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

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Civil Cases

Starbucks Corp. v. Wolfe's Borough Coffee, Inc., **588 F.3d 97 (2d Cir. Dec. 3, 2009)**

by Mary Beth Walker

ABSTRACT

The Second Circuit vacated the district court's decision on plaintiffs-appellants' federal dilution-by-blurring claim based on an analysis of three of the six dilution factors under the Trademark Dilution Revision Act ("TDRA"). The Second Circuit concluded that the district court had erred in applying the "degree of similarity" factor by requiring that plaintiffs-appellants show a "substantial similarity" between their famous STARBUCKS mark and the defendant-appellee's CHARBUCKS mark, overturning pre-TDRA Second Circuit case law that had required a showing of "substantial similarity" for a federal dilution claim. The Second Circuit also held that the district court had erred in (1) requiring a showing of bad faith under the "intent to associate" factor; and (2) finding that the absence of "actual confusion" weighed against Starbucks under the "actual association" factor.

CASE SUMMARY

FACTS

Plaintiffs-appellants Starbucks Corporation and Starbucks U.S. Brands, LLC (collectively "Starbucks") own the famous STARBUCKS trademark for coffee and a wide variety of other goods and services. Starbucks has used the mark since 1971, and has extensively promoted and obtained protection for its STARBUCKS mark. It owns approximately sixty U.S. trademark registrations covering the STARBUCKS mark in various forms.

Defendant-appellee Wolfe's Borough Coffee, Inc. d/b/a Black Bear Micro Roastery ("Black Bear") is a family-run business located in New Hampshire that sells coffee. In 1997, Black Bear began selling coffee called "Charbucks Blend," and later began selling "Mister Charbucks" coffee.

The district court ruled against Starbucks on its claims of federal trademark dilution, federal trademark infringement and unfair competition, and state trademark dilution, and Starbucks appealed. On appeal, the Second Circuit reversed the district court's decision on Starbucks's federal dilution-by-blurring claim and remanded the case for further consideration of that claim.

ANALYSIS

Under the TDRA, there are six nonexhaustive factors courts consider in determining whether there is dilution by blurring:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(B)(i)-(vi). On appeal, Starbucks contested the district court's holdings on the first, fifth, and sixth factors, and the Second Circuit reversed the district court's application of all three of those factors.

The appeals court addressed the "degree of similarity" factor first. The Second Circuit had earlier held in pre-TDRA cases that a showing of "substantial similarity" was a threshold requirement for a dilution claim. The district court applied this "substantial similarity" standard, finding that the absence of a "substantial similarity" may alone have been sufficient to defeat Starbucks's dilution-by-blurring claim. In this case, the Second Circuit held that the post-TDRA federal dilution statute provided a "compelling reason to discard the 'substantially similar' requirement for federal trademark dilution actions." The court noted that it was "significant that the [post-TDRA] federal dilution statute does not use the words 'very' or 'substantial' in connection with the similarity factor." Moreover, the court acknowledged that interpreting the statutory language "*degree of similarity*" to mean "substantial similarity" would diminish the significance of the remaining five statutory factors, and thereby be "at odds with the federal dilution statute, which list, 'degree of similarity' as *one* of several factors in determining blurring." Thus, it found that "the district court erred in focusing on the absence of a "substantial similarity" between the STARBUCKS and CHARBUCKS marks. The Second Circuit also criticized the district court for placing "undue significance on the similarity factor."

The Second Circuit next considered the fifth and sixth dilution-by-blurring factors. For the fifth factor, the Second Circuit held that determination of an "intent to associate" does not require consideration of whether bad faith existed and that the district court erred in requiring such a showing. For the sixth factor, the district court had found that the absence of evidence supporting "actual confusion" weighed against Starbucks. The Second Circuit held that the district court erred in relying on evidence supporting the absence of actual *confusion* to find an absence of *association*. Clarifying that the absence or likelihood of confusion is not determinative of trademark dilution, the Second Circuit noted Starbucks's telephone survey indicating that 30% of consumers associated Starbucks with the mark "Charbucks." The Second Circuit, however, did not indicate whether the survey results were sufficient to show likelihood of dilution, instead remanding the factor for determination by the district court.

CONCLUSION

Most significantly, this case clarified the standard under the first factor for a federal dilution-by-blurring claim in the Second Circuit. The appeals court held that the “substantial similarity” test that was applied in pre-TDRA cases in the Second Circuit was not the correct standard to apply to post-TDRA cases. A successful claim of dilution in the Second Circuit does not require a threshold showing of a particular level of similarity (e.g., “substantial similarity”). Rather, courts must weigh the “degree of similarity” as one of the six factors in determining the likelihood of dilution by blurring.

