INCONTESTABLE

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

March 2009 Issue

Civil Cases

Baden Sports, Inc. v. Molten USA, Inc., 2009 WL 349358 (Fed. Cir. Feb. 13, 2009)

by Monica Riva Talley

Court of Appeals for the Federal Circuit holds that a false-advertising claim under Sections 43(a)(1)(A) and (B) of the Lanham Act, based on use of the term "innovative," is precluded because this term relates to neither the origin of the goods nor the nature, characteristics, or qualities of the goods.

DeVry Inc. v. Univ. of Med. & Health Scis.-St. Kitts, 2009 WL 260950 (N.D. Ill. Feb. 3, 2009)

by Daniel P. Kaufman

Northern District of Illinois denies Rule 12(b)(6) motion because affirmative defenses of statutory fair use and nominative fair use are not "impenetrable defenses" to claims for trademark infringement.

Gray v. Novell, Inc., 2009 WL 425958 (M.D. Fla. Feb. 20, 2009)

by Evan A. Raynes

X/Open defeats challenge to its ownership of the UNIX trademark.

Mary Kay, Inc. v. Weber, 2009 WL 426470 (N.D. Tex. Feb. 20, 2009)

by David M. Kelly

Court finds that defendants' use of plaintiff's mark in keyword-triggered sponsored ads and on their website raised questions as to whether there was a likelihood of confusion as to affiliation or sponsorship by plaintiff.

TTAB Cases

by Linda K. McLeod, former TTAB Judge

Finnegan News

Managing Intellectual Property Ranks Finnegan #1 in Trademark Prosecution and Litigation

Events

Navigating U.S. Trademark Law
hosted by Forum Institute for Management

Trademarks and Copyright: The Importance of Comprehensive Protection in a Challenging Economy
hosted by Finnegan

LES Australia and New Zealand Annual Conference 2009: Trademark Problems on the Internet: What to Look For
Licensing Executives Society ("LES")

UNREGISTRABLE:

Franpovi, S.A. v. Wessin, Opp'n Nos. 91179589, 91181129 (TTAB Feb. 9, 2009)

by Linda K. McLeod and Dana M. Nicoletti

In a case of first impression, TTAB holds that a potential plaintiff can no longer exercise the rights established by the Santiago Convention because it cannot fulfill the treaty's precondition of applying for protection through the Inter American Bureau ("IAB"), which stopped functioning in 1949.

In re Jibjab Media, Inc., App. No. 78951377 (TTAB Feb. 4, 2009)

by Linda K. McLeod and Dana M. Nicoletti

A-HOLE PATROL mark found scandalous in connection with an online social club that screens offensive and inappropriate material submitted by users.

Life Imitates ®

by Robert D. Litowitz

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE

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

March 2009 Issue

Back to Main

Civil Cases

Baden Sports, Inc. v. Molten USA, Inc., **2009 WL 349358 (Fed. Cir. Feb. 13, 2009)**

by Monica Riva Talley

ABSTRACT

Because of the limited wording of Section 43(a) of the Lanham Act, the Federal Circuit held that Baden's claim that Molten's advertisements falsely claimed authorship of an idea through use of the term "innovative" must fail. Relying on the Supreme Court's decision in *Dastar*, the Federal Circuit explained that Section 43(a) of the Lanham Act does not have boundless application as a remedy for unfair trade practices. Section 43(a) does not create liability from Molten's advertisements because those advertisements do not concern the "origin of the goods," to which Section 43(a)(1)(A) is directed, nor do they concern the "nature, characteristics, [or] qualities" of the goods, which is what the Ninth Circuit has interpreted Section 43(a)(1)(B) to address.

CASE SUMMARY

FACTS

Both Baden Sports, Inc. ("Baden") and Molten USA, Inc. ("Molten") sell high-end basketballs. Baden sued Molten for patent infringement and false advertising under Section 43(a) of the Lanham Act, based on Molten's sale of basketballs allegedly containing Baden's propriety technology, and the advertising associated with these balls.

The district court ruled on Baden's motion for summary judgment for patent infringement, finding Molten had infringed Baden's patent regarding the proprietary "dual cushion technology" used in the parties' competing basketballs. The parties proceeded to trial on Baden's false-advertising claims based on Molten's use of the term "innovative" in its advertisements for basketballs utilizing Baden's patented technology, which Baden claimed falsely implied that the dual cushion technology was a Molten innovation.

Molten moved for judgment as a matter of law on Baden's false-advertising claims, arguing that *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), precluded Lanham Act claims based on authorship of an idea. The U.S. District Court for the Western District of Washington denied the motion. Molten appealed from a final judgment of the district court denying Molten's motions for a new trial and judgment as a matter of law relating to an $8M jury award for false advertising under Section 43(a).

On appeal, Molten argued that the district court erred by failing to dismiss Baden's Lanham Act claim in light of the Supreme Court's holding in *Dastar*, claiming that *Dastar* prohibits Lanham Act claims based on advertisements that falsely claim authorship of an idea. Molten also claimed that the district court erred in excluding evidence relevant to the element of falsity regarding the "innovation" language in its advertisements, and that the $8M damage award was excessive.

