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Civil Cases

Audi AG v. Shokan Coachworks, Inc., 2008 WL 4911730 (N.D.N.Y. 2008)

by David M. Kelly

ABSTRACT

The Northern District of New York decided cross-motions for summary judgment as to whether various uses of Audi's trademarks by a retailer of used Audi automobile parts infringed and diluted Audi's trademarks or constituted nominative fair uses. Although it declined to grant summary judgment for either party on most uses, it did find, among other things, that the defendant's use of the phrase "Shokan Audi Parts" in its email signature block infringed and diluted the AUDI trademark. The court also granted summary judgment against Audi regarding defendant's use of an email address containing the AUDI mark because the evidence of such use—printouts of defendant's website from the www.archive.org website—were not authenticated by a representative of the archive.org site.

CASE SUMMARY

FACTS

Plaintiff Audi AG ("Audi"), an automobile manufacturer, owns the well-known and federally registered trademarks AUDI and its ring logo. Defendant Shokan Coachworks, Inc. ("Shokan"), a vehicle recycler and used-parts retailer specializing in Audi parts, was first sued by Audi for trademark infringement in 1990 over Shokan's use of the AUDI mark and logo on its letterhead, business cards, and advertisements. The parties settled that action and Shokan agreed to change logos, not use the AUDI mark as a corporate or trade name, and not use the AUDI mark except as an adjective to describe the availability of parts or its repair services. The settlement agreement also provided that a particular advertisement attached as an exhibit complied with the agreement. That exhibit included both the phrase "AUDI USED PARTS" and the phone number "800-ALL-AUDI."

In 2003, Audi learned of additional potentially infringing uses of its AUDI mark by Shokan, including: the vanity telephone number 1-800-ALL-AUDI; answering the Shokan business telephone line "all Audi"; the phrases "Audi Used Parts" or "Used Audi Parts" in advertisements; the email address "allaudi.shokan@verizon.net" to conduct Shokan business; the phrase "Shokan Audi Parts" in the signature block of 38,000 emails sent by Shokan; the domain name "800allaudi.com"; and the phrases "Audi Parts Warehouse" and "1-800-ALL-AUDI" inside Shokan's business premises. Audi also alleged that Shokan used Audi's ring logo on Shokan's website and on a sign inside Shokan's business premises.

Audi sued for trademark and trade dress infringement, dilution, false designation of origin, false advertising, and cybersquatting. Shokan asserted a laches defense regarding its use of the AUDI mark in the vanity telephone number 1-800-ALL-AUDI and in the “Audi Used Parts” phrase on the ground that each was permitted by the parties’ settlement agreement and had been used by Shokan for twenty years. The parties filed cross-motions for summary judgment.

ANALYSIS

The court granted summary judgment in favor of Shokan on its laches defense, finding that the settlement agreement unambiguously permitted Shokan’s use of the vanity telephone number 1-800-ALL-AUDI and the phrase “Audi Used Parts” shown in the “approved” advertisement attached to the agreement as an exhibit, and that Audi failed to show that Shokan exceeded the scope of usage of these items contemplated by the agreement. The court rejected Audi’s arguments that its prosecution delay was excusable due to Shokan’s intentional copying of Audi’s marks, the doctrine of progressive encroachment, and the overwhelming likelihood of confusion for various reasons. In particular, Audi’s delay was unreasonable because Shokan had been using and advertising the vanity phone number for over twenty years, and the delay prejudiced Shokan because most of its sales came from phone orders.

The court also granted summary judgment to Shokan regarding its use of the AUDI mark in the email address “allaudi.shokan@verizon.net.” Audi submitted copies of Shokan’s website from the Wayback Machine at www.archive.org supported by a declaration of an Audi witness. Consistent with a handful of other decisions, the court, held that printouts from the www.archive.org website can be authenticated only by a knowledgeable representative or employee of that website. Accordingly, because Audi failed to prove the elements of its infringement claim regarding the email address, the court granted summary judgment for Shokan.

Regarding the merits of Audi’s remaining claims, the court denied summary judgment on most of Audi’s claims due to genuine issues of material fact, including whether customers could even view the signs inside Shokan’s premises bearing the phrase “Audi Parts Warehouse” and the Audi ring logo. And as for Audi’s cybersquatting claim regarding the domain name "800allaudi.com", there was a question of fact as to whether the prior settlement agreement covered this use.

