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

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by David M. Kelly

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Stephen Slesinger, Inc. v. Disney Enters., Inc.,
702 F.3d 640 (Fed. Cir. Dec. 21, 2012)

by Stephanie H. Bald

In another chapter in the long-running battle over rights in the Winnie-the-Pooh franchise, the Federal Circuit concludes that Slesinger granted all of its rights in the characters to Disney, and retained no rights that Disney could infringe.

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Civil Cases

AK Metals, LLC v. Norman Indus. Materials, Inc., 2013 WL 417323 (S.D. Cal. Jan. 31, 2013)

by David M. Kelly

CASE SUMMARY

FACTS

Plaintiff AK Metals, LLC ("AK") distributes metal supplies under the mark "Escondido Metal Supply." AK alleged that Defendant Norman Industrial Materials, Inc. ("NIM"), a direct competitor, infringed AK's mark by using it as a search-engine keyword trigger and in the header of its paid Google advertisements. Specifically, NIM included in its initial ads AK's mark next to NIM's website address, as shown below on the left. NIM claimed that Google "automatically" inserted AK's mark into the ad header. NIM later removed the mark from the header of its ads, as shown below on the right.

ANALYSIS

AK filed a motion for a preliminary injunction, which the court denied, finding that AK was unlikely to prove that a likelihood of confusion existed. The court applied the Ninth Circuit's special keyword test for likelihood of confusion from its decision in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011), which emphasized four factors: (1) the strength of the mark, (2) evidence of actual confusion, (3) types of goods and degree of care likely to be exercised by the typical purchaser, and (4) the labeling and appearance of the advertisements.

The strength-of-the-mark factor favored NIM because "Escondido Metal Supply," as an unregistered mark, was not "inherently distinctive" and also was not a "fanciful or suggestive name." Rather, it was merely "a combination of a geographic term and a description of a category of goods" that showed "an obvious connection to the goods to which it refers."

The actual-confusion factor also favored NIM because of the "sparse record." Initially, the court found that "one instance of a consumer potentially being confused . . . was not sufficient evidence of actual confusion." AK also argued that at least 35 of 603 individuals searching for "Escondido Metal Supply" on Google during an unspecified period of time clicked on NIM's advertisement, which, according to AK, "provided something of value to [NIM]." But NIM failed to explain how this showed consumer confusion.

The type-of-goods and the degree-of-care factors also favored NIM. Regarding the goods, AK failed to provide "any information on the cost of [its metal products] and the types of customers that it targets with its marketing," and thus failed to show that the type of goods supported a finding of customer confusion. Turning to the degree of care, the court noted the increased sophistication of Internet users, citing *Network Automation* for the proposition that "the default degree of consumer care is becoming *more heightened* as the novelty of the Internet evaporates and online commerce becomes commonplace" (emphasis added), and that "consumers searching for expensive products online are even more sophisticated."

Finally, the labeling and appearance of NIM's paid advertisements also favored NIM despite NIM's ads at one time displaying "Escondido Metal Supply" in the ad headers. Although the "text of [NIM's] advertisements could have been misleading if the text included [the mark] in the header," the court accepted that inclusion of AK's mark "happened because of an automated process" and that NIM removed it shortly after AK filed its complaint.

AK also argued that, unlike in *Network Automation*, where the court compared paid advertising and organic search results, the likelihood of confusion was greater here because both AK's and NIM's ads both appeared in the "sponsored ads" section. NIM emphasized that the text appearing immediately above its ad stated "Ads *related to* Escondido Metal Supply," not "Ads *for* . . . ." The court held that "[b]ecause the ads [were] clearly separated from the search results . . . and labeled as ads 'related to' the search terms, this factor [did] not strongly support [AK]." Accordingly, the court found no likelihood of success on the merits of AK's claim because none of the *Network Automation* factors weighed in favor of AK.

Finally, the court held that even if AK could show a likelihood of success on the merits, AK failed to show the required irreparable harm. While the "loss of goodwill and reputation . . . may support injunctive relief," the court stated that a "plaintiff must show that the alleged threat of irreparable harm is actual and imminent." According to the court, however, AK "merely speculate[d] that if consumers are confused between [AK] and [NIM], and [NIM's] goods [were] inferior, then *some* customers *may* develop a poorer opinion of [NIM]'s products." The court also found that AK's delay of almost two months in bringing its motion was further evidence that the harm to AK's mark was not immediate.

CONCLUSION

This case is of interest because it is one of the few cases that has applied the Ninth Circuit's special likelihood-of-confusion test for keywords, and appears to be the first case specifically relying on Google's "ad related to [search term]" wording appearing above the ad as part of the likelihood-of-confusion analysis.

