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

Summer 2012 Issue

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Acacia Inc. v. NeoMed Inc., 2012 WL 3019948 (C.D. Cal. July 23, 2012)

by Julia Anne Matheson

CASE SUMMARY

FACTS

Litigants Acacia Inc. ("Acacia") and NeoMed Inc. ("NeoMed") are medical-device companies that both produce neonatal feeding systems, including tubes, connectors, and syringes. In January 2007, NeoMed's predecessor, Specialty Medical Products, applied to register the trade dress "for oral syringes consisting of the color orange for gradation markings and text or text box on a clear barrel." The trade dress was ultimately allowed on the Supplemental Register.

In June 2011, NeoMed sent Acacia a cease-and-desist letter demanding that Acacia stop using the color orange on its GRAVIFEED line of syringes, including the use of orange applied to gradation markings and the text on the barrel of the syringe. Acacia responded with a declaratory judgment action seeking cancellation of NeoMed's trademark registration. NeoMed responded with a counterclaim for trademark infringement, false designation of origin, false advertising, and violation of California's unfair-competition law. Acacia followed with a motion for partial summary judgment on the basis that the use of orange for gradation markings, text, and text boxes is functional, and therefore not protectable as trade dress.

ANALYSIS

In reaching its decision, the court emphasized that functional product features do not enjoy protection under trademark law and that a color can be an "essential" product feature where it "serves a significant nontrademark function," citing the Supreme Court's decision in *Qualitex*. Noting that the Ninth Circuit's functionality test has evolved over time, the court referenced the four-factor functionality test defined in the 1998 decision in *Disc Golf Association* as (1) whether the design yields a utilitarian advantage; (2) whether alternative designs are available; (3) whether advertising touts the utilitarian advantages of the design; and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture. The court noted the Supreme Court's guidance in the *TrafFix* decision that if a feature is held to be functional, there is no need to consider if there is a competitive necessity for that feature.

The court cited NeoMed's own advertising touting the functional nature of the color orange ("Orange signals enteral safety," "NeoMed Oral Dispensers feature orange lettering and precise gradient marking that signify 'enteral or oral' designed to connect with other compliant devices," and "[o]range lettering and gradation marking identify as enteral only"), as well as NeoMed's public efforts to "create a coalition of manufacturers of enteral products to establish orange as the color representing enteral safety" as support for its decision that the color orange is used in the medical industry to signify oral use and is therefore

functional. In reaching its decision, the court also relied on evidence presented by Acacia from executives of other device manufacturers, medical-device sales representatives, and a nurse that the color orange is used to signal to hospital staff that a particular device is for enteral use, and to coordinate different enteral-only devices.

The Court rejected NeoMed's counterargument that, even if the color orange is used functionally by some manufacturers, NeoMed's use of the color was not functional. Noting that while trade dress as a whole may be protectable where "some of the claimed elements are functional" and others are not, in this case, the court held, none of the elements were nonfunctional, thus rendering the trade dress unsuitable for protection. Nor, the court found, could the presumption of functionality be overcome because NeoMed's product had some features making it visually distinguishable from competing products, finding that those features were insufficient to qualify for trade-dress protection. Finally, the court rejected NeoMed's contention that its efforts to create a coalition of manufacturers to promote the use of orange as the official color to signal enteral use was unsuccessful and therefore should not be held against it. The court noted that the fact that color selection was not universal in the industry did not transform it into a nonfunctional feature. In finding in Acacia's favor on the summary judgment motion, the court directed the PTO to cancel NeoMed's trademark registration.

CONCLUSION

This case demonstrates the significant role that a trademark owner's own advertising and marketing efforts can play in a court's evaluation of functionality and the critical need for a company's legal and marketing departments to work together to secure and protect product trade dress.

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Civil Cases

Amerigas Propane, L.P. v. Opinion Corp., 2012 WL 2327788 (E.D. Pa. June 19, 2012)

by Julia Anne Matheson

CASE SUMMARY

FACTS

Defendant Opinion Corp. ("Opinion") operates PissedConsumer.com, a consumer-review website that allows third parties to post negative reviews about businesses. Opinion publishes the negative reviews to a subdomain or URL that uses the business's name (e.g., **businessname**.pissedconsumer.com), includes the business name in the site's metatags, and utilizes the Google Adwords feature to present third-party advertising, including advertisements of a featured business's competitors. In addition to profiting from the posted advertising, Opinion offers paid "premium reputation management services" that allow a targeted business to respond to complaints and otherwise manage its PissedConsumer.com page. Plaintiff Amerigas Propane, L.P. ("Amerigas"), one of the companies targeted by Opinion, sued for trademark infringement, unfair competition, and various state-law claims.

ANALYSIS

Opinion sought to dismiss the complaint, claiming, among other things, that it did not use AMERIGAS as a trademark and that its use of the mark was protected under the doctrine of nominative fair use as part of protected critical speech. The court disagreed.

On the issue of whether Opinion's use of AMERIGAS qualified as a trademark use, the court concluded that use of a mark to trigger Internet advertisements and market "premium reputation management services" satisfied the Lanham Act's "use in commerce" requirement for trademark infringement.

