have a reasonable belief that the suppliers’ false statements are likely to injure the sellers’ reputation with their customers. Thus, neither loss of sales nor direct competition between the parties is required to satisfy the standing requirements of Article III or the Lanham Act. In addition, this case shows that the trade channels through which a product is sold to consumers can constitute an “inherent quality or characteristic” of the product for purposes of a false-advertising claim where the advertised trade channels directly reflect a relevant aspect of the product (e.g., superior quality).

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TTAB Cases

Gen. Council of the Assemblies of God d/b/a Gospel Publ'g House v. Heritage Music Found., Cancellation No. 92051525 (TTAB Feb. 3, 2011)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

General Council of the Assemblies of God d/b/a Gospel Publishing House ("Petitioner") filed a motion to exclude any testimony offered by Heritage Music Foundation's ("Respondent") expert witness under Fed. R. Civ. P. 37(c)(1) based on Respondent's alleged failure to comply with Fed. R. Civ. P. 26(a)(2). Specifically, the expert had not signed her expert disclosure, included a list of her publications or the cases in which she had testified, or stated her compensation. In response to Petitioner's motion, Respondent provided the missing information and argued that the original omission was substantially justified or harmless. The TTAB held that Respondent's prompt supplementation of the disclosure resolved the problem, so it did not need to consider whether the technical deficiencies were substantially justified or harmless under Fed. R. Civ. P. 37(c)(1). Further, the TTAB found that there was no requirement that a party notify the TTAB that it has served expert disclosures, and also that Petitioner's arguments that the expert was not qualified as an expert were premature and should be raised later in the proceeding.

CASE SUMMARY

FACTS

Although Respondent timely made its expert disclosure pursuant to Fed. R. Civ. P. 26(a)(2), the disclosure was not signed by the expert, did not include a list of all of her authored publications, did not include a list of all other cases over the past four years in which she had testified as an expert at trial or by deposition, and did not include a statement of the compensation paid to her for her testimony. A week later, Petitioner moved to strike Respondent's expert-witness testimony due to improper disclosure. Respondent filed a response and supplemental response to the motion to strike in which Respondent provided the information that had been omitted from its original expert disclosure.

In its motion to strike, Petitioner argued that Respondent's expert disclosure did not comply with Fed. R. Civ. P. 26(a)(2) because of the omitted information. Petitioner also argued that Respondent failed to inform the TTAB of its designation of an expert and that Respondent's designated expert did not appear to be a qualified expert. In response, Respondent argued that the effect of the omission of the above items was substantially justified or harmless and, thus, sanctions under Fed. R. Civ. P. 37(c)(1) were improper. Specifically, Respondent contended that the surprise to Petitioner was small and curable because Petitioner still had adequate time to hire an expert if it chose to do so and Respondent had subsequently provided the missing information.

ANALYSIS

Trademark Rule 2.120(a)(2) provides that disclosure of expert testimony must occur in the manner and sequence provided in Fed. R. Civ. P. 26(a)(2). Pursuant to Rule 26(a)(2), any expert disclosed who may be used at trial to present evidence must provide a written report (unless otherwise stipulated or ordered by the court), prepared and signed by the witness, which must contain (1) a complete statement of all opinions the witness will express and the basis and reasons for them; (2) the facts or data considered by the witness in forming them; (3) any exhibits that will be used to summarize or support them; (4) the witness's qualifications, including a list of all publications authored in the previous ten years; (5) a list of all other cases in which, during the previous four years, the witness testified as an expert at trial or by deposition; and (6) a statement of the compensation to be paid for the study and testimony in the case. A party that has made a disclosure must supplement or correct its disclosure in a timely manner if the party learns that in some material respect the disclosure is incomplete or incorrect. Under Fed. R. Civ. P. 37 (c), any information not disclosed pursuant to Rule 26 may not be used as evidence at trial "unless the failure was substantially justified or harmless." In determining whether the failure was substantially justified or harmless, the following factors may be considered: (1) the surprise to the party against whom the witness was to have testified; (2) the ability of the party to cure that surprise; (3) the extent to which allowing the testimony would disrupt the trial; (4) the explanation for the party's failure to name the witness before trial; and (5) the importance of the testimony.

In this case, the TTAB found that Respondent had timely served its expert disclosure, including a copy of the expert report, a copy of the facts or data considered by the expert witness, and a copy of the witness's curriculum vitae (which provided at least some information regarding the witness's qualifications). Further, the TTAB found that Respondent had supplemented its expert disclosure as soon as the deficiencies were brought to its attention, the discovery period was still open, and there was no disruption to trial. The TTAB noted that Petitioner had requested exclusion of all of the witness's anticipated expert testimony, but explained that it is usually the information omitted by the disclosure that is excluded. The TTAB then found that here Respondent's prompt supplementation of the disclosures resolved the problem, eliminating the need for the TTAB to even consider whether the omissions were substantially justified or harmless. Further, it found that the omissions were harmless because there was no surprise to Petitioner as to the identity of the witness or the subject matter of the expert disclosure because the disclosure was timely served; the signed statement and additional items required to be disclosed concerning the expert's qualifications were easily obtainable, as Respondent provided this information in response to the motion to strike; the trial was not disrupted by the deficiencies because one month remained in the discovery period after the disclosure was served; Respondent acted to cure the deficiencies quickly after they were brought to its attention; the TTAB was able to adjust the remaining discovery period as necessary; and Respondent presented plausible arguments as to why the evidence may be important to the case.

The TTAB further reasoned that where, as here, supplementation of the disclosure takes place, either upon the initiative of the disclosing party or after notification by the adverse party that the disclosure was incomplete, while the discovery period remains open, the TTAB's policy is that neither the testimony to be proffered by the expert witness nor the information originally omitted will be excluded.

