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Adidas-America, Inc. v. Payless ShoeSource, Inc., 2008 WL 4279812 (D. Or. 2008)

by Dana M. Nicoletti

ABSTRACT

After a jury trial awarding plaintiff $305 million in damages based on a reasonable royalty, an accounting of profits, and punitive damages, defendant moved for judgment as a matter of law, a new trial, and remittitur. The district court held that $137 million of the jury's $305 million damages award had been based on plaintiff's overly aggressive and overstated calculation of defendant's profits, and reduced the damages award to $19.7 million. The court also reduced the $137 million punitive damages award to $15 million, largely due to the solely economic nature of the plaintiff's harm.

CASE SUMMARY

FACTS

In 2001, Adidas-America, Inc. and its parent company, Adidas-Solomon AG (collectively "Adidas"), claimed that Payless ShoeSource, Inc. ("Payless") sold shoes and sportswear that were confusingly similar to the Adidas "Three Stripe Mark" and "Superstar" trade dress. The case had initially been dismissed by the district court, which held that a 1994 settlement agreement between the parties precluded most of Adidas's claims. The Ninth Circuit reversed the dismissal in 2006, finding that trademark infringement claims cannot be precluded when the allegedly infringing activity started after the agreement was finalized. The case was remanded back to the district court for trial. At trial, the jury returned a verdict for Adidas on its trademark infringement, trade dress infringement, and dilution claims. The jury also found that Payless acted willfully and maliciously, and determined that Adidas was entitled to $30.6 million in actual damages (based on a 7.78 percent royalty calculation), $137 million for Payless's profits, and $137 million in punitive damages. Payless responded by moving for judgment as a matter of law, for a new trial, and for remittitur on various grounds.

ANALYSIS

The court first dismissed Payless's motion for a new trial based on alleged juror misconduct, stating that a juror's brief discussion about the Ninth Circuit's appeal process did not directly relate to any material fact or substantive law applicable to the case, and there was no reasonable possibility of prejudice. The court also refused to dismiss its prior rulings regarding likelihood of confusion, dilution, actual harm, and willfulness, noting that Adidas submitted sufficient evidence to support the jury's findings on these issues.

The court considered Payless's arguments regarding the $305 million award, including Payless's contention that the award of damages violates the Lanham Act's prohibition against damages as a penalty. The court first examined the "reasonable royalty" aspect of the award and held that the jury correctly accepted Adidas's calculations of a 7.78 percent royalty as a surrogate measure of damage to the marks, noting that the royalty figure awarded was consistent with royalties between Adidas or Payless with third parties and with royalties between third parties.

The court evaluated the award of Payless's profits ($137 million), holding that Adidas's expert's calculations were aggressive, overstated, and did not follow generally accepted accounting principles. Adidas's expert's calculation did not include a royalty deduction as a direct expense of selling the shoes, which the court cited as an example of its unreasonable methodology. The court compared the figures offered by both parties' experts for Payless's profits ($208 million by Adidas's expert versus $19 million by Payless's expert) and concluded that the difference between the amounts also demonstrated the unreasonableness of Adidas's calculations and the jury's award. The court reduced the recovery of Payless's profits to $19.7 million under its reasoning that the $137 million profits award was punitive rather than compensatory, and thus violated the Lanham Act.

The court then addressed the jury's $137 million punitive damages award, which was based on Adidas's common-law claims for trademark and trade dress infringement and statutory claims for unfair and deceptive trade practices under various state acts. Payless argued that the punitive damages award was a violation of the Due Process Clause's prohibition against grossly excessive or arbitrary punishments of a tortfeasor. Citing the three "guideposts" for reviewing a punitive damages award set forth by the Supreme Court in *BMW of North America, Inc. v. Gore*, the court focused on what it deemed the most important indicator of the reasonableness of a punitive damages award–the degree of reprehensibility of the defendant's misconduct. The court found that the harm to Adidas was entirely economic, that Payless did not show disregard to the health or safety of others, and that there was no evidence Adidas lost any sales due to the infringement. The court also noted the Supreme Court's observation in *Gore* that, in practice, awards exceeding a single-digit ratio between punitive and compensatory damages will likely violate due process.

In its evaluation of the second *Gore* guidepost, namely, the disparity between the harm suffered by Adidas and the punitive damages award, the court found a 4.5:1 ratio between the $30.6 million royalties and $137 million punitive damages award. While concluding that this single-digit ratio on its own does not offend due process, the court stated that $30.6 million in compensatory damages was already substantial, considering that Adidas did not lose any sales and any damage to the Adidas brand was theoretical and not easily quantified. Based on this reasoning, the court held that even a 1:1 ratio between the compensatory and punitive damages would be too extreme and reduced the punitive damages to a $15 million award. The court defended its self-proclaimed "unusual" reduction of an award to below a 1:1 ratio by stating that such awards have been approved if there is solely economic harm, as was the case here. Accordingly, the court denied Payless's motion for a new trial on the condition of Adidas's acceptance of the remittitur of the punitive damages award.

CONCLUSION

The court's dramatic reduction of the profits calculation and punitive damages award is notable both for its criticism of plaintiff's accounting method regarding defendant's profits and its finding that punitive damages should be greatly decreased if the harm is solely economic in nature.

