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May 2009 Issue

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by Marcus H.H. Luepke

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UNREGISTRABLE:

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Beltronics USA Inc. v. Midwest Inventory Distrib. LLC, 90 USPQ2d 1228 (10th Cir. Apr. 9, 2009)

by Marcus H.H. Luepke

ABSTRACT

The Tenth Circuit Court of Appeals held that the first–sale doctrine is not an available defense for a reseller against an infringement claim where (1) the goods offered by the reseller differ materially from those sold by the trademark owner by nature of their warranty, and (2) these differences are not sufficiently disclosed. The reseller's explicit online statement that the manufacturer will not honor the warranty for products sold on eBay was considered insufficient to alleviate consumer confusion.

CASE SUMMARY

FACTS

Plaintiff-Appellee Beltronics USA Inc. ("Beltronics") is a provider of aftermarket vehicle electronics, including radar detectors. Beltronics offers and provides certain products and services for its radar detectors, including software upgrades, rebates, service assistance, warranties, and recalls, to purchasers whose products bear an original Beltronics serial number. Beltronics sells its radar detectors to a limited number of authorized distributors who, in turn, agree to sell them for a set minimum price.

In violation of their agreements with Beltronics, two distributors sold Beltronics radar detectors to the Defendant-Appellant Midwest Inventory Distribution LLC ("Midwest"), who, in turn, resold them as "new" on eBay. To conceal their source, Midwest and/or the distributors obliterated or "replaced" the Beltronics serial numbers on each item. In its eBay listings, Midwest included an explicit statement that the manufacturer would not honor its warranty for items offered on eBay. Because the items did not bear original Beltronics serial numbers, Beltronics denied warranty services to owners of radar detectors purchased from Midwest on eBay.

Following complaints from numerous Midwest purchasers, Beltronics filed suit claiming federal and state trademark infringement and other violations of federal and state law. The District Court of Kansas granted a preliminary injunction in Beltronics's favor enjoining Midwest's sales of any Beltronics products not bearing an original serial number. Midwest appealed the order to the Tenth Circuit.

ANALYSIS

In its appeal, Midwest challenged the district court's finding that Beltronics had a substantial likelihood of success on the merits of its trademark–infringement claim on two grounds. First, Midwest claimed that its sale of the Beltronics products was protected by the first–sale doctrine because it was selling genuine Beltronics merchandise. While acknowledging that the first–sale doctrine is not applicable when the trademarked goods sold are materially different from those sold by the trademark owner, Midwest argued that material differences are limited to differences in physical quality or control procedures and that mere differences in warranties and other services collateral to a product's physical quality could not, by law, be "material." Midwest also challenged the district court's holding that Midwest's disclosure to its customers was insufficient to alleviate confusion.

The Tenth Circuit first turned its attention to the issue of "materiality." The appeals court expressly rejected Midwest's attempt to restrict the evaluation of materiality solely to differences in physical quality or control procedures, noting that product differences are material "if consumers consider them relevant to their decision whether to buy the product." The court noted with approval decisions from the Federal Circuit and First Circuit holding that differences in nonphysical characteristics such as warranties or service commitments may be material because they can mislead the consumer and damage the owner's goodwill. In the absence of any contradicting decisions on this point, the appeals court found no error in the district court's finding of materiality.

The appeals court also rejected Midwest's claim that the district court had improperly shifted the burden of proof to Midwest to demonstrate the effectiveness of its disclosure rather than placing the burden on Beltronics to demonstrate the ineffectiveness of the disclosure. The appeals court found that the district court properly assigned the parties' respective burdens in its evaluation of the evidence.

In its response to Beltronics's evidence of alleged actual confusion, Midwest argued that the consumers that contacted Beltronics could have either failed to read its warranty disclosure or, alternatively, tried to game the system by obtaining warranty coverage despite knowing it was disallowed. Accordingly, Midwest argued that the fact that a few customers contacted Beltronics was insufficient to support the conclusion that its disclaimers were inadequate as a matter of law. The appeals court disagreed, finding that the warranty inquiries received by Beltronics were sufficient to call into question whether Midwest's disclaimer was adequate to ameliorate any confusion. The appellate court also rejected Midwest's contention that the instances of actual confusion proffered by Beltronic were de minimus and inadequate to sustain Beltronics's burden of establishing a likelihood of confusion. The court pointed to the relevant case law holding that a showing of more than isolated instances of actual confusion is only required if either the products are not physically similar or not used for similar purposes, or, alternatively, the defendant has presented substantial evidence demonstrating no significant actual confusion. Given the identity of the products and the absence of any evidence that consumers were not confused, the appeals court found Midwest's argument unpersuasive.

