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February 2010 Issue

Civil Cases

***JA Apparel Corp. v. Abboud*, 2010 WL 103399 (S.D.N.Y. Jan. 12, 2010)**

by B. Brett Heavner

Southern District of New York holds that fashion designer Joseph Abboud's assignment of trademarks did not grant plaintiff-assignee an exclusive right to all commercial use of his name, that Abboud's descriptive nontrademark use of his name in certain advertisements was "fair use," and that Abboud's more prominent use of his name in certain advertisements was not "fair use" and should be enjoined.

***Great Clips, Inc. v. Hair Cuttery of Greater Boston, LLC*, 93 USPQ2d 1263 (1st Cir. Jan. 5, 2010)**

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First Circuit interprets settlement-agreement provision releasing parties from claims arising from "the application and registration" of their respective trademarks broadly to also apply to claims based on the "use" of those marks.

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Southern District of New York finds that plaintiff, who registered the domain names bofaml.com and mlbofa.com on the day that defendant Bank of America's acquisition of Merrill Lynch was announced, did so with a bad-faith intent to profit from the B OF A and ML trademarks, and dismisses plaintiff's request for a declaratory judgment that he did not violate the defendants' rights.

***Nomination di Antonio e Paolo Gensini S.N.C. v. H.E.R. Accessories, Ltd.*, 2009 WL 4857605 (S.D.N.Y. Dec. 14, 2009)**

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Southern District of New York refines the test for contributory infringement where defendants do not provide an ultimate

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HUSL Seventh Annual Intellectual Property Law Seminar
hosted by Finnegan and Howard University School of Law

IPAG U.S. Trademark Law Seminar, April 27, 2010
hosted by Chartered Institute of Patent Attorneys

IPAG U.S. Trademark Law Seminar, April 29, 2010
hosted by Chartered Institute of Patent Attorneys

Resource

Trade Dress: International Practice and Procedures

A new online publication by the International Trademark Association (INTA) offering comprehensive searchable country profiles on trade dress protection and enforcement, enhanced by audio and visual exhibits that relate to specific points of law and practice, is now available to INTA members.

Finnegan attorney, Doug (Chip) Rettew, is one of two Principal Editors product to the direct infringer, but merely some service or other assistance, and holds that conclusory allegations regarding the contributory infringers' control and knowledge of the direct infringement are insufficient to state a claim.

World Wide Sales, Inc. v. Church & Dwight Co., 93 USPQ2d 1313 (N.D. Ill. Nov. 9, 2009)

by Christie Baty Heinze

In granting summary judgment to defendant, Northern District of Illinois finds no likelihood of reverse confusion between defendant's FRIDGE FRESH marks and plaintiff's mark FOREVER FRESH FOR THE FRIDGE, based in part on defendant's use of its famous house mark, and holds that defendant did not commit fraud by failing to disclose its knowledge of plaintiff's mark to the USPTO.

and has been involved with the publication since its inception. Doug is also the author for the United States section of the online publication.

UNREGISTRABLE:

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by Robert D. Litowitz

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JA Apparel Corp. v. Abboud, 2010 WL 103399 (S.D.N.Y. Jan. 12, 2010)

by B. Brett Heavner

ABSTRACT

In its initial decision in this long-running legal battle surrounding the "Joseph Abboud" name, the Southern District of New York found in favor of plaintiff who had purchased defendant's trademarks. On appeal, the Second Circuit vacated that decision, instead finding that the language of the trademark purchase and sale agreement was ambiguous as to whether defendant had assigned plaintiff not only his trademarks, but also the exclusive rights to all commercial use of defendant's name. On remand, the Southern District of New York evaluated extrinsic evidence to determine the true scope of the purchase and sale agreement. After determining that defendant had only assigned his trademarks and not his personal name, the court examined defendant's specific proposed advertisements to determine which advertisements constituted descriptive fair use of defendant's name and which infringed on the trademarks purchased by plaintiff. The court ordered tailored injunctive relief to fit its specific findings with respect to the fair-use defense.

CASE SUMMARY

FACTS

In the 1980s, defendant Joseph Abboud, a well-known designer of menswear, along with a business partner, created plaintiff JA Apparel Corp. ("JA Apparel") to manufacture, market, and sell various products under the JOSEPH ABBOUD brand name. In the 1990s, Abboud sold his interest in JA Apparel to his partner and licensed JA Apparel to use the "JOSEPH ABBOUD" trademark.

In 2000, JA Apparel entered into a purchase and sale agreement with Abboud, paying him $65.5 million for exclusive rights to his "names, trademarks, trade names, service marks, logos, insignias, and designations" associated with the business. The agreement included a specific list of marks covered by the agreement, including JOSEPH ABBOUD, DESIGNED BY JOSEPH ABBOUD, JA, and JOE. The agreement also included a noncompete agreement lasting until mid-July 2007. Following the 2000 agreement, Abboud had a falling out with the company.

After the falling out but prior to the expiration of the noncompete agreement, Abboud began work on a new, competing menswear line called JAZ, which was targeted to launch upon the expiration of the noncompete agreement. Abboud planned to promote the new line with phrases like “a new composition by designer Joseph Abboud.”

