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

July/August 2009 Issue

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91 USPQ2d 1001 (8th Cir. June 22, 2009)**

by Monica Riva Talley

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91 USPQ2d 1532 (Fed. Cir. July 23, 2009)**

by Kenneth H. Leichter

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***S. Grouts & Mortars, Inc. v. 3M Co.*,
2009 WL 2182605 (11th Cir. July 23, 2009)**

by David M. Kelly

The Eleventh Circuit rules that the renewal and continued ownership and nonuse of a domain name containing a competitor's trademark did not violate the ACPA where the defendant legitimately acquired the name for another business and the plaintiff failed to show that the defendant had a bad-faith intent to profit from the plaintiff's mark.

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2009 WL 1955609 (11th Cir. July 9, 2009)**

by David M. Kelly

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Civil Cases

B&B Hardware, Inc. v. Hargis Indus., Inc., 91 USPQ2d 1001 (8th Cir. June 22, 2009)

by Monica Riva Talley

ABSTRACT

Because the jury in a previous litigation between the parties determined only that plaintiff's mark SEALTIGHT was descriptive and had not acquired secondary meaning, the jury did not address the second element of the infringement claim, namely, whether there was a likelihood of confusion with defendant's SEALTIGHT mark. After plaintiff brought this action based on the same marks, the district court dismissed on collateral-estoppel grounds. The appeals court reversed, holding that the change in status of plaintiff's trademark registration from contestable to incontestable constituted a significant intervening factual change, making the application of collateral estoppel inappropriate as there had been no final decision in the first proceeding on the now relevant issue of likelihood of confusion.

CASE SUMMARY

FACTS

In 1990, Plaintiff B&B Hardware, Inc. ("B&B") began manufacturing and selling fastener products sold to the aerospace industry under the SEALTIGHT trademark. B&B was granted a U.S. trademark registration for its SEALTIGHT mark in 1993. In 1992, Defendant Hargis Industries, Inc. ("Hargis") began manufacturing and selling self-drilling and self-taping screws used in the metal-building industry under the SEALTIGHT mark. Hargis's application to register its SEALTIGHT mark was refused based on B&B's prior registration.

B&B filed a trademark-infringement action against Hargis in 1998. The jury returned a verdict in favor of Hargis, determining that B&B's SEALTIGHT mark was merely descriptive and had not acquired secondary meaning. The Eighth Circuit Court of Appeals affirmed.

In 2003, B&B filed an opposition to Hargis's application to register its SEALTIGHT mark. Hargis argued that the prior federal action, which determined that there was no trademark infringement, should be given preclusive effect by the TTAB. The TTAB rejected this argument, holding that the jury in the federal trademark action had not made any findings concerning likelihood of confusion. The TTAB also held that Hargis was barred in its attempt to cancel B&B's registration on the ground that the mark was merely descriptive, because B&B's mark had by this time been registered for more than five years. In 2006, B&B

filed, and the PTO accepted an affidavit of incontestability.

B&B then proceeded to file the present action against Hargis, alleging trademark infringement, dilution, and related claims. The district court granted Hargis's motion to dismiss on the basis of collateral estoppel. B&B appealed, arguing that the district court erred in granting the motion to dismiss on collateral-estoppel grounds. In particular, B&B contended that the jury in the prior action did not reach the question of likelihood of confusion because it held that B&B's SEALTIGHT mark was merely descriptive and had not acquired secondary meaning.

ANALYSIS

The appellate court stated that because a plaintiff is required to prove different elements in establishing a descriptive mark's validity than in proving likelihood of confusion, these are distinct elements for purposes of applying collateral estoppel. The district court had relied upon the Fifth Circuit's decision in *Test Masters Educational Services, Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005), which held that "[t]he only recognized exception to issue preclusion for trademark infringement is a material change in the trademark's strength over an extended period of time" and that "mere passage of time as a factor [does not] permit[] relitigation of a previously failed claim." However, the appeals court here found that it was not concerned with the mere passage of time. Instead, it was faced with the question of whether a change in a mark's validity from contestable to incontestable bars application of collateral estoppel. The court concluded that a change in a mark's validity from contestable to incontestable bars application of collateral estoppel in this case, because this change constitutes a significant intervening factual change.