However, the court did grant summary judgment for Audi on its infringement and dilution claims regarding Shokan’s use of the AUDI mark as part of its email signature. Regarding infringement, the court found that Shokan’s use of the phrase “Shokan Audi Parts” in its email signature created a likelihood of confusion based on the strength of the AUDI mark, Shokan’s use of the identical mark, and the parties’ competitive proximity. As to dilution, the court found the AUDI mark famous based on the length of time the mark was registered, Audi’s multi-million dollar advertising campaigns, and the amount and geographic extent of Audi’s sales. Because this case was filed before enactment of the Trademark Dilution Revision Act ("TDRA") and because Audi sought both injunctive relief and damages, the court applied the “actual dilution” standard instead of the TDRA’s lower “likelihood of dilution” standard. Audi nevertheless was able to meet this more stringent standard. The court found that Audi established dilution as a matter of law because Shokan used the identical Audi mark as part of its email signature.

The court also granted summary judgment for Audi on its dilution claim concerning Shokan’s use of the Audi ring logo on its website. Although there were genuine issues of fact regarding the length of use and Shokan’s intent that precluded summary judgment on infringement, such facts were not relevant to Audi’s dilution claim. The court granted summary judgment only as to Audi's request for injunctive relief, thus suggesting that the court applied the lower "likelihood of dilution" standard to this use.

Finally, the court rejected Shokan's fair use defense. In its summary judgment motion, Shokan argued that it used Audi's marks "fairly and accurately [to] describe the Audi parts they sell." At oral argument, Shokan asserted for the first time a nominative fair use defense. The court noted the Ninth Circuit's three-part test for nominative fair use, which is satisfied where (1) the product or service in question is not readily identifiable without use of the trademark, (2) only so much of the marks are used as is reasonably necessary to identify the product or service, and (3) the user does nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. The court also acknowledged that the Third Circuit applies a different test for nominative fair use.

The court noted that its reviewing court, the Second Circuit, had not yet specifically adopted or analyzed the nominative fair use defense. However, because the district courts in the Second Circuit that have discussed a nominative fair use defense have all followed the Ninth Circuit test, the court here likewise applied the Ninth Circuit test. It concluded that Shokan's use of "Shokan Audi Parts" in its email signature block (as well as its other remaining uses of "Audi") did not qualify as nominative fair uses of the AUDI trademark. Specifically, the court found that Shokan's uses of the AUDI mark could "imply sponsorship" by Audi and thus failed to satisfy the third prong of the Ninth Circuit's test.

CONCLUSION

Although the Second Circuit has yet to adopt the nominative fair use doctrine, like the handful of other district courts within the Second Circuit that have decided such issues, the district court applied the Ninth Circuit test instead of the Third Circuit test. Moreover, in an important evidentiary ruling, the district court followed the decisions of several other district courts holding that printouts of historical websites from the www.archive.org website are not admissible without a supporting declaration from an archive.org representative.

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Civil Cases

ComponentOne, LLC v. ComponentArt, Inc., 2008 WL 4790661 (W.D. Pa. 2008)

by Michael R. Justus

ABSTRACT

The Western District of Pennsylvania granted defendants' motion for summary judgment on plaintiff's federal and state trademark and unfair competition claims based upon, *inter alia*, a lack of similarity between the marks and "isolated and idiosyncratic" evidence of actual confusion. Notably, the court held that "component"—the only shared term between the parties' COMPONENTONE and COMPONENTART marks—was generic for the parties' goods, and gave the term little weight in its likelihood-of-confusion analysis between the marks ComponentOne and ComponentArt. The court also discounted plaintiff's actual confusion evidence as vague, *de minimis*, and self-serving. In addition, the court agreed with defendant that the stimuli employed in plaintiff's confusion survey were completely divergent from the conditions potential purchasers would encounter in the marketplace, entitling the survey to little weight.