The court also disagreed with Opinion's nominative fair-use defense. The Third Circuit uses a two-step approach for analyzing whether the nominative use is fair and therefore permissible. First, a plaintiff must prove that confusion is likely. Once confusion is demonstrated, the burden shifts to the defendant to demonstrate that its use of the mark is nonetheless fair by showing that (1) the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service; (2) the defendant's use is only so much as is necessary to describe the plaintiff's product; and (3) the defendant's conduct or language reflects the true and accurate relationship between the plaintiff and the defendant's products or services. Applying this two-part analysis, the court concluded that it was "premature to make any findings with respect to nominative fair use without the benefit of discovery," as the factors were fact-intensive and required evidentiary support. In reaching its decision, the court rejected an earlier case in which the district court held that inclusion of the word "pissed" in a domain name was sufficient to prevent a reasonable consumer from being confused.¹ The court distinguished that case as it involved a motion for a preliminary injunction, not a motion to dismiss for failure to state a

claim.

The court upheld Amerigas's claim on initial-interest confusion, holding that while Opinion did not directly sell similar products to Amerigas, it provided advertising links to Amerigas's competitors that were probative of the type of damage caused by initial-interest confusion. While acknowledging that there were no cases of initial-interest confusion within the Third Circuit, the court signalled that initial-interest confusion was applicable.

The court rejected Opinion's attempted reliance on the Communication Decency Act ("CDA"), which provides immunity for passive website operators. Noting the allegations that Opinion not only solicited negative reviews, but wrote negative reviews itself, the court held that the CDA was inapposite.

CONCLUSION

This decision is one of the first cases in the Third Circuit to address initial-interest confusion in keyword advertising. It also suggests that infringers cannot shield themselves from infringement behind criticism-style URLs.

¹ http://www.finnegan.com/files/upload/Newsletters/Incontestable/2012/DecemberJanuary/Incontestable_Dec11Jan12_1.html

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Civil Cases

Bauer Bros. LLC v. Nike, Inc., **2012 WL 1900047 (S.D. Cal. May 24, 2012)**

by Laura K. Johnson

CASE SUMMARY

FACTS

Bauer Bros. LLC ("Bauer") filed applications for the mark "Don't Tread on Me" in April 2004 and the mark "DTOM" in January 2006. Both applications claimed a "first use in commerce" date of March 2004 and covered 114 items of apparel. The PTO subsequently registered Bauer's marks.

Nike, Inc. ("Nike") first sold apparel and footwear in commerce bearing the phrase "Don't Tread on Me" in December 2005 and "DTOM" in March 2006. Nike made the decision to use the marks following a trademark consultant's research showing that Bauer was not using the trademarks in commerce as of late 2005.

In 2009, Bauer filed suit against Nike in the U.S. District Court for the Southern District of California alleging (1) unfair competition under Section 43(a) of the Lanham Act; (2) unfair competition under California law; and (3) common-law trademark infringement. Nike counterclaimed, seeking cancellation of the "Don't Tread on Me" and "DTOM" registrations, alleging that they were fraudulently procured as, contrary to the declarations accompanying its applications, Bauer was not using the marks in commerce on all of the listed apparel items at the time the use claims were made.

Bauer subsequently amended its "Don't Tread on Me" registration with the PTO to delete all but one of the 114 items and to cover only T-shirts, but made no similar amendment to its "DTOM" registration. Bauer's owner stated in his deposition testimony that at the time the trademark applications were filed, the "Don't Tread on Me" and "DTOM" marks were only being used in commerce for T-shirts. He also testified that Bauer had included a larger number of goods in its PTO applications with the intent of building a brand by protecting a broader scope of goods.

The parties cross-moved for summary judgment. Nike sought summary judgment on the grounds that Bauer's trademarks were invalid because Bauer could not prove use of the trademarks in commerce at the time of filing its use-based trademark applications nor prior to Nike's own use of the marks in commerce. Bauer sought summary judgment on Nike's counterclaims, arguing that its trademarks were not fraudulently procured.

ANALYSIS

In granting Nike's motion for summary judgment on Bauer's unfair-competition and infringement claims, the court held that where, as here, an applicant for a use-based trademark application fails to produce

any evidence of bona fide use of the mark, summary judgment is appropriate.

Nike provided sales records, internal e-mails, and marketing materials to establish its first use of the “Don’t Tread on Me” and “DTOM” marks in 2005. Evidence presented by Nike rebutted the presumption of validity established by Bauer’s federal trademark registrations, including evidence from Nike’s trademark consultant showing that Bauer was not using the marks on any goods in commerce as of late 2005.

Bauer failed to counter with evidence of bona fide use of the marks in commerce either at the time it filed its respective applications or at any time before Nike’s dates of first use. Bauer’s tax returns and sales receipts, along with its deposition testimony and declarations, failed to provide “cognizable or probative evidence” of production of marked apparel or sale of that apparel prior to Nike’s use. Thus, Bauer failed to demonstrate bona fide prior use rendering its “Don’t Tread on Me” and “DTOM” registrations void ab initio and incapable of supporting either of the claims asserted against Nike.