The court reasoned that in the prior action, the jury determined only that B&B's mark was descriptive and had not acquired secondary meaning. With this determination, there was no need to address the second element of a trademark-infringement claim—whether there was a likelihood of confusion between the marks. Accordingly, the court found that it was not appropriate to apply collateral estoppel to the current trademark-infringement action because the jury in the prior litigation never determined the likelihood-of-confusion issue, a different and distinct issue from whether the mark was valid and protectable.

The appellate court reversed the district court's grant of dismissal and remanded the case for further proceedings.

CONCLUSION

The court of appeals held that the change in the status of a trademark registration from contestable to incontestable saved the mark from challenges that it was merely descriptive and lacked secondary meaning, and thus application of collateral estoppel of a decision going only to the strength of the mark, not to likelihood of confusion, was inappropriate.

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Civil Cases

In re Hotels.com L.P., 91 USPQ2d 1532 (Fed. Cir. July 23, 2009)

by Kenneth H. Leichter

ABSTRACT

The TTAB rejected Applicant's attempt to register HOTELS.COM, finding the mark generic for Applicant's information and reservation services. The TTAB found that the term "hotels" identified the central focus of an Applicant's online information and reservation services, and that the addition of the common ".com" suffix did not cure the genericness of the term. The Federal Circuit affirmed, finding that the TTAB had established a prima facie case of genericness of the mark HOTELS.COM through dictionary evidence, evidence of other similar uses, and competitive need. The Federal Circuit further found that Applicant's survey and declaration evidence was insufficient to overcome this prima facie case.

CASE SUMMARY

FACTS

Hotels.com, L.P. ("Applicant") applied to register the service mark HOTELS.COM for "providing information for others about temporary lodging; travel agency services, namely, making reservations and bookings for temporary lodging for others by means of telephone and the global computer network." The Examining Attorney denied registration on the ground that HOTELS.COM is merely descriptive of hotel-reservation services, and that Applicant's evidence was insufficient to show acquired distinctiveness under Section 2(f). The examiner also stated that the proposed mark appeared to be generic. The TTAB affirmed the rejection, but on the ground that HOTELS.COM is a generic term for hotel information and reservations, and that the ".com" shows Internet commerce and does not convert the generic term "hotels" into a brand name. The TTAB explained that the word "hotels" identifies the central focus of the information and reservation services provided on Applicant's website, and concluded that "the term HOTELS.COM, consisting of nothing more than a term that names that central focus of the services, is generic for the services themselves." The TTAB did not agree with the Examining Attorney's view of the inadequacy of the showing of acquired distinctiveness, and stated that "if applicant should ultimately prevail in any appeal of this decision, we find in the alternative that the evidence of acquired distinctiveness is sufficient to support registration under Section 2(f)." Applicant appealed.

ANALYSIS

On appeal, Applicant argued that HOTELS.COM is not generic because the website does not provide

lodging and meals for its users and is not synonymous with the word "hotel," but rather is used to indicate an information source and travel agency. Applicant stated that the ".com" component of HOTELS.COM negates any generic nature of the word "hotels," and that the mark, viewed in its entirety, is not a generic name but an indicator of Applicant's services. Applicant pointed out that the context in which a term is used is evidence of how the term is perceived by prospective customers, and that the dot-com domain name is a significant aspect of the context of HOTELS.COM, negating the genericness finding. Applicant also relied on the survey and declarations it submitted as evidence establishing that HOTELS.COM is widely associated with the Applicant, and is not viewed as a generic term or common name for hotel services.

The Federal Circuit first summarized the TTAB's findings. The TTAB cited various definitions of "hotel" and various search printouts showing "hotels" as the equivalent of or included within "temporary lodging." The TTAB also cited computer printouts of the HOTELS.COM website featuring links to hotels, as well as the Applicant's advertisements promoting the HOTELS.COM website and the hotel-reservation services available on that website, and the Applicant's online market survey asking visitors to list any other "hotel sites they frequent." The TTAB also listed several sites that combine "hotels" and ".com." The TTAB found that hotels are the "focus" of the Applicant's services, citing the Applicant's advertisements to "[c]hoose from thousands of hotels in hundreds of cities worldwide" by visiting www.hotels.com; directing the public to "[b]ook online at www.hotels.com" and stating that "hotels.com enables you to quickly and efficiently compare accommodations by: price, quality, location . . . amenities, availability" With this evidence, the TTAB concluded that HOTELS.COM is properly viewed as having the same meaning as the word "hotels" by itself, and that the composite term HOTELS.COM communicates no more than the common meanings of the individual components, that is, that the Applicant operates a commercial website via the Internet, which provides information about hotels but adds nothing as an indication of source.