Less than a week after it issued, the Southern District of New York relied on the Second Circuit's *Starbucks* decision in *Miss Universe, L.P. v. Villegas*, 2009 WL 4643232 (S.D.N.Y. Dec. 9, 2009), in analyzing a claim of dilution by blurring. The court noted that “[a] district court must now weigh the *degree* of similarity—substantial or not—between particular marks as just one of the factors that bear on the dilution question. Substantial similarity is not necessarily required, and a lack of similarity is not necessarily dispositive.” Applying *Starbucks*, the district court found that the mark “Miss Asia USA” was not similar enough to “Miss USA” to create a likelihood of dilution when considered with the other relevant dilution factors.

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Civil Cases

In re Sones, 93 USPQ2d 1118 (Fed. Cir. Dec. 23, 2009)

by Linda K. McLeod and Katherine L. Staba

ABSTRACT

Applicant's website-based specimen of use for the mark ONE NATION UNDER GOD for charity bracelets was rejected by the TTAB on the basis that the specimen did not include a picture of the goods. The Federal Circuit vacated and remanded the decision, refusing to apply the TTAB-created bright-line rule regarding website-based specimens, and further holding that the TTAB's bright-line rule was an incorrect legal standard. The court clarified that a picture is not a mandatory requirement for a website-based specimen of use.

CASE SUMMARY

FACTS

Michael Sones ("Applicant") filed an intent-to-use application for the mark ONE NATION UNDER GOD for charity bracelets. The PTO rejected Applicant's specimen of use consisting of two pages from a website displaying a product listing for ONE NATION UNDER GOD charity bracelets and a purchasing function, but not a picture of the product. The PTO stated that the website printout "does not contain a picture of the goods and thus is unacceptable as showing use of the goods in commerce."

On appeal, the TTAB agreed with the PTO's objection to the specimen, repeating that the specimen's defect was that it "do[es] not include a picture of the goods." In reaching this conclusion, the TTAB relied on the three required criteria for specimens constituting a display associated with the goods expressed in *Lands' End, Inc. v. Manbeck*, 797 F. Supp. 511 (E.D. Va. 1992), and first applied to websites in *In re Dell*, 71 USPQ2d 1725 (TTAB 2004). Under *Lands' End*, the test required that a specimen must (1) include a picture of the relevant goods; (2) show the mark sufficiently near the picture of the goods to associate the mark with the goods; and (3) contain the information necessary to order the goods. The TTAB further noted that the Trademark Manual of Examining Procedure ("TMEP") § 904.03(g), (h) had also adopted this three-part test. Concluding that Applicant had failed to submit an acceptable specimen, the TTAB affirmed the PTO's refusal to register Applicant's mark. Applicant then filed an appeal to the Federal Circuit.

ANALYSIS

Applicant argued to the Federal Circuit that the TTAB erred in imposing a bright-line rule that a website specimen of use must contain a picture.

At the center of the PTO's argument was the *Lands' End* decision, in which the court found a page of a mail-order catalog including a picture, item description, and purchase form to be an acceptable specimen. The PTO argued that the TMEP, having adopted the three-part test from *Lands' End*, indicated that a "webpage must show the goods, not merely list them," in order to qualify as an acceptable specimen.

The Federal Circuit reviewed the TTAB's subsequent application of *Lands' End* and the test prescribed by the TMEP, noting that the TTAB had, in fact, extended the *Lands' End* reasoning and the requirement for a picture to website specimens. The Federal Circuit rejected the TTAB's interpretation of *Lands' End*, noting that even the *Lands' End* decision did not apply the three-part test as an absolute requirement. The court found that *Lands' End* did not state that a photograph was mandatory, instead acknowledging a *combination of factors* to determine "whether the customer had 'the opportunity to look to the displayed mark as a means of identifying and distinguishing the source of goods.'"

Additionally, the Federal Circuit found no foundation for the TTAB's bright-line rule in the trademark statute or policy. Citing the Lanham Act, the court held that the statute does not impose particular requirements for how an applicant demonstrates source or origin, instead simply requiring that the mark be *associated* with the goods.