CASE SUMMARY

FACTS

Plaintiff ComponentOne, LLC ("ComponentOne") and Defendant ComponentArt, Inc. ("Component Art") are competitors that develop, sell, and provide customer support for reusable software tools designed to be integrated into larger software applications, generally known as "components." Following a change of defendant's name from Cyberakt to ComponentArt, plaintiff filed suit alleging a variety of state and federal claims, including trademark infringement, dilution, unfair competition, and civil conspiracy. Before the court was defendant's summary judgment motion on plaintiff's claims of trademark infringement, unfair competition, civil conspiracy, and several others, as well as a countermotion by plaintiff to strike defendant's arguments against its survey. The court earlier granted defendant's motion for partial summary judgment on the federal and state dilution claims, holding that the Trademark Dilution Revision Act of 2006 denied protection to marks that are famous only within a niche market, which was the only type of fame plaintiff had alleged in the case.

ANALYSIS

The court analyzed plaintiff's trademark infringement, unfair competition, and false designation of origin claims under the Third Circuit's ten-factor *Lapp* test. In undertaking this analysis, the court noted that the first factor—the similarity of the marks—was the single most important factor in determining a likelihood of confusion. Under this factor, defendant successfully argued that the "component" portion of the parties' respective marks was generic, and therefore entitled to little weight in the similarity-of-marks analysis. In addition, the court agreed with defendant that the "One" and "Art" portions of the marks were substantially dissimilar. While the court acknowledged that the marks must be analyzed in their entireties, it found that the generic nature of the "component" term and the rank differences between the operative terms "one" and "art" trivialized any similarity between the marks. The court concluded that the first *Lapp* factor favored defendant as a matter of law.

The court also focused considerable attention on the fourth and sixth *Lapp* factors, namely, actual confusion and the length of time the defendant used the mark without evidence of actual confusion. The court sided with defendant concluding that plaintiff's actual confusion evidence was unreliable and *de minimis*, and that its survey was bereft of evidentiary value due to methodological flaws.

As evidence of actual confusion, plaintiff offered twenty-eight alleged incidents, twenty-seven of which were admissible as nonhearsay. In evaluating these incidents, the court noted its skepticism of actual confusion evidence collected by employees of a party on the ground that it tends to be biased or self-serving. The court held that the existence of only twenty-seven alleged confusion events out of more than 490,000 interactions with third parties over the course of the period of coexistence was a *de minimis* showing of confusion. Further, many of the incidents might have been caused by inadvertence rather than confusion, such as misdirected emails, and others could not be verified because they involved statements made to plaintiff's employees at trade shows by anonymous attendees. The court concluded that plaintiff's "isolated and idiosyncratic" instances of actual confusion were insufficient to create a genuine issue of material fact with respect to the fourth and sixth *Lapp* factors.

Addressing plaintiff's survey evidence, the court held that the stimuli employed in the survey were completely divergent from the conditions that potential purchasers encounter in the marketplace. Instead of using stimuli consisting of screen shots of the parties' websites, Google search results, or product listings from software resellers' websites, all of which were established as ways in which relevant consumers would encounter the parties' marks, plaintiff's survey expert presented the parties' marks on a plain background in large block letters followed by descriptions of the companies. The court held that plaintiff failed to demonstrate that participants in the marketplace encountered the marks in this manner, and thus afforded the survey minimal weight as circumstantial evidence of actual confusion. Accordingly, taken together with the "isolated and idiosyncratic" evidence of actual confusion detailed above, the fourth and sixth *Lapp* factors weighed in favor of defendant.

Finding the first, fourth, and sixth *Lapp* factors to be the most relevant in this case, the court granted summary judgment to defendant on the trademark infringement, unfair competition, and false designation of origin claims and discharged the remaining counts for lack of standing and failure to establish liability on the underlying claims.

CONCLUSION

This decision demonstrates the importance of evaluating likelihood of confusion between marks comprised in part of generic terms based on the remaining operative components in those marks. In addition, the decision underscores the importance of selecting appropriate survey stimuli that are reflective of the manner in which customers would actually encounter marks in the marketplace. Finally, the decision highlights the importance of gathering identification information when documenting evidence of actual confusion, presenting that evidence through reliable and unbiased witnesses, and considering the level of confusion in comparison to the total number of consumer interactions that took place during the period of coexistence.