The Federal Circuit affirmed. It stated that otherwise registrable marks do not acquire generic character by participating in electronic commerce but agreed with the TTAB that for the mark at issue here, the generic term "hotels" did not lose its generic character by placement in the domain name HOTELS.COM. The Federal Circuit also found that numerous other domain names' use of the components of the term "hotels.com" supported the TTAB's finding that consumers viewing Applicant's website and promotional materials would immediately understand that HOTELS.COM identifies a website that provides such services. The Federal Circuit further found a competitive need for others to use "hotels" as part of their own domain names and trademarks. All this amounted to "a prima facie case of genericness."

In the face of this prima facie case, the Federal Circuit found Applicant's rebuttal evidence lacking. Applicant submitted sixty-four declarations from customers, vendors, and competitors, each of whom stated that "the term HOTELS.COM is not the common, generic name of any product, service, or field of study." The TTAB wholly rejected the declarations as identical form documents and found that they did not provide any explanation of the declarant's conclusion or state the declarant's view of how the term HOTELS.COM is perceived by the public. The Federal Circuit found that this complete rejection was unwarranted, but also that these declarations did not negate the TTAB's ultimate conclusion.

Applicant also relied on its survey, which purported to show that 76% of respondents regarded HOTELS.COM as a brand name for a business that makes hotel reservations and provides information about hotels. The TTAB criticized the survey on several grounds, particularly that the survey questions skewed the results in Applicant's favor and that the survey design did not adequately reflect the difference between a brand name and a domain name. The Federal Circuit seemed to credit the TTAB's

critiques.

Applicant argued that the sixty-four declarations and the extensive survey evidence showed that HOTELS.COM is perceived by the relevant public “not as referring to a class or category of the services recited in the Appellant’s application, but, rather, as referring to a brand of such services originating from one and only one source—[Applicant].” However, the Federal Circuit found that the TTAB could reasonably have given controlling weight to the large number of similar usages of “hotels” with a dot-com suffix, as well as the common meaning and dictionary definition of “hotels” and the standard usage of “.com” to show a commercial Internet domain, and affirmed the refusal of registration.

CONCLUSION

This decision establishes that adding the “.com” suffix to a term, which would otherwise be generic for given Internet services, does not transform the term into a nongeneric mark. Also interesting is the TTAB’s finding that Applicant had made a sufficient showing of secondary meaning in the event that its mark were found to be merely descriptive. This indicates that even apparently strong evidence of acquired distinctiveness will sometimes fail to overcome a prima facie case of genericness based on dictionary and third-party-use evidence.

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Civil Cases

***S. Grouts & Mortars, Inc. v. 3M Co.*,
2009 WL 2182605 (11th Cir. July 23, 2009)**

by David M. Kelly

ABSTRACT

The Court of Appeals for the Eleventh Circuit affirmed the district court's ruling that the renewal and continued ownership and nonuse of a domain name containing a competitor's trademark was not cybersquatting or unfair competition. The court emphasized that a finding of cybersquatting under the ACPA requires a showing of the defendant's bad-faith intent to profit from the plaintiff's mark, and that bad faith in a vacuum was not enough to prevail.

CASE SUMMARY

FACTS

Plaintiff Southern Grouts & Mortars, Inc. ("SG") and defendant 3M Company ("3M") are competitors in the field of swimming-pool finishes. SG sells its products under the registered mark DIAMOND BRITE and 3M sells its products under the mark COLORQUARTZ. In 2000, 3M acquired the assets of a company that owned federal trademark registrations for DIAMOND BRITE for traffic-control devices and signs and the domain name "diamondbrite.com." 3M initially used the domain name to alert visitors of its recent acquisition and to provide a link to 3M's website. In early 2002, 3M redirected visitors to diamondbrite.com to its traffic-safety-division website. 3M "deactivated" the diamondbrite.com domain in 2002 (i.e., there was no content on the site and the domain did not redirect to other sites), and phased out use of the DIAMOND BRITE trademark soon thereafter. 3M's last federal registration of the DIAMOND BRITE mark lapsed in 2006. 3M renewed the diamondbrite.com domain name in 2002, 2003, 2005, 2007, and 2008 after it ceased use of the DIAMOND BRITE mark and deactivated the diamondbrite.com website. 3M renewed the domain name registration to prevent a competitor of its DIAMOND GRADE retroflective-sheeting products from using it to create confusion in that market. Also, 3M's policy was to automatically renew domain names it owned absent an express decision to the contrary. In 2002, SG emailed 3M to attempt to acquire the diamondbrite.com domain, and 3M apparently did not respond. SG did not contact 3M again until 2005, when its lawyer sent a cease-and-desist letter accusing 3M of "cyberpiracy" and demanding the transfer of the domain name. 3M responded by refusing to transfer the name and denying any wrongdoing, but "welcomed any questions or evidence of [SG's] claims." SG did not contact 3M again until 2007, when SG made the same demand. 3M responded with the same position and also told SG's attorney that it would not use the