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Civil Cases

E.T. Browne Drug Co. v. Cococare Products, Inc., 87 U.S.P.Q.2d 1655 (3d Cir. 2008)

by Julia Anne Matheson

ABSTRACT

The Third Circuit affirmed the summary judgment ruling in favor of defendant Cococare Products, Inc., finding that infringement plaintiff E.T. Browne Drug Co. failed to establish ownership of protectable trademark rights in the mark COCOA BUTTER FORMULA. The appellate court identified material issues of fact on the issue of whether COCOA BUTTER FORMULA was generic under the applicable Primary Significance Test and that the district court should not have granted summary judgment to defendant on genericness grounds. However, in assessing the issue of descriptiveness and secondary meaning, the Third Circuit found that summary judgment for Cococare was appropriate due to Browne's failure to establish secondary meaning in the mark COCOA BUTTER FORMULA standing alone, without its PALMER'S house mark. The circuit court remanded to the district court to enter an order requiring the PTO to enter a disclaimer of the term "cocoa butter formula" in Browne's registration for PALMER'S COCOA BUTTER FORMULA.

CASE SUMMARY

PROCEDURAL HISTORY

The Third Circuit affirmed the district court's grant of summary judgment to infringement defendant who had asserted counterclaims of both genericness and descriptiveness, but on other grounds. In so doing, the circuit court challenged the district court's genericness analysis and its refusal to order the amendment of plaintiff's registrations with the PTO.

FACTS

Plaintiff E.T. Browne Drug Co. ("Browne") and defendant Cococare Products, Inc. ("Cococare") both market personal-care products containing cocoa butter. Browne owns a Supplemental Registration for the mark COCOA BUTTER FORMULA and a registration on the Principal Register for the mark PALMER'S COCOA BUTTER FORMULA. Browne, an industry leader, filed suit for infringement against Cococare objecting to its use of COCOA BUTTER FORMULA on competing products. Cococare asserted a number of counterclaims, including that COCOA BUTTER FORMULA was either generic or, in the alternative, descriptive and devoid of secondary meaning. Both parties moved for summary judgment on their respective claims.

ANALYSIS

As the owner of a registration on the Supplemental Register, Browne was not entitled to the presumption of validity that flows from a Principal Registration and was, thus, required to demonstrate its ownership of a protectable mark. As issues of genericness, descriptiveness, and secondary meaning are all factual, summary judgment was inappropriate if Browne had, at the district court level, produced sufficient evidence to create a genuine issue of material fact on any of these claims. As the case came to the Third Circuit on an appeal from a grant of summary judgment, the Third Circuit exercised the same standard of review as did the New Jersey court, and reached a similar result, but on different grounds.

As an initial matter, the Third Circuit took issue with the lower court's genericness ruling, holding that it applied the wrong test and reached the wrong result. The Third Circuit recognizes two different tests for genericness. The first, the so called "Primary Significance Test" articulated in *Dranoff-Perlstein Associates v. Sklar*, "inquires whether the primary significance of a term in the minds of the consuming public is the product or producer or, in other words, whether consumers think the term represents the generic name of a product or a mark indicating merely one source of that product." The second test, also known as the *Canfield* test, is designed for use where a manufacturer creates a new product that differs from the established product class in a particular characteristic and it is not clear whether it has also created a new product genus. Thus, the *Canfield* test should only be applied where the product's genus is at issue. Although the parties stipulated that the genus of their respective products was personal-care products containing cocoa butter, the district court nevertheless applied the *Canfield* test rather than the Primary Significance Test. In so doing, the district court improperly dismissed plaintiff's genericness survey, which, the circuit court concluded, offered sufficient evidence, standing alone, to preclude a ruling on summary judgment on this issue.

Finding that a material issue of fact existed on the question of whether COCOA BUTTER FORMULA was generic (and, accordingly, that the district court's grant of summary judgment on this issue was inappropriate), the circuit court next turned its attention to whether plaintiff had presented sufficient evidence of secondary meaning to avert summary judgment on the issue of mere descriptiveness. Although the district court did not reach the issue of secondary meaning in issuing its decision, because the parties presented their secondary meaning evidence and arguments to the lower court, the circuit court resolved to decide the issue rather than remand it.

In support of its claim of acquired secondary meaning, Browne proffered evidence of long-term sales and promotion of COCOA BUTTER FORMULA for twenty years, significant advertising expenditures, and an increase in product sales bearing the term COCOA BUTTER FORMULA. While this type of evidence would normally be sufficient to support a claim of secondary meaning, it was inadequate in this case as the term COCOA BUTTER FORMULA always appeared in advertising and on packaging in combination with the PALMER'S house mark. Significantly, Browne produced no evidence of use of COCOA BUTTER FORMULA as a stand-alone term. It likewise failed to present a consumer survey on the issue of secondary meaning. Based upon the evidence presented, the court concluded that it had no way of evaluating the strength of the term COCOA BUTTER FORMULA independently from the house mark PALMER'S and, accordingly, that Browne's evidence did not support an inference of secondary meaning. Concluding that Browne had failed to identify evidence sufficient to create a genuine issue of material fact on the question of secondary meaning, the circuit court concluded that plaintiff lacked a protectable trademark interest in the term and granted summary judgment to Cococare on this issue.