The court also denied Bauer’s motion for summary judgment on Nike’s fraud counterclaims. The court noted that, to cancel a trademark registration for fraud on the PTO, the party seeking cancellation must establish the following elements: (1) a false representation regarding a material fact; (2) the registrant’s knowledge or belief that the representation is false; (3) the intent to induce reliance upon the misrepresentation and reasonable reliance thereon; and (4) damages resulting from the reliance. The court gave a nod to the *Bose* decision from the Federal Circuit in emphasizing that there is no fraud where a false representation results from an honest misunderstanding or inadvertence without a willful intent to deceive. An intent to defraud can, however, be inferred from indirect and circumstantial evidence (i.e., from objective manifestations of that intent) and should not focus on a registrant’s *subjective* intent. Further, because a charge of fraud is a disfavored defense, the party alleging fraud bears a heavy burden and must prove the claim “to the hilt with clear and convincing evidence.”

While Bauer claimed that its inclusion of all 114 items was a mistake due to a layperson’s “misunderstanding of the trademark laws,” that all the information in the application was true to the best of the signatory’s understanding, and that Bauer did not intend to deceive the PTO, the court found otherwise. In particular, the court agreed with Nike that Bauer had made an intentionally false misrepresentation of material fact both in alleging use of the marks on all 114 items and citing a date of first use as a predicate to its applications that was unsupportable. As Bauer expanded its description of goods in an effort to gain broader protection for the “Don’t Tread on Me” and “DTOM” trademarks, the court held that there was sufficient evidence to support the inference that Bauer intended for the PTO to rely on false representations and therefore intended to defraud the PTO such that summary judgment against Nike’s counterclaims was not appropriate.

CONCLUSION

This case demonstrates that the federal courts have embraced the dictates of the *Bose* decision that fraud on the PTO be proved to the hilt with clear and convincing evidence, and requires a showing of scienter rather than mere negligence or inadvertence. A determination of scienter should, however, be based upon an objective determination rather than merely relying upon a registrant’s subjective claim of good faith.

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Civil Cases

Gucci Am., Inc. v. Guess? Inc., **2012 WL 1847646 (S.D.N.Y. May 21, 2012)**

by Whitney Devin Cooke

CASE SUMMARY

FACTS

Plaintiff Gucci America, Inc. ("Gucci") and its affiliated companies own and control the world famous GUCCI brand. Among Gucci's iconic designs are its Green-Red-Green stripe design ("GRG Stripe"), its "Stylized G" design mark, and its "Diamond Motif" trade dress, featuring a repeating diamond pattern bearing interlocking paired G letters on the corners. Gucci has used these iconic designs for decades on a wide variety of products, ranging from handbags to sunglasses, watches, and car interiors.

Defendant Guess? Inc. ("Guess") sells branded apparel and accessories in hundreds of retail stores and over one thousand department stores nationwide. Since its founding in 1981, Guess has established itself as a "mid-market lifestyle brand" for men and women. Guess has promoted its brand name in a script-font with a "loop" in the letter "G" at the beginning of the GUESS name and/or an underline under the GUESS name ("Guess Script") on its products since the early 1980s. Guess first sold products bearing a "Square G" design in 1996, and has used the Square G design on over fifty different styles of handbags, selling millions of units of merchandise bearing that design.

By its own admission, Guess began referencing Gucci designs for its products in the early 2000s. In 2003, Guess designed its "Quattro G" pattern, featuring a diamond design "anchored" in its corners by a "Quattro G" design. After the "Quattro G" handbag was released in 2005, Guess licensee Marc Fisher Footwear sent its Italian fabric agent clippings of Gucci fabric to create a two-tone woven canvas look and brown-beige color scheme. Handbags bearing the "Quattro G" design in this two-tone canvas design became a hit, and Guess used the design on various styles of handbags and shoes for several seasons.

In 2007, Guess designers came up with a "Melrose 2 men's shoe" design, which, as one designer instructed the shoe manufacturer, should bear striping detail that is "Green/Red/Green like . . . GUCCI." Guess designers further instructed the shoe manufacturer to "please reference the GUCCI sneaker" for the correct stripe color for the Melrose 2 shoe. In November 2008, however, a Guess attorney sent an e-mail to the manufacturer with instructions to "stop using Gucci red and green ribbon detail" on the shoes, and ordered that the shoes be withdrawn from Guess's website and stores.

That same month, Gucci first learned of the Melrose 2 shoe when an investigator for Gucci purchased a Guess men's shoe bearing the GRG Stripe. Despite Guess's recall instructions, Guess shoes bearing the copycat GRG Stripe were still produced.

Gucci filed suit against Guess and a number of Guess licensees in May 2009. In its complaint, Gucci alleged trademark infringement and counterfeiting of iconic Gucci designs “in an attempt to ‘Gucci-fy’ [Guess’s] product line.”