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Civil Cases

DSW, Inc. v. Zappos.com, Inc., 2008 WL 4762767 (S.D. Ohio 2008)

by Kenneth H. Leichter

ABSTRACT

The Southern District of Ohio found that, although the plaintiff had properly alleged the technical elements of its trademark infringement and related claims, its factual allegations were insufficient under *Bell Atlantic v. Twombly* and the complaint failed to state a claim as a matter of law. The court disapproved of the plaintiff's nonspecific allegations against "Defendants" collectively, its failure to allege a legal relationship between the two defendants, and its failure to allege that the defendants owned or controlled the allegedly infringing domain names where the relief sought was injunctive relief related to the domain names.

CASE SUMMARY

FACTS

Plaintiff DSW, Inc. ("DSW") is a discount shoe retailer. Defendant Zappos.com, Inc. ("Zappos") is an on-line retailer of shoes and a competitor of DSW. Defendant Commission Junction, ("Commission Junction") provides affiliate marketing services to clients on the Internet. The complaint alleged that DSW's registered trademarks were being infringed through their unauthorized use on various websites and that Commission Junction was providing affiliate links for Zappos to Internet websites at the domain names dswreview.com, dsw-shoes.net and dswshoesreview.com. DSW brought suit against Zappos and Commission Junction for, *inter alia*, trademark infringement and false designation of origin. Each cause of action and nearly all of the factual allegations in the complaint were asserted against "Defendants" generally, without any distinction between them. DSW sought to enjoin the defendants from using trademarks belonging to DSW and to have the offending domain names transferred to DSW.

Zappos moved to dismiss the complaint under Fed. R. Civ. P. 12(b)(6) for failure to state a claim and under Fed. R. Civ. P. 12(b)(7) for failure to join the owners of the domain names in question. Zappos argued that the complaint failed to allege any facts that could support a finding of liability; that it does not own or control the domain names in question; that there was no allegation or proof of agency between Zappos, Commission Junction, and the affiliates; and that the owners of the domain names were not parties.

ANALYSIS

The court began by reciting the standards of Fed. R. Civ. P. 8(a)(2) and the Supreme Court's recent decision in *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955 (2007). In that decision, the Supreme Court explained that the Rule 8(a)(2) language requiring that a complaint contain "a short and plain statement of the claim showing that the pleader is entitled to relief" requires a plaintiff to "provide the grounds of his entitlement to relief [with] more than labels and conclusions, and a formulaic recitation of the elements of a cause of action . . . ." The court highlighted that the Supreme Court specifically disavowed the more lenient "no set of facts" standard derived from *Conley v. Gibson*, 355 U.S. 41 (1957).

The court accepted that DSW's complaint set out the elements of its claims, but found that such bare pleading was not sufficient under the *Twombly* standard. The court noted that DSW's complaint contained only one allegation specific to Zappos while the remainder of DSW's substantive allegations referred to "Defendants" jointly.

The court also found fault with DSW's allegations as to the relationship between the defendants. The complaint did not include allegations that Zappos directed Commission Junction's activities, that Zappos controlled (or even knew about) the content of Commission Junction's clients' or affiliates' sites, or that there was a legal relationship between Zappos and Commission Junction.

Finally, the court found that the complaint's allegations did not support the requested relief. DSW had requested that the court enjoin Zappos from using or infringing DSW's marks and order Zappos to transfer the offending domain names to DSW. Without an allegation that Zappos owned or controlled the websites, the court found that this relief was not cognizable, explaining that if Zappos did not own, control, or even know of any potentially infringing material on the Internet, a judgment against Zappos will provide no relief to DSW. Thus, the court concluded that the complaint created no more than a "suspicion of a legally cognizable right of action" and failed to state a claim as a matter of law.

Despite these findings, the court denied without prejudice Zappos's motion to dismiss. DSW, in conjunction with its opposition to the motion to dismiss, also requested leave to amend its complaint to add new factual allegations supporting its claims for relief against Zappos. Pursuant to Fed. R. Civ. P. 15, the court found that justice required that DSW be granted leave to amend the complaint to add "concrete facts" in support of its claims against Zappos.

Zappos also moved the court to order joinder of necessary parties, namely, the owners of the allegedly offending domain names, and, in the alternative, sought dismissal of DSW's complaint for failure to join such necessary parties. The court denied these requests without prejudice in light of its ruling on Zappos's motion to dismiss and DSW's motion for leave to amend. The court held that, in the event DSW could state a properly supported claim for infringement against Zappos in an amended pleading, joinder of additional necessary parties would be evaluated at that time.

