

# INCONTESTABLE®

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

## June 2009 Issue

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2009 WL 1322555 (S.D. Tex. May 11, 2009)**

*by Margaret A. Esquenet*

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***Lorillard Tobacco Co. v. S&M Brands, Inc.*,  
2009 WL 1351639 (E.D. Va. May 13, 2009)**

*by Daniel P. Kaufman*

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*by David M. Kelly and Stephanie H. Bald*

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**Zanella Ltd. v. Nordstrom, Inc.,  
Opp. No. 91177858 (TTAB Oct. 23, 2008)  
Redesignated as precedential (May 13, 2009)**

by Linda K. McLeod and Scott T. Harlan

The TTAB denies Applicant's motion for summary judgment on fraud counterclaim and holds that an Opposer's actions in correcting false statements in the identification of goods prior to an actual or threatened challenge to the registrations creates a rebuttable presumption that Opposer did not intend to deceive the PTO.

**Brown Shoe Co. v. Robbins,  
Opp. No. 91176273 (TTAB May 13, 2009)**

by Linda K. McLeod and Stephanie H. Bald

TTAB finds that Applicant's belief that it was proper to use a registration symbol for a mark not yet registered in the United States because that mark was already registered in Mexico was sufficient to defeat fraudulent-misuse claim.

## ® You Experienced?

by Robert D. Litowitz

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## **Civil Cases**

***BDO Seidman LLP v. Alliantgroup, L.P.*,  
2009 WL 1322555 (S.D. Tex. May 11, 2009)**

*by Margaret A. Esquenet*

### **ABSTRACT**

Plaintiff alleged that its direct competitor contacted members of plaintiff's alliance of accounting firms and used plaintiff's name in connection with marketing efforts targeted to member firms. The court held that defendant's actions would be a Section 43(a) violation if defendant had gained the interest of the alliance members through a false claim of association with plaintiff or its services. Nonetheless, the court denied summary judgment because defendant alleged that its use of plaintiff's mark was not deceptive, but rather a nominative fair use, which the court recognized as a complete defense to a Section 43(a) claim.

### **CASE SUMMARY**

#### **FACTS**

Plaintiff BDO Seidman LLP ("BDO") offers accounting, tax, and other research services to accounting firms. BDO also acts as the administrator of an association of accounting firms and their vendors, known as the Alliance. Defendant Alliantgroup, L.P. ("Alliantgroup") also offers accounting, tax, and other research services to accounting firms, and accordingly competes with BDO in that market. In 2008, Alliantgroup began a marketing campaign in which Alliantgroup employees would call and/or email prospective clients and state that "I am calling because you are part of the BDO Alliance and we are having great success with BDO Alliance firms," and/or "we are currently getting very successful results with a number of BDO Alliance firms, including . . . ." The correspondence included the names of several Alliance members and noted that these firms agreed to act as references for Alliantgroup. Subsequently, BDO received inquiries from Alliance members regarding Alliantgroup's relationship to the Alliance and to BDO. In response, BDO sent a mass email to all Alliance members noting that: (1) there was no relationship between the Alliance, BDO, and Alliantgroup; (2) Alliantgroup's marketing materials were misleading; (3) the references identified by Alliantgroup were investigated by BDO and were false; and (4) in light of Alliantgroup's "deceptive tactics," BDO recommended against doing business with Alliantgroup. Alliantgroup responded with an open letter from one of its customers, a member of the Alliance, who vouched for the company.

BDO sued Alliantgroup for unfair competition under Section 43(a) of the Lanham Act and the Texas

antidilution statute. Alliantgroup counterclaimed for common-law defamation, business disparagement, and tortious interference with contract. BDO moved for summary judgment on all claims except the Texas antidilution statute. Alliantgroup moved for partial summary judgment on the Texas antidilution statute and its counterclaims. The court denied BDO's summary judgment motion on the Section 43(a) claims and Alliantgroup's motion on the antidilution claim, but granted summary judgment in favor of BDO on Alliantgroup's common-law claims.