domain to compete with SG's DIAMOND BRITE products and explained its concern that the domain could eventually fall into the hands of someone wanting to create confusion with 3M's DIAMOND GRADE mark. When 3M again refused to transfer the domain name, SG sued for unfair competition and cybersquatting, and 3M asserted a laches defense.

The parties filed cross-motions for summary judgment. The district court concluded that SG's unfair-competition and cybersquatting claims were barred by laches and were without merit, and granted 3M's motion for summary judgment. SG appealed.

ANALYSIS

The court of appeals affirmed the grant of summary judgment to 3M. SG's failure to show that 3M had a bad-faith intent to profit as required by the ACPA supported the grant of summary judgment on SG's cybersquatting claim. The ACPA lists nine nonexclusive factors that a court may consider in determining whether a defendant had a bad-faith intent to profit, in addition to any "unique circumstances" of the case. The appeals court affirmed the district court's finding that only two of the statutory bad-faith factors favored SG—SG's DIAMOND BRITE mark was strong and because 3M's rights to the DIAMOND BRITE trademark had lapsed, its trademark rights in the domain name had lapsed as well. However, 3M's lack of any intent to divert consumers from SG's website, its prior and valid use of the domain name for the offering of goods, and its lack of offers to sell the domain name to SG, all favored 3M's good-faith ownership of the domain name.

SG argued that two "unique circumstances" of this case established 3M's bad-faith intent to profit. SG first argued that 3M had a bad-faith intent to profit from its registration of the diamondbrite.com domain name because the registration allows 3M to monitor the viability and value of Internet traffic to the domain name. However, SG's only evidence towards this argument, the report of its expert Robert Moody ("Moody"), was ruled inadmissible by the district court. Moody's report stated that 3M enjoys a commercial benefit from accessing information about the domain name, but failed to cite the parties' discovery materials or the record in support of this conclusion. Because Moody's report did not explain 3M's actual abilities or actions regarding the diamondbrite.com domain name, the district court ruled that it was inadmissible. The court of appeals agreed. Moreover, even if the report was admissible, the court noted that SG did not identify any part of the report as support for the idea that 3M intended to or actually did use the domain name registration to monitor Internet traffic.

SG's second "unique circumstance" was that 3M maintained control of the diamondbrite.com domain name to prevent others from registering it. In support, SG offered 3M's admission that it continued to renew the domain name because it did not want a competitor in a different market to obtain the domain name and use it to create confusion in that market. SG also relied on 3M's corporate policy of retaining and renewing acquired domain names as a default rule, and 3M's renewal of the diamondbrite.com domain name after SG sent a cease-and-desist letter and after SG filed its complaint. The Eleventh Circuit rejected these arguments, noting that the ACPA requires a bad-faith intent to profit from the plaintiff's mark such that proving bad faith in a vacuum is not enough. It noted that the definition of a cybersquatter from the Senate report accompanying the ACPA made no mention "about those who hold onto a domain name to prevent a competitor from using it." Here, 3M did not try to sell a domain name for a profit, but rather simply refused to sell its domain name. Moreover, 3M did not sell or advertise products on the diamondbrite.com website to consumers looking for SG's DIAMOND BRITE products, and did not use the domain name in any other way to obtain a profit. SG thus failed to establish that 3M had a bad-faith intent to profit from the diamondbrite.com domain.

The court of appeals also affirmed the summary judgment grant to 3M on SG's unfair-competition claim under Section 43(a) of the Lanham Act, which requires use of the allegedly infringing mark "in connection with goods or services . . . use[d] in commerce." The Eleventh Circuit agreed with the district court that SG failed to show that 3M used the DIAMOND BRITE mark in commerce because there was no evidence that any goods or services were sold or advertised at the diamondbrite.com website. Based on its above rulings, the Eleventh Circuit did not reach the issue of whether the district court erred in finding that SG's claims were barred by laches or that SG failed to establish a likelihood of confusion for its unfair-competition claim.