Finally, the court declined to follow the rigid three-part *Lands' End* test cited in the TMEP. The court noted that while the TMEP is instructive, it "is not established law." Moreover, the court reasoned that the TMEP's three-part test was enumerated in § 904.03(h) for "Catalogs," whereas the separate section for "Electronic Displays" contained no such three-part test, nor did it state a picture requirement. According to the Federal Circuit, the proper test for a website-based specimen of use was identical to the test for any other specimen—namely, that the specimen "must in some way evince that the mark is 'associated' with the goods and services as an indicator of source." A picture is a *consideration* in determining whether a specimen associates the mark with the source of goods, but is not a necessary component. Thus, the absence or presence of a picture in a website-based specimen of use is not alone determinative of acceptability. The Federal Circuit vacated and remanded the TTAB's decision for further consideration of Applicant's specimen of use.

Judge Newman dissented, arguing that, given Applicant's voluntary, recent filing of a new trademark application for the identical mark, including a specimen containing a picture of the goods, this case had "lost its character as a present, live controversy." Judge Newman argued that Applicant had rendered this case moot by voluntarily refiling and prosecuting a trademark application based on actual use for the identical mark. Absent a live controversy, the Federal Circuit's opinion constituted an advisory opinion on a nonissue and should have been dismissed as moot.

CONCLUSION

This decision clarifies the requirements for website-based specimens of use. Moreover, the Federal Circuit confirmed that the relevant inquiry in determining whether a specimen of use is acceptable remains whether the specimen demonstrates that the mark is "associated" with the goods and services as an indicator of source, regardless of whether it is a tangible or website-based specimen. Notably, this decision marks a departure from requirements for website-based specimens that had been previously imposed by the PTO and followed by the TTAB.

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Civil Cases

Rin Tin Tin, Inc. v. First Look Studios, Inc., 93 USPQ2d 1132 (S.D. Tex. Nov. 12, 2009)

by Lynn M. Jordan

ABSTRACT

The Southern District of Texas found use of “Finding Rin Tin Tin: The Adventure Continues” as the title for a film about the famous dog Rin Tin Tin was a fair use of plaintiff’s RIN TIN TIN mark registered for German Shepherd dogs of Rin Tin Tin lineage. Because defendants established all three elements of the fair-use defense, they were not required to rebut allegations of likelihood of confusion and summary judgment was appropriate.

CASE SUMMARY

FACTS

Rin Tin Tin was a German Shepherd dog who became famous in the 1920s after starring in several major motion pictures. His owner began a dog-breeding program and sold the dogs under the name RIN TIN TIN. The dogs continued to appear in films and television shows, always under the RIN TIN TIN mark. Plaintiffs Rin Tin Tin, Inc. and Daphne Hereford are the successors to the original breeder and the owners of federal trademark registrations for the mark RIN TIN TIN for live German Shepherd dogs of Rin Tin Tin lineage and related animal performances.

Defendants First Look Studios, Inc. and their related entities (collectively “First Look”) produced a film based on the life story of the original Rin Tin Tin dog and distributed the DVD under the title “Finding Rin Tin Tin: The Adventure Continues.” The DVD cover stated its affiliation with First Look and credited only the human actors in the film. No affiliation with plaintiffs or the Rin Tin Tin bloodline was claimed.

Plaintiffs brought suit claiming that the unauthorized use of their RIN TIN TIN mark would cause confusion among consumers and dilute the mark. First Look moved for summary judgment, arguing that its use of the RIN TIN TIN mark within the title of its film was not a trademark use but a descriptive fair use protected under the First Amendment.

ANALYSIS

To succeed on a fair-use defense, defendants must establish that they used plaintiff’s mark (1) descriptively, (2) fairly, and (3) in good faith. Descriptiveness is established, according to the court, if

the term denotes a characteristic or quality of the service. The court pointed to decisions of other federal courts, finding that motion pictures titled after a historical figure's name, in a film about that historical figure, were descriptive uses, in support of its finding that First Look's use of the historical dog Rin Tin Tin's name in the title of its motion picture was a descriptive use.

To qualify as "fair" under the second element of the fair-use defense, the defendant was required to demonstrate that its use of the mark in its title was the most precise way to describe its film. Because the film title "Finding Rin Tin Tin: The Adventure Continues" truthfully tells consumers that defendants' movie is about the historical dog Rin Tin Tin, the court found the use was fair.