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Already, LLC v. Nike, Inc., 133 S. Ct. 721 (Jan. 9, 2013)

by Michael R. Justus

CASE SUMMARY

FACTS

Nike, Inc. (“Nike”) sued Already, LLC (“Already”) in the U.S. District Court for the Southern District of New York, alleging that Already infringed Nike’s registered trade-dress rights in the design of its “Air Force 1” athletic shoes. Already counterclaimed for cancellation of Nike’s “Air Force 1” trade-dress registration. In response, Nike issued a covenant not to sue, promising to not challenge Already’s existing line of shoes or any “colorable imitations thereof.” Nike then moved to voluntarily dismiss its own claims with prejudice, and to dismiss Already’s counterclaim for cancellation as moot. The district court granted Nike’s motions to dismiss and, on appeal, the Second Circuit affirmed.

ANALYSIS

In a unanimous decision, the Supreme Court affirmed the Second Circuit, holding that the case was moot.

The Court applied the “voluntary-cessation doctrine,” which governs whether a defendant may moot a claim through voluntary compliance. The doctrine’s purpose is to guard against the possibility that a defendant may resume its wrongful conduct after the case has been declared moot, and the defendant “bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” The Supreme Court found that the doctrine applied because Nike sought to moot Already’s counterclaim through voluntary agreement to not enforce its “Air Force 1” trade-dress rights against Already’s shoes.

Applying the voluntary-cessation doctrine, the Court looked to the terms of Nike’s covenant not to sue to determine whether Nike’s allegedly wrongful behavior (i.e., enforcement of its trade-dress rights against Already) could be reasonably expected to recur:

> “[Nike] **unconditionally and irrevocably** covenants to refrain from making **any claim(s) or demand(s)** . . . against Already **or any of its . . . related business entities . . . [including] distributors . . . and employees of such entities and all customers** . . . on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law . . . relating to the NIKE Mark based on the appearance of any of Already’s current and/or previous footwear product designs, **and any colorable imitations thereof**, regardless of whether that footwear is produced . . . or otherwise used in commerce before or after the Effective Date of this

> Covenant."

Already, LLC, 133 S. Ct. at 728.

The Court stated that Nike met its "formidable burden." Specifically, the Court observed that the covenant: (1) is unconditional and irrevocable; (2) prohibited any claim or any demand; (3) protected Already and its distributors and customers; and (4) covered not only Already's previous and current lines of shoes, but also any "colorable imitations thereof."

The burden then shifted to Already to show that it "engage[d] in or had sufficiently concrete plans to engage in activities not covered by the covenant," i.e., an infringing shoe that was not a "colorable imitation" of its existing shoe designs. The Court found that Already failed to show any such plans, despite a number of opportunities to do so at each stage of the litigation, including when specifically prompted at oral argument before the Court.

The Court rejected Already's "basic policy objection" regarding alleged unfair advantages enjoyed by trademark "bullies" who could interrupt a defendant's business, supply chain, and capital flow through questionable infringement lawsuits, only to moot such cases "in the rare case where the little guy fights back." Although the Court showed some sympathy towards Already's concerns in dicta and in Justice Kennedy's concurring opinion noted below, it nonetheless held that such "sweeping" policy arguments fell short of supporting Article III standing.

Notably, the Court warned future trademark litigants regarding the potential long-term pitfalls in relying on a covenant not to sue to escape unfavorable judgments. In particular, it noted that covenants not to sue "may be a risky long-term strategy for a trademark holder," citing potential loss of rights through "naked licensing" or failure to police. The Court also noted that the Lanham Act safeguards against abusive litigation practices by providing an award of attorneys' fees in exceptional cases.

Finally, Justice Kennedy wrote a concurring opinion joined by three other Justices, which underscored the "formidable burden" faced by litigants under the voluntary-cessation doctrine. In short, the concurrence made a case for enhanced scrutiny by courts in cases where a trademark plaintiff attempts to dodge an invalidity counterclaim by mooting the case through a unilateral covenant not to sue:

> If the holder of an alleged trademark can commence suit against a competitor; in midcourse file a covenant not to sue; and then require the competitor and its business network to engage in costly, satellite proceedings to demonstrate that future production or sales might still be compromised, it would seem that the trademark holder's burden to show the case is moot may fall well short of being formidable.

Justice Kennedy's concurrence closed by noting that, given the lower courts' broad reading of Nike's covenant not to sue, Nike will be barred from suing Already in the future for "any shoe that is not an exact copy or counterfeit version of the Air Force 1 shoe."

CONCLUSION

This case clarifies the burden-shifting framework applied under the voluntary-cessation doctrine, and highlights the high hurdle litigants face that seek to exit lawsuits through voluntary-compliance measures such as covenants not to sue. Additionally, this case highlights why trademark holders should exercise caution when considering covenants not to sue as a litigation-exit strategy. In particular, trademark owners should balance the potential risk of an unfavorable judgment in a particular lawsuit against the potential loss of rights resulting from a covenant not to sue.