CONCLUSION

The Eleventh Circuit's decision emphasizes the importance of proving an ACPA defendant's bad-faith intent to profit from the plaintiff's trademark by a showing that the defendant attempted to sell the domain name, sold products or advertising using the domain name to unsuspecting consumers looking for the plaintiff's products, or used the domain name in some other way to profit from the plaintiff's trademark. Here, the defendant's refusal to sell a domain name containing a competitor's trademark that the defendant had legitimately acquired but no longer used did not violate the ACPA.

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St. Luke's Cataract & Laser Inst., P.A. v. Sanderson, **2009 WL 1955609 (11th Cir. July 9, 2009)**

by David M. Kelly

ABSTRACT

The Court of Appeals for the Eleventh Circuit reversed the district court's ruling that statutory damages awarded for cybersquatting under the ACPA are duplicative of actual damages awarded for infringement under the Lanham Act. The appeals court found that these two types of damages are not duplicative because they serve different purposes—ACPA statutory damages serve as a sanction to deter wrongful conduct, whereas Lanham Act actual damages serve as compensation for the wronged party.

CASE SUMMARY

FACTS

Plaintiff St. Luke's Cataract and Laser Institute, P.A. ("St. Luke's") is a privately owned eye care and ambulatory surgical center. Defendant Dr. Sanderson ("Sanderson"), an oculoplastic surgeon, joined St. Luke's in 1995 and started an oculoplastic cosmetic surgery practice called the St. Luke's Cosmetic Laser Center. St. Luke's paid for Sanderson's staff, equipment, and advertising expenses. In 1998, Sanderson worked with St. Luke's webmaster Erickson to create a promotional website for his oculoplastic cosmetic surgery practice at www.laserspecialist.com (as well as www.lasereyelid.com, which automatically redirected to the www.laserspecialist.com site). The www.laserspecial.com website was linked to St. Luke's primary website. Erickson registered the domain names listing Sanderson as the registrant using St. Luke's physical address. Erickson listed himself as the administrative contact, which gave him control over the domain names. While Sanderson was an employee, St. Luke's paid the domain registration and Internet hosting fees for the domain names and regularly provided Sanderson with backup disks of the [laserspecialist.com](http://www.laserspecialist.com) website content.

In June 2003, Sanderson abruptly left St. Luke's to open his own practice. After he resigned, Sanderson sought to change the administrative contact information. At Sanderson's request, the domain name registrar emailed St. Luke's to confirm the requested change of the administrative contact from Erickson to Sanderson. Erickson responded by approving this change, which gave Sanderson control over the domain names. Sanderson also changed Internet hosting companies for the domain names. Sanderson used a modified backup copy of the Laser Specialist website content he obtained while employed by St. Luke's to create the website for his new practice. Sanderson launched his new site in October 2003

using the laserspecialist.com and lasereyelid.com domain names.

Almost two years later, during which time St. Luke's did not replace Sanderson and had no oculoplastics practice, St. Luke's learned that Sanderson was using the domain names and Laser Specialist website content for his own practice and that the laserspecialist.com domain name was still linked to St. Luke's home page. St. Luke's sued Sanderson for trademark infringement, cybersquatting, and copyright infringement. In response, Sanderson took down the laserspecialist.com website.

The district court granted St. Luke's motion for preliminary injunction in part, ordering Sanderson to delete content from the website that the parties identified as likely owned by St. Luke's. But the district court allowed Sanderson to keep the two domain names. Following a jury trial, the jury found in St. Luke's favor on all claims except for copyright infringement and awarded St. Luke's monetary relief, including \$25,000 in actual damages and \$13,000 for profits for trademark infringement under the Lanham Act, \$7,000 in actual damages under its Florida unfair-trade-practices statutory claim, \$10,000 in actual damages on its common-law unfair-competition claim under Florida law, and \$10,000 in ACPA statutory damages for cybersquatting. On postverdict motions, the district court held, among other things, that the \$25,000 in Lanham Act actual damages was duplicative of the \$10,000 in ACPA statutory damages. It also awarded St. Luke's \$587,441.49 in attorneys' fees and costs, permanently enjoined Sanderson from the complained-of activities, and ordered transfer of the domain names to St. Luke's. St. Luke's appealed the district court's denial of the \$10,000 in ACPA statutory damages, among other things.