## **ANALYSIS**

After reviewing the summary judgment standard regarding material facts and ruling in favor of BDO on several evidentiary objections, the court turned to the Section 43(a) claim. BDO argued that the use of its name and the Alliance name by Alliantgroup, together with the names of Alliance members, some of whom had not given permission to Alliantgroup to identify them as a reference, constituted a false or misleading representation of fact likely to deceive recipients of Alliantgroup's marketing materials. Additionally, BDO argued that the use of BDO's name by a competitor in this context created a false association between the companies. The court agreed that if "Alliantgroup had gained Alliance members' interest through a false claim to association with BDO or BDO's Alliance services, this would be a Section 43(a) violation." Alliantgroup responded by providing evidence that none of the statements in its materials were false or deceptive, and that it had the right to use the BDO name in a nominative manner, never suggesting an affiliation between Alliantgroup and BDO or the Alliance. Calling the nominative-fair-use defense "a bedrock principle of the Lanham Act," the court held that the interpretation of the actual content of Alliantgroup's marketing (e.g., whether it was deceptive or nominative) was an issue of material fact not subject to summary judgment. The court reached the same conclusion as to BDO's claim under the Texas antidilution statute.

Finally, the Court rejected each of Alliantgroup's counterclaims, granting BDO's summary judgment motion. Regarding the defamation claim, the court held that the mass email sent by BDO to Alliance members was protected under the common-interest privilege, finding that BDO and the Alliance members had a shared interest in preventing third parties from falsely claiming an association with the Alliance. The business disparagement and tortious interference with contract claims were both dismissed on the basis that BDO's mass email to Alliance members was made without actual malice, as BDO presented evidence that it investigated Alliantgroup's marketing materials before sending the email.

## **CONCLUSION**

This decision confirms that nominative fair use may allow competitors to include each other's names in marketing materials, including to inform a competitor's customers that other customers have enjoyed the goods/services of the firm now soliciting their business, where such use is not misleading or likely to cause confusion as to affiliation or sponsorship. It is also interesting to compare this court's declaration that the nominative-fair-use defense is "a bedrock principle of the Lanham Act" with the Eastern District of Virginia's treatment of that same doctrine in the *Lorillard* case summarized later in this newsletter.

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## **Civil Cases**

***Lorillard Tobacco Co. v. S&M Brands, Inc.,  
2009 WL 1351639 (E.D. Va. May 13, 2009)***

*by Daniel P. Kaufman*

### **ABSTRACT**

Holding that the Fourth Circuit does not recognize the defense of nominative fair use, the Eastern District of Virginia granted plaintiff's motion for a preliminary injunction against defendant's advertisements that displayed plaintiff's trademark for cigarettes. The court, however, denied the plaintiff's motion for a preliminary injunction against the defendant's planned advertisements that also displayed plaintiff's trademark, but included conspicuous language comparing the defendant's cigarettes with the plaintiff's.

### **CASE SUMMARY**

#### **FACTS**

Plaintiff Lorillard Tobacco Co. ("Lorillard") sells cigarettes under the NEWPORT name and mark, and Defendant S&M Brands, Inc. ("S&M") is a competitor, offering its cigarettes at a slightly lower price under the BAILEY'S trademark. S&M ran advertisements displaying a portion of Lorillard's NEWPORT mark in Lorillard's stylized font and orange coloring, and in a manner which partially obscured the NEWPORT mark by an image, similar to the way Lorillard frequently displays its mark (the "Initial Advertisements"). The Initial Advertisements included a disclaimer written in "miniscule" font, stating that "Newport is a registered trademark of Lorillard Licensing Co., LLC."

Lorillard asked for a preliminary injunction, alleging trademark infringement and unfair competition. During the proceedings, S&M revealed that it planned additional advertisements comparing Lorillard's NEWPORT cigarettes with S&M's (the "Planned Advertisements"). In addition to displaying the NEWPORT mark partially obscured by an image and in Lorillard's stylized font and color, the Planned Advertisements included prominent text asking the reader to "[c]ompare Bailey's to our competitor Newport Cigarettes." Lorillard also asked the court to preliminarily enjoin S&M's Planned Advertisements.

#### **ANALYSIS**

As an initial matter, the court rejected S&M's claim that the case was moot because it had removed the Initial Advertisements, noting that although S&M had removed the ads, it was not clear that the offending conduct would not recur, particularly in light of S&M's claim in responding to Lorillard's demand letter that

its conduct was not infringing. The court explained that a party's voluntary cessation of allegedly infringing conduct does not necessarily moot a case or deprive the court of its power to determine the legality of the conduct.