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Civil Cases

***Habush v. Cannon*, 2013 WL 627251 (Wis. Ct. App. Feb. 21, 2013)**

by David M. Kelly

CASE SUMMARY

FACTS

Plaintiffs Habush and Rottier were well-known personal-injury lawyers in Wisconsin and defendants Cannon and Dunphy were competitors. Beginning in 2009, defendants purchased “Habush” and “Rottier” as keywords from Google and other search engines. When users searched for either “Habush” or “Rottier,” the search results displayed paid advertisements for Cannon and Dunphy’s law firm as the first sponsored link above the regular search results. The ads did not contain plaintiffs’ names. Habush and Rottier sued defendants for invasion of privacy under Wisconsin’s invasion-of-privacy statute, which provides that it is an invasion of an individual’s privacy to “use, for advertising purposes or for the purpose of trade, . . . the name . . . of any living person without having first obtained the written consent of the person . . . .” The statute also requires that one’s privacy must be “unreasonably invaded.” In an earlier decision, the Milwaukee County Circuit Court granted defendants’ motion for summary judgment and dismissed the case on the ground that the defendants’ use did unreasonably invade the plaintiffs’ privacy.

ANALYSIS

On appeal, the Wisconsin Court of Appeals affirmed the lower court’s ruling, but on different grounds. Instead of focusing on the “unreasonably invaded” requirement, the appeals court held that defendants’ purchase of Habush’s and Rottier’s names as search-engine keywords was not a “use” under the Wisconsin statute.

The appeals court first interpreted the meaning of the word “use” in the Wisconsin statute. It found that both parties’ interpretations of the “use” requirement were reasonable. Plaintiffs argued that any type of use for commercial purposes was actionable, whereas defendants argued that the statute covered only uses that were “visible” to the public in the defendants’ advertising or products, i.e., it did not cover “invisible” uses such as defendants’ where plaintiffs’ names were not visible in defendants’ ads or on defendants’ website. The appeals court sided with defendants, holding that the statute covered only those uses that were “*visible* to the public in the sense that the used name or image [was] ‘found *in* or *on* the defendant’s product or solicitation for services’.” The court, however, limited its decision to bidding on a person’s name as a keyword search term and did not “exempt all non-visible use from coverage under the statute.” It noted that there may be unanticipated variations on the “non-visible” use of a name that could warrant a different result.

The appeals court’s decision was based in large part on its comparison of keyword advertising to "proximity advertising." It found that purchasing keywords to trigger ads on the same web page as a link to a competitor's website was similar to "locating an advertisement or business near an established competitor to take advantage of the flow of potential customers," such as a billboard or a Yellow Page ad. Habush and Rottier even admitted to the trial court that "locating a new Cannon and Dunphy branch office next to an established Habush and Rottier office" to "take advantage . . . of the value associated with the names Habush and Rottier" would not violate the statute. Just as these types of proximity advertisements did not use the competitors' names, purchasing keywords to trigger ads did not constitute a use.

The appeals court rejected plaintiffs' argument that the court should rely on the meaning of "use" in federal trademark-law cases, which consider keyword advertising a "use" under the Lanham Act. But the appeals court "decline[d] to look to trademark law for guidance," holding that while the trademark-law cases could provide helpful guidance, plaintiffs did not support their assertions with any legal analysis. The court also declined to consider an Israeli court's decision finding that a company invaded the privacy of a doctor by bidding on his name as a search-engine keyword, commenting that it did not have enough information to know whether the Israeli law and the context of that case were "sufficiently comparable to American jurisprudence and the particular law we must interpret."

CONCLUSION

This case is of interest because it appears to be the first appellate-level state court decision addressing keyword advertising as a possible violation of a state right-of-publicity or invasion-of-privacy statute. It is also interesting for the defendants' reliance, albeit undeveloped, on Lanham Act trademark cases and foreign court decisions to support their "use" argument under state law.

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Civil Cases

Wilden Pump & Eng'g LLC v. JDA Global LLC, 105 U.S.P.Q.2d 1166 (C.D. Cal. Oct. 29, 2012)

by Laura K. Johnson

CASE SUMMARY

FACTS

Wilden Pump and Engineering LLC ("Wilden") is a manufacturer of industrial and commercial pumps that use codes for purposes of identifying replacement pump parts. Wilden's codes are formulated to communicate information about the part using the scheme XX-YYYY-ZZ, where XX identifies the size of the pump, YYYY identifies the part itself, and ZZ identifies the material from which the part was made. For many years, Wilden's competitors have used Wilden's part codes in connection with the sale of replacement parts for Wilden pumps, adding a prefix to the beginning of the code to identify their company followed by the complete Wilden code for the part that it was intended to replace (e.g., PP01-1080-52). Wilden's own subsidiary aftermarket part company, Spectrum, even followed this naming convention when selling replacement parts for pumps made by its competitors, by placing an "S" before a competitor's part numbers.

After years of allowing competitors to use its part codes, Wilden brought suit against JDA Global LLC ("JDA"), a start-up company founded by several former Wilden employees, seeking to stop JDA from using the Wilden part codes in connection with competing goods. Wilden asserted claims for trademark, trade-dress, and copyright infringement based on its part codes, as well as false advertising and unfair competition. Wilden argued that its numbering scheme was entitled to trademark protection, given "the long and exclusive use of those designations by Wilden—*and others*—to represent Wilden products."