Upon learning of Abboud’s plans to use his name in marketing JAZ, JA Apparel sued Abboud in the Southern District of New York, alleging trademark infringement and breach of contract. During the district court litigation, both JA Apparel and Abboud argued that the purchase and sale agreement was “unambiguous.” However, JA Apparel argued that the agreement unambiguously assigned Abboud’s personal name since the assignment grant included the term “names.” Abboud, on the other hand, argued that the agreement was unambiguous in assigning only specific registered trademarks listed in the exhibit to the agreement, explaining that the term “name” in the agreement was simply a synonym for the word “trademark.” Abboud also argued that the use of his name in the planned promotional materials was “descriptive fair use.” The district court found that the agreement unambiguously assigned JA Apparel all commercial rights to Abboud’s personal name since the term “names” was included in the assigned assets. As such, the court rejected Abboud’s fair-use defense.

On appeal, the Second Circuit vacated the district court’s decision on the ground that the purchase and sale agreement was ambiguous as to whether it assigned all commercial rights to Abboud’s personal name. The Second Circuit remanded the case to the district court with instructions to examine extrinsic evidence to determine the scope of the agreement, and, in the event that Abboud’s personal name had not been assigned to JA Apparel, to consider Abboud’s fair-use defense with respect to the proposed advertisements.

ANALYSIS

Because the Second Circuit determined that the agreement was ambiguous as a matter of law, the district court considered extrinsic evidence in interpreting the agreement on remand. In at least six separate documents (including letters of intent, meeting minutes, and correspondence memorializing the negotiations), the parties referred to Abboud as assigning “the trademarks” associated with the business. In none of those documents did either party indicate that Abboud would be assigning his personal name. The parties only used the term “trademarks” to identify the assigned assets. In three documents, the parties suggested that Abboud retained at least some rights to his personal name. Specifically, in correspondence prior to drafting the purchase and sale agreement, JA Apparel conceded that it would need Abboud’s consent to use “the name ‘Joseph Abboud’ in association with products different from the ones mentioned [specifically in the agreement].” Further, in a subsequent letter, Abboud stated that he retained the option of practicing his design skills elsewhere, and that in such an event, Abboud would “separate Joseph Abboud personally from the JOSEPH ABBOUD trademarks.” Finally, a letter from Abboud’s counsel to JA Apparel discussing Abboud’s future design plans stated that “technically JA Apparel is only acquiring Mr. Abboud’s trademarks.”

In addition to an exhibit listing the specific (and uncontested) marks being assigned, the grant paragraph of the draft agreement contained the following boilerplate general description of the assigned assets: “names, trademarks, trade names, service marks, logos, insignias, and designations.” The term “names” was first included among the assets being transferred to JA Apparel in the draft of the agreement prepared by JA Apparel, and there was no evidence of any negotiation or discussion about the appearance of “names” in the assigned assets or whether the boilerplate description was actually meant to expand the assigned assets beyond the “trademarks” discussed in the negotiation documents.

Based on the extrinsic evidence, the court determined that the parties intended for JA Apparel to purchase only Abboud’s trademarks and related intellectual property but not for JA Apparel to acquire all commercial rights to Abboud's personal name. The term "names" was never used in negotiations to describe a separate asset to be sold to JA Apparel along with the trademarks, but rather only appeared when JA Apparel unilaterally inserted the term in its first draft of the purchase and sale agreement. Under such circumstances, Abboud's failure to object to the insertion of the term in a phrase generally describing the assigned assets could not evidence his intent to sell his personal name. Therefore, the court determined that Abboud had not conveyed to JA Apparel the exclusive right to commercial use of his personal name other than as it was embodied in the assigned trademarks. The court reasoned that in memorializing the parties' intent, JA Apparel simply created a laundry list of words, including the term "names," that fell under the general penumbra of "trademarks." There was nothing to indicate that both parties intended to ascribe a broader meaning to "names" such that it included personal names.

Since Abboud did not convey all commercial rights to his personal name, the court's next task was to determine whether Abboud's proposed uses of his name constituted trademark infringement. Since JA Apparel's marks encompassed the JOSEPH ABBOUD name, the court had no difficulty concluding that there was a substantial likelihood of confusion between JA Apparel's marks and Abboud's proposed use of his name in connection with the JAZ line of clothing. However, as noted by the Second Circuit, Abboud might have a valid descriptive fair-use defense to JA Apparel's infringement claim. To prove fair use, Abboud must establish that he used his name (1) descriptively, (2) other than as a trademark, and (3) in good faith. In evaluating the issue of fair use, the court noted that it must foreclose any attempt by Abboud both to keep for himself the asset that he sold (i.e., his name-based trademarks), and also to keep the sales price he received for that asset.