The court granted Lorillard's motion for a preliminary injunction with respect to the Initial Advertisements, holding that all three factors—the balance of the harms, Lorillard's likelihood of success on the merits, and the public interest—tipped in favor of Lorillard. Apparently resting on its argument that the issue was moot and focusing entirely on the Planned Advertisements, S&M failed to argue how the balancing of the harms weighed in its favor with respect to the Initial Advertisements. Accordingly, accepting Lorillard's likelihood-of-confusion evidence, the court presumed Lorillard would likely suffer irreparable harm if it did not enjoin the Initial Advertisements.

Notably, in determining Lorillard's likelihood of success on the merits, the court rejected outright S&M's nominative-fair-use defense. The court first acknowledged the viability of the "classic" or "statutory" fair-use defense, which allows a defendant to use the plaintiff's mark to describe the defendant's goods and services or country of origin. It then turned to the nominative-fair-use defense, finding that "the evolved common law understanding of 'nominative fair use' may stand as a more appropriate form of defense [than 'classic' fair use]" in this case. Nevertheless, the court held that while the Third and Ninth Circuits recognize the defense in varying forms, the Fourth Circuit has not recognized the defense in any form. With no fair-use defense available, and having already established that the Initial Advertisements were likely to result in consumer confusion, the court held that Lorillard had demonstrated a likelihood of success on the merits.

Finally, because the public's interest favored fair competition and truthful advertising, the court held that this factor tipped in Lorillard's favor given its likelihood-of-confusion showing. Concluding that all three factors favored Lorillard, the court granted Lorillard's motion for a preliminary injunction against the Initial Advertisements.

Before it addressed Lorillard's motion to enjoin the Planned Advertisements, the court noted that courts often lack jurisdiction over planned advertising campaigns because they do not present a case or controversy. Here, however, S&M's preprinted advertisements and pledge that it would release the Planned Advertisements shortly were enough to create a case or controversy with respect to those ads.

However, the court refused to preliminarily enjoin S&M's Planned Advertisements, emphasizing that the ads were unlikely to result in consumer confusion because of the conspicuous language asking consumers to "[c]ompare Bailey's to our competitor Newport Cigarettes." The court found that "the advertisement's use of the word 'compare' serves as a form of disclaimer to guard against brand confusion, rather than inviting it."

## **CONCLUSION**

Many practitioners likely view the nominative-fair-use defense as settled trademark law. But this decision suggests that the defense is not available in the Fourth Circuit.

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## **Civil Cases**

### ***Solid Host, NL v. NameCheap, Inc., No. CV 08-5414 (C.D. Cal. May 19, 2009)***

*by David M. Kelly and Stephanie H. Bald*

#### **ABSTRACT**

The Central District of California denied defendant domain name registrar's motion to dismiss plaintiff's cybersquatting claim related to the use of the registrar's private-registration services by an anonymous individual who allegedly hijacked plaintiff's domain name. The court determined that the registrar was neither entitled to "blanket immunity" as a registrar nor protection under the ACPA's various "safe harbor" provisions when it was listed as the domain name registrant or provided services beyond those of basic domain name registration. Although the court found that a direct cybersquatting action would not lie against the registrar because plaintiff's allegations did not sufficiently allege that the registrar sought to profit from the goodwill of the plaintiff's trademark, the acts of a customer of the registrar could give rise to contributory cybersquatting liability against the registrar on a more developed record and a finding of "exceptional circumstances" with respect to the degree of knowledge the registrar had about the customer's illegal activity.

#### **CASE SUMMARY**

##### **FACTS**

Plaintiff Solid Host, NL ("Solid Host"), a web-hosting company, sued defendants NameCheap, Inc. (d/b/a Whois Guard Protected) ("NameCheap"), Demand Media (d/b/a eNom) ("eNom"), and John Doe ("Doe") (collectively "Defendants") for cybersquatting, breach of contract, and unfair competition. Defendants eNom and NameCheap are ICANN-accredited registrars. NameCheap offers registration-privacy services under the name "WhoisGuard." Doe is an anonymous individual.