ANALYSIS

The Federal Circuit first considered Baden's Section 43(a) claim and agreed with Molten that *Dastar* does preclude Baden's false-advertising claim. The Supreme Court in *Dastar* held that "origin of goods," as that term is used in Section 43(a), does not refer to "the person or entity that originated the ideas or communications that 'goods' embody or contain." Instead, the Supreme Court read "origin of goods" as referring "to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods." Because Dastar Corporation ("Dastar") was the "origin," or producer, of the products it sold, the Supreme Court held that Dastar was not liable for false advertising under the Lanham Act. Because of its inherently limited wording, the *Dastar* court noted that Section 43(a) can never be a federal codification of the overall law of unfair competition, but can only apply to certain unfair trade practices prohibited by its text.

The Federal Circuit then evaluated whether Molten's advertising referred to the "producer of the tangible goods," in which case a claim under Section 43(a)(1)(A) would be proper, or whether it referred to "the author of" the idea or concept behind Molten's basketballs, in which case the claim would be foreclosed by *Dastar*. The court found that *Dastar* does not permit Baden to claim false advertising under Section 43(a)(1)(A). Baden did not argue that someone other than Molten produced the infringing basketballs, and nothing in the record indicated that Molten was not in fact the producer of the balls. Thus, Molten's statements were not actionable under Section 43(a)(1)(A) because they do not "cause confusion . . . as to the origin" of the basketballs. The term "innovative" as used by Molten in its advertisements only indicates, at most, that its manufacturer created something new, or that the product is new, irrespective of who created it.

The Federal Circuit then explained that Section 43(a)(1)(B) does not apply to Baden's claims, as the Ninth Circuit (the applicable circuit law) does not interpret this Section to apply to false designation of authorship. The Federal Circuit noted that under the Ninth Circuit's interpretation in *Sybersound Records, Inc. v. UAV Corp.,* 517 F.3d 1137, 1144 (9th Cir. 2008), to read Section 43(a)(1)(B) otherwise would create an overlap between the Lanham and Patent Acts. Section 43(a)(1)(B) applies to the characteristics of the goods, the Federal Circuit explained, and authorship is not a nature, characteristic, or quality of the goods as those terms are used in Section 43(a)(1)(B).

Accordingly, the Federal Circuit reversed the district court's denial of judgment as a matter of law on Baden's Lanham Act claims and vacated the $8M damages award. The Federal Circuit was careful to note, however, that in a different circuit, this case may well have had a different result.

CONCLUSION

This case clarifies the limited nature of Section 43(a) claims, particularly in those circuits that follow *Sybersound*, to those claims regarding either the origin of the goods or the nature, characteristics, or qualities of the goods, and does not create a federal cause of action for claims regarding authorship of an idea embodied in any goods.

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE

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

March 2009 Issue

Back to Main

Civil Cases

DeVry Inc. v. Univ. of Med. & Health Scis.-St. Kitts, 2009 WL 260950 (N.D. Ill. Feb. 3, 2009)

by Daniel P. Kaufman

ABSTRACT

The Northern District of Illinois denied a defendant's motion to dismiss for failure to state a claim based on the affirmative defenses of statutory fair use (often called "classic fair use") and nominative fair use (referred to as "normative fair use" in this decision). The court held that both of the defendant's fair-use defenses were likely to be legally insufficient, and, in any event, the defendant's defenses were too fact specific to decide via a motion to dismiss.

CASE SUMMARY

FACTS

Plaintiffs DeVry Inc. and its subsidiary, Global Education International, Inc. (collectively "Plaintiffs"), own and operate medical and veterinary schools using the name and marks ROSS and ROSS UNIVERSITY. In 2007, defendant University of Medicine and Health Sciences-St. Kitts ("UMHS") formed its medical school. Plaintiffs' complaint alleged trademark infringement based on UMHS's use of the ROSS and ROSS UNIVERSITY trademarks, including, but not limited to, UMHS's use of the phrase "UMHS-Founded by Dr. Robert Ross" in a logo on letterhead, a sign at the entrance to UMHS's campus reading "Founded by Dr. Robert Ross," and references to "Dr. Robert Ross, founder and former owner of Ross University School of Medicine" in UMHS's promotional brochures.

UMHS filed a motion to dismiss for failure to state a claim, contending that all of Plaintiffs' trademark-infringement allegations fail based on fair-use affirmative defenses.

ANALYSIS

UMHS argued that because every allegedly infringing use of Plaintiffs' trademark was subject to a fair-use affirmative defense, Plaintiffs had pled themselves into an "impenetrable defense," because Plaintiffs would have to contradict the allegations in the complaint to prevail. According to UMHS, the first category of alleged infringement, the use of the phrase "Founded by Dr. Robert Ross" on UMHS's letterhead and a sign at the entrance to UMHS's campus, were descriptive uses and therefore protected by the Lanham Act's statutory fair-use defense, 15 U.S.C. § 1115(b)(4). The second category of alleged infringement, statements by UMHS that Dr. Robert Ross is the founder and former owner of Ross University, are nominative fair uses of Plaintiffs' marks, UMHS argued.