CONCLUSION

This decision confirms that differences in warranties, product and service assistance, product–use information, and software upgrades, rebates, and recalls can be considered "material" so as to preclude application of the first–sale doctrine.

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Civil Cases

In re Spirits Int'l, N.V., 2009 WL 1140091 (Fed. Cir. Apr. 29, 2009)

by Lynn M. Jordan

ABSTRACT

In a case involving both the doctrine of foreign equivalents and the test for determining whether a mark is geographically deceptively misdescriptive, the Federal Circuit overturned the Trademark Trial and Appeal Board's ("TTAB") finding that the mark MOSKOVSKAYA was geographically deceptively misdescriptive for vodka. Applicant did not dispute that the mark would be translated as "of or from Moscow" by Russian speakers living in the United States, and the TTAB correctly noted that refusal was appropriate only if an appreciable number of consumers would be deceived. However, the Court held that the TTAB erred failing to consider the relevant consumer group for the product, namely, whether Russian speakers were a substantial portion of the intended audience for the vodka. The Federal Circuit expressed no opinion on this ultimate question, but noted that only .25 percent of the U.S. population speaks Russian, which did not qualify as a substantial portion if the intended audience is the U.S. population as a whole.

CASE SUMMARY

FACTS

Spirits International, N.V. ("Spirits") filed an application for the mark MOSKOVSKAYA for vodka. Applying the doctrine of foreign equivalents, the Examining Attorney translated the mark from Russian as "of or from Moscow." Spirits conceded that its vodka would not be manufactured, produced, or sold in Moscow and did not have any other connection with Moscow. In refusing registration on grounds of geographical deceptive misdescriptiveness, the Examining Attorney found that Moscow was a generally known geographic location, that the public would likely believe the goods originated from Moscow because there was a goods/place association between vodka and Moscow, and that this belief would likely be material to consumers because Russian vodka is highly regarded.

In affirming the denial of registration, the TTAB noted that to be "material," "an appreciable number of consumers for the goods" must be deceived. In evaluating the phrase "appreciable number," the TTAB held that this requires only a showing that *some portion* of relevant consumers will be deceived, and that there is a presumption that a word in one of the common, modern languages of the world will be spoken or understood by an appreciable number of U.S. consumers of the product or service at issue. Taking judicial notice of the fact that the 2000 U.S. Census showed that Russian is spoken by 706,000 people in the United States, the TTAB found that the mark met the materiality requirement because of its deception of Russian speakers, apparently finding that 706,000 people in the population at large was “appreciable.”

ANALYSIS

Turning first to the application of the doctrine of foreign equivalents, the Federal Circuit noted that the doctrine applies only in situations where the ordinary American consumer would stop and translate the mark into English. The “ordinary American purchaser” is not limited to only those consumers unfamiliar with non-English languages; rather, the term includes all American purchasers, including those proficient in a non-English language who would ordinarily be expected to translate words into English. Because the Applicant did not contend that an ordinary American purchaser sufficiently familiar with Russian would nonetheless take the mark at face value, the court found application of the doctrine appropriate. Once a word or phrase is translated, however, the court noted that its impact must be “material” under 15 U.S.C. § 1052(e)(3). The question before the court, then, was the scope of the materiality requirement.

Engaging in a detailed history of subsection (e)(3), the court noted that before NAFTA, the PTO could deny registration of geographically misdescriptive marks simply by showing that the primary significance of the mark was a generally known geographic location and that the consumer would likely believe—incorrectly—that the mark was an accurate description of the origin or other association of the goods with the geographic location. Post-NAFTA, however, the PTO is also required to demonstrate that the misdescription would materially affect the public’s decision to purchase the goods. Noting that a question has remained as to whether there is a requirement that a *significant portion* of the relevant consumers be deceived, the court affirmatively found that there is such a requirement. Thus, the appropriate inquiry for materiality is “whether a substantial portion of the relevant consumers is likely to be deceived, not whether any absolute number or particular segment of the relevant consumers (such as foreign language speakers) is likely to be deceived.” And while that portion may often be the entire U.S. population, in some cases, the use of a non-English language mark may be evidence that the product in question is targeted at the community of those who understand that language. In such cases, the relevant consuming public will be composed of those who are members of that targeted community, and, as a result, people who speak the non-English language could comprise a substantial portion of the relevant consumers. But the court noted that there was no such contention here.