ANALYSIS

The court of appeals reversed, holding that the damages awarded on St. Luke's ACPA cybersquatting claim were not duplicative of the actual damages awarded on its Lanham Act trademark-infringement claim. As an initial matter, the ACPA expressly states that a statutory damages award "shall be in addition to any other civil action or remedy otherwise applicable." 15 U.S.C. § 1125(d)(3). Accordingly, Congress has statutorily "prescribed recovery under the ACPA even if it is duplicative of other damages awarded." The court further noted that the damage awards for cybersquatting and infringement were not duplicative because the statutory elements of cybersquatting and trademark-infringement claims were different, and the two damages awards served different purposes. An ACPA cybersquatting claim, unlike a trademark-infringement claim under the Lanham Act, requires a showing of a bad-faith intent to profit from a protected trademark. As a result, the ACPA statutory damages award served to "sanction or punish" Sanderson's bad-faith conduct and deter him from future ACPA violations. In contrast, the Lanham Act actual damages award compensated St. Luke's for its injuries and losses due to Sanderson's infringement. The Eleventh Circuit noted that other circuits have also taken the view that ACPA statutory damages serve to deter similar to the purpose of statutory damages in copyright law, while Lanham Act damages serve to compensate. The appeals court thus remanded the case with instructions to reinstate the jury's award of \$10,000 to St. Luke's for ACPA statutory damages.

CONCLUSION

Consistent with a number of other courts, the Eleventh Circuit held that the ACPA statutory damages provision contains a deterrence element. However, the Eleventh Circuit appears to be the first circuit court to specifically hold that an award of ACPA statutory damages is not duplicative of an award of Lanham Act actual damages.

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Zino Davidoff SA v. CVS Corp., 2009 WL 1862462 (2d Cir. June 30, 2009)

by Robert C. Stanley

ABSTRACT

On appeal from the Southern District of New York's grant of a PI against defendant's sale of gray-market COOL WATER perfumes with plaintiff's unique production codes obscured or removed, the Second Circuit affirmed, finding the codes served two legitimate purposes under the Lanham Act. First, the codes allowed plaintiff to easily detect counterfeit products that had either no code or a fake code. Second, plaintiff used the codes to identify and recall, in a targeted fashion, potentially defective products.

CASE SUMMARY

FACTS

Plaintiff Zino Davidoff SA ("Davidoff") markets multiple COOL WATER fragrances and holds valid, uncontestable registrations for its marks. Affixed to each bottle and package is a unique production code ("UPC," not to be confused with Universal Product Code) that contains information about each unit's time and place of production, ingredients, distributor, and intended customer. Davidoff only sells its products to luxury retailers and does not sell to defendant CVS Corp. ("CVS"), the largest drugstore chain in the United States.

For many years, however, CVS has purchased Davidoff's products outside of their normal distribution channels. After a 2005 cease-and-desist letter regarding CVS's alleged sale of counterfeit Davidoff products, Davidoff sued CVS for trademark infringement. The Southern District of New York granted a TRO and authorized Davidoff to inspect all of its branded, undistributed products in CVS's inventory. That review uncovered 16,600 units with the UPC removed either by cutting away the UPC from the box or label, wiping the UPC off with chemicals, or grinding the UPC off. After CVS agreed to stop selling counterfeits, but not gray-market products with the UPC removed, Davidoff moved for a PI, which the district court granted.

ANALYSIS

The Second Circuit rejected CVS's argument that the gray-market "goods are sold in their original packaging with the Davidoff trademarks clearly visible and unaltered," such that "the removal of the codes

does not negate their genuineness or constitute infringement.” The pertinent question for the court was not whether the products were genuine, but whether their sale without the UPCs interfered with Davidoff’s trademark rights. Congress had considered but ultimately did not pass amendments to the Lanham Act specifically prohibiting the removal of UPCs, but the court found this was not dispositive, since that failure “tells nothing about whether the preexisting law already covered the point.”