ANALYSIS

Following a bench trial, the U.S. District Court for the Southern District of New York found in favor of Gucci on most of its trademark-infringement claims.

Regarding Gucci’s claim that Guess’s Quattro G pattern infringed its Diamond Motif trade dress, the court found that Gucci’s Diamond Motif was entitled to protection, despite the fact that it was unregistered. Applying the test for likelihood of confusion, the court found that while the strength of the Diamond Motif mark weighed in favor of Gucci, the similarity of the marks weighed only slightly in favor of Gucci. The court noted the similar elements in the two patterns, including the obvious use of the letter “G,” but also recognized that there were differences, such as Guess’s use of its Quattro G design to “anchor” the corners of the diamond design. Gucci’s diamond design did not feature any Gucci marks in the corners of its Diamond Motif. The court did find, however, marked similarities between Gucci’s Diamond Motif and Guess’s Quattro G design when the Guess design appeared “in brown/beige colorways on a two-tone canvas background.” A side-by-side comparison below shows Gucci’s Diamond Motif (left) and Guess’s Quattro G pattern (right).



The court rejected Guess’s argument that there was no likelihood of confusion based on the higher-end clientele of Gucci’s products, noting that consumers could believe that the Quattro G pattern represented an attempt by Gucci to create a more “mid-market” line of products. Though Gucci produced no evidence of actual confusion, the court presumed actual confusion in light of evidence showing that Guess had intentionally copied Gucci’s Diamond Motif trade dress.

Ultimately, the court concluded that a likelihood of confusion existed between Gucci’s Diamond Motif trade dress and Guess’s Quattro G pattern, but only for Guess’s products bearing the Quattro G pattern in “brown/beige colorways.” Accordingly, it limited Gucci’s damages for the infringement of the Diamond Motive trade dress to Guess’s profits on the sale of those brown/beige products only.

The court next concluded that Guess’s use of Gucci’s iconic GRG Stripe on a shoe constituted trademark infringement, noting that Guess’s conduct was “so egregious” that a full likelihood-of-confusion analysis was unnecessary. The court concluded as a matter of law, however, that Guess’s use of alternative color combinations “visually dissimilar” from Gucci’s GRG Stripe did not create a likelihood of confusion. Accordingly, the court limited Gucci’s damages to profits from the sale of products bearing the green-red-green stripe. A side-by-side comparison of Gucci’s GRG Stripe shoe (left) and Guess’s GRG Stripe shoe in a brown-red-brown color scheme (right) is shown below.



Analyzing Guess's Square G design, used since Guess's founding in the early 1980s, the court found only three instances of use of the mark that were likely to cause confusion with Gucci's Stylized G. Noting that Gucci had used its Stylized G primarily to line the inside of its handbags and that it was a relatively weak mark, the court found that Guess's mark generally did not cause a likelihood of confusion. After "exhaustively reviewing" Guess products bearing a Square G design, the court found that only three products—a belt and two shoe styles—bore the Square G design in a manner "substantially identical in shape] that . . . will convey the same overall commercial impression as the Stylized G." The Square G design-infringement finding was thus limited to these items.

In addition, the court held that the Guess Script did not infringe the Script GUCCI mark, based in part on the fact that "the use of script fonts is extremely common in the fashion industry." The court noted the dissimilarity between the Guess Script and Script GUCCI mark, stating that the Guess Script "creates a distinct commercial impression in line with the 'Guess Girl' aesthetic." The court found no likelihood of confusion "whatsoever" based on its analysis of the remaining likelihood-of-confusion factors.



Regarding Gucci's dilution claims, the court found that Guess's Quattro G and GRG Stripe marks created a likelihood of dilution. The court determined that both designs were specifically created by Guess to trade off the goodwill associated with Gucci's iconic Diamond Motif and GRG Stripe designs. Similar to its infringement ruling, the court limited its finding on dilution of the Quattro G pattern to instances in which that pattern appeared in a brown and beige diamond motif, and limited its finding on dilution of the GRG Stripe design to green-red-green stripe combinations only.

The court granted Gucci's claim for cancellation of Guess's trademark registration for its Quattro G pattern, finding that Guess had not used the pattern in a square orientation, as depicted in its registration. The court found that Guess's use of the Quattro G pattern in a diamond orientation created a "distinct commercial impression" from its use in a square orientation, and concluded that Guess had abandoned its mark shown in the Quattro G pattern registration.

The court denied Gucci's counterfeiting claims, stating that counterfeiting claims are reserved for "those situations where entire products have been copied stitch-for-stitch." The court noted that Gucci's counterfeiting claims were "more appropriately addressed under traditional infringement principles."

The court found that the defendant was not entitled to any of its equitable defenses, namely, laches, acquiescence, and equitable estoppel, and that Gucci had not abandoned any of its trademarks. Also, the court concluded that Gucci's claims regarding the Diamond Motif trade dress were not barred by the

doctrine of aesthetic functionality, noting that Gucci was not claiming trade-dress rights in canvas fabrics in brown/beige colorways, but was instead “claiming trade dress rights in such fabrics in combination with the use of the Repeating GG pattern.”