CONCLUSION

The court made clear that merely reciting the elements of trademark infringement without tying those elements to specific allegations of conduct by a defendant may not pass muster under the enhanced pleading standards of *Bell Atlantic v. Twombly*. The court insisted that factual allegations be sufficiently specific as to each defendant, explain the relationship between defendants, and exhibit that the relief sought is available. The decision also highlights the value of moving to amend an allegedly deficient complaint in conjunction with responding to a motion to dismiss that is based on insufficient pleadings.

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Civil Cases

E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc., 2008 WL 4791705 (9th Cir. 2008)

by Lynn M. Jordan

ABSTRACT

The Ninth Circuit affirmed summary judgment in favor of defendant, finding the inclusion of a potentially confusing mark and trade dress within a video game to be protectable speech under the First Amendment, and explicitly extended the balancing test first set forth in Rogers v. Grimaldi for titles of creative works to use of marks within the body of such works.

CASE SUMMARY

FACTS

Plaintiff E.S.S. Entertainment 2000, Inc. ("ESS") operates a Los Angeles strip club called the Play Pen Gentlemen's Club ("PLAY PEN"). Defendant Rock Star Videos, Inc. ("Rock Star") manufactures and distributes the popular "Grand Theft Auto" video game series. Each game in the series takes place in a cartoonish city modeled after actual U.S. cities, although each game includes a disclaimer stating that the locations depicted are fictional. Rock Star's "San Andreas" game allows a player to experience the "gangster" culture in fictional California towns, including "Los Santos," which is based on Los Angeles. The fictional towns are populated with virtual liquor stores, gun shops, tattoo parlors, bars, and strip clubs, many of which were created based on photos from actual neighborhoods, but the brand names, business names, and other aspects of the locations have been changed. One such virtual strip club in the San Andreas game is the PIG PEN, which Rock Star loosely based on ESS's PLAY PEN club.

ESS sued Rock Star, alleging that Rock Star's imitation of the PLAY PEN word mark and logo within the video game would cause consumers to believe that ESS had endorsed, or was associated with, the video game. The district court did not address the merits of the trademark claim, but granted summary judgment to Rock Star, finding that the First Amendment protected it from liability. ESS appealed.

ANALYSIS

Rock Star first argued that its use of the marks was a nominative fair use. The court rejected this argument, finding the nominative fair use defense inapplicable, since Rock Star did not use the actual mark or logo to identify ESS's strip club, but instead used a variation of both marks as a source identifier for a fictional club.

Turning to Rock Star's First Amendment defense, the court noted that in the context of creative works, the Ninth Circuit had previously adopted the Second Circuit's approach in *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989). This test requires courts to construe the Lanham Act narrowly to apply to artistic works only where the public interest in avoiding consumer confusion *outweighs* the public interest in free expression. The two-part test finds infringement only where the alleged use has no artistic relevance to the underlying work whatsoever, or if there is artistic relevance, only where the use explicitly misleads consumers regarding the source of the work. In extending the *Rogers* test beyond titles of creative works, the court held that "there is no principled reason why it ought not also apply to the use of a trademark in the body of the work."

Within this framework, the court dismissed ESS's arguments that the incorporation of the PIG PEN mark into the game had no artistic relevance because the game was not "about" the strip club, stressing that only use of trademarks with absolutely no artistic relevance to the underlying work whatsoever would not merit First Amendment protection. "In other words," the court stated, "the level of relevance merely must be above zero." Because Rock Star's artistic goal was to develop a cartoon-style parody of East Los Angeles, it was reasonable for Rock Star to re-create a critical mass of the businesses and buildings that constitute the city.

The court then considered whether Rock Star's use of the mark PIG PEN explicitly misled as to the source or content of the work. The relevant question here was "whether the game would confuse its players into thinking that the Play Pen is somehow behind the Pig Pen or that it sponsors the video game." The court noted that mere use of the trademark did not render such use explicitly misleading. Noting that the real strip club and the video game had nothing in common other than that both were "a form of low brow entertainment," the court found that there was nothing to indicate that the public would reasonably believe that ESS produced the video game, or that Rock Star operated a strip club. And even though, as ESS urged, a player could ignore the game's overarching story line and choose to spend all his or her playing time at the PIG PEN, the court did not believe that the PIG PEN was a significant component of the game. Consequently, the court found that use of the PIG PEN mark was not explicitly misleading and was thus, under *Rogers*, protected by the First Amendment.