Before examining UMHS's fair-use defenses in detail, the court noted from the outset that UMHS's "impenetrable defense" argument was flawed because it was based on two faulty presumptions: (1) that the examples of infringement alleged in the complaint were exhaustive of UMHS's unlawful activity; and (2) that all of the allegations fell neatly into two applicable fair-use defenses. Accordingly, even if the court were to accept UMHS's fair-use defenses, they would not warrant dismissal of the complaint at the motion-to-dismiss stage.

Turning to UMHS's statutory fair-use defense, the court noted that whether use of a trademark is descriptive or "otherwise than as a mark" is too fact specific a determination to make at the motion-to-dismiss stage. Moreover, the court disagreed with UMHS's argument that use of the phrase "Founded by Dr. Ross" below its logo was clearly "informational" and "descriptive," noting Plaintiffs' argument that use of a short phrase (not even a full sentence) referencing Dr. Robert Ross and Ross University in connection with UMHS's services was part of a coordinated campaign to use the phrase as a source identifier, and was not merely for informational purposes.

Addressing UMHS's nominative fair-use defense, the court noted that the Seventh Circuit has not explicitly adopted the defense, an equitable doctrine that allows use of another's trademark where: (1) the product or service in question is not readily identifiable without use of the other party's trademark; (2) only so much of the mark is used as is reasonably necessary to identify the product or service; and (3) the user of the other party's mark does nothing that might suggest sponsorship or endorsement by the trademark owner. Even if it were to apply the nominative fair-use test, however, the court explained that UMHS, at the least, would not satisfy the second and third prongs of the test because UMHS refers to "Ross University" at least four times in the first hundred words of its website, on its brochures, and in letters sent to prospective students. The court refused to make a factual determination on the issue at the motion-to-dismiss stage.

CONCLUSION

This decision suggest that it may be difficult to succeed on a Rule 12(b)(6) motion to dismiss for failure to state a claim based on fair-use arguments, as such issues involve factual disputes that may be improper for resolution at such an early stage of the proceeding. The decision is also instructive in its holding that the claims stated by a plaintiff are not necessarily limited by the examples of allegedly infringing uses set out in its complaint.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE

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

March 2009 Issue

Back to Main

Civil Cases

Gray v. Novell, Inc., 2009 WL 425958 (M.D. Fla. Feb. 20, 2009)

by Evan A. Raynes

ABSTRACT

In its ruling on summary judgment, the Central District of Florida dismissed plaintiff Wayne Gray's challenge to X/Open's ownership of the UNIX trademark. Gray's lawsuit alleged violations of the federal RICO statute, the Lanham Act, and other laws. In the action, Gray alleged that X/Open fraudulently asserted ownership in the UNIX mark against Gray when it opposed Gray's INUX trademark in the TTAB and "conspired" with codefendants to conceal the true ownership of that mark, which Gray alleged was held by SCO. On cross-motions for summary judgment, the court held that X/Open owned the UNIX mark, as indisputably established by various prior agreements and dealings between the codefendants. Having found that X/Open owned the UNIX mark, the court held that X/Open was within its lawful rights to assert the UNIX mark against Gray in the TTAB proceeding and that, therefore, the codefendants could not have conspired to fraudulently deceive Gray, the PTO, or the relevant public over the UNIX mark's ownership. Finally, the Court ruled Gray's damage claims failed because the codefendants' alleged conduct was lawful.

CASE SUMMARY

FACTS

Defendant X/Open Company Limited ("X/Open"), which does business as The Open Group, is a nonprofit computer-industry consortium that owns the UNIX trademark, licenses the mark to companies whose operating-system products conform to X/Open's "interoperability" (i.e., compatibility) standards, and polices the mark on behalf of the industry. In 2001, X/Open opposed Gray's application to register the INUX trademark for operating systems in the TTAB. Five years later, Gray brought this lawsuit against X/Open and codefendants Novell, Inc. ("Novell") and The SCO Group, Inc. ("SCO") challenging X/Open's rights in the UNIX trademark.

Gray's federal RICO, Florida RICO, Florida Communications Fraud Act, and common-law fraud claims alleged that a document outside the chain of title to the UNIX trademark—a 1995 Asset Purchase Agreement ("APA") between Novell and SCO—established that X/Open did not own the UNIX mark. According to Gray, the APA transferred all of Novell's rights in the UNIX mark to SCO. Gray further alleged that the defendants engaged in a complex "conspiracy" to conceal the true owner of the UNIX mark from Gray and the relevant public, and engaged in "sham" trademark-enforcement actions, including X/Open's action against Gray in the TTAB, to control certain software markets and appropriate Gray's INUX mark and domain names, which Gray claimed the defendants wanted for themselves. Also, according to Gray, to further the alleged scheme, the defendants falsified certain documents concerning the UNIX mark. In addition, Gray's Lanham Act claims alleged that the defendants fraudulently procured the registrations for the UNIX trademark, fraudulently recorded the assignment of the UNIX mark to X/Open, and engaged in unfair competition by claiming ownership of the UNIX mark in the TTAB proceeding. Finally, Gray initially alleged that he suffered many millions of dollars in damages because the TTAB proceeding forced him to "suspend" his INUX business and eventually calculated those losses to exceed $100M.