Finally, with regard to damages, the court denied Gucci’s request for actual damages because its calculation was too “speculative,” as calculated by Gucci’s expert. Although Gucci’s expert alleged that Guess had made more than \$200 million in profits for goods bearing the accused designs, the court found that Gucci was only entitled to Guess’s net profits from those products found to infringe, namely, products bearing the GRG Stripe design in green-red-green combinations and products bearing the Quattro G pattern in a brown-and-beige motif. The court concluded, after weighing all the equities, including the need to deter future willful infringement, that Gucci was entitled to \$4,613,478 of Guess’s profits.

The court permanently enjoined Guess and its licensees from using the Quattro G pattern, GRG Stripe, and certain Square G marks, stating that “the conclusions of infringement and dilution give rise to a presumption that Gucci has suffered irreparable harm in that it has lost goodwill towards its unique brand as well as the ability to control its reputation in the marketplace.” The court noted that such injuries could not be remedied fully by a monetary award.

Notably, the judge expressed her distaste for the nature of the three-year litigation between the parties, and stated her hope that future disputes between fashion companies “will be limited to the runway and shopping floor, rather than spilling over into the courts.”

CONCLUSION

Even in the face of strong evidence of the intentional copying of a famous design, a court may limit damages for trademark infringement and dilution to a defendant’s profits from the sale of products that featured the infringing design in a particular color or as part of a particular pattern.

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Civil Cases

Vizer v. VIZERNEWS.COM, **2012 WL 2367130 (D.D.C. June 22, 2012)**

by Julia Anne Matheson

CASE SUMMARY

FACTS

Plaintiff Marius Vizer is a prominent judo personality living in Hungary. An unknown individual registered the domain name vizernews.com and launched a website featuring Vizer's name, photograph, and news and information about Vizer. Unable to identify the person or entity responsible for registering the domain name, Vizer filed an in rem action in the District Court in Washington, DC, under the Anticybersquatting Consumer Protection Act ("ACPA"), claiming bad-faith domain name registration. Vizer selected the jurisdiction based upon ICANN's maintenance of an office in the District. When no defendant appeared in court, Vizer moved for default judgment. The district court denied the default motion and dismissed the case, holding that ICANN, the organization responsible for managing the Internet domain name system, which "links user-friendly names . . . to unique numeric addresses that identify servers connected to the internet," was not a "domain name authority" that performed the functions of registering domain names under the ACPA.

ANALYSIS

The ACPA prohibits the "bad faith registration of trademarks as domain names." Where the owner of the infringing domain name cannot be found, the ACPA allows for the filing of an in rem action against the domain name itself in the "judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located." Vizer claimed that ICANN was a "domain name authority" because it accredited domain name registrars and allowed them to give access to individual domain name registrants. The court rejected this argument, holding that ICANN was not involved in registering or assigning the disputed domain name to numeric Internet protocol addresses or to registrants. In reaching its ruling, the court relied upon the legislative history of the ACPA, which "explicitly noted that the [in rem] provision does not cover ICANN or its constituent units." Thus, "ICANN's role within the domain name system did not give it the 'hands-on' role in 'register[ing]' or 'assign[ing]' the defendant domain name sufficient to confer in rem jurisdiction in this Court over this defendant."

CONCLUSION

This case highlights the importance of choosing the right jurisdiction for in rem actions under the ACPA. The Eastern District of Virginia, located mere miles from the D.D.C., would have been the proper jurisdiction for this action, as the domain name registry was headquartered in Virginia. The case also confirms that ACPA's in rem jurisdiction provision does not include ICANN or its subsidiaries.

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Federal Circuit Cases

DuoProSS Meditech Corp. v. Inviro Med. Devices, Ltd., **2012 WL 3292920 (Fed. Cir. Aug. 14, 2012)**

by Yasmin Tavakoli Egge

CASE SUMMARY

FACTS

DuoProSS Meditech Corp. ("DuoProSS") and Inviro Medical Devices, Ltd. ("Inviro") are both manufacturers of medical syringes designed to prevent accidental needle sticks, and compete in the medical-device industry. Inviro picked a fight when it petitioned to cancel a trademark registration owned by DuoProSS for BAKSNAP & Design for safety syringes for medical use. DuoProSS answered with its own retaliatory cancellation counterclaims against registrations for SNAP! & Design, SNAP SIMPLY SAFER, and three SNAP standard-character mark registrations, all for use in connection with medical syringes. While Inviro withdrew its petition to cancel DuoProSS's BAKSNAP & Design registration, DuoProSS maintained its counterclaims against Inviro's SNAP marks. The TTAB sustained DuoProSS's counterclaims as to the SNAP standard-character marks, noting that the term SNAP was merely descriptive because, in order to safely disable the needles, one had to "snap" off the plunger. When the TTAB declined to cancel SNAP! & Design as well as SNAP SIMPLY SAFER, DuoProSS filed an appeal. The Federal Circuit found that substantial evidence failed to support the TTAB's conclusion that SNAP! & Design and SNAP SIMPLY SAFER were not merely descriptive, and remanded the case with instructions to cancel both of Inviro's remaining registrations.