CONCLUSION

The Ninth Circuit explicitly held what had only been implied before—that in the context of creative works, the First Amendment balancing test set forth in *Rogers* extends beyond use of a mark in the title of a creative work to apply also to use within a work's content. In doing so, the court indicated that the first prong of the test, whether a mark is artistically relevant to the work, could be satisfied so long as the relevance was "above zero," providing a very low threshold for creators to meet.

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NASCAR, Inc. v. Does**, 2008 WL 4817007 (W.D.N.C. 2008)**

by Scott T. Harlan

ABSTRACT

The Western District of North Carolina granted NASCAR's Motions for a Temporary Restraining Order, Seizure Order, and Preliminary Injunction against defendant counterfeiters. However, the court *sua sponte* warned NASCAR that it would be required to return any seized goods should it voluntarily dismiss its case prior to final judgment or the provision of proper notice to unnamed defendants.

CASE SUMMARY

FACTS

Plaintiffs included NASCAR, Inc., the largest sanctioning body of stock car racing in the United States, and various NASCAR-related entities such as speedways and racing teams (collectively "NASCAR"). NASCAR owns various trademarks relating to sanctioning, promoting, and selling of stock car racing entertainment services and merchandise under the NASCAR mark and other trademarks. Defendants were largely transient street vendors who sell unauthorized merchandise bearing the NASCAR marks outside NASCAR racing events. In order to halt these counterfeit sales, NASCAR has, before every racing season since 2003, brought counterfeiting claims in the Western District of North Carolina against these vendors, and obtained temporary restraining orders ("TROs") and seizure orders against the offending merchandise. Subsequently, NASCAR would seek, and the court would grant, preliminary injunctions that would last throughout the racing season. Following the seizure of the counterfeit goods, and the conclusion of each racing season, it was NASCAR's practice to voluntarily dismiss the counterfeiting cases and distribute the seized goods either to charity or overseas.

NASCAR's attempt to follow the same enforcement strategy in 2008 met with resistance from the court. In February 2008, before the season began, NASCAR sought and obtained an *ex parte* TRO and seizure order against unnamed counterfeiters. Shortly thereafter, NASCAR provided notice of a preliminary injunction hearing on its website and, when no defendants appeared, the court converted the TRO into a preliminary injunction that extended through the end of the racing season. As it had in the past, NASCAR named and served some defendants with the preliminary injunction, seized counterfeit merchandise at each race, and planned on disposing of the merchandise following the conclusion of the season and its voluntary dismissal of the case. Concerned about NASCAR's disposal of defendants' property absent a final judgment of infringement and proper notice against the defendants, the court *sua sponte* addressed the procedures for the disposition of counterfeit goods under the Counterfeiting Act of 1984 (“the Act”).

ANALYSIS

The court concluded that NASCAR’s practice of disposing of defendants’ property following the conclusion of the racing season, and absent a conclusive judgment of infringement by the court and notice to all defendants, was without statutory authority under the Act and offended notions of due process and property rights. While the Act does allow the seizure and destruction of infringing goods, the court noted that 15 U.S.C. § 1118 requires a Lanham Act violation to be “established” before destruction occurs. In looking at the congressional intent of the seizure remedy, the court concluded that its purpose was to preserve evidence that might otherwise be destroyed by the counterfeiter, to permit a full trial on the merits and final judgment. The court concluded that a Lanham Act violation is only “established” where a final judgment of infringement has issued. By voluntarily dismissing its cases following issuance of a preliminary injunction, but prior to a full trial on the merits, NASCAR had failed to conclusively “establish” a Lanham Act violation. Accordingly, while the court recognized that NASCAR’s postseason dismissal of the case was within its rights, it concluded that NASCAR’s subsequent disposal of defendants’ goods was improper. The court warned that going forward, NASCAR would bear the burden of either returning the seized goods to the defendants or obtaining a final judgment on the merits.