ANALYSIS

JDA moved for partial summary judgment, arguing that the XX-YYYY-ZZ part codes are purely functional and do not serve as source identifiers. Because Wilden's alleged marks were unregistered, it had the burden of proving that the matter sought to be protected was not functional. The court agreed with JDA's position, finding that "it is the prefix before the numbers which designates the source, while the numbers themselves merely represent the product with which a particular part is compatible." The court thus held that Wilden's part numbers describe the technical specifications of the products themselves, not the origin or source of the products.

Finding that Wilden's part numbers fail to serve any source-identifying function in the minds of consumers, the court held that there can be no likelihood of confusion and dismissed Wilden's copyright and trademark claims based on the alphanumeric codes.

CONCLUSION

While the court did not establish a per se rule regarding the functionality of part codes, it found in this case that such numbers described a feature of the products, not the source of goods. However, the decision did not articulate what impact, if any, Wilden's long-standing nonobjection to competitors' uses of its part codes also had on the analysis.

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Federal Circuit Cases

In re Fox,
2012 WL 6602862 (Fed. Cir. Dec. 19, 2012)

by Stephanie H. Bald

CASE SUMMARY

FACTS

Marsha Fox filed an application to register a mark consisting of the wording COCK SUCKER and a design element featuring a drawing of a crowing rooster for lollipops. The Examining Attorney refused registration of the mark, determining that it consisted or comprised immoral or scandalous matter based on the dictionary definition of “cocksucker,” which was “someone who performs an act of fellatio.” Fox responded to the refusal by arguing, among other things, that the dictionary defines a cock as a “rooster” and a sucker as a “lollipop,” and that these nonvulgar definitions were “more relevant” than the vulgar definitions offered by the Examining Attorney. The Examining Attorney maintained the refusal and Fox appealed to the TTAB.

The TTAB affirmed the Examining Attorney’s refusal, concluding that “[t]he word portion of applicant’s mark . . . when used in connection with applicant’s products, creates a double entendre[, where] one meaning is one who performs fellatio[] and the other meaning is a rooster lollipop.” The TTAB also noted that “[t]he term ‘Cocksucker’ is uniformly identified as a vulgar term in dictionaries,” and the TTAB “g[a]ve very little weight to [Fox’s] argument [that] COCK SUCKER [with a space between the words] has a different meaning than COCKSUCKER [all one word].” Thus, the TTAB held that the evidence supported the Examining Attorney’s finding that the term COCK SUCKER is vulgar and that Fox’s mark was unregistrable. Fox appealed to the Federal Circuit.

ANALYSIS

On appeal, Fox argued that the TTAB lacked substantial evidence to support its finding that her mark had a vulgar meaning because the literal element of the mark means only “rooster lollipop.” The appeals court disagreed, finding that the TTAB properly concluded that the distinction between COCKSUCKER (one word) and COCK SUCKER (two words) was a distinction without a difference, and that the association of COCK SUCKER with a poultry-themed product did not diminish its vulgar meaning (it merely established an additional, nonvulgar meaning and a double entendre). In reaching this conclusion, the court noted that Fox had conceded that “cocksucker” (one word) was a vulgar term in its common usage; that the dictionary evidence was devoid of any alternative, nonvulgar definition for that word; that the mark’s “sound” was central to its commercial impression; that her mark had at least in part a vulgar meaning; and that the humor of the mark was derived from the possibility of a double entendre, consisting of a vulgar and a nonvulgar meaning.

Fox also argued that, even if found to have a vulgar meaning, the mark was still entitled to registration because it was a double entendre with one vulgar and one nonvulgar meaning, and the PTO had not demonstrated that the public would "choose" the nonvulgar meaning. The court rejected this argument, holding that there was no requirement in the Lanham Act that a mark's vulgar meaning must be the only relevant meaning, or even the most relevant meaning. Rather, as long as a "substantial composite of the general public" perceives the mark, in context, to have *a* vulgar meaning, the mark as a whole "consists of *or comprises* . . . scandalous matter" under 15 U.S.C. § 1052(a) and, thus, is unregistrable. The court further found that the fact that there were "whimsical" and humorous aspects to Fox's mark did not mean that it was not scandalous.

Finally, Fox argued that because there was arguably doubt as to how the general public would view her mark, the court should permit the mark to be published for registration and rely on opposition proceedings to bring to light any public objections to the mark. The court explained that this approach was only appropriate where the registrability of the mark was uncertain, and it was not uncertain in this case.

In sum, the court found that substantial evidence supported the TTAB's determination that Fox's COCK SUCKER and rooster design mark, taken as a whole and in context, would be perceived by a substantial composite of the general public as having a vulgar meaning. Thus, the court held that the TTAB did not err in finding the mark comprised scandalous matter and, accordingly, was unregistrable.