As a final matter, the circuit court considered the district court's declination to consider Cococare's counterclaim for modification of Brown's registration for PALMER'S COCOA BUTTER FORMULA on the

Principal Register to require a disclaimer of the challenged phrase. Section 37 of the Lanham Act permits a court to rectify the register with respect to the registrations of any party in any action involving a registered mark. Finding that Browne had failed to offer any evidence of secondary meaning, the appeals court remanded the case to the district court for entry of an order requiring the disclaimer.

CONCLUSION

This decision highlights the importance of presenting targeted evidence of secondary meaning in any descriptiveness case. While the plaintiff proffered evidence of long-term sales and promotion, advertising expenditures, and product sales for products that included the challenged term, plaintiff failed to produce evidence reflecting use of the term standing alone (as opposed to use as part of a larger compound mark), nor did plaintiff produce a survey demonstrating the success of its efforts to develop secondary meaning. While the circuit court stated that a secondary meaning survey was not required, an effective survey would likely have carried the day for the plaintiff.

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Gander Mountain Co. v. Cabela's, Inc., 540 F.3d 827 (8th Cir. 2008)

by Dana M. Nicoletti

ABSTRACT
The Eighth Circuit held that a provision for future perpetual trademark licensing lacking many of the customary trademark license agreement terms and conditions represented an unenforceable "agreement to agree" under Wisconsin law.

CASE SUMMARY

PROCEDURAL HISTORY
Gander Mountain Co. ("Gander Mountain") filed suit against Cabela's, Inc. ("Cabela's"), seeking a declaration that the perpetual licensing provision of their noncompetition agreement signed in 1996 was unenforceable. Cabela's counterclaimed, requesting a declaration that the provision was enforceable and an injunction prohibiting Gander Mountain from using its trademark or confusingly similar marks in its direct-marketing business. The district court granted Gander Mountain's motion for summary judgment on Cabela's counterclaim, holding that the disputed contract provision was unenforceable as a mere "agreement to agree" due to lack of evidence in the record to illustrate the customary form and content of perpetual trademark licenses.

FACTS
Gander Mountain and Cabela's both sell outdoor recreational, sports, and hunting equipment. In 1996, Gander Mountain was in financial distress and agreed to sell its mail-order catalog division and license to Cabela's the right to use and prevent others from using certain Gander Mountain trademarks for $35 million. Pursuant to that transaction, Gander Mountain agreed not to compete with Cabela's in the direct-marketing business for seven years. The noncompetition agreement contained the Contingent Trademark License ("CTL") provision, which required Gander Mountain to inform Cabela's if it decided to reenter the direct-marketing business after the noncompete period, and gave Cabela's the right to purchase a perpetual, exclusive license to use the trademarks for its own direct-marketing business for $1,000. The CTL provided that a separate written license agreement "in the form and content customary to licenses of the type described" would be arranged if that situation came to fruition.

After the seven-year noncompete period expired, Gander Mountain gave Cabela's written notice of its intent to reenter the direct-marketing business with its trademarks. Cabela's then tendered $1,000 to

Gander Mountain and presented a draft license agreement for the perpetual exclusive license (the "Highby Agreement"). Gander Mountain refused to sign the Highby Agreement and brought suit against Cabela's, claiming that the CTL is unenforceable under Wisconsin law.

ANALYSIS

The Eighth Circuit affirmed the district court's grant of summary judgment in favor of Gander Mountain. The parties disputed the meaning of the CTL's language giving Cabela's the right to a license and providing that such a license would be "evidenced by a separate written agreement in the form and content customary to licenses of the type described above." Cabela's argued that the terms of the license agreement could be determined by the license agreed to in the 1996 transaction, which it asserted was what the parties intended by "in the form and content customary to licenses of the type described above." Gander Mountain contended that the language in the CTL did not provide definite terms and that the 1996 transaction was not sufficient to supply the necessary terms, because a single example of a nonperpetual license agreement could not be determinative of the customary form or content of a perpetual license agreement.

The court held that the CTL terms, when compared to a typical trademark license, did not demonstrate that the parties intended to be bound by a trademark license agreement in 1996. Cabela's expert stated that the Highby Agreement was in the form and content customary of the type of license described in the CTL, but the court noted that his conclusion was not based on an analysis of perpetual trademark licenses' customary form and content generally. Gander Mountain's expert, on the other hand, concluded that neither the CTL nor the Highby Agreement was in the form and content customary for perpetual trademark licenses generally, such as by including a provision for the amount of royalties Cabela's would pay to Gander Mountain for the use of its trademarks. The court agreed, stating that "[t]he parties' intent in 1996 to create a trademark license agreement several years in the future upon the happening of certain events does not overcome the fact that they did not agree to sufficient specific terms nor on how to determine sufficient specific terms to render the CTL an enforceable provision." From this, the court concluded that neither the 1996 license nor the Highby Agreement was in the form and content customary for perpetual trademark licenses.