In addition, the court concluded that NASCAR was required to provide further notice to any unnamed defendants following the conclusion of the preliminary injunction period. The seizure of counterfeit goods under the Act is an *in rem* forfeiture. Because an *in rem* action settles the rights to the property at issue as to all potential owners, due process requires that all interested parties be provided with adequate notice and an opportunity to be heard. In the instant case, the court held that those persons who physically held the property at the time of seizure were impleaded as named defendants and served process, and thus received sufficient notice of the proceedings so that any *in personam* judgment against them extinguished their rights in the property. However, the court also held that because the actual sellers of the merchandise were not necessarily its owners, there were undoubtedly unidentified property owners who had not yet received proper notice and an opportunity to be heard. For these potential defendants, NASCAR would have to provide further notice before it could proceed to final judgment and subsequently dispose of the property.

Finding no provision in the Act specifying notice procedures for unnamed defendants, the court turned to the procedure for giving notice in *in rem* forfeiture actions articulated in the Supplemental Rules for Admiralty or Maritime Claims and Asset Forfeiture Actions. Under these rules, a notice for forfeiture must (1) describe the property with reasonable particularity, (2) state the time by which a claim and answer must be filed with the court, and (3) name the attorney for plaintiffs to be served with the claim. The court, having already determined that the www.NASCAR.com website was the most suitable place for publication of notice to defendants for purposes of the preliminary injunction hearing, similarly held that this was the proper place for publication for these notice obligations as well. Thus, within one week after the termination of the injunction, the court required that NASCAR post adequate notice on its website before seeking final judgment against the unnamed defendants.

Finally, the court warned NASCAR that if it failed to either provide proper notice to the unnamed defendants, or declined to proceed to final judgment, it would bear the burden of engaging in every possible effort to return the seized goods to the proper defendants, though the court simultaneously recognized the near impossibility of this task.

CONCLUSION

In issuing its ruling, the court heightened the burden of all plaintiffs in future anticounterfeiting actions in relation to any seized property. Following this ruling, future plaintiffs before this court, including NASCAR, will be required to pursue a full and final judgment on the merits of any counterfeiting action or, shy of same, will be required to return all seized property to its original owners whether known or unknown.

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TTAB Cases

Guthy-Renker Corp. v. Boyd, Opposition No. 91182999 (TTAB 2008)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

Opposer filed a motion for sanctions based on Applicant's alleged failure to communicate with Opposer to arrange a discovery conference or to participate in the discovery conference. The TTAB denied Opposer's motion, finding that Opposer had not taken sufficient steps to facilitate a resolution of the parties' problems scheduling a discovery conference to warrant the imposition of sanctions on Applicant.

CASE SUMMARY

FACTS

Pursuant to Trademark Rule 2.220(a)(1) and (a)(2), the parties were required to conduct a discovery conference on or before May 23, 2008. Opposer sent letters to Applicant's counsel of record, Michael Kroll, on April 10, 2008, and May 15, 2008, and left him a telephone message on May 20, 2008, attempting to schedule the discovery conference. On May 30, 2008, Opposer filed a motion requesting a sanction "extending Opposer's discovery period by the number of days past the discovery conference deadline until Applicant participates in a discovery conference."

In response to Opposer's motion, Applicant claimed that he was not contacted by Opposer due to a "misunderstanding or miscommunication," namely, that Edwin Schindler, not Mr. Kroll, was Applicant's attorney. Applicant also argued that Opposer should have known that Mr. Schindler was his attorney because he had signed certain filings in connection with the proceeding. Further, Applicant asserted that Mr. Schindler eventually contacted Opposer by email on June 27, 2008, in an attempt to schedule the discovery conference (after Opposer had filed its motion for sanctions), but that Opposer did not respond.

In response to Applicant's arguments, Opposer asserted that it did not know Mr. Schindler claimed to be an attorney of record in the case until June 9, 2008, after Opposer's motion for sanctions was filed and after the deadline for the discovery conference.