CONCLUSION

According to the Federal Circuit, there is no requirement in the Lanham Act that a mark's vulgar meaning must be the *only* meaning, or even the most relevant meaning, to warrant refusal under 15 U.S.C. § 1052(a). Rather, as long as a "substantial composite of the general public" perceives the mark, in context, to have *a* vulgar meaning, the mark as a whole "consists of *or comprises* . . . scandalous matter" and is not entitled to registration.

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Federal Circuit Cases

Stephen Slesinger, Inc. v. Disney Enters., Inc., 702 F.3d 640 (Fed. Cir. Dec. 21, 2012)

by Stephanie H. Bald

CASE SUMMARY

FACTS

For decades, Stephen Slesinger, Inc. ("Slesinger") and certain Disney entities, including Disney Enterprises, Inc. ("Disney"), have disputed ownership of intellectual-property rights in Winnie-the-Pooh in federal courts and at the TTAB. In 1930, A.A. Milne transferred to Stephen Slesinger exclusive merchandising and other rights based on those works in the United States and Canada. In 1961, Slesinger exclusively "assigned, granted, and set over to" Walt Disney Productions the rights in the 1930 agreement with A.A. Milne. In 1983, Slesinger acknowledged in another agreement with Disney its transfer and assignment of "rights it had acquired from A.A. Milne to Disney by agreement dated 14 June 1961." The 1983 agreement then revoked the prior agreements and gave Slesinger "all of the rights in the work which were transferred to [Slesinger] in 1930 and amended from time to time," but also transferred back to Disney those and "further" rights.

While the 1983 agreement sought to resolve the parties' previous disputes and clarify their contractual obligations, the parties disagreed about the interpretation of that agreement. Slesinger contended that it retained rights in the Winnie-the-Pooh works, while Disney maintained that Slesinger assigned all rights to Disney.

In 1991, Slesinger brought an action in Los Angeles Superior Court, alleging that Disney had breached the 1983 agreement and had underpaid royalties to Slesinger. In the California state court case, Slesinger acknowledged that the 1983 agreement "regranted, licensed and assigned all rights acquired rights [sic] to Disney," and explained that "the grant of all 'further rights' in and to the Pooh Characters [in the 1983 agreement] is a catch-all designed to ensure that Slesinger was granting . . . all of the additional commercial exploitation rights Slesinger acquired that are not specifically mentioned in the 1983 Agreement." The state court ultimately dismissed Slesinger's breach-of-contract claim, and the California Court of Appeal affirmed.

The parties' dispute over royalties, however, proceeded in the District Court for the Central District of California and, in 2006, Slesinger amended its district court claim to allege that Disney's exploitation of the Winnie-the-Pooh characters infringed Slesinger's trademarks and copyrights. Based on Slesinger's admissions in the state court action that Disney's uses of the Winnie-the-Pooh characters were authorized, Disney moved to dismiss the claim. Disney also argued that Slesinger had granted all of the rights it had in the characters to Disney and that Slesinger had retained no rights that Disney could infringe.

In 2009, the district court considered the parties' cross-motions for SJ based on the 1983 agreement and addressed the agreement's scope and judicial estoppel, among other things. The district court noted that the parties' actions showed that the Winnie-the-Pooh rights were transferred to Disney in the 1983 agreement. For example, between 1983 and 2006, Disney registered at least fifteen trademarks relating to those rights and, in 2004, Disney registered copyrights in forty-five works and renewed copyright registrations for another fourteen. Slesinger, on the other hand, did not attempt to perfect or register any trademarks or copyrights before asserting its district court infringement claims and did not object to Disney's registrations until 2006, when the state court dismissed Slesinger's claims for breach of contract. The district court also found that because Slesinger could not specifically identify any retained rights in the Winnie-the-Pooh works, the contracts did not permit any retention of rights and Slesinger had granted its acquired rights to Disney. Thus, based on the parties' conduct and the "clear terms" of the agreements, the district court found that Slesinger "transferred all of its rights in the Pooh works to Disney, and may not now claim infringement of any retained rights."

Finally, the district court found that Slesinger was estopped from arguing that it did not relinquish all the rights it received from A.A. Milne to Disney because that argument was inconsistent with statements made and positions taken in the state court action. Specifically, in state court, Slesinger had insisted that Disney's uses of the works were derived from Slesinger's grants of "all rights to sound, word, picture representation, television, any representational device, similar or allied devices, videocassettes, promotion and advertising in all media, exploitation and licensing in all media."

The dispute at the TTAB began in December 2006, with Slesinger attempting to cancel certain trademarks based on the Winnie-the-Pooh work. Slesinger claimed that the 1983 agreement with Disney was a license, and did not grant Disney the right to register the marks. Disney argued that the agreement assigned all of the Winnie-the-Pooh rights to Disney and moved to dismiss the TTAB proceedings. The TTAB treated the motion as one for summary judgment, and found that collateral estoppel barred Slesinger's claims and granted judgment for Disney based on the district court's decision.