Solid Host owned the domain name solidhost.com, which it registered through eNom in December 2004. Solid Host claimed that in August 2008, as a result of a security breach at eNom, Doe obtained Solid Host's login and password, and moved the solidhost.com domain name to NameCheap. Doe purchased NameCheap's "WhoisGuard" service, a privacy service that masked Doe's identity and contact information in the Whois database. Doe also allegedly altered the IP address associated with the solidhost.com domain name, so that Internet users accessing that website viewed a website that was controlled by Doe and which stated that the domain name was for sale and provided an email address for inquiries. In connection with NameCheap's anonymity services, Solid Host alleged that NameCheap

“becomes the registered owner of a domain name desired by a customer, and licenses the name to the customer.”

Solid Host contacted Doe via the contact information on the website and received an offer from Doe to sell the domain name for \$12,000. Solid Host refused to pay and contacted NameCheap, demanding that it return the solidhost.com domain name to Solid Host’s control and reveal the identity of Doe. NameCheap notified Doe of these objections, but Doe claimed he had legitimately purchased the domain name. When NameCheap relayed this information to Solid Host, Solid Host denied that the domain name had been sold. NameCheap refused to reveal Doe’s identify, indicating that it would remain “neutral” in what it perceived as a dispute between Solid Host and Doe.

Solid Host filed an ex parte application for a temporary restraining order, which the court granted on August 26, 2008. Pursuant to the court’s order, eNom returned control of the domain name to Solid Host, and NameCheap revealed Doe’s identity to Solid Host’s counsel. Solid Host did not, however, seek to amend the complaint to substitute that individual for the fictitious Doe defendant. NameCheap then filed a motion to dismiss all claims on the grounds that, as an accredited registrar, it was not subject to liability for cybersquatting under the ACPA, the complaint failed to state a claim for cybersquatting, and Solid Host’s unfair-competition claim was based on the cybersquatting claim and not brought on behalf of the general public.

#### **ANALYSIS**

The court denied NameCheap’s motion to dismiss. As an initial matter, the court found that NameCheap’s status as a registrar did not shield it from liability because it did not act in that capacity in connection with the objected-to activities. First, the court rejected NameCheap’s argument that it was entitled to blanket immunity as a registrar under *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648 (N.D. Tex. 2001) (*Lockheed Martin II*). According to the court, *Lockheed Martin II* “stands merely for the proposition that a registrar is not liable under § 1125(d) *when it acts as a registrar*, i.e., when it accepts registrations for domain names from customers,” and nothing in that decision suggests that a registrar is immune under the ACPA when it acts other than as a registrar. Thus, the court concluded that “to the extent that NameCheap was the registrant of a domain name and ‘used’ the name, this section would support the imposition of liability on it, not a grant of immunity to it.”

Second, the court found that NameCheap was not immune from liability under Section 1114(2)(D)(i), which provides that “[a] domain name registrar, a domain name registry, or other domain name registration authority” shall not be liable for damages or, with some exceptions, subject to injunctive relief, for “refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name” when such action is in compliance with a court order or “in the implementation of a reasonable policy . . . prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another’s mark.” The court found that NameCheap’s privacy services were not consistent with the purpose of the safe harbor, which was to work with trademark owners to *prevent* cybersquatting. Further, the court concluded that Section 1114(2)(D)(i) was not intended to shield registrars from liability for actions outside their core function as registrars, and thus was inapplicable here.

Third, the court found that NameCheap also was not covered by Section 1114(2)(D)(iii), which provides that “[a] domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the

domain name.” The court found that this provision related solely to “the act of registration of a domain name.” Because this was an action that eNom, not NameCheap, had taken in the case, the safe harbor was not available to NameCheap.

The court did find that Solid Host’s direct cybersquatting claim against NameCheap failed because NameCheap had not acted with a bad-faith intent to profit from Solid Host’s marks. The court explained that the bad faith required to support a cybersquatting claim is not general bad faith, but “a bad faith intent to profit *from the mark*.” Here, Solid Host alleged that NameCheap acted in bad faith by refusing to reveal Doe’s identity after being put on notice of Solid Host’s alleged rights and by profiting from the privacy service for the domain name after being put on notice of Solid Host’s alleged rights, among other things. The court found that none of these allegations suggested that NameCheap sought to profit specifically from the goodwill associated with Solid Host’s trademark (as opposed to NameCheap’s operation and promotion of its anonymity service). The court explained that whether NameCheap’s failure to reveal Doe’s identity might constitute bad faith in other contexts was irrelevant to the cybersquatting claim.