The Second Circuit acknowledged the general proposition that the unauthorized sale of gray-market goods may not cause confusion or dilution, but recognized the exceptions that gray-market goods will be considered nongenuine if they do not conform to the mark owner’s quality-control standards, or if they materially differ from authorized products. In the Second Circuit, an injunction is available against the removal of quality-control measures if (1) the measure is established, legitimate, substantial, and nonpretextual; (2) the mark owner abides by the measure or procedure; and (3) sales of nonconfirming products will diminish the value of the mark. Davidoff argued that the UPCs fulfilled important quality-control functions by allowing for the easy detection of counterfeits and for the targeted identification and removal of defective products. The court analyzed each of Davidoff’s UPC justifications.

First, as to the detection of counterfeits, the court noted that applying a UPC is an expensive process that counterfeiters routinely skip altogether or circumvent by repeating a few fake codes. The evidence revealed that Davidoff regularly trains retailers, investigators, and other personnel, as well as U.S. Customs, to use the UPCs to identify and seize counterfeit products. Since the UPC was a legitimate quality-control method which Davidoff employed, and since counterfeits “are invariably non-conforming and inferior” products that diminish a mark’s value, use of the UPC to detect counterfeits warranted a PI under the Second Circuit’s test. The court rejected CVS’s argument that the UPC did not itself prove the authenticity of the product, since “the removal of the codes exposes Davidoff to an increased risk that any given unit sold at retail will be counterfeit.”

Second, CVS argued that the UPCs were not a legitimate quality-control measure for identifying and removing defective products, but instead were merely a pretext for finding gray-market goods, since Davidoff’s customers are not aware of the UPCs and Davidoff had never enacted a large recall. The court rejected both arguments, stating that whether “consumers understand the codes is irrelevant to the codes’ performance of their function,” and relying on evidence showing that Davidoff had in several instances relied on the UPC system for small, targeted quality-control issues. The court found that “[w]hat matters is whether Davidoff’s codes are a bona fide control device upon which Davidoff actually relies. If the codes served only to help Davidoff exert control over the distribution and sales network, different questions would arise.”

Discounting CVS’s argument that Davidoff had not proven that the gray-market products were inferior, the court found that such proof was not necessary and that, in any event, tampering with the package to remove the UPC could diminish the product’s value: “Mutilated packaging makes the item less appealing to such a [romantic gift] purchaser, who runs the risk that the gift will be viewed by the recipient as a sketchy, cheap purchase from an illicit source or of the sort given by Tony Soprano to Carmela.” Thus, CVS’s altered products not only ran afoul of Davidoff’s legitimate quality-control mechanisms but also were “materially different” from authorized products with the UPC attached, given the low threshold of only “a slight difference which consumers would likely deem relevant when considering a purchase of the product,” providing another basis to affirm the PI.

CONCLUSION

This decision highlights that quality-control measures may effectively block the unauthorized sale of gray-

market goods. The court repeatedly emphasized the dual purposes of the UPC system, and was persuaded by evidence that Davidoff trained personnel in the UPC's use to detect counterfeits and used the UPC to detect and recall defective products. Here, Davidoff was able to prevent CVS's unauthorized sale of over 16,000 units.

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TTAB Cases

In re Peter S. Herrick,
App. Ser. No. 76653159 (TTAB June 10, 2009)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

The TTAB affirmed the Examining Attorney's refusal to register the mark U.S. CUSTOMS SERVICE and Design for attorney services on the ground that the mark falsely suggested a connection with the governmental agency, the United States Border Protection, under Section 2(a). The TTAB also determined the mark was barred from registration under Section 2(b) because it constituted a simulation of the seal of the U.S. Treasury.

CASE SUMMARY

FACTS

Peter S. Herrick ("Applicant") applied to register the mark U.S. CUSTOMS SERVICE and Design, shown below, for "attorney services," in Class 42.



Among other grounds, the Examining Attorney refused registration (1) under Section 2(a) on the ground that the mark falsely suggested a connection with the United States Border Protection, formerly known as the United States Customs Service, an agency of the U.S. government; and (2) under Section 2(b) on the ground that the mark consisted of or comprised a simulation of an insignia of the United States, namely, the insignia of the U.S. Customs Service and/or the U.S. Treasury.

ANALYSIS

The TTAB noted that Section 2(a) refers to a false suggestion of a connection with a person or institution, and that an "institution" as used in Section 2(a) includes government agencies. The TTAB then applied the four-part test to determine whether a false suggestion of a connection had been established, namely,

whether (1) the mark is the same as, or a close approximation of, the name of or identity previously used by another person; (2) the mark would be recognized as such because it points uniquely and unmistakably to that person; (3) the person named by the mark is not connected with the activities performed by the applicant under the mark; and (4) the prior user's name or identity is of sufficient fame or reputation that a connection with such person would be presumed when applicant's mark is used on applicant's goods. The TTAB determined that the test had been met.