To satisfy the third and final element of the fair-use defense—good faith—First Look was required to establish that its use of the RIN TIN TIN mark in the film title conveyed no information about the film's origin as contrasted with its subject. Noting that other federal courts have found that inclusion of a trademarked name in a title does not convey information about a film's origin as long as defendants employed their own source designations elsewhere, the court viewed the appropriate test as whether First Look made clear on its DVD cover that it, and not plaintiffs, was the source of the DVD. Because the only listed source identifiers on defendants's DVD cover, disc, and within the film itself were First Look and its related entities, the court found defendants's use of the RIN TIN TIN mark conveyed no information about the origin of the film and was in good faith.

Although First Look satisfied all three elements necessary to make a defense of fair use, plaintiffs argued that because the film featured a dog not actually of Rin Tin Tin lineage, consumer confusion was likely. The court rejected this argument, finding that a defendant who has established a fair-use defense need not rebut the likelihood of consumer confusion or dilution from its use of a descriptive term. Accordingly, the court found First Look to be entitled to summary judgment.

CONCLUSION

This decision is important as it clarifies that, where a defendant can satisfy all three elements of the fair-use defense, its burden is satisfied and further likelihood-of-confusion analysis and argument is not appropriate or required.

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Roxbury Entm't v. Penthouse Media Group Inc., 92 USPQ2d 1760 (C.D. Cal. Nov. 9, 2009)

by Lynn M. Jordan

ABSTRACT

In a case considering the interplay between the First Amendment and the Lanham Act, the Central District of California ruled that the First Amendment is a complete defense to Lanham Act claims involving artistic works where the mark has at least some artistic relevance to defendant's underlying work and defendant's use does not explicitly mislead as to the source or content of the work.

CASE SUMMARY

FACTS

Plaintiff Roxbury Entertainment ("Roxbury") owned the mark ROUTE 66 for television programs and related entertainment properties, including the original 1960's "Route 66" television program about two young men travelling across America. When defendant Penthouse Media Group Inc. ("Penthouse") began selling a pornographic DVD entitled "Route 66," Roxbury alleged that the title infringed and diluted its trademark rights. Penthouse moved for summary judgment, arguing that its use of "Route 66" as the title of its film was fully protected free speech under the First Amendment.

ANALYSIS

Citing the Second Circuit's 1989 decision in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), a case involving actress Ginger Rogers's unsuccessful efforts to enjoin use of "Ginger and Fred" as the title of a fictional film, and the Ninth Circuit's adoption of *Rogers* in *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008), the Central District of California noted that the First Amendment can provide a complete defense to Lanham Act claims involving artistic works where both parts of the balancing test set forth in *Rogers* are met.

The first prong of the test requires that the trademark at issue have relevance to the underlying (defendant's) work, and as stated in *E.S.S. Entertainment*, the level of relevance must merely be "above zero." The court found that the title "Route 66" was artistically relevant to Penthouse's film because of the film's setting in part in a roadside motel and the association of "Route 66" with cross-country travel. The court found the fact that the association was "tenuous" did not controvert Penthouse's showing of artistic relevance.

The second prong of the test requires a court to evaluate whether an artistically relevant use would nevertheless explicitly mislead consumers as to the source or content of the defendant's work. Finding nothing to indicate any risk that Penthouse's use of "Route 66" for its pornographic DVD would "dupe" consumers into believing the DVD was in any way affiliated with the 1960's television series, the court found both prongs of the *Rogers* test satisfied, and ruled that defendant's use of the "Route 66" title was fully protected by the First Amendment. Penthouse's motion for summary judgment was granted.

CONCLUSION

This decision continues the line of entertainment cases that have developed in the last twenty years making clear that creators of artistic works should be relatively unrestricted in choosing titles for their works. So long as the creator can show some artistic relevance of the mark to his/her work, and so long as nothing about the use is explicitly misleading, the First Amendment will provide a defense to what might otherwise be an infringing trademark use.

For a more detailed analysis of the *Rogers* line of cases involving the interplay between the First Amendment and the Lanham Act, see Lynn M. Jordan and David M. Kelly, "Twenty Years of *Rogers v. Grimaldi*: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works," in *The Trademark Reporter*, Nov./Dec. 2009.

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***Lahoti v. Vericheck, Inc.*,
586 F.3d 1190 (9th Cir. Nov. 16, 2009)**

by Anna C. Bonny

ABSTRACT

In evaluating the validity of a party's mark, the Ninth Circuit held that the district court did not err in finding that a third party's registration of an identical mark for identical services constituted evidence of the mark's distinctiveness. However, even though the Ninth Circuit affirmed the district court's finding that the registrant of the disputed domain name had acted with a "bad faith intent to profit" from use of the disputed mark, because the district court had additionally relied upon erroneous standards in evaluating the validity of the disputed mark, the Ninth Circuit vacated the judgment to the extent that the district court determined that the mark was distinctive, and remanded the matter for further consideration.