In analyzing Abboud's specific advertisements, the court first reviewed a piece containing the following phrase: "JAZ is a new luxury collection created by the award winning designer Joseph Abboud." The court found that the use of the name in that situation was descriptive because it was the only reasonable means for Abboud to inform potential customers that he is the designer of the JAZ line of products. Further, the name "Joseph Abboud" in that advertisement was not used in a trademark manner because it was (1) displayed in the lower left-hand corner of the advertisement; (2) in text that was less than 25% the size of the featured, centrally positioned JAZ trademark; (3) part of a complete sentence; and (4) not set apart from other words in the sentence. With respect to the good-faith requirement, the court was concerned that the average consumer might not be able to discern the difference between Joseph Abboud as a person versus the JOSEPH ABBOUD brand now owned by JA Apparel. Therefore, to meet the fair-use test, the court required that Abboud include a disclaimer of his affiliation with JA Apparel in this particular advertisement.

In contrast, other advertisements that placed "Joseph Abboud" just below or to the side of the slightly larger JAZ trademark were deemed not to be fair use as they displayed the name in the same eye-catching manner as the JAZ trademark. As such, the name was neither merely descriptive, nor nontrademark in appearance, nor in good faith.

Accordingly, the court modified its original injunction to address only the proposed uses of the "Joseph Abboud" name that would constitute trademark infringement not otherwise protected by the fair-use defense. Thus, Abboud was permanently enjoined from using JOSEPH ABBOUD unless the name is (1) used descriptively; (2) in the context of a complete sentence or descriptive phrase; (3) in text no larger or more distinct than the surrounding words in that sentence or phrase; (4) displayed in a location removed from the prominent JAZ mark; and (5) accompanied by a disclaimer (unless the name is displayed in very small type).

CONCLUSION

When drafting an agreement, it is vital that the parties pay adequate attention to the language used in the agreement. Apparent "boilerplate" language should always be carefully reviewed to make certain that it reflects the parties' actual intentions. Assignors and licensors should be careful that such boilerplate wording does not inadvertently convey or license assets that they intend to retain. Similarly, assignees and licensees should not rely on boilerplate language alone to identify all the assets that they believe they have acquired or been licensed to use.

Furthermore, when acquiring trademarks that encompass a personal name, the assignee should be mindful that the individual may still be able to engage in some limited use of his or her name under the fair-use doctrine. If the assignee's intention is to foreclose all use of the individual's name in advertising, the assignee will need to craft the agreement very carefully to avoid allowing the fair-use defense to swallow the very assets that the assignee believed he was acquiring.

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Civil Cases

Great Clips, Inc. v. Hair Cuttery of Greater Boston, LLC, 93 USPQ2d 1263 (1st Cir. Jan. 5, 2010)

by Marcus H.H. Luepke

ABSTRACT

The First Circuit affirmed the district court's summary judgment holding that the settlement agreement between two hair-care companies, releasing one another from "claims that arise from the *application and registration*" of their respective marks, also applied to the parties' *use* of their marks. The court found that the defendants read the phrase "application and registration" too narrowly because trademarks are registered to be used, and that the intent of the agreement was for the parties to agree to the anticipated use of their respective registered marks. The appeals court found support for such construction of the agreement in two of its other provisions, which would not have been necessary if the release was limited to claims arising only from registration issues.

CASE SUMMARY

FACTS

Plaintiff Great Clips, Inc. ("Great Clips") owns and operates hair salons under its registered GREAT CLIPS mark, while defendants Hair Cuttery of Greater Boston, LLC and Great Cuts, Inc. own and use the registered mark GREAT CUTS for hair-care services and products. More than two decades ago, plaintiff and defendants' predecessor-in-interest were engaged in an opposition proceeding and, in 1989, they entered into a settlement agreement mutually releasing each other "from any and all claims that arise or may arise from the application and registration" of their respective marks.

When Great Clips took steps in 2008 to open new franchise stores in Massachusetts and New Hampshire, it was advised by defendants of their plans to sue plaintiff to prevent its use of the GREAT CLIPS mark in New England. Great Clips then brought a declaratory-judgment action against defendants, seeking a ruling that it is entitled to use its GREAT CLIPS mark in the United States, that Great Clips' use of the mark in New England would not infringe defendants' rights, and that the settlement agreement precluded defendants from asserting otherwise. Defendants asserted counterclaims for trademark infringement, dilution, unfair competition, and other claims.

On cross-motions for summary judgment, the district court rejected defendants' counterclaims and granted Great Clips' request for declaratory judgment, holding that the settlement agreement allowed

Great Clip to use its mark without geographic limitation. Defendants appealed the ruling.

ANALYSIS

In their appeal, defendants argued that the settlement agreement only released Great Clips from claims arising from the *registration* of its GREAT CLIPS mark, but not from claims that arise from its *use* of the mark. However, the appeals court rejected defendants' narrow interpretation of Paragraph 4 of the settlement agreement, which stated that the parties are mutually released "from any and all claims that arise or may arise from the application and registration" of their respective marks. Limiting this release to claims that arise *in the registration process itself*, such as a claim for fraud in obtaining the registration, but not extending the release to any later use of the registered marks, may be a permissible reading of that specific language, but it did not take the agreement's other provisions sufficiently into account that emphasized the breadth of the precluded claims. Considering the apparent purpose of the agreement, the First Circuit pointed out that trademarks generally are registered in order to be used, and that this particular agreement was aimed not only at allowing one another's registration of the marks but also their anticipated use. The court further stated that Massachusetts law requires a broad construction of the release's broad wording ("any and all claims" and "arise or may arise from") and that the parties had not offered any evidence to the contrary that would suggest that the agreement was intended to be limited to the registration of the marks, and that it was meant to reserve disputes over the practical consequences of registration (e.g., use) for future litigation.