The problem with the Board’s decision, the court found, was its focus on the fact that Russian is a common, modern language understood by 706,000 people in the United States (which it apparently deemed an appreciable number) rather than consideration of whether Russian speakers are a substantial portion of the intended audience for the vodka. Because of this failure, the court remanded the case for a determination of this issue.

Stating that it expressed “no opinion on the ultimate question of whether a substantial portion of the intended audience would be materially deceived,” the court nevertheless noted that only .25% of the U.S. population speaks Russian, and if the U.S. population is the relevant consumer group, this small percentage “would not be, by any measure, a substantial portion.” However, if the Board determined that “Russian speakers are a greater percentage of the vodka-consuming public; that some number of non-Russian speakers would understand the mark to suggest that the vodka came from Moscow; and that these groups would together be a substantial portion of the intended audience,” then a prima facie case of material deception might be proven.

CONCLUSION

This case clarifies the application of the doctrine of foreign equivalents in a determination of whether a mark is geographically deceptively misdescriptive. The court clarified that the appropriate inquiry for materiality is whether a substantial portion of *the relevant consumers* is likely to be deceived, not whether any absolute number or particular segment of the relevant consumers (such as foreign–language speakers) is likely to be deceived. In so doing, the Federal Circuit made clear that simply relying on the number of speakers of a language, without considering what percentage of the relevant consumer group they comprise, will not, by itself, establish that a substantial portion of the intended audience will be deceived.

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***Southern Co. v. Dauben, Inc.*, 2009 WL 1011183 (5th Cir. Apr. 15, 2009)**

by David M. Kelly

ABSTRACT

The Fifth Circuit Court of Appeals vacated a preliminary injunction granted by the Northern District of Texas against defendant's use of confusingly similar domain names for a pay-per-click website. The appeals court held that while the district court did not err in addressing only a few of the statutory bad–faith factors for cybersquatting and referencing a UDRP decision against defendant in finding a bad–faith intent to profit, the district court did abuse its discretion by failing to analyze ACPA's safe–harbor provision in addressing defendant's fair–use argument. Moreover, the district court's determination that defendant's domain names were "confusingly similar" to plaintiff's mark under ACPA was not sufficient, by itself, to establish the irreparable harm required for a preliminary injunction.

CASE SUMMARY

FACTS

Plaintiff The Southern Company ("Southern") provides energy-related services to consumers throughout the southern United States under its federally registered trademark SOUTHERN COMPANY and through its website at southerncompany.com. Defendant Dauben, Inc. ("Dauben"), a registrant of nearly 635,000 domain names, registered the domain names sotherncompany.com and southerncopany.com (the "Domain Names"), both of which connected to a "parking" website providing pay–per–click advertisements (i.e., links to other websites that, when clicked, resulted in a payment to Dauben). The pay–per–click ads included links to real–estate and employment companies located in the southern United States. The only connection with Southern was a link to Georgia Power, a Southern subsidiary.

In 2007, Southern filed a complaint under the Uniform Domain Name Dispute Resolution Policy ("UDRP") against Dauben. The UDRP panel ruled in Southern's favor and ordered transfer of the Domain Names to Southern. However, Dauben sued Southern in a Texas state court to stay transfer of the names. A few weeks before the state–court jury returned a verdict in Dauben's favor, Southern filed this suit in federal court and sought a preliminary injunction, alleging that Dauben violated the Anticybersquatting Consumer Protection Act ("ACPA").