ANALYSIS

Regarding Applicant's conduct, the TTAB found that (1) it was the responsibility of Applicant and his attorney of record to enter any changes in representation and correspondence address; (2) if Applicant had complied with these rules, it would have facilitated Opposer's efforts to schedule the conference, and; (3) Applicant had not demonstrated more than a "lackluster" attempt to schedule the discovery conference. On the other hand, the TTAB found that Opposer was not entirely blameless because it had contact information for Mr. Kroll and Mr. Schindler either prior to the filing of its motion for sanctions or shortly thereafter and Opposer did not contact Mr. Schindler. Also, Opposer did not respond to Mr. Schindler's belated attempt to communicate with Opposer about the discovery conference, and Opposer could have done more to facilitate a resolution of the parties' problems, including by requesting the TTAB's participation in the discovery conference, which may have eliminated the need to file the motion for sanctions. For these reasons, the Board denied Opposer's motion for sanctions in the form of extending discovery for only Opposer.

CONCLUSION

Where one party fails to participate in a discovery conference, the other party should take reasonable steps to mitigate any prejudice it may suffer as a result of the delay, including by requesting the Board's participation in the discovery conference.

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Unregistrable

Brand Names as Banned Names?

by Robert D. Litowitz

This month's column continues to tap the musical vein begun with last month's discovery of the improbable confluence of trademark law and the Grateful Dead. Early in my career (at another law firm), a client in the satellite communications industry hired us to stop a perceived existential threat to its trademark rights. An obscure and commercially marginal band from England was riding the backwash of the 1980s British New Wave invasion using the client's name as part of the band's moniker. "This cannot stand," said the client (or words to that effect). Cease and desist letters were sent. A complaint was filed. And the British band folded faster than a bad poker hand. It changed its name to CSA, an innocuous acronym cobbled from the letters of its original and offending name. (Apparently, the British citizens were unconcerned or unaware that their new name was the abbreviation for the Confederate States of America.) Oh, and of course, these trademark hooligans were forced to sign a consent judgment vowing never to violate our client's trademark rights again.

Years later, attending the last INTA meeting in San Francisco and wandering the thrift stores and taquerias of the Castro, I stumbled into an independent record store (yes, this was before they became extinct). There, among the racks of imports and esoterica, was a boxed retrospective by the band that we thought we had vanquished years earlier. Emblazoned on the cover of this impressive collection wasn't the substitute name the band had adopted under penalty of contempt, but its original name—with the (by now former) client's trademark contemptuously plastered all over the packaging. My initial shock turned to nostalgic bemusement as I realized that despite this flagrant breach, the world continued to turn with the client's communications satellites remaining safely and steadily in orbit, and with barely a rumor of confusion throughout the city of San Francisco and presumably the rest of the civilized universe.

I bought the boxed set, brought it home, and put it on my bookshelf where it remains, unopened and gathering dust to this day.

Now, I don't mean to minimize the threat or damage caused by unauthorized trademark use and violations of court orders. Yet this brush with the intersection of big business trademarks and small music-business aspirants prompted me to wonder how many other band names are derived from brand names, and have been used without any apparent ill effect on the "real" trademark owner. The list is longer than I imagined:

Buffalo Springfield–name of a steamroller company

REO Speedwagon–trademark for an Oldsmobile vehicle, the initials REO stand for Robert E. Old
Grand Funk Railroad–derived from "Grand Trunk Railroad"
Everclear–name of a brand of grain alcohol, notoriously used in frat party punches
Squirrel Nut Zippers–brand name for a candy popular in the South
Black Flag–name of an insecticide
Creedence Clearwater Revival–name derived from logo on "Olympia" beer.
Depeche Mode–name of French fashion magazine
Hüsker Dü–a Norwegian board game
Chicago Transit Authority–name used by, you guessed it, the Chicago Transit Authority

And here we come full circle. After the initial success of the band known for such hits as "25 or 6 to 4" and "Saturday in the Park," the actual Chicago Transit Authority took umbrage that its name had been usurped by rock and rollers. The municipality then threatened legal action, forcing this horn and hook-ladened band to adopt the shortened name under which it has enjoyed fame and fortune for over three decades—simply, *Chicago*. According to Wikipedia, *Chicago* is one of the longest-running and most successful U.S. pop/rock and roll groups of all time, second only to the Beach Boys in terms of singles and albums. How much higher they might have gotten if their ascent had not been bumped off track by the Windy City's transit authority, we'll never know. But at least they had the good sense not to call themselves CTA.

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