In further support of its interpretation of the release language in Paragraph 4, the court looked to other provisions in the settlement agreement that addressed details of its practical implementation and were consistent with an extension of the release to future disputes about the use of the marks. Paragraph 6 of the agreement stated that, in view of Great Clips' use of the phrase GREAT CLIPS FOR HAIR, defendants agreed not to use the phrase GREAT CUTS FOR HAIR, with the only exception being that they could continue use of their long-time slogan GREAT CUTS-FOR GREAT LOOKING HAIR AT A REALLY GREAT PRICE. The First Circuit agreed with the lower court that this provision only makes sense as a "carve-out" from a broad release in Paragraph 4 for all other infringement claims arising from defendants' use of the GREAT CUTS mark; if the release in Paragraph 4 was not to be construed broadly, there would have been no need to preserve Great Clips' potential claims against defendants over the use of the phrase GREAT CUTS FOR HAIR. The court also noted that Paragraph 7 of the agreement, which allowed each party to bring claims against *third* parties over the unauthorized use of the *other* party's mark, only makes sense if Paragraph 4's waiver of claims applied to the parties' use of their own marks. Because the agreement indicated that the parties intended to achieve a comprehensive solution allowing them to use their respective marks as part of conducting their businesses, the First Circuit affirmed the district court's ruling in favor of Great Clips.

CONCLUSION

The decision highlights the need to use careful language in all contracts and settlement agreements, and indicates that a release from claims "arising from the application and registration" of a trademark may well be extended beyond mere "application and registration" and to apply to "use" of the mark at issue unless there is clear language or extrinsic evidence that the parties intended to limit the release solely to the registration process itself and to reserve questions over use of the mark for future litigation. Even if the parties had intended to be vague or silent about the issue of use in the release provision, several of their other agreement provisions belied that intention and resulted in an expansive reading of the release.

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Webadviso v. Bank of Am. Corp., 2009 WL 5177997 (S.D.N.Y. Dec. 31, 2009) (granting defendants' motion for preliminary injunction); 2010 WL 521117 (S.D.N.Y. Feb. 16, 2010) (granting defendants' motion for summary judgment)

by David M. Kelly

ABSTRACT

The district court dismisses plaintiff's request for a declaratory judgment that his use of the domain names bofaml.com and mlbofa.com, registered on the day that defendant Bank of America's (also known as "B OF A") acquisition of Merrill Lynch (also known as "ML") was announced, did not violate the defendants' rights and instead found that he registered and used the names with a bad-faith intent to profit from the B OF A and ML trademarks.

CASE SUMMARY

FACTS

Plaintiff J. Taikwok Yung operated a domain-name business that acquired domain names and parked them with domain-parking service providers to generate revenue from pay-per-click advertisements. Yung had a history of registering domain names that included well-known trademarks, including combinations of marks of financial institutions that considered mergers (e.g., wachoviaciti.com). Defendant Bank of America Corporation ("BOA"), one of the world's largest financial institutions, owned the federally registered marks BANK OF AMERICA and B OF A. Defendant Merrill Lynch & Co., Inc. ("Merrill"), another leading financial company, owned the federally registered mark MERRILL LYNCH and various ML-formative marks. BOA acquired Merrill in September 2008. Yung registered the domain names bofaml.com and mlbofa.com on the same day the media reported the acquisition. Both domain names linked to websites offering the domains for sale and both sites displayed information about financial services and various pay-per-click advertisements.

In February 2009, BOA and Merrill jointly filed a UDRP complaint against Yung regarding the bofaml.com domain name. Counsel for BOA contacted Yung to attempt to resolve the matter, and Yung responded with an offer to sell the domain, stating that "[t]his is a high quality domain name and if its [sic] auctioned off in the open market it would fetch near 7 figures." In March 2009, BOA learned that Yung had also registered mlbofa.com, bofamerrill.com, and merrillbofa.com, and amended its UDRP complaint to include those domains. The UDRP panel ruled that the bofaml.com and mlbofa.com domain names were confusingly similar to BOA's B OF A trademark and that Yung registered the domains in bad faith, and ordered transfer of the domain names to BOA. Although not discussed in the court's opinion, the UDRP panel surprisingly held that the domains bofamerrill.com and merrillbofa.com were *not* confusingly similar to BOA and Merrill's marks because they had no rights in combinations of their respective marks.

To stay the UDRP transfer, Yung filed this lawsuit seeking a declaratory judgment that his use of the domain names did not violate BOA's rights. BOA counterclaimed for cybersquatting and other claims. In July 2009, the district court granted BOA's motion for a temporary restraining order and ordered transfer of the domain names bofaml.com and mlbofa.com to BOA pending a preliminary-injunction hearing. At issue in these decisions were BOA's motions for preliminary injunction and for summary judgment.