In its analysis of direct cybersquatting, the court did not discuss whether NameCheap had “registered, used, or trafficked in” the domain name. Nor did the court specifically address in this part of the decision whether NameCheap was a “registrant” or “authorized licensee” of the registrant.

Solid Host also asserted a claim of contributory cybersquatting. In evaluating this claim, the court indicated that the test was whether Solid Host had shown that NameCheap either (1) intentionally induced Doe to cybersquat, or (2) had knowledge of and directly controlled and monitored the instrumentality used by Doe to engage in cybersquatting. Because Solid Host had not alleged that NameCheap induced Doe’s cybersquatting, the court did not consider test (1). Regarding test (2), the court reviewed a number of prior decisions relating to contributory liability. Applying the holdings in these cases, known as the “flea market cases,” the court found that “NameCheap acted as the registrant for the domain name utilized in Doe’s cybersquatting scheme, which it then licensed to Doe.” Further, analogizing to the flea market cases, the court found that NameCheap was “the ‘cyber-landlord’ of the internet real estate stolen by Doe” (i.e., the solidhost.com domain name), and that NameCheap’s anonymity service was “central” to Doe’s cybersquatting scheme. The court noted that, if NameCheap had returned the domain name to Solid Host, Doe’s illegal activity would have ceased. Because of this, the court distinguished this case from prior decisions involving defendants who merely received linked traffic from an infringing website, or from a registrar that provided nothing more than a registration service.

The court next turned to whether Solid Host had sufficiently pleaded that NameCheap knew of Doe’s cybersquatting. The court explained that to allege this element, Solid Host was required to plead not only that NameCheap knew that Doe was trafficking in a domain name similar to or identical to Solid Host’s mark, but also knew that Doe was doing so with a bad-faith intent to profit from that mark. Further, the court explained that because some people use the privacy services for legitimate reasons, NameCheap could not be expected to analyze the good or bad faith of every customer that wanted to remain anonymous. Accordingly, the court indicated that “exceptional circumstances” must be shown to prove the degree of knowledge required to impose contributory liability for cybersquatting in this case.

Applying that test, the court noted the complaint’s allegations that Solid Host gave NameCheap a sworn declaration attesting to the relevant facts that allegedly “would have lead a normal and prudent person to conclude that the domain it registered had been stolen.” Based on this allegation, the court found that it

could not conclude, as a matter of law, that Solid Host would not be able to prove exceptional circumstances satisfying the knowledge requirement for contributory liability. However, the court noted that the mere receipt of a demand letter from a third party would generally not suffice to provide notice of the illegitimate use of a domain name so as to justify the imposition of contributory liability. Moreover, where a demand letter is accompanied by sufficient evidence of a violation, the court found that the defendant may have a duty to investigate. The extent of that duty to investigate, however, would be circumscribed by the relative difficulty of confirming or denying the accusation under the facts of a particular case.

## **CONCLUSION**

This decision is one of the few decisions addressing contributory cybersquatting as applied to domain name registrars, and it may be the first case where a cybersquatting claim has been pursued against the provider of private-registration services instead of against the registrar's customer. Although the facts of the case are unusual because it dealt with the alleged hijacking of ownership of a domain name as opposed to traditional cybersquatting, the court's discussion of the standards for determining contributory cybersquatting for a domain name registrar may nevertheless be useful in future cases.

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## **TTAB Cases**

***Zanella Ltd. v. Nordstrom, Inc.*,  
Opp. No. 91177858 (TTAB Oct. 23, 2008)  
Redesignated as precedential (May 13, 2009)**

*by Linda K. McLeod and Scott T. Harlan*

### **ABSTRACT**

The TTAB denied Applicant's motion for summary judgment to cancel several of Opposer's pleaded registrations on the ground of fraud where Opposer proactively corrected misstatements in the identification of goods in postregistration filings before the proceeding commenced. Citing *University Games Corp. v. 20Q.net Inc.*, 87 USPQ2d 1465 (TTAB 2008), the TTAB held that "opposer's action in correcting any false statements prior to any actual or threatened challenge to the registrations creates a rebuttable presumption that opposer did not intend to deceive the office." Because Applicant's evidence consisted solely of Opposer's discovery responses and the file histories of the registrations, it failed to rebut this presumption.