CASE SUMMARY

FACTS

Defendant-Appellee Vericheck, Inc. ("Vericheck") offered check-verification and other financial-transaction-processing services under the mark VERICHECK, but was unable to federally register its mark due to the existence of a third-party federal registration for the identical mark covering check-verification services. Plaintiff-Appellant David Lahoti ("Lahoti"), an adjudicated cybersquatter, had registered hundreds of domain names incorporating or resembling others' trademarks, including the domain name "vericheck.com" (the "Domain Name"). The website at the Domain Name directed Internet users to a third-party search engine website that paid Lahoti based on the amount of traffic that he generated to the website.

In 2004, Vericheck contacted Lahoti and offered to purchase the Domain Name. Lahoti offered to sell the Domain Name for \$72,500 in 2004 and, subsequently, \$48,000 in 2005 and \$100,000 in 2006. Instead of purchasing the Domain Name, however, Vericheck filed a complaint under the Uniform Domain Name Dispute Resolution Policy ("UDRP"), and the arbitrator ultimately ordered Lahoti to transfer the Domain Name to Vericheck. Lahoti then filed an action for declaratory judgment that he did not violate the Anti-Cybersquatting Consumer Protection Act ("ACPA") or any other provision of the Lanham Act, and sought cancellation of the UDRP panel's order to transfer the Domain Name. In response, Vericheck filed counterclaims for violations of the ACPA, trademark infringement, and unfair competition, among other claims.

On the parties' motions for summary judgment, the district court granted summary judgment to Vericheck, but only on the issue of whether Lahoti had acted in bad faith. The district court concluded that Lahoti had "acted in a bad faith attempt to profit" from his use of the Domain Name because he did not use it to sell goods or services for a legitimate commercial use, and because it linked to websites of several of Vericheck's competitors.

After a bench trial on the remaining issues, the district court determined that the VERICHECK mark was inherently distinctive, and that Lahoti's registration of the Domain Name violated the ACPA and constituted trademark infringement. Lahoti appealed the district court's decision to the Ninth Circuit.

ANALYSIS

To prevail on claims under the ACPA or for trademark infringement, a plaintiff must prove that its mark functions as a trademark by either showing that it is inherently distinctive or has acquired distinctiveness through secondary meaning. A suggestive mark is protectable, but a mark that is merely descriptive and lacks secondary meaning is not distinctive and therefore does not receive trademark protection. In determining whether a mark is suggestive or merely descriptive, the Ninth Circuit cited past precedent and stated that a mark is suggestive "if 'imagination' or a 'mental leap' is required in order to reach a conclusion as to the nature of the product being referenced," whereas a mark is descriptive if it "define[s] a particular characteristic of the product in a way that does not require any exercise of the imagination."

On appeal, Lahoti challenged the district court's finding that the mark VERICHECK was distinctive, arguing that it was instead merely descriptive of Vericheck's check-verification services. The district court had found that the mark VERICHECK was suggestive in part because the PTO had granted a federal trademark registration for the identical mark to a third party for check-verification services. Applying a clear-error standard of review, the Ninth Circuit found that the district court had not erred in finding the VERICHECK mark to be suggestive based upon the PTO's registration of the third-party VERICHECK mark. The Ninth Circuit stated that "nearly identical marks used for similar products may be viewed in a common light when the PTO has found one of them to be suggestive." The Ninth Circuit noted that the TTAB has cautioned that a third-party registration is not "determinative" of distinctiveness if "circumstances have materially changed since the third-party registration or if the registration is distinguishable because it combines one part of the disputed mark . . . with nondescriptive terms." In this case, however, the Ninth Circuit determined that Vericheck's mark was identical to the third-party VERICHECK mark, that both were used in connection with check-verification services, and that neither party had introduced evidence that technological changes had impacted whether the term "Vericheck" should be considered to describe, or rather only to suggest, "check verification."