The TTAB rejected Applicant's argument that the Examining Attorney had not established element one because the U.S. Customs Service is no longer in existence, having merged into the Department of Homeland Security in 2003 and commenced operations as United States Customs and Border Protection ("CBP"). The TTAB explained that CBP still refers to itself as the U.S. Customs Service, as do members of the public. Further, the U.S. Customs Service had previously used a seal that is virtually identical to Applicant's mark. Accordingly, the TTAB found that Applicant's mark was a close approximation of the former name and/or current identity of CBP.

The TTAB also dismissed Applicant's argument that Applicant's mark did not point uniquely and unmistakably to the U.S. Customs Service because the agency was no longer operational under that name. The TTAB noted that Applicant's use of the former U.S. Customs Service seal in connection with its legal services relating to U.S. customs law was strong evidence that Applicant was attempting to draw a connection between its services and the agency's services. Further, the TTAB found that the name "U.S. Customs Service" had meaning only as a governmental agency, and thus Applicant's mark pointed uniquely and unmistakably to CBP.

The TTAB noted that CBP had no connection with Applicant's business and Applicant had not claimed that it was part of the agency.

Finally, the TTAB agreed with the Examining Attorney that the U.S. Customs Service's name or reputation was sufficiently famous that a connection with the CBP would be presumed by the use of Applicant's mark. The TTAB explained that Applicant's "attorney services" were broad enough to encompass customs work and its services relating to U.S. customs law were closely related to the activities performed by CBP. Further, based on Applicant's use of a virtually identical seal to the one previously used by the U.S. Customs Service, the TTAB inferred that Applicant intended to create a connection with the CBP. Accordingly, the TTAB concluded that the four-part test had been satisfied, and affirmed the TTAB's refusal under Section 2(a).

Turning to the Section 2(b) refusal, the TTAB noted that the relevant test was whether the applied-for mark "identif[ied] people and things associated with a particular agency within a department of the executive branch of the government, rather than functioned as an insignia of national significance representing the authority of the government or nation as a whole." In this case, the Examining Attorney had refused registration on the ground that Applicant's mark was a simulation of the Department of Treasury seal. The TTAB found that the seal of the Department of Treasury did represent the "authority of the government," and thus the simulation of that seal by Applicant was prohibited under Section 2(b).

CONCLUSION

Although the name of an institution may change, a mark that is a close approximation of the institution's former name may be refused registration under Section 2(a) if the public still associates the former name with the institution.

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Songs of Summer

by Robert D. Litowitz

With summer in full swing, let's take a break from trademarks and head to the beach for some much needed R & R. And what better to accompany some well-earned recreation than a soundtrack of seasonal songs guaranteed to put you in a summertime state of mind. Here, in no particular order, are our Top 10 Songs of Summer. Some you may know, some you may not, but all are worth a listen.

1. Summertime Thing—Chuck Prophet—incredible groove, tremendously evocative. Perhaps the most underrated summer song of all time.
2. Good Vibrations—The Beach Boys—this classic virtually oozes summer.
3. The Boys of Summer—Don Henley—listening this track puts you on a beach road in a hot convertible with the top down, even if you're stuck on the freeway in a clunker.
4. Summer in the City—The Lovin' Spoonful—the back of my neck is gettin' dirty and gritty just thinking about it.
5. In the Summertime—Mungo Jerry—Clearly my favorite all time Mungo Jerry track. Come to think of it, it's the only Mungo Jerry track we've ever heard. But we've been trying to "stretch right up and touch the sky" every summer since 1970.
6. Summer Breeze—Seals and Croft—even in the dead of winter, it's warm and fragrant when this Breeze hits the airwaves.
7. School's Out—Alice Cooper—the last bell has rung, and freedom awaits for two and a half months. Need we say more?
8. On the Beach—Neil Young—langorous, hypnotic, just like spending a sun-drenched day sitting, well, on the beach.
9. Vacation—The Go-Go's—"it's all we ever wanted."
10. Woodstock—Crosby, Stills, Nash, & Young—Yasgur's Farm, August 15, 1969, "we were half a million strong, and everywhere there was song and celebration." As Archie and Edith Bunker would sing: "Those Were the Days."

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