### **CASE SUMMARY**

#### **FACTS**

Applicant Nordstrom, Inc. filed an intent-to-use application for the mark ZELLA for women's athletic apparel. Opposer Zanella Ltd. filed an opposition alleging priority and likelihood of confusion based, in part, on five pleaded registrations for the mark ZANELLA for a wide variety of men's and women's clothing.

In discovery, Applicant learned through Opposer's full file histories and admissions that Opposer never used the registered marks on several of the goods identified in those registrations. Thereafter, Applicant moved to amend its answer to include a counterclaim to cancel Opposer's pleaded registrations on the ground of fraud and moved for summary judgment on the counterclaim.

The TTAB granted Applicant's motion to amend its answer, finding that Applicant had stated a claim and promptly filed its motion upon discovery of the information underlying the counterclaim. The TTAB then considered Applicant's motion for summary judgment.

#### **ANALYSIS**

In support of its summary judgment motion, Applicant argued that Opposer had a history of making false

claims and delays in correcting the registrations spanning a number of years. Applicant asserted that such conduct evidenced a reckless disregard of the truth and fraud.

Opposer argued that the registrations as maintained were not fraudulent because it corrected misstatements in the identification of goods before Applicant used its mark and before the commencement of the opposition.

The TTAB determined that Opposer made false statements regarding its use of its marks in connection with some of the goods listed in each of the applications that matured into the pleaded registrations. In regard to one of the marks, Opposer again identified goods for which the mark was not being used in its combined Section 8 and 15 affidavit of continued use. Because under *Medinol Ltd. v. Neuro Vasx Inc.*, 67 USPQ2d 1205 (TTAB 2003), the registration or renewal would not have issued but for the misrepresentation, the TTAB granted Applicant's summary judgment to cancel the registration.

In regard to the four other pleaded registrations, however, the TTAB found that Opposer either (1) filed a combined Section 8 and 15 affidavit of continued use that deleted the goods on which it had not used the mark, or (2) filed a Section 7 request to amend its registration to delete the goods on which it had not used the marks after filing a combined Section 8 and 15 affidavit.

The TTAB found that Opposer's "timely proactive corrective action . . . prior to any actual or threatened challenge to the registrations creates a rebuttable presumption that opposer did not intend to deceive the [PTO]," citing *University Games*. Because Applicant only submitted Opposer's discovery responses and the file histories of the registrations as evidence, the TTAB found it had not overcome this presumption. Accordingly, a genuine issue of material fact remained regarding Opposer's fraudulent intent and the TTAB denied Applicant's motion for summary judgment.

The TTAB issued its original decision on October 23, 2008, designating it as nonprecedential. On May 13, 2009, however, the TTAB redesignated the decision as a precedent of the TTAB.

## **CONCLUSION**

This decision provides valuable guidance to U.S. trademark registration owners on steps to take to possibly avoid *Medinol* fraud. Under *Zanella*, if a registrant corrects misstatements in the identification of goods or services in a postregistration filing (e.g., Section 8 declaration or Section 7 amendment to registration) prior to an actual or threatened challenge to the registration, it may at least raise a rebuttable presumption that it did not intend to deceive the PTO, and possibly avoid a finding of fraud.

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## **TTAB Cases**

### ***Brown Shoe Co. v. Robbins,* Opp. No. 91176273 (TTAB May 13, 2009)**

*by Linda K. McLeod and Stephanie H. Bald*

#### **ABSTRACT**

The TTAB sustained an opposition against the mark PALOMITA for shirts, pants, shoes, and hats on the ground of likelihood of confusion based on Opposer's prior use and registration of the mark PALOMA for various clothing and footwear products. The TTAB dismissed Opposer's claim of fraudulent misuse of a trademark registration symbol, however, based on evidence that Applicant believed that it was proper to use a registration symbol for a mark not yet registered in the United States because that mark was already registered in Mexico.