The Eighth Circuit affirmed the district court's conclusion that the CTL text created an agreement that the parties would negotiate a license agreement in the form and content customary to perpetual trademark licenses, and such an agreement was nothing more than "an agreement to agree." These agreements are unenforceable under Wisconsin law and, as such, the district court's judgment for Gander Mountain was affirmed.

CONCLUSION

The Eighth Circuit placed great importance on the omission of specific terms and a means of agreeing on terms in the CTL, citing the example of Cabela's failure to include a provision detailing royalties to be paid for its use of Gander Mountain's trademarks in its direct-marketing catalogs. The decision reflects that parties intending to enter into a future licensing arrangement must set out their provisions in a concrete and detailed fashion, and ensure that the content and form of the future license adheres to general industry standards for the type of license at issue, including material terms such as royalties.

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Civil Cases

***Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56 (1st Cir. 2008)**

by David M. Kelly

ABSTRACT

In the latest metatag case, the defendant used the plaintiff's marks not only in its metatags but also as hidden white text in the white background of its website. The district court held that the defendant willfully infringed plaintiff's marks, and awarded plaintiff $230,000 in damages in the form of defendant's profits and $196,000 in attorney's fees and costs. On appeal, the First Circuit affirmed the district court's decision in its entirety.

CASE SUMMARY

FACTS

Plaintiff Venture Tape Corporation ("Venture") manufactured specialty adhesive tapes and foils used in the stained-glass industry under the federally registered marks VENTURE TAPE and VENTURE FOIL. Defendant McGills Glass Warehouse ("McGills") was an Internet-based retailer in direct competition with Venture. Beginning in 2000, McGills used Venture's marks in its website metatags and embedded as white text in its website's white background. McGills did not sell either Venture product, but "heard" that use of Venture's marks would attract people using Internet search engines to McGills's site. Venture discovered McGills's use of its marks in 2003 and sued for trademark infringement, unfair competition, false designation of origin, and dilution.

The district court granted Venture's motion for summary judgment on all four counts. It also requested Venture to submit a motion for damages, costs, and attorney's fees, and awarded $230,339 in McGills's estimated net profits from 2000-2003 based on the willful nature of McGills's infringement, $188,583 in attorney's fees, and $7,564 in costs.

ANALYSIS

On appeal, the First Circuit affirmed the district court's grant of summary judgment and award of profits and attorney's fees. Addressing the likelihood-of-confusion factors, the court found that "McGills effectively admitted seven of the eight [likelihood-of-confusion] elements [through] numerous admissions that metatags and invisible background text on [its] website incorporated Venture's exact marks." In particular, McGills admitted that the parties were direct competitors and each used websites to promote and market their products. McGills also admitted it used Venture's marks based on its strong reputation in the industry. The court viewed these admissions as demonstrating "the similarity (indeed, identity) of the marks used, the similarity of the goods, the close relationship between the channels of trade and advertising, and the similarity in the classes of prospective purchasers." Additionally, the court cited McGills's admissions as "support[ing] the conclusions that McGills acted with a subjective intent to trade on Venture's reputation and that Venture's mark is strong," leaving only the sixth factor of actual consumer confusion potentially in dispute.

McGills argued on appeal that summary judgment was improper based on a lack of evidence of actual consumer confusion because it "had no way of knowing whether or not [its] use of the Venture marks . . . had been successful, i.e., whether the marks had actually lured any [I]nternet consumer to the website." The First Circuit found the absence of evidence of actual consumer confusion not dispositive because a trademark owner's burden is only to show likelihood of confusion, not actual confusion. It viewed McGills's admissions, especially that its "purpose in using the Venture marks was to lure customers to [its] site," as a sufficient basis to conclude that no genuine dispute existed regarding likelihood of confusion.

Turning to monetary relief, McGills first challenged the finding that its infringement was willful, arguing that willfulness was a prerequisite to an award of profits under Lanham Act Section 35(a). The court noted that it was not necessary to even determine whether willfulness was required by Section 35(a), because McGills had not shown that the district court's finding of willfulness was clearly erroneous. The appeals court stated that "the district court specifically noted that McGills had programmed [sic] its website so that Venture's marks were displayed in the same color as the webpage background, concealing them from view. We can find no clear error in the district court's conclusion that such intentional concealment provides strong circumstantial evidence of 'willfulness.'"

McGills also argued that the damages award overstated the harm to Venture because Venture did not even attempt to show any actual harm. The court disagreed, finding that "[w]hen a mark owner cannot prove actual damages attributable to the infringer's misconduct (e.g., specific instances of lost sales), its recovery of an equitable share of the infringer's profits serves . . . as a 'rough measure' of the likely harm that the mark owner incurred because of the infringement, while also preventing the infringer's unjust enrichment and deterring further infringement." Here, the district court expressly concluded that the amount awarded was "sufficiently substantial to serve these purposes without being unduly large or burdensome." McGills also argued that the profits award was overstated because its sales of the foils and tapes at issue were only one percent of its total sales. The court noted, however, that once Venture met its burden by producing evidence of McGills's gross sales over the relevant time period, the burden shifted to McGills to prove "all elements of cost or deductions claimed" under Section 35(a). Because McGills presented no mitigating evidence, the First Circuit found no clear error in the district court's profits award.