X/Open moved for summary judgment on liability and damages, arguing that all of Gray's interrelated claims failed because the documents on the ownership of the UNIX mark and the defendants' conduct left no genuine issue of material fact as to X/Open's ownership. These documents included a 1993 term sheet between X/Open, Novell, and nonparties IBM, HP, Digital, and Sun contemplating (1) the creation of a new UNIX business, where X/Open would license the UNIX mark to companies whose products conform to its specifications; and (2) the transfer of full title to the UNIX mark to X/Open. The documents also included (1) a 1994 agreement between X/Open and Novell formalizing the 1993 term sheet; (2) a 1996 "Confirmation Agreement" between X/Open, Novell, and SCO confirming that the 1995 APA did not transfer the UNIX mark to SCO; and (3) a 1998 assignment of the UNIX mark from Novell to X/Open. Novell joined in X/Open's motion and moved for summary judgment on several additional grounds. Gray also moved for summary judgment, arguing that, because X/Open fraudulently claimed ownership of the UNIX mark, it lacked standing to oppose Gray's INUX mark in the TTAB proceeding.

ANALYSIS

After analyzing the documents concerning the ownership of the UNIX mark, the court granted defendants' motions and denied Gray's motion. The court found that Novell's 1998 assignment of the UNIX mark to X/Open was consistent with the 1993 term sheet and the 1994 X/Open-Novell agreement. As the court noted, the 1994 agreement granted X/Open "an exclusive, perpetual, irrevocable license" to license the UNIX mark to third parties, provided for the assignment of the UNIX mark to X/Open in a few years, authorized X/Open to state that "UNIX is a registered trade mark licensed exclusively through X/Open" (pending X/Open's acquisition of full title to the mark), and obligated X/Open to enforce the UNIX mark. The court also found that the 1995 Novell-SCO APA and the 1996 X/Open-Novell-SCO Confirmation Agreement were consistent with the subsequent assignment of the UNIX mark to X/Open. The court noted that both the APA and the Confirmation Agreement contained language indicating that Novell's rights in the UNIX mark and the terms of the APA were subject to the 1994 X/Open-Novell agreement. As such, the court held (as X/Open argued) that, "[r]egardless of whether [the Confirmation Agreement] is thought to merely clarify, or completely alter the [APA], the result is the same. . . . [T]he subsequent 1998 Deed of Assignment validly passed ownership of the UNIX trademark to X/Open."

The court also noted that the defendants' actions, such as SCO's public acknowledgments of X/Open's ownership, were consistent with X/Open's ownership claims and that Gray offered no evidence to support his allegation that the defendants falsified any of the documents concerning the UNIX mark. As the court stated, "Mere suspicions and unsupported theories are not enough to create a triable issue of fact."

As a result of its finding that X/Open owned the UNIX mark, the court held the defendants could not have conspired to conceal the true owner of the mark from Gray or the relevant public. Accordingly, the court dismissed Gray's federal RICO, Florida RICO, and Florida Communications Fraud Act claims. In addition, the court held that X/Open had the right to protect the UNIX mark by challenging Gray's INUX mark in the TTAB and that the defendants did not commit fraud on the PTO by recording the assignment of the UNIX mark to X/Open. The court also held that Gray lacked standing to allege unfair competition stemming from X/Open's assertion of the UNIX mark against Gray's INUX mark. As such, the court granted summary judgment to defendants on Gray's Lanham Act and common-law fraud claims. Finally, the court ruled that, because X/Open was within its rights to challenge Gray's INUX mark and the defendants otherwise acted lawfully, Gray could not establish any injury as a result of their actions.

CONCLUSION

This case shows that trademark-related claims based on "mere suspicions and unsupported theories" will not survive summary judgment. It also shows that, where the plaintiff's case lacks hard evidence, a summary-judgment motion can provide an effective remedy to dispose of the case without a full trial on the merits.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE

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

March 2009 Issue

Back to Main

Civil Cases

***Mary Kay, Inc. v. Weber*, 2009 WL 426470 (N.D. Tex. Feb. 20, 2009)**

by David M. Kelly

ABSTRACT

The Northern District of Texas denied defendants' motion for summary judgment on the affirmative defense that their resale of plaintiff's genuine goods was protected by the first-sale doctrine because the expired nature of the products created a genuine issue of material fact as to whether they were "materially different." Regarding defendants' keyword advertising, the court held that defendants were not barred from asserting the fair-use defense for the purchase of keywords, but the way plaintiff's mark was used in the keyword-triggered ads (and on their website) created a genuine issue as to the likelihood of confusion that precluded summary judgment. Finally, the court denied plaintiff's motion for summary judgment on its laches defense because any delays by plaintiff in commencing this action were reasonable.