#### **CASE SUMMARY**

##### **FACTS**

Applicant Brown Shoe Co., Inc. filed an intent-to-use application for the mark PALOMITA for "shirts, pants, shoes and hats" in Class 25. Opposer Robbins opposed registration of Applicant's mark on the ground that it was likely to cause confusion with Opposer's previously used and registered PALOMA mark for various clothing and footwear products. Opposer also asserted a claim of fraudulent misuse of the federal registration symbol. Applicant filed an answer denying the salient allegations.

##### **ANALYSIS**

In evaluating Opposer's likelihood-of-confusion claim, the TTAB found that the parties' goods were legally identical or closely related. As a result, because there were no limitations in either Opposer's registration or the subject application, the TTAB presumed that the parties' goods would be sold in the same channels of trade to the same classes of purchasers. The TTAB also found that the clothing items would not be purchased with a great deal of care. Accordingly, the *Du Pont* factors of similarity of the goods, channels of trade, classes of purchasers, and conditions of sale all favored a likelihood of confusion.

Turning to the marks, the TTAB found that the PALOMITA and PALOMA marks were very similar in sound and appearance, and differed only by the addition of the letters "IT" to the end of Applicant's mark. In their briefs, both parties had addressed the doctrine of foreign equivalents. The evidence established that PALOMA was a Spanish word with the English translation of "dove," and PALOMITA is the diminutive of the word PALOMA in the Spanish language, meaning "little dove." Applicant argued,



however, that PALOMITA also had additional meanings in Spanish, namely, “checkmark” and “popcorn.”

Because the marks were Spanish words, the TTAB explained that it was required to consider the connotation of the marks to both non-Spanish-speaking consumers and to Spanish-speaking consumers. In English, the words had no meaning. Accordingly, because of the similarity in appearance between the marks, the TTAB reasoned that the marks would likely be perceived by non-Spanish speakers as having similar meanings. Thus, even if it accepted the translation of PALOMITA proposed by Applicant (i.e., “checkmark” or “popcorn”), the TTAB found that it would not be sufficient to distinguish the mark for non-Spanish speakers from Opposer’s PALOMA mark.

As for Spanish-speaking consumers, even if they understood the multiple meanings of PALOMITA, the TTAB reasoned that one meaning of the term was “little dove” and there was nothing inherent in the goods that would lead a consumer to the “checkmark” or “popcorn” meanings over the “little dove” connotation. The TTAB thus concluded that the similarities outweighed the minor differences in the endings of the mark. Finally, the TTAB found the lack of any evidence of actual confusion was not particularly probative.

Turning to Opposer’s claim of fraudulent misuse of the registration symbol, the TTAB noted that mistake or inadvertence would generally overcome a claim of fraudulent misuse. To prove its claim, Opposer relied on Applicant’s responses to interrogatories and requests for admissions, which indicated that Applicant had used the registration symbol next to its trademark because it owned a Mexican registration for the mark, and thus it believed that it was proper to do so. Applicant also relied on these responses, as well as Section 901.01 of the *Trademark Manual of Examining Procedure*, which provides: “When a foreign applicant’s use of the symbol on the specimens is based on a registration in a foreign country, the use is appropriate.”

Based on this evidence, the TTAB found that Applicant believed her use to be proper based on the registration of the mark in Mexico. The TTAB also emphasized that, upon learning of the possible misuse of the registration symbol, Applicant had ceased using the symbol. Thus, Opposer had failed to prove its claim of fraudulent misuse.

The TTAB sustained the opposition as to Opposer’s claim of priority and likelihood of confusion under Section 2(d), and dismissed as to the claim of fraudulent misuse.

#### **CONCLUSION**

A fraudulent-misuse claim will generally be defeated by a reasonable explanation that such use was inadvertent or made without any intent to deceive. Further, the TTAB will favorably view any effort to discontinue the offending use after learning such use is improper.