ANALYSIS

On appeal, the Federal Circuit applied the four-part test for collateral estoppel set forth in *Laguna Hermosa Corp. v. United States*, 671 F.3d 1284, 1288 (Fed. Cir. 2012): (1) a prior action presents an identical issue; (2) the prior action actually litigated and adjudged that issue; (3) the judgment in that prior action necessarily required determination of the identical issue; and (4) the prior action featured full representation of the estopped party. Slesinger conceded that the case satisfied the first and fourth factors, and the Federal Circuit agreed. On the second factor, Slesinger argued that the district court did not properly consider the issue of the scope of the 1983 agreement, and it did not specifically declare that Slesinger "has no rights *at all*," implying that some rights might have survived the 1983 agreement. Further, Slesinger argued that the district court's use of the term "retained rights" and its failure to use the word "assignment" (as opposed to "grant" or "transfer") implied that Disney licensed, rather than assigned the rights. The Federal Circuit rejected these arguments, finding that the district court extensively analyzed the scope of the 1983 agreement based on the pleadings (Slesinger's Second Claim for Relief presented this issue) and the parties' briefing, which addressed the scope of the agreement as an assignment or license. Thus, the Federal Circuit found that the district court had litigated and decided the identical issue.

The Federal Circuit also agreed with the TTAB that the clear wording of the district court's order did not support Slesinger's contention that the decision was focused *only* on whether Disney's uses of the Winnie-the-Pooh works was authorized. Rather, the Federal Circuit found that the district court had determined that the 1983 agreement represented "a transfer from [Slesinger] to Disney of *all* of [its] interest in the Pooh characters," and that Slesinger had transferred all of its rights in the Pooh works to Disney, and could not claim infringement of any retained right. Further, the Federal Circuit found that the conduct of the parties over fifty years (which the district court relied on in its decision) supported the finding that both parties treated the agreements as constituting a complete assignment and, thus, the record showed that the district court did not find that Slesinger retained any rights. Rather, it had completely granted all of its rights to Disney as an assignment. Finally, the district court ruled that it had "fully adjudicated all claims and counterclaims," and stated that "all of [Slesinger's] Counterclaims are dismissed on the merits and with prejudice." Since Slesinger had specifically sought an order directing that the TTAB correct Disney's Pooh-related trademark registrations to reflect Slesinger's name, the Federal Circuit found that the district court had ruled on and denied that request.

Regarding the third element of the collateral-estoppel test—which prevents the incidental or collateral determination of a nonessential issue from precluding reconsideration of that issue—the Federal Circuit found that the district court's ruling was neither incidental nor collateral. Rather, it directly addressed Slesinger's ownership interest in the Pooh rights. The Federal Circuit found that the record showed that the evaluation of those rights was clearly an essential element of the judgment. Specifically, the district court had to determine that issue before deciding whether Disney's uses of the Winnie-the-Pooh rights were infringing. And it was essential to first determine whether Slesinger had any ownership rights in the marks before considering Slesinger's request to correct Disney's trademark registrations to Slesinger's name.

In sum, the Federal Circuit found that the TTAB correctly applied collateral estoppel to prevent Slesinger from asserting a claim that its 1983 grant of rights to Disney was a license as opposed to an assignment.

Judge Reyna dissented, finding that the TTAB erred on two grounds: (1) the district court did not actually decide the ownership issue, and (2) resolution of the ownership issue was not essential or necessary to the district court's decision on noninfringement. Regarding point one, Judge Reyna noted that the district court did not explicitly state in clear, plain language whether the grant of rights, i.e., the transfer, was a license or an assignment. Further, Judge Reyna found that the decision appeared to suggest that Slesinger retained some rights to the Pooh trademarks, but that any rights retained were insufficient to support an infringement action. This situation, according to Judge Reyna, was as suggestive of a license as an assignment and, accordingly, there was a reasonable doubt whether the Federal Circuit actually decided that the transfer was accomplished via an assignment.

Regarding point two, Judge Reyna found that the district court was not necessarily required to decide whether the transfer of the Pooh trademarks was an assignment to resolve the issue of trademark infringement because an effective defense to a claim of trademark infringement can be made upon a showing of authorized use under a license. Thus, Disney's ownership of the Pooh trademarks was not the only rational basis on which a fact-finder could find noninfringement. An equally rational basis would have been that Disney was authorized to use the marks under a license. For these reasons, Judge Reyna concluded that the TTAB erred in applying the doctrine of collateral estoppel.

CONCLUSION

The Federal Circuit has closed another long chapter in the dispute over the highly valuable Winnie-the-Pooh rights. Whether Slesinger attempts yet another avenue to establish its ownership rights remains to be seen.