ANALYSIS

Focusing first on the proper classification of the SNAP! & Design mark, the Federal Circuit concluded that the TTAB improperly dissected the mark into the literal element SNAP and the broken exclamation point instead of considering the commercial impression of the mark as a whole. By dissecting the mark SNAP from its accompanying exclamation-point design, the TTAB reached the erroneous conclusion that Inviro's exclamation point was "fanciful" for medical syringes. In addition, the TTAB failed to consider the overall context in which consumers would encounter Inviro's SNAP! & Design mark, such as the fact that Inviro's syringes were each packaged with instructions to "Snap off the plunger!", and the disabling instructions found on Inviro's website that prominently pictured a broken plunger and the word "snap." With respect to the SNAP SIMPLY SAFER mark, the Federal Circuit concluded that the additional terms "simply" and "safer" emphasized "the most important advantage of Inviro's products: their safety," and because these terms were merely laudatory or puffery, their inclusion in the overall mark could not save the mark from being merely descriptive.

CONCLUSION

This decision reminds trademark owners and practitioners to be cognizant of the commercial context in which trademarks appear, as the Federal Circuit has established a clear precedent for how product

packaging and marketing may inform the issue of registrability.

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Federal Circuit Cases

Lens.com, Inc. v. 1-800 Contacts, Inc., **686 F.3d 1376 (Fed. Cir. Aug. 3, 2012)**

by Yasmin Tavakoli Egge

CASE SUMMARY

FACTS

Lens.com, Inc. ("Lens.com"), an online retailer of contact lenses and related products, appealed a TTAB decision granting 1-800 Contacts, Inc.'s ("1-800 Contacts") motion for summary judgment and ordering the cancellation of Lens.com's registration for the mark LENS. Lens.com owned the subject LENS registration by virtue of an assignment as part of a settlement agreement in a third-party TTAB proceeding. 1-800 Contacts filed to cancel Lens.com's assigned LENS registration, alleging that Lens.com fraudulently obtained or alternatively abandoned its registration because it never sold or otherwise engaged in the trade of computer software featuring programs for use in the field of optometry. 1-800 Contacts subsequently filed a motion of summary judgment on the claim of abandonment, which the TTAB granted, resulting in the cancellation of Lens.com's LENS registration. On appeal, the Federal Circuit affirmed the TTAB's decision granting summary judgment in favor of 1-800 Contacts.

ANALYSIS

In determining whether the LENS mark had ever been "used in commerce," the Federal Circuit indicated that the focus of its inquiry was whether Lens.com's software was a "good" that was "transported in commerce," because an article does not qualify as a "good in trade" when it is simply the conduit through which one renders its services. Rather, a "good in trade" must have a viable existence on its own (instead of being inextricably tied to another service), and should have an independent value apart from other goods or services. Because Lens.com's software served merely as the portal through which it rendered its online retail services, there was no evidence that the software had any independent value apart from rendering Lens.com's ordinary retail services. Thus, the Federal Circuit concluded that the TTAB properly determined that the mark LENS did not meet the "use in commerce" requirement for its software, and affirmed the cancellation order.

CONCLUSION

This case is one of the few addressing whether, in the context of Internet services and Internet service providers, software is an independent good in commerce or is merely incidental to the Internet services.

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Federal Circuit Cases

Midwestern Pet Foods, Inc. v. Societe des Produits Nestle S.A., 685 F.3d 1046 (Fed. Cir. July 9, 2012)

by Stephanie H. Bald

CASE SUMMARY

FACTS

Societe des Produits Nestle S.A. ("Nestle") opposed Midwestern Pet Foods, Inc.'s ("Midwestern") intent-to-use application for the mark WAGGIN' STRIPS for "pet food and edible pet treats" on grounds of a likelihood of confusion with and dilution of its earlier registered and used mark BEGGIN' STRIPS for "dog snacks." During discovery, Nestle objected to Midwestern's discovery requests as overbroad and unduly burdensome, irrelevant and/or protected by the attorney-client privilege and work-product doctrine, or proprietary and not required to be produced before entry of a protective order. Nestle agreed to produce "at a mutually agreeable time and place" nonprivileged documents to the extent the requests were not objectionable on some other basis, and later agreed to reconsider certain of its responses if Midwestern narrowed its requests. Following entry of a protective order, Midwestern took no steps to arrange for the production of the documents that Nestle had agreed to produce, and neither party narrowed its requests or moved to compel any of the requested documents.

At trial, Midwestern asserted a number of objections to Nestle's notices of reliance, testimony, and exhibits on the ground that some of the documents were responsive to Midwestern's document requests, but Nestle had represented during discovery that no documents responsive to that request existed. The TTAB dismissed the majority of Midwestern's objections, finding that Nestle's discovery responses "in no way led [Midwestern] to believe that no documents satisfied [its] discovery requests." The TTAB further ruled that because Midwestern was dissatisfied with Nestle's failure to produce documents in response to its document requests, it was incumbent on Midwestern to file a timely motion to compel as a means of testing Nestle's objections. Having failed to do so, Midwestern waived its right to object to such evidence on the ground that Nestle should have produced it during discovery and did not. Regarding fame evidence postdating the filing date of Midwestern's application, the TTAB held that although the fame of Nestle's BEGGIN' STRIPS mark had to be established before Midwestern's filing date, the evidence was relevant to the issue of likelihood of confusion because the TTAB considers evidence of fame for purposes of likelihood of confusion up to the time of trial. Midwestern appealed to the Federal Circuit.