ANALYSIS

The district court granted BOA's motion for a preliminary injunction. BOA showed a likelihood of success on its cybersquatting claim against Yung because, among other things: (1) the domain names bofaml.com and mlbofa.com were confusingly similar to BOA's marks; (2) BOA's B OF A mark and Merrill's ML mark were both strong and distinctive marks; (3) Yung acted in bad faith by registering the domain names the day the merger was announced solely to profit from the sale of the domains and by suggesting to BOA's counsel that the bofaml.com domain name was worth "near 7 figures"; and (4) Yung admittedly registered numerous other domain names containing well-known trademarks in hopes of selling them to the trademark owners.

BOA also showed that it would suffer irreparable harm if Yung was allowed to continue using and controlling the bofaml.com and mlbofa.com domain names. Customers seeking information regarding the BOA-Merrill merger could use a combination of the parties' trademarks and mistakenly arrive at Yung's websites. Further, BOA may want to use the domain names for its legitimate business matters regarding the acquisition, and it should have the ability to do so. The court thus preliminarily enjoined Yung's use of the bofaml.com and mlbofa.com domain names and any iterations thereof, and ordered ownership of the domains to remain with BOA pending resolution of the case. The court also observed that Yung did not state a viable claim in his complaint and did not have a viable defense to BOA's counterclaims. The court thus ordered Yung to show cause why summary judgment should not be granted against him.

Six weeks later, the district court granted summary judgment in BOA's favor based on the court's findings regarding BOA's cybersquatting claim on BOA's preliminary-injunction motion. The court rejected all of Yung's arguments against summary judgment. Although the UDRP panel rendered a "split" decision because it ordered the transfer of only the bofaml.com and mlbofa.com domain names, that fact was irrelevant in this action because BOA sought relief for only the transferred domain names. Yung also claimed that he was entitled to discovery, but the court held that he did not show either the existence of genuine issues of material fact that would warrant discovery or that discovery would reasonably lead to admissible and helpful evidence. Finally, the court rejected Yung's argument that he never sold or attempted to sell the domain names because it contradicted Yung's allegations in his complaint about his activities. Moreover, even if Yung never actually sold a domain name, the indisputable evidence of record showed unequivocally that he emailed BOA's counsel soliciting an offer and suggesting the "7 figures" value of the bofaml.com domain name. The court granted BOA's motion for summary judgment and dismissed the complaint.

CONCLUSION

This decision underscores courts' intolerance for cybersquatters, especially those that opportunistically register and use domain names to take advantage of newly announced company mergers, company names, product names, and the like.

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Nomination di Antonio e Paolo Gensini S.N.C. v. H.E.R. Accessories, Ltd., 2009 WL 4857605 (S.D.N.Y. Dec. 14, 2009)

by Kenneth H. Leichter

ABSTRACT

Plaintiffs sued two groups of defendants: a group of direct-infringer defendants who allegedly manufactured and distributed counterfeit products packaged with plaintiffs' trademark, and a second group of defendants that licensed their intellectual property to the direct infringers, who in turn depicted that intellectual property on the allegedly infringing goods. Plaintiffs alleged that they had notified the licensor-defendants of the infringement. The licensor-defendants moved to dismiss the infringement claims, arguing that plaintiffs had failed to state a claim for contributory infringement. The court found that because the licensor-defendants provided the direct infringers with an ancillary service or benefit that was alleged to have increased the desirability of the underlying product, rather than the allegedly infringing product itself, the relevant inquiry was whether the licensor-defendants had directly controlled or monitored the direct infringers' activity. The court granted the motion to dismiss, holding that plaintiffs had not pled sufficient facts to support their conclusory allegations of direct control and monitoring. The court also granted the motion to dismiss on the alternative ground that the plaintiffs had not adequately pled that the licensor-defendants had knowledge of the direct infringers' activity, which is an essential element for a contributory infringement claim under Supreme Court precedent.

CASE SUMMARY

FACTS

Plaintiff Nomination di Antonio e Paolo Gensini S.N.C. ("Nomination") is an Italian partnership that manufactures "composable" jewelry, that is, bracelets, necklaces, and earrings comprising individual links of stainless steel or gold. Each link can be filled and replaced, one by one, with a different decorative design or with semiprecious stones. Nomination's complaint alleged that H.E.R. Accessories, Ltd. ("H.E.R.") and five other defendants directly infringed Nomination's trademark by manufacturing and distributing counterfeit links packaged with Nomination's NOMINATION trademark (collectively, the "Supplier Defendants").

Nomination's complaint also named fifteen additional entertainment and media companies as defendants for contributing to the Supplier Defendants' infringement. Specifically, these "Licensor Defendants" were alleged to have licensed their own intellectual-property rights to famous characters (e.g., SpongeBob

Square Pants, Betty Boop, Popeye, and Super Mario Brothers) to the Supplier Defendants. The Supplier Defendants then manufactured the allegedly counterfeit links depicting these characters and distributed them in packaging that used the NOMINATION mark.

In 2005, Nomination notified many, but not all, of the Licensor Defendants that H.E.R. was using their respective intellectual property to infringe upon the NOMINATION trademark, and requested that each Licensor Defendant "cooperate with Nomination's investigation into such infringing activity." The Licensor Defendants allegedly ignored this request.