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TTAB Cases

ChaCha Search, Inc. v. Grape Tech. Grp., Inc., 105 U.S.P.Q.2d 1298 (TTAB Dec. 27, 2012)

by Brian Westley

CASE SUMMARY

FACTS

ChaCha Search, Inc. ("ChaCha") instituted a combined opposition and cancellation proceeding against Grape Technology Group, Inc. ("Grape") for various marks comprised of numbers for telecommunications services. On the parties' cross-motions for summary judgment, the sole remaining issue was Grape's counterclaim cancellation against ChaCha's registration for the mark 242242 used for mobile search-engine services, where the numbers corresponded to the letters c-h-a-c-h-a on a telephone dial. Grape based its original counterclaim against ChaCha's 242242 mark upon mere descriptiveness. Then, nearly fifteen months later, Grape sought to amend its counterclaim to add that the 242242 mark did not function as a trademark. In support of its amended counterclaim, Grape argued that its subsequent allegation merely served to "amplify" its original counterclaim of mere descriptiveness. The TTAB denied Grape's motion to amend its counterclaim. On the issue of mere descriptiveness, the TTAB ruled in favor of ChaCha, finding that the 242242 mark was not merely descriptive for mobile search-engine services.

ANALYSIS

In considering Grape's motion to amend, the TTAB rejected Grape's contention that it merely sought to amplify its allegations, noting that "Grape is clearly seeking to add a new ground for cancellation of ChaCha's registration." The TTAB explained that a claim that a mark is merely descriptive relates to the *character* of the mark at issue, while a claim that a designation does not function as a mark is generally tied to the manner in which a party *uses* the designation at issue. The TTAB concluded that Grape unduly delayed in filing its motion to amend, noting that Grape waited fifteen months after it had served its pretrial disclosures and after ChaCha had filed a motion for summary judgment. Because Grape presumably knew about this ground at the time it filed its counterclaim, Grape could not justify its delay. The TTAB also rejected Grape's argument that the delay was due in part to settlement negotiations between the parties, noting that negotiations had ended seven months before Grape's motion to amend. Finally, the TTAB determined ChaCha would suffer prejudice if it permitted Grape's motion to amend, because "allowing piecemeal prosecution of this case would reward Grape for its apparent haphazardness and would unfairly prejudice ChaCha by increasing the time, effort, and money that respondent would be required to expend to defend against an additional basis for Grape's challenge to its registration." In denying Grape's motion to amend, the TTAB also denied Grape's cross-motion for summary judgment on its unpleaded ground that 242242 did not function as a mark.

The TTAB next considered ChaCha's cross-motion for summary judgment on the issue of descriptiveness. Grape argued that 242242 was merely descriptive because the numbers correspond with letters that spell “ChaCha” on a telephone keypad and thus simply informed users how to acquire ChaCha’s services. Grape argued that the use of a mark as a telephone or short-messaging service (“SMS”) number gave rise to a descriptiveness inference. Grape asserted that the PTO established “a bright line examination rule that requires alphanumeric telephone number marks to be deemed registrable [only] if there are word elements in the alphanumeric telephone number that are not descriptive or generic of the goods or services offered in association with the alleged mark.” In response, ChaCha argued that neither 242242 nor ChaCha identifies any quality, characteristic, function, feature, purpose, or use of its services, and that Grape was seeking to stretch the meaning of descriptiveness beyond its current legal meaning.

In ruling for ChaCha, the TTAB found that Grape failed to explain how the 242242 mark was descriptive of ChaCha’s mobile search-engine services, concluding that it did not follow that, “because the SMS number 242242 provides the means of accessing ChaCha’s services,” such a number was functional and descriptive.

CONCLUSION

This decision indicates that marks used as SMS or telephone numbers do not automatically qualify as merely descriptive. The TTAB also drew a clear and helpful distinction between a claim that a mark is merely descriptive versus a claim that a designation does not function as a mark.

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TTAB Cases

In re Rogowski, No. 77083475 (TTAB Dec. 12, 2012)

*by Julia Anne Matheson and Eric Perrott**

CASE SUMMARY

FACTS

Applicant Rogowski performs music under the name "Active Reasoner" and posts videos of his performances on YouTube. In January 2007, Rogowski filed an intent-to-use application to register the mark ACTIVE REASONER for "audio recordings featuring music." In 2010, Rogowski submitted a statement of use and a specimen consisting of a photograph of his computer screen showing a YouTube video. The Examining Attorney refused the registration on the ground that Rogowski's specimen did not show the mark being used in commerce. Applicant appealed the ruling to the TTAB, which affirmed the refusal to register.

ANALYSIS

The TTAB held that a "screen shot of a video performance uploaded on YouTube" does not show Rogowski's mark used in connection with the goods listed in the application, namely, "audio recordings featuring music." Rogowski stated that his YouTube channel displayed his mark prominently and that his audio recordings featuring music may be accessed and downloaded from the channel. Rogowski's mark appeared in the top left corner of the screen in addition to his YouTube channel name, along with the title of each song he uploaded to the website. Although, "on its face, the specimen include[d] applicant's mark used in connection with an uploaded video of a musical performance that may be streamed and viewed via the YouTube website," the TTAB held that this showed a video performance, and did not show the audio recording being used in commerce.