The Ninth Circuit found, however, that the district court had incorrectly stated other principles of federal trademark law in finding that the VERICHECK mark was suggestive. First, the district court erred to the extent that it required that the VERICHECK mark describe *all* of Vericheck's services to qualify as "descriptive," instead of merely determining whether the mark as seen in connection with the services immediately conveys information about their nature. Second, the district court erred to the extent that it reasoned that the VERICHECK mark could have been descriptive of services that are unrelated to those actually being offered by Vericheck, because evaluation of a mark must be done in the context of the marketplace rather than in the abstract. Finally, the district court erred in finding that Lahoti improperly broke down the VERICHECK mark into two component parts ("veri" and "check") in order to argue that consumers will immediately presume that the VERICHECK mark covers "check verification" services. The Ninth Circuit stated that courts may analyze all components of the mark in determining whether those parts, taken together, merely describe the services offered. Accordingly, the Ninth Circuit

determined that the district court could have broken the mark into “veri” and “check” to separately review the component parts as a preliminary step to evaluating the commercial impression of the mark as a whole.

Ultimately, because the district court found the VERICHECK mark to be suggestive based in part on the erroneous application of the law, the Ninth Circuit vacated the judgment to the extent that the district court found the mark to be distinctive, and remanded the matter for further consideration.

The Ninth Circuit affirmed, however, the district court’s finding on summary judgment that Lahoti had acted with a “bad faith intent to profit” from use of the VERICHECK mark because he did not use the Domain Name to sell goods or services for a legitimate commercial use, he had asked for as much as \$100,000 to sell the Domain Name to Vericheck even though Lahoti had no interests associated with the VERICHECK name, and because it was undisputed that Lahoti was a repeat cybersquatter.

CONCLUSION

Lahoti shows that a third party’s registration of an identical trademark for similar goods or services may evidence that the disputed mark is inherently distinctive and therefore protectable as a trademark. *Lahoti* also shows that it is essential to evaluate the validity of a mark before the owner commences an ACPA or other trademark action. Without first establishing rights in a mark (i.e., that a mark is inherently distinctive or has acquired distinctiveness through secondary meaning), a plaintiff cannot prevail on claims under the ACPA or for trademark infringement—despite being able to prove that a defendant has registered and/or used a domain name with a bad-faith intent to profit.

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Civil Cases

Lunatrex, LLC v. Cafasso,
2009 WL 4506321 (S.D. Ind. Dec. 1, 2009)

by Monica Riva Talley

ABSTRACT

The various parties in this case were part of a now-dissolved de facto partnership that together developed and used the LUNATREX trademark in commerce in connection with efforts to land a robot on the face of the moon. The ex-partners divided into two groups, each challenging the other's continued right to use and register the LUNATREX trademark in connection with the lunar-landing project. In resolving the dispute, the court took the unusual step of granting each side's motion for preliminary injunction, preventing all parties from using the mark without the consent of all other parties entitled to share control of the mark's use.

CASE SUMMARY

FACTS

The parties in this case were members of the "LunaTrex" team competing in the Google Lunar X Prize competition, a contest that offered a prize of as much as \$20 million for a private effort to land a robot on the surface of the moon. The court found that the LUNATREX trademark was in use in commerce when the team began publishing its efforts to win the prize. The parties had a falling out and, now divided into two "factions," each side sought a PI enjoining the other party's use of the LUNATREX trademark, particularly in the Google Lunar X Prize competition. The competition then suspended the parties from participating until the dispute was resolved. Each faction argued that its various contributions (e.g., financial, organizational, technical) were sufficient to confer trademark ownership and were superior to the other party's contributions.

ANALYSIS

In the absence of any formal agreement as to the structure of the group and trademark-ownership rights thereof, the court first considered the relationship between the team members and found that the LUNATREX trademark was developed and used by a de facto partnership or joint venture. The court noted that, although various team members contributed comparatively more in terms of financial or technical expertise, the entire team contributed to the creation of the mark's value and protected status. The court decided that awarding control of the mark to one party alone would ignore the contributions that the rest of the team made.

The court next noted that, typically, when a partnership breaks up, the assets are distributed among its partners. However, the court stated that a trademark is not divisible; if it were shared among the different splintered partners, the resulting confusion would destroy the value that each partner worked so hard to create. Moreover, unilateral use by either side posed a risk of confusion to the public, the avoidance of which is the principal focus of trademark law.

The court then concluded that, to prevent confusion among the public, the best solution under the law was to prevent all parties from using the mark without the consent of all other parties who were entitled to share control of its use. Thus, the court took the unusual step of granting each side's PI motion to prevent the other from using the LUNATREX trademark without the moving side's consent.