CASE SUMMARY

FACTS

Plaintiff Mary Kay, Inc. ("Mary Kay") sells cosmetics, toiletries, and skin-care products under the mark MARY KAY and is known for its use of the color pink. Mary Kay distributes and sells its products through Independent Beauty Consultants ("IBCs"), who purchase the products at wholesale rates from Mary Kay and resell them to consumers for a profit. Defendant Amy Weber was an IBC for more than four years, during which she accumulated a large inventory of unsold products. Weber, with the help of her husband and others (collectively "Weber"), began selling her inventory on eBay via an online store she named "marykay1stop." Mary Kay demanded that Weber cease using its MARY KAY trademark as part of her store name and remove all copyrighted Mary Kay photographs.

Weber removed the copyrighted materials and changed the name of her eBay store to "Touch of Pink." She also created a website at www.touchofpinkcosmetics.com through which she continued to sell her inventory of Mary Kay products as well as products acquired from other IBCs. Although the names of the eBay store and website no longer contained the Mary Kay name, Weber used the Mary Kay name on these sites to identify the products she sold. Mary Kay sued for trademark infringement, among other claims. Weber moved for summary judgment on her affirmative defenses of the first-sale doctrine, nominative fair use, and laches.

ANALYSIS

After ruling on several evidentiary issues including a likelihood-of-confusion survey conducted for Mary Kay, the court addressed Weber's affirmative defenses. First, Weber contended that her sales of Mary Kay products were protected by the first-sale doctrine, which provides that once a mark owner has sold a product, the resale of that same product cannot constitute trademark infringement. The court initially noted that the first-sale doctrine would seem to apply here because Weber was simply reselling Mary Kay products. But Mary Kay asserted that Weber's goods were "materially different" from its own because they consisted of expired and discontinued products that did not carry the same product guarantee as other Mary Kay products. Weber acknowledged that approximately 75% of her products were expired.

In determining whether Weber's expired products materially differed from nonexpired Mary Kay products, the court relied on the Second Circuit's decision in *Warner-Lambert Co. v. Northside Development Corp.*, which involved the sale of expired cough drops. There, the court found infringement when the mark owner abided by defined, legitimate, quality-control procedures which, if violated, would diminish the value of the mark. The court found that holding "persuasive" and applicable to Weber's sales based on Mary Kay's evidence of its quality-control mechanisms that kept expired products from reaching the marketplace. It also noted Weber's $20,000 monthly advertising expense, the 79 keywords purchased from Google (75 of which included the MARY KAY mark or the name of a Mary Kay product) to ensure her website's top search-result placement, and that "thirty two percent of individuals who search[ed] for one of these 79 keywords click[ed] on . . . Weber['s] website." The court viewed "this extensive infiltration into the world of Mary Kay consumers" as enough to allow a reasonable juror to conclude that Weber's expired products were "prevalent" enough to affect or diminish the Mary Kay name and thus create a genuine issue of material fact sufficient to deny summary judgment.

Weber's second affirmative defense was nominative fair use, which "allows the use of another's mark to truthfully identify another's goods or services in order to describe or compare its product to the markholder's product." But the party asserting nominative fair use may only use so much of the owner's mark as necessary to identify the products and must not do anything that suggests affiliation, sponsorship, or endorsement by the mark owner. Weber claimed that she used only the Mary Kay name and avoided "use [of] any registered logos, any distinctive script or pictures, and [did] . . . not mimic the look and feel of . . . Mary Kay's website." Mary Kay countered that Weber's purchase of Google keywords containing the MARY KAY mark and her use of that mark in the text of the resulting sponsored ads and on her website gave off the impression of sponsorship by or affiliation with Mary Kay.

Regarding keyword purchases, the court rejected Mary Kay's claim that Weber's use of its marks as Internet keywords precluded a fair-use defense because "[t]o adopt such a rule would prevent all defendants who advertise via search engines from asserting the fair use defense." Rather, the court stated that the fair-use doctrine "allows second-hand sellers to inform customers that it sells a mark holder's product so long as it conveys the information 'fairly,' *i.e.*, in a way that uses no more of the mark than necessary to identify the product, and does not suggest affiliation or sponsorship," and that this principle should also apply to resellers on the Internet. The court discussed two recent keyword cases, *Designer Skin v. S&L Vitamins* from the District of Arizona and *Tiffany v. eBay* from the Southern District of New York, where those courts relied on nominative fair use to protect the resellers' use of the product trademarks both as keyword triggers and on their websites. The court recognized the inherent differences between television or print advertisements and sponsored link ads, the latter of which do not appear until the user has already expressed an interest in a particular search term. Although "[o]ne could argue that this process inherently suggests some relationship between the search term—here, Mary

Kay—and the sponsored link—here, touchofpinkcosmetics.com," the court found that it "stretches the legal concept of affiliation too far" and that "affiliation connotes a much stronger relationship than one existing between search terms and sponsored links." Finally, the court was persuaded by the *Designer Skin* court's reasoning that "the law will destroy the valuable resource that search engines have become if it prevents those search engines from doing what they are designed to do: present[ing] users with the information they seek as well as related information the user may also find helpful or interesting." Accordingly, the court ruled that Weber was not barred from asserting nominative fair use to defend her keyword purchases containing Mary Kay's marks.