Nomination sued all defendants for trademark infringement, unfair competition, and related claims. The Licensor Defendants moved to dismiss all of Nomination's claims pursuant to Rule 12(b)(6) for failure to state a claim.

ANALYSIS

After Nomination conceded that its claims against the Licensor Defendants were for contributory infringement only and not direct infringement, the Licensor Defendants contended that Nomination failed to state a claim for contributory infringement because (1) as a matter of law, the Licensor Defendants' conduct was not actionable as contributory infringement under the standard established by the Supreme Court in *Inwood Laboratories., Inc. v. Ives Laboratories., Inc.*, 456 U.S. 844 (1982); and (2) irrespective of the scope of *Inwood*, the complaint did not allege sufficient facts to satisfy the element of knowledge.

In *Inwood*, the alleged contributory infringers were generic drug manufacturers who supplied drugs to pharmacists who then directly infringed on the plaintiff's mark by relabeling the generics as brand-name drugs. *Inwood* held that "a manufacturer or distributor [who] intentionally induces another to infringe a trademark, or . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement . . . is contributorially responsible for any harm done as a result of the deceit." Nomination based its claims on the second prong: that the Licensor Defendants continued to supply their own intellectual property to the Supplier Defendants despite their knowledge that the Supplier Defendants were infringing on Nomination's mark.

The decision noted that courts have struggled to determine how the Supreme Court's test in *Inwood* applies to defendants who do not provide the "product" itself to the direct infringer, but rather merely provide some service or other assistance.

The court looked to the Ninth Circuit's opinion in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999), which held that "when measuring and weighing a fact pattern in the contributory infringement context without the convenient 'product' mold dealt with in *Inwood Lab.*, we consider the extent of control exercised by the defendant over the third party's means of infringement [and thus the direct] control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark." The *Lockheed Martin* test had previously been endorsed by the Southern District of New York in *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 505 (S.D.N.Y. 2008), which considered contributory infringement in the context of a defendant that provided an online platform through which sales of counterfeit goods were made by direct infringers, and found that the relevant inquiry is "the extent of control exercised by the defendant over the third party's means of infringement."

Here, the counterfeit links, which were the "product" that was ultimately palmed off, were neither manufactured nor distributed by the Licensor Defendants. Rather, the Licensor Defendants supplied an ancillary service or benefit that is alleged to have increased the desirability of the underlying product.

Thus, the court examined Nomination's allegations in light of the *Lockheed Martin* test. Nomination alleged that "the Licensor Defendants are sophisticated companies that regularly engage in and carefully control and monitor the licensing of their respective intellectual property." The court found, however, that the fact that the Licensor Defendants monitored and controlled the licensing of their own marks did not mean that they also monitored and controlled the manufacture and distribution of the counterfeit bracelets produced by the Supplier Defendants. Nomination also alleged that the "Licensor Defendants have contributed to such infringement by their knowing participation in the development, promotion and sale of the Counterfeit Bracelets," but the court found this allegation to be the type of conclusory allegation that the Supreme Court was concerned with in *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1950 (2009) (holding that "[w]hile legal conclusions can provide the framework of a complaint, they must be supported by factual allegations"). The court found that although participation in the development, promotion, and sale of the counterfeit bracelets would, if true, likely equate to direct control and monitoring, Nomination had not stated any factual allegations as to how the Licensor Defendants had done so.

The court concluded that because Nomination had not sufficiently alleged that the Licensor Defendants exercised the necessary "direct control and monitoring" of the Supplier Defendants' activity, the claim for contributory infringement against the Licensor Defendants was deficient.

The Licensor Defendants also contended that Nomination had not adequately pled that they had knowledge of the direct infringement by the Supplier Defendants, which is a necessary element under the *Inwood* test. The court agreed that the complaint's allegation that the Licensor Defendants knowingly participated in the development, promotion, and sale of the counterfeit links was, again, conclusory under *Iqbal*. The complaint did specifically allege that in 2005 Nomination notified many of the Licensor Defendants of the Supplier Defendants' allegedly infringing activity. But the complaint failed to specify which Licensor Defendants were allegedly notified, and it did not allege that these Licensor Defendants continued to provide their own marks to the Supplier Defendants after that notification—the complaint said only that the "Licensor Defendants have ignored th[e] request" to "cooperate with Nomination's investigation into such infringing activity." Accordingly, the court also dismissed Nomination's claims against the Licensor Defendants for failure to adequately plead the necessary element of knowledge.

Finally, the court granted Nomination leave to replead with nonconclusory facts regarding control and knowledge, except that Nomination was denied leave to replead as to any Licensor Defendants who did not receive the December 2005 notice, unless Nomination could allege that these defendants had knowledge on some other basis.

CONCLUSION

This decision demonstrates that some claims for contributory trademark infringement that do not fall within the traditional model—a contributory infringer providing a product to the direct infringer—are subject to a variation of the *Inwood* test that looks to whether the contributory infringer directly controlled or monitored the direct infringer's activities. It also provides insight into the application of the stricter pleading standard established by the Supreme Court in *Iqbal* in a contributory-infringement context, and shows that allegations regarding the control and knowledge of the contributory infringer must have facts supporting them to survive a motion to dismiss.