The federal district court granted Southern's motion and preliminarily enjoined Dauben from registering, transferring, trafficking in, or using the Domain Names or any confusingly similar names. Dauben asked the district court to reconsider its decision on three grounds. First, its actions constituted fair use under the ACPA's safe–harbor provision, which states that "bad faith intent shall not be found . . . [if] the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." Specifically, Dauben claimed it "employed the words 'southern' and 'company' in their descriptive sense by providing pay–per–click links to companies located in the South, a use allegedly comparable to a yellow pages phone book." Second, the district court failed to fully consider the nine statutory bad-faith factors enumerated in the ACPA and instead improperly relied on the UDRP panel's reasoning regarding bad faith. Third, the district court incorrectly presumed the existence of irreparable injury based on its finding that the Domain Names were confusingly similar to Southern's mark. Southern countered that Dauben's use of the misspelled words "sothern" and "copany" were not fair uses and that the majority of the ACPA bad-faith factors supported a finding of bad faith.

The district court denied Dauben's motion for reconsideration. Although the court acknowledged that Dauben raised ACPA's safe–harbor provision, it did not consider this provision in its analysis. It also rejected Dauben's argument related to ACPA's bad-faith factors, stating that "the most important grounds for finding bad faith are the unique circumstances of the case, which do not fit neatly into specific factors enumerated by Congress but may nevertheless be considered under the statute." Finally, the court maintained its finding that Southern would suffer irreparable injury without the preliminary injunction. Dauben appealed the preliminary injunction ruling to the Fifth Circuit, while the district court continued forward with the case. The district court ultimately granted summary judgment for Southern while the appeal was still pending, but did not enter final judgment or issue a final remedy.

ANALYSIS

The Fifth Circuit first rejected Southern's claim that Dauben's appeal of the preliminary injunction was moot based on the district court's grant of summary judgment in Southern's favor. Because the district court had not yet entered a permanent injunction or final judgment, the appeals court could still consider the preliminary–injunction decision. Although the district court stated that "injunctive relief and statutory damages were appropriate," its stated intentions were not the same as a final judgment.

Turning to the merits of Dauben's appeal, the court vacated the preliminary injunction, finding that the district court had abused its discretion by conducting an incomplete analysis of both the likelihood of success on the merits of Southern's claims and the existence of a substantial threat of irreparable injury to Southern absent the preliminary injunction. The Fifth Circuit rejected Dauben's argument that the district court failed to consider all of the relevant ACPA bad–faith factors and instead substituted the WIPO panel's finding on bad faith. The court declined to "impose . . . such a formalistic requirement" as mandating consideration of all of ACPA's bad–faith factors, because the factors are given to courts "as a guide, not as a substitute for careful thinking about whether the conduct at issue is motivated by bad faith intent to profit." Further, the district court's reference to the UDRP decision was not, by itself, error. Finally, although the district court referenced the case's "unique circumstances" without any explanation of what those circumstances were or how they evidenced bad faith, "its stated reasoning in concluding that bad faith actually exists is arguably encompassed in one or more of ACPA's factors." The Fifth Circuit thus felt "hard pressed" to conclude that the district court had abused its discretion.

However, the Fifth Circuit did agree with Dauben's remaining arguments. First, it held that the district court abused its discretion by failing to analyze ACPA's safe–harbor provision when ruling on Dauben's fair–use defense. Because the defense of fair use bears on the likelihood of success on the merits, the district court should have addressed ACPA's safe–harbor provision. Although Southern's claim that fair use was not possible because Dauben used misspellings of the SOUTHERN COMPANY mark "certainly may weaken" Dauben's fair–use argument, it is "a question to be considered in the district court's evaluation of the facts and circumstances surrounding the claim—an evaluation that the court below failed to undertake."

The Fifth Circuit also held that the district court abused its discretion by determining that a strong likelihood of confusion "almost inevitably establishe[d] irreparable harm" to Southern. The district court based its likelihood-of-confusion determination on its finding that the Domain Names were "confusingly similar" to Southern's mark, which could lead to consumers being confused as to the sponsorship of the websites hosted at the Domain Names. The Fifth Circuit found this determination flawed in two ways. First, a presumption of irreparable harm was not warranted, because the likelihood-of-confusion test for trademark infringement is different and far more comprehensive than the test for "confusingly similar" under ACPA. Specifically, the likelihood-of-confusion test for infringement requires analysis of factors "beyond the facial similarity of the two marks"—the ACPA test for confusing similarity applied by the district court—that the court did not consider here. Because the district court erred by finding a presumption of irreparable harm based on a less comprehensive standard, the Fifth Circuit found no need to address whether the Supreme Court's recent decision in *eBay v. MercExchange, L.L.C.* applied here. Second, the district court failed to describe how Dauben's "confusingly similar" domain names would irreparably injure Southern. Although it noted the likelihood that a consumer might accidentally come across Dauben's websites when seeking Southern's website, the district court made no finding regarding how this "navigational miscue" would injure Southern. Accordingly, the Fifth Circuit held that the district court abused its discretion in finding irreparable harm.