CONCLUSION

This case highlights the importance of entering into ownership agreements with respect to trademark rights owned by a partnership, and clarifies the right to a jointly developed and used trademark to which each former member of such a partnership should be entitled, absent such an agreement.

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Civil Cases

Transamerica Corp. v. Moniker Online Servs., LLC, **2009 WL 4715853 (S.D. Fla. Dec. 4, 2009)**

by David M. Kelly

ABSTRACT

Plaintiff sued defendants, including several domain name registrars, for allowing customers to anonymously register domain names containing its TRANSAMERICA mark through defendants' "privacy service" and to monetize them through associated pay-per-click websites advertising competing services. The court denied defendants' motion to dismiss all of plaintiff's claims, finding that Transamerica's allegations in its complaint were sufficient to support its claims that (1) defendants were not exempt from liability as registrars because their privacy service was listed as the registrant for some of the disputed domain names and/or defendants were "de facto" registrants because defendants received fees whenever a consumer clicked on a link on the corresponding websites, and (2) defendants' actions constituted a use of the TRANSAMERICA mark in commerce.

CASE SUMMARY

FACTS

Plaintiff Transamerica Corporation ("Transamerica") sold life insurance and other services under the federally registered TRANSAMERICA mark. Defendant Moniker Online Services, LLC ("Moniker") was an ICANN-accredited domain name registrar. Transamerica alleged that Moniker, through its privacy registration subsidiary and defendant Moniker Privacy Services ("Moniker Privacy"), violated its ICANN agreement to ensure accurate and current data for the "Whois" database by allowing customers to register and use counterfeit and infringing domain names without revealing their contact information. Transamerica identified eleven domain names containing the TRANSAMERICA mark, including transamericalifeins.com, and Moniker Privacy was listed as the registrant for some of them. These domain names were used for websites that contained a link to a site titled "Transamerica Life Ins. Co.," which, when clicked, took users to sites promoting competing life insurance and financial services offered by unrelated third parties. Transamerica further alleged that defendant Oversee.net ("Oversee"), parent company of the Moniker companies, provided the monetization service to the domain names, and that defendants received a fee each time an Internet user clicked on one of these links.

Transamerica sued Moniker, Moniker Privacy, Oversee, and "John Does" (i.e., the unknown domain name registrants) for direct and contributory trademark counterfeiting, infringement, dilution, and

cybersquatting, among other claims. Transamerica accused defendants of collaborating with the anonymous domain name registrants to use the TRANSAMERICA mark to divert consumers looking to purchase Transamerica's services, sending them instead to websites selling competing services. Defendants moved to dismiss Transamerica's complaint in its entirety.

ANALYSIS

The ACPA provides that "[a] person shall be liable for [illegally] using a domain name only if that person is the domain name registrant or that registrant's authorized licensee." 15 U.S.C. § 1125(d)(1)(D). Defendants argued that they were immune from liability for cybersquatting because they were neither the registrants nor the registrants' "official" licensees for the disputed domain names, and that courts have repeatedly held that registrars such as Moniker cannot be liable under the ACPA. The court disagreed, noting that recent decisions have held that the ACPA's qualified immunity for registrars does *not* apply when the registrar is also the domain name registrant. Because defendants here acted as both the registrant and registrar for some names, they did not qualify for the ACPA's "safe harbor" provision exempting domain name registrars from liability. Moreover, Transamerica's allegations that defendants were part of a scheme to profit from the use of others' marks were sufficient to allege that defendants were the de facto registrants of all of the domain names. In particular, the court stated that the payments that Moniker Privacy received when users clicked on the links "establishes at least partial ownership in the domain name." These allegations, taken as true for purposes of a motion to dismiss, satisfied the requirement that defendants "[acted] as more than registrars so as to strip them of immunity under the ACPA." Finally, even if the defendants were just the registrar, the court noted that they still would not qualify for the exemption because they would fall within the exception that immunity does not apply in the "case of bad faith or reckless disregard." 15 U.S.C. § 1125(d)(2)(D)(ii). Specifically, the court stated that defendants "would not qualify . . . because they have acted in 'bad faith' and 'reckless disregard' of known trademark rights of [Transamerica] and countless other trademark owners."