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Civil Cases

World Wide Sales, Inc. v. Church & Dwight Co., 93 USPQ2d 1313 (N.D. Ill. Nov. 9, 2009)

by Christie Baty Heinze

ABSTRACT

On defendant's motion for summary judgment, the Northern District of Illinois found that the differences in the parties' marks and the weakness of plaintiff's mark were sufficient to render confusion between defendant's FRIDGE FRESH and ARM & HAMMER FRIDGE FRESH & Design marks and plaintiff's mark FOREVER FRESH FOR THE FRIDGE unlikely. The court also held that defendant did not commit fraud on the USPTO in registering its marks without disclosing to the USPTO that it knew of plaintiff's mark.

CASE SUMMARY

FACTS

Plaintiff World Wide Sales, Inc. ("World Wide") sells odor-neutralizing products for a variety of uses under the umbrella name FOREVER FRESH, including a product for use in refrigerators sold under the mark FOREVER FRESH FOR THE FRIDGE. Sales of the product online and through a limited number of retail stores have been minimal, with World Wide reporting losses on sales of all of its products every year that it has sold the refrigerator product. During prosecution of World Wide's application to federally register the mark FOREVER FRESH FOR THE FRIDGE in stylized form, World Wide complied with the USPTO's requirement to disclaim any exclusive right to the words "fresh" and "for the fridge" apart from the overall mark. In March 2004, the USPTO issued the registration but omitted the disclaimer from the face of the registration.

Defendant Church & Dwight Co. ("Church") has produced baking soda under the ARM & HAMMER brand name for at least 80 years. Recognizing that consumers have long used baking soda to absorb odors in refrigerators, in around 2004 or 2005, Church developed a baking-soda product especially for use in refrigerators. After conducting market research and at least three trademark searches, the product was launched in 2006 in grocery stores and mass-market retailers under the name FRIDGE FRESH. In January 2006, Church filed applications to federally register the mark FRIDGE FRESH in block letters and a stylized version of FRIDGE FRESH together with the well-known ARM & HAMMER logo.

In November 2006, World Wide sent Church a letter claiming that confusion between the marks was likely and demanding that Church discontinue using its FRIDGE FRESH mark. Church promptly responded, explaining why it believed confusion was unlikely and stating that it did not intend to discontinue its use of the FRIDGE FRESH mark. World Wide never responded to the letter, and in October 2007, the USPTO issued Church's registration for the FRIDGE FRESH mark.

In February 2008, more than a year after first objecting to Church's use, World Wide sued Church for trademark infringement, unfair competition, and fraud on the USPTO. In response, Church claimed that it was prejudiced by World Wide's delay in bringing suit and, therefore, the suit was barred by laches. Church also asserted a counterclaim contending that World Wide's registration for FOREVER FRESH FOR THE FRIDGE was erroneously issued without the intended disclaimer of "fresh" and "for the fridge." Church moved for summary judgment on World Wide's claims and its affirmative defense of laches.

ANALYSIS

The court noted that, to prevail on its claims of trademark infringement and unfair competition, World Wide must establish that its mark is protectable and that Church's use of its mark is likely to cause confusion among consumers as to the source or sponsorship of the goods. World Wide relied on a theory of "reverse confusion," which occurs when a large junior user saturates the market with a trademark that is confusingly similar to a smaller senior user, the potential result being the mistaken assumption that the senior user is the infringer. In analyzing World Wide's reverse-confusion arguments, the court considered the same likelihood-of-confusion factors applicable in forward-confusion cases, namely: (1) the similarity of the marks; (2) the similarity of the goods; (3) the area and manner of concurrent use; (4) the degree of care likely exercised by consumers; (5) the strength of plaintiff's mark; (6) any actual confusion; and (7) the intent of the defendant.

With Church conceding that World Wide's mark is protectable, the court applied the relevant likelihood-of-confusion factors and found for Church. Regarding the similarity of the marks, the court noted that the appearance and placement of the common wording in the marks is sufficiently distinct that consumers would not associate one with the other. The court engaged in a detailed analysis of the way the marks appear on the parties' respective packaging and explained that the appearance of the products is substantially different. The court also noted that Church's product is packaged in a way that is consistent with its branding for other Arm & Hammer products, including its use of the yellow-orange color and the familiar Arm & Hammer logo, and focused on the appearance of Arm & Hammer's well-known, famous house mark.

The court decided that Church's intent was not a factor in this case because where "a large junior user saturates the market with a trademark similar or identical to that of a smaller, senior user . . . the junior user does not seek to profit from the good will associated with the senior user's mark."

As for the other likelihood-of-confusion factors, the court concluded that the products serve a similar purpose but are presented very differently (factor 2); the distribution and sales for the products diverge widely (factor 3); even a hurried, casual consumer would likely not mistake the products for one another given the differences in their appearances (factor 4); World Wide's mark is weak due to its inherently descriptive nature, its small advertising budget, and its multiyear losses (factor 5); and there was no evidence of any actual confusion (factor 6). Balancing these factors, the court concluded that no reasonable fact-finder could conclude that there is a likelihood of confusion as to the source of the parties' respective products, and that summary judgment in Church's favor was therefore appropriate.