Finally, although the Fifth Circuit vacated the preliminary injunction, it determined that a remand to the district court was unnecessary because the district court sits "primed to issue a final judgment and remedy" in the action based on its decision on the merits of Southern's claims on summary judgment. Because a permanent injunction would supersede the preliminary injunction, there was no need to delay the proceedings any further by remanding the preliminary–injunction issue to the district court.

CONCLUSION

The Fifth Circuit's decision, while nonprecedential, suggests that trademark owners seeking a preliminary injunction for cybersquatting should not take the irreparable–harm factor for granted, even if they can make a strong case regarding the likelihood of success on the merits. Trademark owners should present additional arguments and evidence to provide a sufficient showing of irreparable harm. Finally, the Fifth Circuit joined the First, Second, and Eighth Circuits in confirming that the test for "confusingly similar" under ACPA is the more narrow and limited inquiry of "facial similarity" rather than the comprehensive likelihood-of-confusion test for trademark infringement.

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Victoria's Secret Stores Brand Mgmt., Inc. v. Sexy Hair Concepts LLC, 2009 WL 959775 (S.D.N.Y. Apr. 8, 2009)

by B. Brett Heavner

ABSTRACT

Plaintiff filed an appeal with the Southern District of New York seeking to overturn defendant's successful opposition before the Trademark Trial and Appeal Board ("TTAB"). In a de novo appeal of a TTAB decision, the district court sits in a dual capacity, both giving deference to the TTAB's findings of fact and acting as its own fact–finder with respect to new evidence submitted by the parties. In this case, one of the key issues was whether defendant owned a "family" of marks, thus entitling it to a broader scope of protection under the likelihood–of–confusion test. Plaintiff attacked the TTAB's analysis of the record and further submitted new evidence to show that (1) defendant did not have a protectable "family of marks," and (2) there was no likelihood of confusion between plaintiff's and defendant's marks. Defendant moved for summary judgment affirming the TTAB's decision, arguing that the new evidence should be precluded as flawed, unreliable, or irrelevant, and that there were no other material issues of fact. However, the court determined that the new evidence, as well as some possible ambiguity in the TTAB record, created sufficient material issues of fact to preclude summary judgment.

CASE SUMMARY

FACTS

Sexy Hair Concepts LLC ("SHC") had been using the mark SEXY HAIR for hair–care products since 1958. SHC developed a successful line of hair care products, each packaged and promoted under a SEXY–formative mark. SHC secured U.S. trademark registrations for hair–care products for a number of its marks, including SEXY HAIR, SEXY HAIR & Design, SEXY HAIR CONCEPTS, WILD SEXY HAIR, HOT SEXY HIGHLIGHTS, SHORT SEXY, HEALTHY SEXY, and STRONG SEXY HAIR.

Victoria's Secret Stores Brand Management, Inc. ("Victoria's Secret"), a leading retailer of lingerie products, uses and has registered multiple SEXY-formative trademarks for its lingerie and apparel.

In 2001, Victoria's Secret filed an intent–to–use application to register the mark SO SEXY for hair–care products. SHC opposed the application, alleging that the mark SO SEXY was likely to cause confusion with its family of SEXY–formative marks. In 2007, the TTAB issued an opinion finding that (1) SHC and Victoria's Secret used their marks on identical or related goods, (2) the channels of trade were not specified in the registrations and application and thus were the same as a matter of law, (3) SHC had established a family of SEXY–formative marks, and (4) consumers were likely to be confused as they would believe Victoria's Secret's mark to be part of SHC's family.

Victoria's Secret appealed to the Southern District of New York, arguing that the TTAB erred in finding (1) that the word "sexy" was suggestive rather than descriptive, (2) that SHC had established a family of SEXY-formative marks, and (3) that there was a likelihood of confusion. To support its position, Victoria's Secret attacked the TTAB's analysis of the record and offered new evidence in the form of expert reports and affidavits. SHC moved for summary judgment, arguing that the TTAB was correct in its ruling and that none of the new evidence submitted by Victoria's Secret created a material issue of fact.