ANALYSIS

On appeal, Midwestern argued that the TTAB erred by failing to sustain Midwestern's objections to the admission of Nestle's evidence of its advertising, sales, and marketing activities, because Nestle did not produce those documents in response to Midwestern's discovery requests. The Federal Circuit dismissed Midwestern's argument. First, the court pointed out that because the opposition was filed prior to 2007, when TTAB procedures were amended to require mandatory disclosures, Nestle was not

required to serve initial or pretrial disclosures. Further, for cases governed by the pre-2007 procedures, TTAB precedent holds that the parties do not have a right to disclosure of the documents and witnesses that the opposing party intends to rely on at trial. The Federal Circuit agreed with the TTAB that, because Nestle objected to the discovery requests on various grounds, TTAB procedures applicable to pre-2007 procedures required Midwestern to move to compel production or test the sufficiency of Nestle's responses, rather than wait until trial to object to the evidence that Nestle had not produced during discovery. Because of Midwestern's failure to follow up on Nestle's offers to produce certain materials at a mutually agreeable time and place, and to respond to narrower document requests or to move to test the sufficiency of Nestle's responses or compel certain documents, the court held that the TTAB did not abuse its discretion by refusing to strike Nestle's evidence.

Additionally, Midwestern argued that the TTAB erred in admitting evidence of the fame of Nestle's BEGGIN' STRIPS mark that postdated the filing date of Midwestern's application for the mark WAGGIN' STRIPS. The court ruled that evidence of postapplication filing-date fame, although not relevant to the issue of *dilution*, is relevant to the issue of *likelihood of confusion*. Thus, while a party asserting dilution in an opposition proceeding must establish that its mark became famous prior to the filing date of an intent-to-use application, no such restriction applies to use of evidence of the strength of the mark for purposes of showing likelihood of confusion. Accordingly, the TTAB did not err in considering this postapplication filing-date evidence.

CONCLUSION

While the decision relates to pre-2007 oppositions, it is instructive in counseling that parties dissatisfied with an adversary's discovery responses should move to compel or risk waiving any objections to the admission of trial evidence not produced during discovery. The decision is also noteworthy for its ruling on the relevance of postapplication filing-date fame in a likelihood-of-confusion analysis.

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Unregistrable

Free Samples? At Costco, Yes. In Rap and Hip-Hop, No!

by Robert D. Litowitz

"Out of the blue and into the black. They give you this, but you pay for that. And once you're gone, you can never come back." - Neil Young

In "*Hey Hey, My My*," Neil Young lamented the fates of Elvis and Johnny Rotten. But his lyrics could have applied as well to the fates of many songs, books, and other creative works that originated outside the United States and were protected by foreign copyright, but had entered the public domain in the United States. Those works are free for anyone to perform, reproduce, or use in this country. That situation was a boon for orchestras, singers, publishers, and others, who had a trove of material to use for free. At least that was the case until the U.S. Congress stepped in. In 1994, Congress passed a law to implement treaty obligations imposed by a global agreement—the so-called Uruguay Round. The law essentially rescued a large volume of foreign-based works from the public domain and put them back under copyright protection.

The law threatened to impose a hefty toll on users who had become accustomed to using those works on the public domain's "freeway." So a coalition of orchestra conductors, educators, performers, motion picture distributors, and others challenged the law. They argued that the law violated the U.S. Constitution, challenging Congress's right to resurrect works whose copyrights had died. They also complained that the law trampled their freedom of speech.

The U.S. Supreme Court, in a 2012 opinion by Justice Ginsburg, rejected the challenge across the board in *Golan v. Holder*. The Court confirmed Congress's power to restore copyrights, just as the Court had previously affirmed Congress's power to lengthen their term. See *Eldred v. Ashcroft*. The *Golan* decision confirms that works protected by foreign copyright also enjoy the protections of the U.S. copyright law for the rest of their term in their home country, even if those works had entered the public domain in this country. And the Court showed no sympathy for the challengers' claims that plucking works from the public domain would put free-riding performers on the sidelines or in the poorhouse.

So now, orchestras will have to pay to play Prokofiev's Russian-born *Peter and the Wolf*, just as they pay to perform Aaron Copland's quintessentially American *Fanfare for the Common Man*. But the United States will be able to honor its Uruguay Round obligations, U.S. copyright law will be harmonized with international standards, and, to paraphrase Neil Young, everyone can "Keep on Rockin' in the Free World." Just not for free.