The First Circuit also rejected McGills's challenge of the award of attorney's fees as an abuse of discretion. Noting that attorney's fees can be awarded in "exceptional cases" if the infringer's actions are "malicious, fraudulent, deliberate, or willful," the district court did not abuse its discretion in finding the case exceptional based on its finding of willfulness.

CONCLUSION

Although at one time the use of metatags could significantly influence the ranking of search results, most search engine optimization experts agree that metatags for some years have had little or no effect on influencing search-result rankings. As a result, the award of $230,000+ in damages and $196,000+ in attorney's fees might arguably seem excessive. The court's award of monetary relief, however, was influenced by the defendant's "cloaking" activities, i.e., displaying plaintiff's marks in the same color as the background of defendant's website. The court characterized these activities as "intentional concealment."

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Civil Cases

Yurman Studio, Inc. v. Castaneda, 2008 WL 3861219 (S.D.N.Y. 2008)

by Jonathan M. Gelchinsky

ABSTRACT

The Southern District of New York granted summary judgment in favor of luxury jeweler Cartier's trademark infringement claim, finding that a number of the defendant's products incorporated designs that were identical or substantially indistinguishable from Cartier's registered screw-head imprint design mark. However, the court found that there was a factual dispute as to whether a number of defendant's other products also infringed Cartier's design marks or Gucci's trademarked "G" design, and therefore denied summary judgment as to those products. The court also cast some doubt as to whether the defendant's use of the luxury jewelers' trademarks could constitute a nominative fair use, such as by advertising its products as "Cartier-esque" or "Bulgari-esque" and as being "inspired by" or "replicas of" the plaintiffs' brands. The court held that the defendant's use may exceed the third prong of the nominative fair use test set forth in *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992), because the use of the plaintiffs' marks combined with the similarities of the defendant's goods to those of the plaintiffs may suggest or imply sponsorship or endorsement of defendant's goods by the plaintiffs. This was a factual issue that could not be resolved on summary judgment.

CASE SUMMARY

FACTS

Plaintiffs design and manufacture high-end jewelry and other luxury goods. Elena Castaneda manufactures inexpensive reproductions and replicas of the plaintiffs' jewelry and sells them online for substantially less than the cost of the genuine luxury pieces. Plaintiffs sued Castaneda, alleging copyright infringement, trademark and trade dress infringement, and design patent infringement based on Castaneda's jewelry that allegedly copied the plaintiffs' protected designs and incorporated their registered trademarks. Plaintiffs also alleged trademark infringement based on Castaneda's use of their marks in connection with the promotion of Castaneda's jewelry using terms such as "Cartier-esque" and "Bulgari-esque." Several of the plaintiffs moved for summary judgment on their copyright, trademark, and design patent claims involving certain of Castaneda's jewelry designs, and on Castaneda's counterclaim to cancel Yurman Studio, Inc.'s ("Yurman") copyright registrations. Castaneda filed cross-motions for summary judgment.

ANALYSIS

Initially, the court rejected Castaneda's challenges to the validity of the copyright registrations and granted summary judgment in favor of the copyright holders on all but two copyright claims. In a subsequent order on Yurman's motion for reconsideration, 2008 WL 4298582, the court granted summary judgment on the remaining two copyright claims.

Turning to the trademark claims, the court found that ten of Castaneda's jewelry products incorporated designs that were either identical or substantially indistinguishable from Cartier's registered screw-head imprint design mark, such that no reasonable jury could find that the designs were not counterfeits. The court granted summary judgment to Cartier on those designs. However, the court found there was a factual dispute as to whether a number of Castaneda's other products also infringed Cartier's design marks in terms of their similarity to Cartier's marks. The court also could not hold as a matter of law that Castaneda's use of a pattern of highly stylized "G"s that were placed upside down and backwards on certain of her products were substantially indistinguishable from Gucci's "G" trademark such that they must be considered a counterfeit. The plaintiffs would have to show that the remainder of Castaneda's designs created a likelihood of confusion, and the court thus denied summary judgment as to those products.

The court then turned to Castaneda's nominative fair use defense and found that Castaneda's use of the plaintiffs' marks differed from the *New Kids* situation, because Castaneda used plaintiffs' marks to highlight the similarity of her own products to those of the plaintiffs. For example, Castaneda advertised her products as being "Cartier-esque" or "Bulgari-esque" and as being "inspired by" or "replicas of" plaintiffs' brands. The court held that "the use of plaintiffs' brand names to describe defendants' own products, combined with the similarity of the defendants' products to plaintiffs' designs, may suggest or imply plaintiffs' sponsorship, endorsement, or the affiliation of defendants' products with those of plaintiffs. Defendants' use is not nominative if it creates a likelihood of confusion about the mark-holder's affiliation or sponsorship." However, the court stopped short of deciding at the summary judgment stage whether Castaneda's use of the plaintiffs' marks violated the third prong of the *New Kids* test, such that it could not be considered a nominative fair use.