The court next examined whether the text of Weber's keyword-triggered ad improperly suggested an affiliation or sponsorship with Mary Kay. Weber's ad read: "Mary Kay Sale 50% Off: Free Shipping on Orders over $100 Get up to 50% Off-Fast Shipping www.touchofpinkcosmetics.com." The court initially commented that the wording "Mary Kay Sale 50% Off" does "imply that May Kay is hosting the sale." It then compared this ad text to other ads that had been found not to suggest any affiliation or sponsorship. For example, in *Brookfield Communications v. West Coast Entertainment*, the Ninth Circuit described a permissible hypothetical banner ad containing the following text: "Why pay for Moviebuff when you can get the same thing here for FREE?" Here, the court commented that the *Brookfield* ad "dr[ew] a clear line" between the advertised service and plaintiff's Moviebuff service, and that had the *Brookfield* ad resembled Weber's ad and stated only "Moviebuff 50% Off," the line between the advertised service and the mark "would be far less clear." Turning to Weber's ad, the court found that "[t]he overall message . . . is only that some entity—whose website, it bears noting, includes the word 'pink,' a color often associated with Mary Kay—is offering Mary Kay products at 50% Off" and that "[o]ne could easily conclude from this ad that the entity offering the sale either *is* Mary Kay, or has Mary Kay's approval." The court thus found a genuine issue of material fact on whether nominative fair use protected Weber's use of the MARY KAY mark in the text of the sponsored ads and denied summary judgment.

Regarding Weber's use of the MARY KAY mark on her website, the court declined to decide whether such uses constituted nominative fair use. Rather, the court applied the traditional likelihood-of-confusion factors to determine whether Weber's website created a likelihood of confusion as to affiliation or sponsorship. The court found that six of the seven factors favored Mary Kay, including that the marks used and products sold by Weber were identical to Mary Kay's marks and products; the identities of potential purchasers were "likely identical or at least very similar"; the parties used the same advertising media—the Internet, including Google; and there was some evidence of actual confusion in the form of emails with one individual and "legally relevant" confusion from an otherwise flawed survey. The final factor—Weber's intent—was neutral. Although Weber included a disclaimer stating that her website was not endorsed by or affiliated with Mary Kay, it was not prominent. Rather, the disclaimer did not even appear unless a user clicked on an "About Us" link. The court thus denied summary judgment on Weber's nominative fair-use defense regarding her use of the MARY KAY mark on her website.

Finally, regarding laches, the court held that the nearly three-year delay between Mary Kay's discovery of Weber's activities in June 2005 and the filing of this action in May 2008 was not an unreasonable delay for two reasons. First, the delay was within the four-year time period considered reasonable by the relevant state statute of limitations. Second, the time that elapsed after Mary Kay sent its demand letter in January 2006 did not count for purposes of laches. The court thus denied summary judgment on Weber's laches defense.

CONCLUSION

Although this decision did not decide many issues on the merits, it does provide some potentially useful guidance regarding use of the Internet to resell others' branded products. For example, there is no absolute right to use a trademark owner's marks to resell its branded products as such sales may be limited by exceptions like the "materially different" standard for expired products. Regarding keyword advertising, this court at least appears to be of the view that the text of keyword-triggered ads in the reselling context should be more of a comparative advertisement to constitute a nominative fair use. Finally, the inconspicuous use of a disclaimer on a reseller's website, including a disclaimer accessible only from a link on the site's main page, is not sufficient to avoid a likelihood of confusion.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE

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

March 2009 Issue

Back to Main

TTAB Cases

Franpovi, S.A. v. Wessin, Opp'n Nos. 91179589, 91181129 (TTAB Feb. 9, 2009)

by Linda K. McLeod and Dana M. Nicoletti

ABSTRACT

Opposer sought to prevent the registration of Applicants' mark POLLOS VICTORINA based on Opposer's alleged rights under the Santiago Convention. The parties filed cross-motions for summary judgment on Opposer's claim under the Santiago Convention. The TTAB explained that one of the Santiago Convention's conditions for such an opposition was that the party must apply for protection through an Inter American Bureau ("IAB"). However, the IAB had closed in 1949. Because this condition could not be satisfied, the TTAB found that Opposer could not bring an opposition based on the Santiago Convention in the United States, and granted summary judgment for Applicants on that claim.