The court also rejected defendants' argument that Transamerica's trademark counterfeiting, infringement, and dilution claims should be dismissed for failure to allege that defendants used Transamerica's mark in commerce. Defendants claimed that Moniker Privacy, as a registrar, simply registered domain names on behalf of third parties and played no further role, and cited several cases for the proposition that a registrar is not liable for trademark infringement if the registrant chooses to use the domain name in an infringing manner. However, the court noted that more recent cases, including *Vulcan Golf, LLC v. Google Inc.*, 552 F. Supp. 2d 752 (N.D. Ill. 2008), held that "[use of] a trademark to draw consumers to a particular website not belonging to the trademark holder constitutes use in commerce under the Lanham Act." Although defendants argued that they simply registered domain names, Transamerica's complaint alleged much more, i.e., defendants worked with the anonymous registrants to register domain names similar to Transamerica's mark, monetized those domain names by steering consumers to websites selling competing services, and shared in the profits generated by those websites. These allegations were sufficient to satisfy the "use in commerce" requirement under the test articulated in *Vulcan Golf*.

CONCLUSION

Although this decision was not a decision on the merits, it is yet another recent decision suggesting that domain name registrars that register infringing domain names through their privacy registration services *may*, depending on the particular circumstances, not be immune from liability simply because they are a registrar.

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Unregistrable

NATIONAL COATS OF A@MS?

by Robert D. Litowitz

The President and First Lady certainly have their hands full with pressing issues of local, national, and global significance. The country is trying to dig out from under the most profound economic downturn since the Great Depression, while Washington digs out from another fresh snowfall. On Capitol Hill, President Obama faces the daunting task of reconciling the Senate and House health care reform bills, while assuaging angry critics from both sides of the aisle. And having redoubled the war effort in Afghanistan, the administration must now deal with new threats to national security posed by “underwear of mass destruction” and a patchwork national security apparatus seemingly manned by the Keystone Kops, if not Moe, Larry, and Curly, not to mention Shemp. You would think those agendas would be enough to fill the plate of any chief executive. And you’d be wrong. To that crushing list of issues must be added yet another—Barack and Michelle Obama might soon find themselves as plaintiffs in twin lawsuits under the Lanham Act to enforce their rights of publicity. An enterprising clothing merchant, shrewdly if not fortuitously noticing the President wearing one of the company’s signature jackets on a China trip, has plastered a four-story image of a pensive Mr. Obama sporting a WEATHERPROOF-brand coat while gazing across the vast Chinese landscape atop the Great Wall. And, by the way, that iconic billboard sits atop a Red Lobster restaurant, promising a level of trickle-down prestige that the ubiquitous seafood chain could only dream to get from its bottomless salad bowls and all-you-can-eat shrimp deals.

Not to be outdone, PETA (the People for the Ethical Treatment of Animals) has fashioned a spray-painted van featuring a celebrity quartet dubbed the “Fur-Free Foursome,” including Michelle Obama, Oprah Winfrey, Carrie Underwood, and Tyra Banks. Not surprisingly, neither advertiser secured the approval, consent, or permission of the most powerful couple in the world. So, plainly, while the unauthorized use of the Obamas’ personae adds attention-grabbing luster to both campaigns, this right of publicity hijacking is not exactly kosher, as we lawyers like to say.

The White House took little time to respond, issuing the following statement: “The White House has a longstanding policy disapproving of the use of the President and First Family’s name and likeness for advertising purposes.” The release echoes one issued when the Obama daughters were mentioned on posters promoting healthy school lunches a few months back. Beyond that lukewarm reproach, what’s the man who appoints the Attorney General and Supreme Court Justices to do? After all, part of the motivation for usurping the President’s likeness is undoubtedly to cash in on his cachet. And, so far, the WEATHERPROOF jacket ads appear to have done just that. The jacket Obama is wearing on the billboard, called the “Ultra Tech,” sells for about \$200 and is reportedly briskly moving off the racks.

Bringing suit might deliver a pyrrhic victory, but would also cast even more of a spotlight on the questionable ads, while lining the pockets of the jacket maker. So, whether the White House will continue its policy of talking softly while wielding a muted press release remains to be seen. Who knows? Maybe these wayward advertisers will bow to presidential pressure and replace these offending ads with new ones featuring another prominent couple who, if not quite living legends, are legends in their own minds—Tareq and Michaela Salahi, the White House party crashers.

As we go to press, the *New York Times* reports that Weatherproof has issued the following statement:

“Although Weatherproof believes that it had sufficient legal basis for displaying the billboard, it will be replacing the billboard in order to cooperate with the request of the White House.”

MSNBC also reports that PETA is parking the van with Michelle Obama’s likeness. So, while pundits may bemoan the decline of presidential influence in some quarters, the bully pulpit remains alive and well when it comes to IP enforcement.

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