CONCLUSION

The court's ruling suggests that the use of another's marks to describe one's own products as "BRAND-esque" may exceed the bounds of nominative fair use, particularly where the overall similarities between the products and any trade dress or designs incorporated therein may suggest or imply an affiliation with or sponsorship by the mark owner. Notably, the court did not discuss whether the use of the suffix "-esque" or the terms "inspired by" or "replicas of" might serve as a form of a disclaimer, reducing the likelihood that consumers would mistakenly assume that there was an affiliation or sponsorship.

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***Boston Red Sox Baseball Club Ltd. Partnership v. Sherman*, Opposition No. 91172268 (TTAB 2008)**

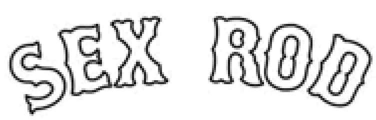
by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

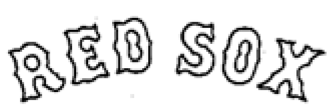
Applicant sought to register the mark SEX ROD in the same stylized font as Opposer's famous RED SOX mark for clothing and a wide variety of related products. In objecting to registration of Applicant's mark, Opposer alleged that: (1) Applicant lacked a bona fide intent to use the mark at the time of filing; (2) the SEX ROD mark consisted of immoral and scandalous matter; (3) the mark disparaged Opposer and/or brought it into contempt or disrepute; (4) there was a likelihood of confusion with Opposer's RED SOX marks; and (5) the mark falsely suggested a connection with Opposer. The TTAB sustained the opposition on the grounds that the SEX ROD mark was scandalous and disparaging, and that Applicant lacked a bona fide intent to use the mark in commerce. The TTAB dismissed Opposer's claims of likelihood of confusion and false suggestion of a connection with Opposer.

CASE SUMMARY

Brad Francis Sherman ("Applicant") filed an intent-to-use application to register a stylized version of the mark SEX ROD (shown below) for a wide range of clothing and apparel products in Class 25:



Boston Red Sox Baseball Club Limited Partnership ("Opposer") filed a notice of opposition, alleging prior use and registration of marks that consist of or incorporate the terms RED SOX ("RED SOX Marks"), including the stylized mark shown below in connection with baseball game services and a variety of goods, including clothing:



As grounds for the opposition, Opposer alleged that: (1) Applicant lacked a bona fide intent to use the mark at the time of filing; (2) the mark consisted of immoral and scandalous matter; (3) the mark disparaged Opposer and/or brought it into contempt or disrepute; (4) there was a likelihood of confusion with Opposer's RED SOX Marks; and (5) the mark falsely suggested a connection with Opposer.

Lack of a Bona Fide Intent to Use

Opposer argued that Applicant's claimed bona fide intent at the time of filing was suspect "on its face" because Applicant was an individual with no relevant experience, training, or business connections of record, and Applicant's application covered a wide array of apparel. Opposer argued that there was nothing in the record to indicate that Applicant had any capacity to conduct a genuine commercial enterprise involving the manufacture and/or distribution of clothing, and that Applicant produced no documents in response to Opposer's discovery requests to suggest that Applicant had a plan for how he might proceed with such a business.

In response, Applicant stated in a declaration that he had conducted an Internet search of websites that allow one to design and sell custom apparel on the web with minimal investment of time and money, and that he intended to use such a website to create and sell apparel with his SEX ROD mark. Applicant also argued in his brief (but failed to present any testimony to the effect) that he was a marketing professional with over five years experience in online marketing, that he was knowledgeable about the speed and ease with which one can launch an online apparel business, and that he could effectively bring the apparel to market "overnight."

The TTAB found that Opposer had satisfied its initial burden of showing the absence of any documentary evidence regarding Applicant's bona fide intention to use the mark given Applicant's failure to submit any evidence, documentary or otherwise, to support his claimed bona fide intent to use the mark when the application was filed. The TTAB noted that Applicant's Internet searches were not conducted until over two years after the filing of his application and after the notice of opposition was amended to assert a claim that Applicant lacked a bona fide intention to use the mark. The TTAB accorded no evidentiary value to Applicant's statements in his brief regarding his asserted marketing experience since they were not of record, and his claims that the clothing could be marketed "essentially overnight" were not credible.

Section 2(a) - Immoral or Scandalous Matter

Opposer argued that SEX ROD comprised matter that would be considered vulgar to a substantial composite of the public when used on T-shirts and other items of apparel, including, in particular, goods intended for children and infants. Opposer submitted dictionary evidence defining the word "rod" as "Slang...b. Vulgar, the penis." In response, Applicant conceded that SEX ROD was intended to possess a sexual connotation, but argued that it was only "sexually suggestive" and described his mark as a parody of the RED SOX stylized mark. According to Applicant, the mark "represents the clever yet sophomoric sense of humor that prevails in venues in which apparel bearing the SEX ROD Stylized mark would likely be worn, e.g., ballparks, sports bars, and university campuses." The TTAB explained that dictionary evidence alone can be sufficient to establish that a term has a vulgar meaning. Further, the TTAB found that as the mark would appear on apparel and be worn in all types of public places, the mark would convey not a sexually suggestive connotation as Applicant contended, but rather a sexually explicit message to the viewer. The TTAB agreed that the use of the mark on children's and infant clothing made it particularly lurid and offensive. Even assuming SEX ROD was a parody of Opposer's RED SOX Marks, the TTAB concluded there was nothing in the parody itself that changed or detracted from the vulgar meaning inherent in the term.