The court also held in Church's favor on World Wide's fraud claim. Noting that a fraud holding requires clear and convincing evidence of a deliberate attempt to deceive the USPTO, the court found that Church was not obligated to bring World Wide's registration to the USPTO's attention. Rather, it was reasonable for Church to believe that the terms common to both marks—"fridge" and "fresh"—were descriptive and unprotectable, and that confusion between the marks was therefore unlikely.

In view of the grant of summary judgment on the infringement, unfair-competition, and fraud claims, the court did not address Church's claim that World Wide's claims were barred by laches.

CONCLUSION

This case serves as a reminder of the limited scope of protection afforded to descriptive or otherwise weak marks. It also illustrates that, although courts will apply the same likelihood-of-confusion factors in a reverse-confusion case as in a forward-confusion case, some of the factors may implicate different considerations and levels of importance. For example, the court here found that in a typical reverse-confusion case, the defendant's intent is irrelevant. It also found that the appearance of the defendant's famous house mark on its product—a situation that may often arise in reverse-confusion cases where the junior user is the larger, more well-known company—lessened the likelihood of confusion. This is in contrast to several circuit court decisions that have found that a junior user's use of its well-known house mark may actually aggravate, rather than mitigate, the likelihood of confusion in a reverse-confusion case, under the theory that "[t]he junior user's use of a well-known national house mark along with the smaller senior user's mark could strengthen a viewer's link of the mark with the senior user." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:10 (4th ed. 2009).

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Unregistrable

Gold Medal®

by Robert D. Litowitz

The 2010 Vancouver Winter Olympics are well underway as I write this month's column. Amidst the uneven weather and conditions on the slopes at Whistler and Cypress Mountain and even some indoor venues, the athletes of this "Olympiad" have once again delivered their usual assortment of remarkable thrills, chills, and spills, gluing us to our TV sets, and provoking the reflexive puzzlement over why we completely ignore these riveting and mind-blowing sports at all other times. But whether it's the quality of the broadcasts (and NBC has done a terrific job of capturing and condensing the drama for its nightly prime-time broadcasts) or the joy that comes from reacquainting ourselves with events and athletes who, like old friends, return after a long absence, there's no denying that the Olympic Games occupy a special place in our collective psyche. No doubt the athletic prowess of the competitors who endure unimaginable sacrifices to reach the pinnacle of sport largely accounts for our quadrennial love affair with the luge, the half-pipe, the short-track, and the Super G. (At all other times, "Super G" connotes an upscale supermarket in the DC suburbs. During the Olympic fortnight, that mundane association is eclipsed by the blur of world-class skiers defying sanity and the laws of nature as they attack the treacherous slopes with reckless abandon.) And let's not forget curling, the sport that lets anyone who has ever nudged a shuffleboard puck or pushed a broom dare to dream that he or she too could someday be an Olympian.

But being a trademark maven, I like to think that intellectual property plays at least a supporting role in nurturing our enduring affinity for the Games. First and foremost, there's the Olympic symbol—

—whose interlocking rings represent the unity of the five inhabited continents. Created in 1914, its colors—blue, yellow, black, green, and red—were chosen because the flag of every participating country at the time featured at least one of them. This simple, elegant icon eloquently and effortlessly expresses the essence of the Olympic movement. It is only fitting that the Olympic rings rank among the most admired and instantly recognizable symbols in the world. Elevating its significance and stature even further, the Olympic symbol is even protected by its own statute in the United States. It's so vital to the Olympic experience that one of the key conditions of being awarded the right to host the 2010 Winter Games was a commitment to the International Olympic Committee ("IOC") that the Olympic brand would be protected in Canada.

Not to be left out of the Olympic IP equation is copyright. What would the Olympic television experience be without the Olympic themes? Leo Arnaud's "Bugler's Dream"—with an opening timpani cadence full of portent followed by a majestic brass fanfare—is the most famous. ABC first used it in broadcasts for the 1964 Olympics, and NBC has continued that tradition. For viewers of a certain age, hearing the anthem's strains conjures waves of memories, from graceful Peggy Fleming earning Olympic gold in 1968, and dashing skier Jean-Claude Killy dominating the slopes that same year, to The Miracle on Ice at the 1980 Lake Placid Games, when the U.S. men's ice hockey team made up of amateur collegiate players defeated the supposedly invincible Soviet team, going on to defeat Sweden for the gold medal. And since the 1984 Games, an alternative theme, a bright, invigorating fanfare composed by Academy Award® winner John Williams, has added to the Game's sonic landscape.

Last, and perhaps least, have been the Olympic mascots. Each year since 1972, the Games have featured a mascot, usually a whimsical character that supposedly reflects or embodies some aspect of the host country's cultural heritage. Few have been memorable, most were forgettable, and some have been downright weird. Take, for example, the mascots for the 2004 Summer Games in Athens:

Maybe its just me, but it's hard to envision that a duo resembling twin homunculi would have much marketing cache. Perhaps the trio of mascots for Vancouver will fare better than the Athens twins:

But don't hold your breath until the 2012 London Games, where another iconic anthem undoubtedly will figure prominently in the network's promotional runup—The Clash's "London Calling."

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