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**If you have any questions or need additional information, please contact:**

[Julia Anne Matheson](#), Editor-in-Chief

[Jonathan M. Gelchinsky](#), Associate Editor

[Kenneth H. Leichter](#), Assistant Editor

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# INCONTESTABLE®

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

## June 2009 Issue

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### Unregistrable

#### ® You Experienced?

*by Robert D. Litowitz*

Another INTA has come and gone. This year's gathering in Seattle offered the usual opportunity for our profession to learn, network, schmooze, dine, imbibe, and discover another great musical performer at the annual Finnegan reception. (In fact, Sarah Borges and the Broken Singles delivered a spectacular performance.) But as the rare, spectacular sapphire Seattle skies of the weekend gave way to more typical clouds and showers, my "meeting fatigue" propelled me out of the convention center and towards the Experience Music Project ("EXP"), next to the Space Needle. The brainchild of Microsoft® cofounder Paul Allen, EXP is an extraordinary museum dedicated to the exploration of creativity and innovation in popular music. Housed in a colorful, Frank Gehry-designed structure that resembles a psychedelic jelly bean, EXP contains three floors of exhibition space devoted to everything music—from the history of the electric guitar to an archive of interviews with icons of Rock music. The EXP even has studios where visitors can try their hand at recording, producing, and engineering their own music.

One of the centerpieces of EXP's permanent collection is a gallery devoted to Seattle native and Rock icon, Jimi Hendrix. You would think that an exhibit devoted to Rock's most famous guitarist and Seattle's favorite son would feature everything there is to know about Hendrix and his legend. But you would be wrong. Because although the Hendrix collection extensively showcases Hendrix's personal history—Hendrix in the army, Hendrix as an up-and-coming musician, Hendrix as guitar virtuoso, even Hendrix serving as the opening act for The Monkees—one significant aspect of the Jimi Hendrix experience is missing: Hendrix as a trademark!

You see, since his tragic and untimely demise over three decades ago, his legitimate heirs have preserved the Hendrix *brand* as well as his band. At [www.authentichendrix.com](http://www.authentichendrix.com), they hawk a vast collection of music and merchandise bearing the Rock legend's name and likeness—everything from conventional Rock T-shirts to "Home Accents" such as afghans and throw pillows. And the Hendrix estate has secured dozens of federal registrations.

All this trademark activity by the Hendrix estate has not exactly been smooth sailing. Because Jimi died without a will, his estate went to his father, Al Hendrix. Janie Hendrix, Jimi's sister, inherited control of the guitarist's estate when Al Hendrix, her adoptive father, died in 2002. Jimi's half-brother, Leon Hendrix, was cut out of the will by his father, who apparently grew tired of his requests for money. Leon took Janie to court in 2004 for a cut of the \$80 million and forced Janie to forfeit a sizable sum. But control over the estate, and its sizable music catalogue and trademark portfolio, remained in Janie's

hands.

Leon was not about to drift off into the purple haze. Teaming with a local businessman who bankrolled his revenge, Leon Hendrix began marketing Electric Hendrix Vodka in 2005, without the consent, license, or permission of the Hendrix estate, which by that time had successfully cultivated its trademark strategy into a successful commercial empire.

The feuding Hendrix factions again faced off in federal court over Electric Hendrix Vodka, with the estate alleging that the purple-tinged Electric Hendrix bottles, which bore the Hendrix name and “an older” image of Jimi Hendrix with a large afro, created a likelihood of confusion with the Hendrix trademark rights. Leon predictably denied this charge and challenged Janie and the estate’s underlying claim of trademark ownership.

Once again, Leon Hendrix came up empty. U.S. District Judge Thomas Zilly permanently barred Leon’s Electric Hendrix from commercially using, advertising, or challenging the trademarks and logos controlled by Experience Hendrix and Authentic Hendrix, two companies owned by the Hendrix estate. Judge Zilly also barred the vodka company from registering identical or “confusingly similar” trademarks to those owned by the estate. Bottles of Electric Hendrix Vodka had to be immediately pulled from liquor-store shelves, and all advertising and marketing of the spirit had to cease, according to the permanent injunction that was issued by Judge Zilly. And, oh yes, he awarded the estate \$3.2 million in damages, a sum that would have made even Jimi sit up and take notice.

This is probably not the last we’ll hear from Leon Hendrix and his quest to wrest control of the Jimi Hendrix name and likeness from the estate. What Jimi would think of all this trademark turmoil, we’ll never know. But there’s a good chance the recent legal setback at the hands of sister Janie has half-brother Leon muttering that timeless lyric from the Hendrix classic, *Purple Haze*: “WHATEVER IT IS, THAT GIRL PUT A SPELL ON ME!”

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