ANALYSIS

SHC argued that summary judgment was appropriate because the TTAB's findings of fact were entitled to deference under the "substantial evidence" standard and because the new evidence submitted by Victoria's Secret during the appeal should be excluded and thus could not create a material issue of fact to preclude summary judgment.

The linchpin of the dispute was whether SHC had established a "family of marks." To establish a family of marks, SHC needed to show (1) that its individual marks share a nondescriptive, common characteristic or "surname"; and (2) that the public associates this "surname" with SHC. SHC claimed that the term "SEXY" functions as a "surname" for its family of marks. As such, confusion would be likely based solely on Victoria's Secret's use of the SEXY "surname" in its mark, even though Victoria's Secret's mark as a whole (SO SEXY) is not particularly close to any one of SHC's individual SEXY–formative marks.

The TTAB found that SHC had established a family of SEXY-formative marks because (1) SHC advertises its SEXY–formative marks together, showing different SEXY brands in the same promotional pieces and events; (2) the term SEXY is emphasized in each mark through different typefaces and colors from the other wording; and (3) press coverage referred to SHC's products as the "SEXY HAIR line of products." In reviewing the TTAB record, however, the court noted some ambiguity in the evidence as to how often SHC advertised multiple products in its "family" together and whether SHC's marketing expenditures were directed to specifically promoting the "family" of products rather than its individual products. Construing the evidence in the light most favorable to the nonmoving party, the court suggested that the TTAB record's ambiguity alone might weigh against summary judgment.

The court next turned to the new evidence that Victoria's Secret introduced on appeal. This included new survey evidence, a linguistics report, and an affidavit from a salon owner regarding the meaning of the term "SEXY" in the hair–care industry. SHC argued that all of the new evidence should be excluded from consideration as unreliable and irrelevant. In each case, however, the court determined that the new evidence was admissible.

Victoria's Secret's first survey purported to show that hair–care consumers did not associate the word SEXY with SHC's products. The survey showed only 1.6% of respondents associated SEXY with SHC, while nearly 66% of respondents did not associate SEXY with any particular hair–care company. SHC argued that this survey should be excluded because SHC's marks were the subject of incontestable registrations and cannot be challenged as a matter of law on descriptiveness grounds. The court determined that incontestability was irrelevant because the survey did not challenge the validity of SHC's registrations, but only challenged whether the individual term "SEXY" could function as a "surname" to create a family of marks. The court also determined that any methodological errors in the survey bear exclusively on the weight given the survey rather than its admissibility.

Victoria's Secret also argued that the term "SEXY" cannot be a family "surname" for SHC's product line because the term is descriptive for hair–care products, and is not suggestive as the TTAB had held. To support this argument, Victoria's Secret submitted a report from a linguistics professor regarding public usage/perception of the term "SEXY," and an affidavit from a salon owner testifying that "SEXY" is commonly used in the industry to describe hair styles, hair care, and hair products. SHC moved to exclude both the linguistics expert's report and the salon owner's affidavit on the ground that they used an "improper standard" for descriptiveness, and were not based on reliable data or methodology. The court refused to exclude the evidence because there is no possibility of prejudice in a bench trial and the evidence met the helpfulness standard of Fed. R. Evid. 701.

SHC argued that, even considering Victoria's Secret's new evidence, SEXY is not descriptive as a matter of law. First, SHC argued that what each individual finds to be "sexy" is subjective. As such, consumers will need to use their imaginations to understand the term, thus placing SEXY in the suggestive rather than descriptive category of marks. The court disagreed with this analysis, finding that a mark is not rendered nondescriptive simply because different consumers might conjure different mental images of the trait being described. Although different consumers may disagree about what constitutes "sexiness," the term still reflects an aesthetically positive or appealing characteristic in the minds of all consumers. Second, SHC argued that Victoria's Secret was estopped from arguing that SEXY is descriptive because it registered several SEXY–formative marks for lingerie without including a disclaimer of the word SEXY. The court pointed out, however, that the PTO rules do not impose an affirmative duty to include a disclaimer of a descriptive term absent a requirement to do so by the Examining Attorney. Thus, in light of the new evidence, the court determined that there was a material issue of fact as to whether SEXY was descriptive and thus incapable of functioning as a "surname" in a family of marks.