Section 2(a) - Disparagement

To establish disparagement, Opposer was required to prove two elements: (1) that the communication would be understood as referring to the plaintiff, and (2) that the communication would be considered offensive or objectionable by a reasonable person of ordinary sensibilities. Finding that Applicant had copied the form, style, and structure of Opposer's corporate symbol, and that Applicant's mark was so visually similar to the original, the TTAB concluded that many consumers would recognize it as referring to the Red Sox. Because the TTAB found that the mark SEX ROD would be perceived as a vulgar term by a substantial number of consumers, and because Applicant's mark would be understood as referring to Opposer, the TTAB ruled that the mark would be viewed as a sexually vulgar version of the baseball club's symbol and thus constituted disparagement under Section 2(a).

Section 2(d) - Likelihood of Confusion

Although many of the likelihood-of-confusion factors favored Opposer (including trade channels, nature of products, and lack of care exercised in purchase decisions), the TTAB concluded that the marks were too dissimilar to support a finding of likelihood of confusion. Although the fame of Opposer's RED SOX mark extended to the form of the RED SOX wording in the particular stylized display, the fame of the mark did not extend to the stylization alone, apart from the words in the mark. The TTAB explained that the fact that Applicant's mark may call to mind Opposer's mark did not compel a finding of likelihood of confusion.

Section 2(a) - False Suggestion of a Connection

For the same reason that confusion was held unlikely, the TTAB ruled that Applicant's mark was not a close approximation of Opposer's identity. Considering the inherent nature of Applicant's mark, and the fact that the mark was disparaging to Opposer, the TTAB concluded that the public would not reasonably believe that Opposer, a famous and reputable organization, would be associated with Applicant's mark.

In sum, the TTAB sustained the opposition on the grounds that the SEX ROD mark was scandalous and disparaging under Section 2(a) and that Applicant lacked a bona fide intent to use the mark in commerce. The TTAB dismissed the opposition on the ground of likelihood of confusion under Section 2(d) and on the ground that the mark falsely suggested a connection with Opposer under Section 2(a).

CONCLUSION

A showing that an applicant lacks documentary evidence demonstrating its bona fide intent to use the applied-for mark at the time of filing shifts the burden to the applicant to establish a bona fide intent to use the mark. Once this burden shifts, mere allegations of an intent to use the mark at the time of filing by the applicant without more will not be sufficient to support a claim of a bona fide intent to use.

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TTAB Cases

In re SL&E Training Stable, Inc., App. No. 78806669 (TTAB 2008)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

Applicant appealed a final refusal to register the mark SAM EDELMAN for luggage, handbags, wallets, and related products on the ground of a likelihood of confusion with a prior registration for the mark EDELMAN for luggage trunks, handbags, wallets, traveling bags, and other goods. The TTAB rejected Applicant's argument that the public policy favoring the right of an individual to register his name should trump any likelihood-of-confusion concerns, and affirmed the PTO's refusal of registration on likelihood-of-confusion grounds.

CASE SUMMARY

FACTS

Edelman Shoe Company, LLC filed an intent-to-use application for the mark SAM EDELMAN for "luggage, handbags, purses, wallets, all-purpose tote bags, all-purpose sports bags, backpacks," in Class 18. The mark SAM EDELMAN identifies an individual named Sam Edelman who consented to registration of the mark. The SAM EDELMAN mark and application were subsequently assigned to SL&E Training Stable, Inc. ("Applicant"), which also owned a registration for the identical mark SAM EDELMAN for "footwear, namely, boots, shoes, slippers and sandals," in Class 25.

Applicant appealed the PTO's refusal of registration, citing an existing registration for EDELMAN for "articles made from leather and imitations of leather, and not included in other classes, namely—wallets, handbags, traveling bags, luggage trunks, umbrellas, harnesses and saddlery; animal skins and hides; tanned leather adapted for use in upholstering furniture, namely—seating for use in airplanes, cars, and other vehicles," in Class 18. On appeal, Applicant argued that the strong public policy favoring the right of individuals to use and register their personal names should trump any likelihood-of-confusion concerns.

ANALYSIS

The TTAB rejected Applicant's argument, noting that neither the Court of Appeals for the Federal Circuit nor its predecessor, the Court of Customs and Patent Appeals, had recognized such a "strong public policy." Accordingly, the mere fact that SAM EDELMAN was an individual's name did not give Applicant an unfettered right to use that name where it conflicted with a previously registered mark.