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Cases to Watch

On June 25, 2012, the U.S. Supreme Court granted certiorari in *Already LLC d/b/a Yums v. Nike Inc.*, No. 11-982, on the question of whether federal courts have jurisdiction under Article III of the U.S. Constitution to hear challenges to the validity of a federally registered trademark when a registrant has offered a covenant not to sue. At issue is whether a covenant not to sue moots the dispute to eliminate any "case or controversy" so as to divest the court of subject matter jurisdiction. Stay tuned.

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gTLD Update and Upcoming Deadlines

On June 13, 2012, ICANN revealed the 1,930 applications for new generic top-level domains ("gTLDs"). The list of new gTLD applications is located on ICANN's website at <http://newgtlds.icann.org/en/program-status/application-results/strings-1200utc-13jun12-en>.

We recommend that trademark owners review the list to identify any potentially problematic gTLDs and to consider options for objecting.

At this stage in the gTLD evaluation period, there are two ways for trademark owners to voice concerns or dispute an application: submitting a Public Comment and/or filing a formal Objection.

Public Comment Period Extended to September 26, 2012

The Public Comment period opened on June 13, 2012. The deadline to submit a Public Comment was originally August 12, 2012, and has been extended to September 26, 2012, according to ICANN's announcement at <http://www.icann.org/en/news/announcements/announcement-2-10aug12-en.htm>. Comments may be submitted online at <https://gtldcomment.icann.org/comments-feedback/applicationcomment/login>. Previously submitted comments may be searched and viewed at <https://gtldcomment.icann.org/comments-feedback/applicationcomment/viewcomments>. There is no cost or filing fee for submitting a Public Comment.

A party submitting a Public Comment identifies the objection ground by selecting one of thirteen preset categories identified by ICANN. Each category has a standard of review. For example, Comments filed under "String Similarity" will be considered as part of the application's evaluation by ICANN. Comments filed under "Community" will be considered by ICANN, and by the dispute-resolution service provider if a formal Objection is also filed. Public Comments designated in the "Other" category will not be part of any evaluation or objection process.

Public Comments must be submitted by September 26, 2012, to be considered by the evaluation panels and/or dispute-resolution service providers. Public Comments submitted after the deadline will not be considered by the evaluation panels or dispute-resolution service providers.

Formal Objection Period Ends in 2012

The Objection period opened on June 13, 2012, and according to ICANN's website, "is intended to remain open for approximately seven months" (approximately January 13, 2013, although no formal deadline has been announced).

After the objection filing period closes, all objections received will move through the dispute-resolution process, estimated to take approximately five months, in the absence of extraordinary circumstances. Accordingly, trademark owners should plan to file any Objections between now and December 2012 at the latest.

Formal Objections may be filed under four grounds: String Confusion, Legal Rights, Limited Public Interest, and/or Community. Filing fees apply when submitting a formal Objection. An overview of the formal Objections is located on ICANN's website at

<http://newgtlds.icann.org/en/program-status/objection-dispute-resolution>.

Phonetically Identical Domain Names May Be in the Future

Currently, domain names are available in Latin characters (e.g., CARS.COM), which are commonly referred to as ASCII domain names. Domain names are also available in various foreign-language scripts, where the term to the left of the dot is represented in foreign-language characters and the gTLD is represented in Latin characters (e.g., 車.COM, which renders "cars" in Japanese). Foreign-language script domain names are commonly referred to as internationalized, or IDN, domain names.

VeriSign SARL of Switzerland ("VeriSign"), affiliated with U.S. VeriSign Inc. and the registry operator for .COM and .NET, has applied to register twelve gTLDs that are foreign-language transliterations of .COM and .NET. These gTLDs are phonetic equivalents of .COM and .NET that are written in a foreign-language script. Specifically, VeriSign has applied for transliterations of .COM in Thai, Japanese, Hebrew, Arabic, Simplified Chinese, Traditional Chinese, Cyrillic, Hindi, and Korean. VeriSign's applications for transliterations of .NET are in Hindi, Simplified Chinese, and Korean.

VeriSign's applications identify two "target" existing-registrant groups, but it does not appear from VeriSign's applications that the new gTLDs are restricted solely to these two groups or to particular registrants.

The first "target" group is comprised of registrants of existing IDN domain names. Accordingly and continuing with the above example, a registrant who now has 車.COM might be able to register the phonetically identical name 車.コム, which renders CARS.COM fully in Japanese. Because VeriSign's applications do not describe any restrictions for future registrants, it may also be possible for a third party to register a phonetically identical domain name.

The second "target" group is comprised of owners of existing ASCII domain names. Accordingly, a registrant who now has CARS.COM might be able to register CARS.コム — or a third party may be able to do so.

If VeriSign's transliterated gTLDs are cleared by ICANN, it may be possible in the future that brand owners of existing .COM domain names will have to consider purchasing the phonetically equivalent variations in order to prevent such identical domain names from being registered by third parties.

As of June 29, 2012, there are three Public Comments posted by two individuals regarding VeriSign's application for the Arabic transliteration of .COM. Two Comments object on the basis of potential confusion, and one Comment asserts that no confusion is likely.

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