Finally, Victoria's Secret introduced two additional surveys to show that confusion between its mark and the SHC marks was unlikely: one based solely on the elements of the registrations and application at issue, and another based on actual marketplace conditions. Only 2% of consumers in the "application/registration" survey and less than 1% of consumers in the market condition survey believed that Victoria's Secret's mark was affiliated with SHC. SHC moved to exclude these surveys, claiming that the surveys drew from the wrong universe, employed improper stimuli, failed to use a control group, and used leading questions. As with the consumer–recognition survey, the court determined that these criticisms of the surveys only affected the weight the court would give them and not whether they were admissible. Therefore, Victoria's Secret had established material issues of fact regarding the issue of likelihood of confusion.

Accordingly, the court denied SHC's motion for summary judgment.

CONCLUSION

This decision combines a number of infrequently seen issues including de novo appeals of TTAB decisions, family–of–marks analysis, and file–wrapper estoppel. The court's denial of the summary judgment motion is not particularly surprising given the large volume of new factual evidence presented during the appeal. Any other outcome would have undermined the purpose of appeals under Section 21 (b)(1) of the Lanham Act, which is to allow unsuccessful TTAB litigants a chance to not only review the TTAB record, but also to introduce additional evidence specifically tailored to counter the TTAB's conclusions. The case also shows that establishing a family of marks can be difficult where the "surname" element straddles the suggestive/descriptive line. It also illustrates that the incontestability of registrations for marks within the alleged family has no bearing on whether the common "surname" is nondescriptive.

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Unregistrable

MYSTE®Y: SOLVED!

by Robert D. Litowitz

Before the nation's economic woes began crimping expense accounts and tightening purse strings, steakhouses ruled the restaurant kingdom. Every new upscale office complex seemed to sport a branch of the legendary Morton's Steakhouse. Every airline magazine seemed to contain page after page of "Top 10 Steakhouse" lists and advertisements for Brazilian "all–you–can–steak" chains. And, of course, on any given night in the home of the New York Strip, warhorses such as Peter Luger and Sparks overflowed with well-heeled financiers feasting on prime aged beef and Martinis. But no premier steakhouse chain was and is as ubiquitous, and vexing, than "Ruth's Chris Steakhouse." Vexing not because of the quality of its first-rate food, ambience, and service, but because of its curious name. Countless diners undoubtedly have scratched their heads in wonder pondering the eternal steak-o-phile's question: Why is the place called "Ruth's Chris"? Why the two names? Why does the possessive "Ruth's" precede the second name, "Chris"? To paraphrase the famous line from *Butch Cassidy and the Sundance Kid*: "Who are those guys?"

At a recent dinner in New Orleans, the home of the first Ruth's Chris, the answer was provided by a waiter who had worked at the establishment from its inception. On February 27, 1927, Ruth Ann Udstad Fertel was born in New Orleans. Years later, heeding her entrepreneurial spirit, Ruth bought the Chris Steakhouse at the corner of Broad and Ursuline in New Orleans. She and her steakhouse survived a massive hurricane that hit NOLA just a few months after she bought Chris, and then began attracting large crowds of loyal patrons. But in 1976, a kitchen fire destroyed the thriving Chris Steakhouse. Determined to persevere and with her typical pluck and determination, Ruth moved to a new location on Broad Street, but faced an existential trademark dilemma. Her contract with Chris Steakhouse stipulated that she could use that name only at the original Broad and Ursuline location. So the enterprising Ms. Fertel "staked" her claim to a new brand by superimposing her own first name, "Ruth's," on "Chris Steakhouse" and so was able to skirt the contractual conundrum. Soon after the rebirth of "Ruth's Chris," Ms. Fertel licensed her first franchise, and the rest is steakhouse history.

While she blazed a trail as a female business owner who thrived in the testosterone–laden steakhouse arena, Ruth Fertel did not fit the mold set by another prominent women in the hospitality industry (think notorious Manhattan hotelier who recently bequeathed the lion's share of her multimillion–dollar estate to her dog). By all accounts, Ruth Fertel was a kind and caring boss who inspired devotion and loyalty over her nearly forty years in the restaurant business. She died in 2002, but her legacy lives on in her curious twin-named steakhouse juggernaut. They say, "It's the sizzle that sells the steak." Now we know the truth. At Ruth's Chris, it's not the sizzle—it's the trademark.

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