CASE SUMMARY

FACTS

Franpovi, S.A. ("Opposer") opposed registration of the mark POLLOS VICTORINA for fast-food restaurants owned by Rosalind Wessin and Daniel Pena ("Applicants"). Opposer was a Dominican Republic company that owned registrations for the mark POLLOS VICTORINA for restaurant services in the Dominican Republic. Opposer alleged that it was entitled to prevent Applicants' registration of their mark in the United States under the terms of the Convention for the Protection of Commercial, Industrial, and Agricultural Trade Marks and Commercial Names (the "Santiago Convention").

In their answer, Applicants admitted that they had not used their mark in the United States, or elsewhere, in connection with restaurant services and that they were aware of Opposer's "limited rights existing solely within the boundaries of the Dominican Republic to the POLLOS VICTORINA mark" when they filed their application. Applicants denied the remaining allegations in the notice of opposition.

During the parties' discovery conference, the TTAB approved a bifurcation of the issues in the proceeding. Per the bifurcation, the TTAB decided first to entertain motions for summary judgment on Opposer's claim under the Santiago Convention and then open discovery for Opposer's foreign famous/well-known mark claim.

ANALYSIS

The TTAB noted that no relevant case law existed addressing the Santiago Convention, which was established in 1923 to protect "commercial, industrial, or agricultural" trademarks registered by persons domiciled in any of the contracting states. The United States ratified the Santiago Convention in 1925. Most parties to the Santiago Convention, including the United States, joined the General Inter-American Convention for Trade-Mark and Commercial Protection (the "Pan-American Convention") a few years later, which superseded the Santiago Convention as between contracting parties. The Dominican Republic did not, however, join the Pan-American Convention. Accordingly, the TTAB determined that the Santiago Convention had not been replaced by the Pan-American Convention as between the Dominican Republic and the United States.

The Santiago Convention provides, *inter alia*, a mechanism for a domiciliary of one signatory country to prevent the registration of its mark to another claimant in another signatory country. However, before a party may successfully oppose a mark in the United States based on the treaty, it must show (1) that it is domiciled in one of the signatory states; (2) that it owns a valid registration for its mark in its home state; (3) that it has complied with the formalities and conditions required by the domestic law of the state in which it is claiming rights; and (4) that it has applied for protection through its home state to one of the IABs and paid the appropriate fee.

The TTAB held that Opposer could not meet these conditions. Specifically, the TTAB noted that there was no longer a functioning IAB with which to apply for protection as required by Article I, Section 1 of the Santiago Convention. An IAB previously existed in the city of Havana, Cuba, but it ceased functioning in 1949. The second IAB was to be established in Rio de Janeiro, Brazil, but it never opened. The TTAB explained that the IAB acted as a record keeper for applications under the Santiago Convention, so that each contracting state had access to a record of all registrations deposited with the IAB. Without this notification system, all marks would automatically be subject to protection in all member states of the Santiago Convention merely upon registration in the applicant's home country.

Because of the requirement of application to the IAB, the TTAB found that the rights established by the Santiago Convention could not be exercised by a potential plaintiff because it could not fulfill the condition of application to the IAB. Opposer's noncompliance with the unambiguous terms of the treaty thus prevented it from obtaining relief under the treaty. As a result, the TTAB granted Applicants' motion for summary judgment on the Santiago Convention claim.

CONCLUSION

A foreign party may no longer rely on the Santiago Convention as a vehicle for opposing a trademark application in the United States.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

INCONTESTABLE

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

March 2009 Issue

Back to Main

TTAB Cases

In re Jibjab Media, Inc., App. No. 78951377 (TTAB Feb. 4, 2009)

by Linda K. McLeod and Dana M. Nicoletti

ABSTRACT

The TTAB affirmed the refusal to register the mark A-HOLE PATROL for an online social club that screens offensive and inappropriate material submitted by users on the ground that the mark consists of immoral or scandalous matter.

CASE SUMMARY

FACTS

Jibjab Media, Inc. ("Applicant") filed an application to register the mark A-HOLE PATROL for an "online social club that screens jokes submitted by users to control offensive and inappropriate conduct" in Class 41. The Examining Attorney refused registration on the ground that the mark consisted of or comprised immoral or scandalous matter. The Examining Attorney relied upon several dictionary definitions and Internet articles as evidence that A-HOLE is another term for the word "asshole," and thus is scandalous.

Applicant admitted that "asshole" would not be an appropriate registered trademark, but argued that the evidence showed that A-HOLE was a more polite and sanitized substitute for "asshole." Applicant also submitted evidence that A-HOLE had an alternate meaning as a shorthand reference to "analog hole," and that the PTO previously registered the third-party mark below, as well as several other third-party marks containing the term "ass."

In addition, Applicant submitted the declaration of its Director of Operations attesting that since the launch of its A-HOLE PATROL service in April 2006, he had never encountered any user complaints that the mark was viewed as offensive, vulgar, profane, indecent, or otherwise inappropriate.