Specifically, the TTAB pointed to the inability for users to download the music directly from the YouTube website. Rogowski argued that users can easily use third-party software to record songs from YouTube videos, but the Board rejected this argument. While it "acknowledge[d] the advent and certainly the trend of music being offered in downloadable formats . . . in lieu of the traditional trade channels" for sound recordings, it nonetheless held that Rogowski's lack of a download link on his YouTube channel meant that consumers did not have notice that the identified goods were available for download. The TTAB analogized it to an online retail website submitted as a "point-of-sale" specimen that fails to include a means for ordering the goods or services.

CONCLUSION

This case reminds us that the PTO often takes a strict approach with specimens of use. In this case, despite the fact that the applicant's audio recordings are primarily consumed via a streaming video website, a specimen showing the streaming video without some additional clear reference to the ability to download the applicant's audio recordings will not suffice to show use of the mark in commerce for such goods.

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Unregistrable

Boone to Consumers: Pat Boone First to Fess Up to False Celeb Endorsement

by Robert D. Litowitz

"You can't hide your lyin' eyes." –"Lyin' Eyes," Eagles

I rarely think about Pat Boone. Sure, as a kid, I may have found him mildly appealing, just as I perversely liked watching Myron Floren navigate the accordion on *The Lawrence Welk Show*, even as I devoured every Beatles record I could lay my hands on. Wholesome entertainment has its time and place. And for Mr. Boone, I assumed that place today was Branson, Missouri, that Mecca of middle of the road.

So it came as quite a surprise, if not shock, to discover that Pat Boone wrote a key chapter in legal history. On last week's installment of NPR's unfailingly clever *Wait Wait . . . Don't Tell Me!* hosts Peter Sagal and Carl Kasell devoted an entire segment to Mr. Boone. They quizzed their guests, the comedy/music duo Tenacious D (featuring actor Jack Black) about obscure factoids relating to a performer they called Tenacious B, none other than Pat Boone.

And among the revealed trivia was this gem: In 1978, Pat Boone became the first celebrity to accept responsibility for endorsing a product that failed to deliver as advertised. He'd appeared in an ad for an acne medication, telling consumers that the salve was a "real help" in keeping his four daughters blemish free. Turned out, that statement wasn't true. Chastened when challenged by the FTC, Mr. Boone accepted personal responsibility and agreed to pay restitution.

So while he may have been willing to bend the truth for a paycheck, he at least had the integrity to make amends.

Boone not only set a precedent for decency in the face of culpability, he also helped set the standards for future celebrity endorsements. When actors, athletes, or other entertainers endorse products, they must make "reasonable enquiries" that the claims are legitimate, and cannot make claims that contradict what they've seen or know.

So it seems we have more to thank Pat Boone for than we thought. Not only did he popularize white bucks, he set the standard for not passing the buck.

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gTLD Update and Upcoming Deadlines

The Trademark Clearinghouse, which is part of the new gTLD program, will start accepting trademark filings in late March 2013. This update provides a brief overview to trademark owners who may have received solicitations urging registration of marks with the Clearinghouse when it opens.

Registering a trademark with the Clearinghouse will allow trademark owners to submit applications for identical domain names under the new gTLDs during “Sunrise Periods.” Sunrise Periods are brief periods of time when the gTLD registry will allow trademark owners to register domain names before the general public can do so. The new gTLD registry will set its own rules for its Sunrise Period, such as what domain names may be registered under the particular gTLD, the costs of such registrations, and the time frames.

Registering a trademark with the Trademark Clearinghouse will also generate (1) a notice to third parties that apply for a domain name identical to the mark, and (2) notices to the trademark owner when a domain name is registered that is identical to the mark. The time period during which these notices will be provided is limited to the first sixty days that a gTLD is operational. We note that the notices to the trademark owner of newly registered domain names may duplicate the information clients already receive via watch notices.

The current cost to register a trademark with the Trademark Clearinghouse is $150/trademark/year.

ICANN has not approved any new gTLDs yet. The first gTLDs are not expected to go live until at least 2014, and it is expected that the first round of operational gTLDs will be foreign-language gTLDs.

Many of our clients have received alerts recommending immediate registration of key trademarks with the Clearinghouse. However, any potential benefit to early registration has not been outlined by either ICANN or the Trademark Clearinghouse. In addition, while the Clearinghouse is being advertised as a “trademark protection” program, registering with the Clearinghouse will not guarantee that the trademark owner is first in line to register a particular domain name, and will not prevent third parties from registering domain names comprised of or containing the mark.

After ICANN announces the operational gTLDs, we recommend that clients consider registering key marks with the Trademark Clearinghouse if there is a business need for the new domain name(s) and/or if registering such domain names is part of an overall enforcement strategy.

We are keeping apprised of ICANN’s new gTLD announcements and the Clearinghouse program, and will distribute further information as it becomes available.

The Trademark Clearinghouse’s website is located at http://trademark-clearinghouse.com/.

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