In evaluating the likelihood-of-confusion factors de novo, the TTAB held that the SAM EDELMAN and EDELMAN marks shared the same surname EDELMAN, that consumers would likely view the EDELMAN mark as an abbreviated form of Applicant's mark and, accordingly, the two marks were similar in appearance, sound, meaning, and commercial impression. The TTAB likewise found that Applicant's and registrant's goods were identical in part, as both descriptions included wallets, handbags, and luggage, and closely related or directly competitive relative to the remaining listed goods. Because some of the goods in the application and registration were identical, and neither the registration nor the application contained any trade-channel restrictions, the TTAB presumed that the parties' trade channels were identical or overlapping. The TTAB rejected Applicant's argument that confusion was unlikely because consumers of handbags are sophisticated, noting that there were no restrictions or limitations in the description of Applicant's goods or the goods in the cited registration. Accordingly, the descriptions were broad enough to encompass inexpensive wallets, handbags, luggage, and traveling bags sold in discount stores to consumers who may not exercise a high degree of care. The TTAB likewise rejected Applicant's argument that its ownership of a registration for the identical mark for similar goods (namely, footwear) offered further support for registration. Noting that the issuance of the prior registration was not controlling, the TTAB held that it could not delegate its duty to decide an appeal from the final refusal to register by adopting the conclusion reached by another examining attorney on a prior record. Finally, the TTAB concluded that Applicant had failed to demonstrate that the SAM EDELMAN mark was famous in the fashion industry. Based upon all of these findings, the TTAB upheld the refusal of registration.

CONCLUSION

While commentators have long emphasized the public policy favoring the right of an individual to use and register his personal name, the TTAB, Federal Circuit, and other federal courts that have faced this issue have repeatedly found that such right is not unfettered. Accordingly, personal name marks are subject to the same likelihood-of-confusion analysis applied to other types of marks.

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Unregistrable

A Zip in Time?

by Robert D. Litowitz

The threat of genericness often stalks the unique brand name that has come to define a product or service category. Today, trademark-savvy brand owners from Apple® to eBay® have crafted an array of legal and marketing strategies to keep genericness at bay. So while names like Kleenex® and Formica®, and more recently, Google®, may have flirted with the genericness abyss, seldom does a modern brand icon suffer the ultimate trademark penalty—loss of brand status and entry into the lexicon as a common noun.

It was not always so.

As one memorable print campaign by Xerox® illustrated, the "graveyard" of trademarks is populated by once-proud and singular brand names that lapsed into common descriptive use and lost their power to identify source, e.g., names like "aspirin," "cellophane," and "escalator." Perhaps no word is more emblematic of this existential trademark paradox or more enigmatic than "zipper." That word is so entrenched as the generic name of the object it identifies—and so devoid of any other modern synonyms—that even those who know that "zipper" once was a trademark do not realize that the product's original generic name was "hookless slide fastener." Yet that is what the zipper's inventor, Otto Frederick Gideon Sundback, christened his discovery back in the early 1900s.

Like many trademark lawyers, I had assumed that the item's manufacturers had coined the "zipper" name, and had lost it in a court battle that resulted in a declaration of genericness. The story of the birth of the brand name "ZIPPER" and its descent into genericness is perhaps less dramatic, but no less remarkable.

According to the book *Zipper: An Exploration in Novelty*, Sundback's invention was a model of ingenuity and technical achievement, but remained largely a novelty item until the B.F. Goodrich company placed a small order in 1922. A brainstorming B.F. Goodrich engineer had recognized that the "hookless slide fastener's" snug closure would revolutionize rubber galoshes by making them water-tight. When B.F. Goodrich incorporated the new fastener into its "Mystik" brand boots, consumers reacted by snapping up more pairs than Sundback's company, Talon, could churn out hookless slide fasteners for.

With this commercial success came a change of name for B.F. Goodrich's new hit product. As recorded in a Talon company report:

"[B.F. Goodrich] changed the name of the shoe from the Mystik Boot to the Zipper, said name having been suggested by the president, who, on being presented with a pair of shoes fitted with the Hookless, showed boundless enthusiasm."

Robert Friedel, *Zipper: An Exploration in Novelty* 148 (1994) (quoting from Talon Company Memo).

In coining the catchy "ZIPPER" brand name–a flash of marketing genius rivaling Sundback's engineering feat–B.F. Goodrich should have enjoyed a trademark for the ages. But it was not to be. So fitting was the onomatopoeia "zipper" to Sundback's revolutionary invention that the public simply stopped calling the device a "hookless slide fastener." As historian Robert Friedel writes, "If there was ever a term predestined to be appropriated by the public for its own uses, the 'zipper' was it." *Id*. at 149.

By the late 1920s, the demand for "ZIPPER" brand boots had waned, but the term "zipper" had survived with a new primary meaning, given a second life by a public that plainly preferred the snappy "zipper" over the tedious and awkward phrase "hookless slide fastener." The trademark rights went down without a fight. No legal miscues by the trademark owner, no pitched courtroom battle, not even widespread generic misuse by rival manufacturers.

Perhaps B.F. Goodrich should have recognized the enormous value of the distinctive brand name it had created. Or perhaps Talon should have seized the opportunity to acquire the trademark rights when sales of B.F. Goodrich's "Zipper" boots began to flag. Then, like the makers of Kleenex® brand tissues and of Formica® countertops, the iconic "Zipper" trademark might have given them enough marketplace clout to stave off the competitive assault from Japanese zipper giant YKK–the company that eventually surpassed Talon to become "lord of the fly." But as the adage goes: "Of all words of mouth and pen, the saddest are these, 'it might have been.'"

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