ANALYSIS

A showing that a mark is vulgar is sufficient to establish that it consists of or comprises scandalous matter within the meaning of Section 2(a) of the Lanham Act. To meet its burden of showing vulgarity, the PTO must consider the mark in the context of the marketplace as applied to the goods or services. The “scandalous” determination must be found from the standpoint of a substantial composite of the general public, which is not necessarily a majority. In cases in which the evidence demonstrates that the term in question only has one pertinent meaning, dictionary definitions alone can suffice to satisfy the PTO’s burden of establishing that such term is scandalous.

The TTAB considered the dictionary definitions of record and found that they uniformly indicated that the term “asshole” was a vulgar term for either a stupid, contemptible, or detestable person, or a body part. Further, the evidence showed that the term “a-hole” was used to refer to someone who was an “asshole.” The TTAB also pointed to Applicant’s specimen of use, which described the A-HOLE PATROL as “Jibjab’s volunteer community police force that is entrusted with helping keep the Jibjab community safe from pornographers, hate mongers, and extremists,” as evidence that A-HOLE was used by Applicant as a slang term to refer to a detestable person.

The TTAB denied Applicant’s argument that a single use in an Internet article of A-HOLE as a shorthand term for “analog hole” in the context of analog music and video files suggested that the term has a common, nonvulgar meaning. Here, the TTAB found the dictionary evidence overwhelmingly demonstrated that the meaning of “asshole” was vulgar and that the term would be scandalous to a substantial composite of the general population. It also noted Applicant’s own admission that the term “asshole” was unsuitable for trademark registration and denied Applicant’s argument that the term A-HOLE was a sanitized or otherwise nonvulgar term.

Regarding the third-party evidence offered by Applicant, the TTAB noted that the cancelled third-party registration for A HOLE and Design was not evidence of anything except that it had issued, and that each case must be decided on its own merits. Further, the highly stylized presentation of the mark suggested that the term A HOLE as it appeared in the third-party registration would allow for a broader range of interpretation than the term A-HOLE as it appeared in Applicant’s mark. And, as to the remaining third-party “ass” marks, none contained the term “asshole” or A-HOLE.

Finally, the TTAB held that although Applicant’s users had not complained about the potential vulgarity of its A-HOLE PATROL mark, the standard did not apply only to users of Applicant’s website. The mark still consisted in part of a term that is considered vulgar by a substantial portion of the public. Accordingly, the refusal to register under Section 2(a) was affirmed.

CONCLUSION

If dictionary definitions uniformly establish that a term is vulgar, and the evidence of record demonstrates the term has only one meaning, the TTAB may find the dictionary evidence alone sufficient to satisfy the burden of establishing that such term is scandalous under Section 2(a).

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief

INCONTESTABLE

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

March 2009 Issue

Back to Main

Unregistrable

Life Imitates ®

by Robert D. Litowitz

As trademark professionals, we've been taught that inherently distinctive marks are "strong," while nondistinctive terms are weak. So we counsel clients to avoid words that are descriptive, laudatory, names of places, and surnames. These, we advise, don't make as good brand names as coined or arbitrary terms, which we esteem for their instant clout and potency.

Of course, and to our great collective cultural good fortune, companies don't always follow our advice, and their "weak" brands don't necessarily settle for second class status. Who could dispute the overwhelming fame of "McDonald's," which though "primarily merely a surname" has ascended to the Mount Olympus of brands? Who would argue that Saturday Night Live, merely descriptive of a show that airs live on Saturday nights, doesn't dominate the realm of trademarks, just as it has reigned over its timeslot for 30 years? And while some may take issue with its editorial slant, few would doubt that the *New York Times* has great heft as the brand name for "the paper of record."

But none of these real-world bastions of trademark strength rival the power and versatility of the celluloid world's heavyweight-champion brand name. I'm referring of course to "Acme," the brand of choice for Wile E. Coyote, Genius, in his epic quest against The Roadrunner. While we in the physical marketplace dismiss Acme as a tepid and diluted laudatory mark, in the lonesome desert byways of the Warner Bros. universe, the Acme brand stands supreme. It is a strong brand, a symbol of quality and reliability that old Wiley relies on time and again for practically anything and everything. When it came to munitions of any sort, Acme had it covered. But its scope extended well beyond TNT and gunpowder. Acme also provided Wiley with an impressive array of destructive items, such as anvils, earthquake pills, explosive tennis balls, and giant mouse traps, to name only a few. Acme was a brand with, as we trademark lawyers like to say, a virtually limitless zone of natural expansion. And in the zany, two-dimensional Technicolor reality, where the laws of gravity and physics routinely were suspended, the laws of trademarks were gently relaxed as well. So while Mr. Coyote experienced failure after failure with his Acme purchases, the brand never tarnished, there were no product-liability suits, and Wiley always came back for more. While things may have been simpler on the Warner Bros. drawing board, the moral of the Acme brand holds true. Even a brand with low inherent status like a surname, place name, laudatory word, or descriptor can, through pluck, perseverance, and good fortune, eventually acquire levels of distinctiveness that can rival or surpass arbitrary and even coined names. So the motto for brands like McDonald's, SNL, and the *New York Times* can be "To Infinity and Beyond," not "That's All Folks."

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com