Petitioner also argued that Respondent failed to notify the TTAB that it served an expert disclosure. The TTAB found, however, that Trademark Rule 2.120(a)(2) did not require that a disclosing party inform the TTAB that an expert disclosure had been made. The purpose of informing the TTAB of such a disclosure was merely to facilitate discovery.

Finally, the TTAB concluded by noting that the TTAB's 2007 adoption of a disclosure model was not meant to provide opportunities for one party to find procedural deficiencies or technical failures upon which to obtain an advantage over its adversary. Instead, the adoption of a disclosure model was to provide an orderly administration of the proceeding as it moves toward trial. Further, for cases that do not settle, disclosure practices have been found to promote a greater exchange of information, leading to increased fairness and a greater likelihood that cases eventually decided on their merits are determined on a fairly created record. Thus, a disclosing party's failure to inform the TTAB of timely disclosure of an expert witness is not a ground to exclude the testimony of such witness.

Regarding the challenge to the expert's qualifications, the TTAB advised the parties that "[t]he Board does not hear motions in limine and the qualifications of respondent's witness is a subject that can be raised later, at an appropriate time." Thus, Petitioner's motion to strike was denied in its entirety.

CONCLUSION

Where supplementation of an expert disclosure takes place, either upon the initiative of the disclosing party, or after notification by the adverse party that the disclosure was incomplete, while the discovery period remains open, the Board's policy is that neither the testimony to be offered by the expert witness nor the information originally omitted will be excluded. Further, there is no requirement that a party notify the Board that an expert disclosure has been made.

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Unregistrable

Sc®een Gems

by Robert D. Litowitz

As memories of "winter's bone" begin to fade with the end of February, the thoughts of trademark professionals begin to turn not to March Madness® or The Masters®, but to the 133rd annual INTA® meeting, being held this May in San Francisco. Anyone wanting to preview the pageantry, sophistication, and elegance of INTA 2011 had only to watch the 83rd Academy Awards® ceremony broadcast on February 27, 2011, from the Kodak® Theater in Hollywood. As I smugly relished the fact that INTA has been hosting annual meetings for half a century longer than the Academy of Motion Picture Arts and Sciences' first ceremony, many questions came to mind. In no particular order, I wondered: Would James Franco and Anne Hathaway bomb, like Letterman and Jon Stewart before them? Who would deliver the most embarrassing acceptance speech? Would Robert Downey Jr. shave? And would the producers, keen on attracting a "younger demographic," hold true to their stated aim? The last question was answered in short order with a resounding "no" when Kirk Douglas—the legendary star of *Spartacus* and *Cast a Giant Shadow*, and one of the last survivors of Hollywood's Golden Era—hobbled out to announce the nominees and winner of the award for Best Supporting Actress. That awkward moment led to the night's most embarrassing speech—an "F-bomb"-laced ramble by the clearly stunned Melissa Leo (best known for her TV roles on *Homicide: Life on the Street* and *Treme*), who won for her tour de force depiction of Marky Mark's manipulative mother in *The Fighter*. As the evening dragged on, James Franco grew less than endearing, while the smiling and singing Anne Hathaway gamely soldiered through the tedious night. Not even a surprise appearance by beloved former host Billy Crystal could salvage the affair, particularly for those, like me, who had dozed off around the time writer Aaron Sorkin challenged everyone's attention span by seemingly thanking everyone he's ever met while accepting the award for Best Adapted Screenplay. Sorkin displayed none of the crisp, crackling dialogue that became his trademark as creator of *The West Wing* and as the screenwriter for *The Social Network*.

When I awoke to see Colin Firth honored for his stirring performance of stuttering King George VI in *The King's Speech*, I was struck by an existential trademark question. How did the golden art-deco statuette get the name Oscar®? Unlike the EMMY®, whose name is a twist on "IMMY" (a shorthand for an early type of TV camera), Oscar is not derived from anything related to motion-picture history or technology. Nor, like the TONY®, honoring excellence on Broadway and named for theater legend Antoinette Perry, is OSCAR taken from the name of someone associated with the movie industry. Rather, like the plot of Best Picture nominee *Inception*, the story is murky. According to one account, Bette Davis named the Oscar after her first husband, band leader Harmon Oscar Nelson. Another story claims that when the Academy's first Executive Secretary saw the now-iconic statuette for the first time, it reminded her of her

"Uncle Oscar." Whatever its source, the name Oscar soon stuck. And just six years after that first awards ceremony at the Roosevelt, the Academy officially dubbed the trophy Oscar. Now, by the Academy's own estimation, the Oscar® is among the most respected and sought-after prizes bestowed anywhere. And befitting such a distinguished award, it not only is a federally registered trademark, but it also has its own trademark entourage in the form of a series of usage "Regulations," set forth at www.oscars.org/legal/regulations. Among these, of course, is the requirement that "[a]ny use of the marks 'OSCAR®,' 'OSCARS®,' 'ACADEMY AWARD®,' 'ACADEMY AWARDS®,' 'OSCAR NIGHT®,' 'A.M.P.A.S.®' and the 'Oscar' design mark must include notice of trademark and service mark registration and credit the Academy as the owner of said marks ("®") . . . ."

As the new Oscar® winners savor their awards and the losers recover from their hangovers, we can look forward to San Francisco in May secure in the knowledge that anything INTA may lack in terms of glitz and star power will be made up for by the charm, sophistication, and savvy of the international trademark bar. And if Oscar® has become one of the most recognized and valuable symbols in the world, we know that it's due not only to blockbusters like *The Social Network*, but also to the "true grit" of our group of trademark avatars who make sure that the world knows that there are *two* "Rs" in Oscar®.

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