INCONTESTABLE®

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

December 2012 Issue

Civil Cases

CollegeSource, Inc. v. AcademyOne, Inc., 2012 WL 5269213 (E.D. Pa. Oct. 25, 2012)

by David M. Kelly

Eastern District of Pennsylvania applies the Ninth Circuit's *Network Automation* test for keyword cases, and finds no likelihood of confusion where defendant did not use plaintiff's trademark in the paid advertisements and those ads were segregated from the natural search results.

CYBERsitter LLC v. Google, Inc., 2012 WL 5873650 (C.D. Cal. Oct. 24, 2012)

by David M. Kelly

Despite contrary decisions by other district courts, the Central District of California holds that the forum-selection clause in Google's AdWords user agreement did not apply to the plaintiff's keyword-infringement claims and denies Google's motion to transfer.

Diller v. Barry Driller Inc., 104 USPQ2d 1676 (C.D. Cal. Sept. 10, 2012)

*by Brian R. Westley**

California federal court preliminarily enjoins "Barry Driller" online services, finding likely infringement of Barry Diller's Lanham Act rights and rights of publicity.

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. CV-06-6229 (C.D. Cal. Nov. 14, 2012)

by Lynn M. Jordan

Central District of California breathes new life into the doctrine of aesthetic functionality, holding that use of BETTY BOOP wording in connection with permissible uses of Betty Boop images on apparel and related merchandise is either aesthetically functional or a protected fair use, and is noninfringing.

Oriental Fin. Grp., Inc. v. Cooperativa de Ahorro y Crédito Oriental, 698 F.3d 9 (1st Cir. Oct. 18, 2012)

by Yasmin Tavakoli Egge

First Circuit rules as matter of first impression that doctrine of progressive encroachment may be applied to preclude the

Unregistrable

"Eat Mor" War: Chick-fil-A Bites Off Too Much Again?

by Robert D. Litowitz

Finnegan Articles

Offbeat Page in Branding Playbook

by Douglas A. Rettew and Michael R. Justus

Finnegan News

Cases of the Year: 12 from 2012

Law360 MVP Awards Go to Legal Top Guns from 52 Firms

Finnegan, Henderson, Farabow, Garrett & Dunner, LLP Named One of *Working Mother* and Flex-Time Lawyers' "50 Best Law Firms for Women"

Finnegan Recognized as Tier 1 Law Firm for Intellectual Property by *U.S. News Media Group* and *Best Lawyers* in 2013 affirmative defense of laches in trademark-infringement actions.

Tempur-Pedic Int'l, Inc. v. Angel Beds LLC, 2012 WL 290980 (S.D. Tex. Nov. 6, 2012)

by Robert D. Litowitz

Southern District of Texas rejects argument that fraud-like conduct is an element of unfair competition under Section 43(a), holding that specific and detailed allegations of intentional wrongdoing are not required under liberal pleading requirements of Fed. R. Civ. P. 8.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Civil Cases

CollegeSource, Inc. v. AcademyOne, Inc., 2012 WL 5269213 (E.D. Pa. Oct. 25, 2012)

by David M. Kelly

CASE SUMMARY

FACTS

Plaintiff CollegeSource, Inc. ("CollegeSource") offers access to subscription-based and free databases providing information on college and university course curriculums, equivalencies, and transferability. CollegeSource hosts course catalogs and updates its databases annually by collecting digital course catalogs and digitizing paper course catalogs. It sells access to its database in addition to tools that facilitate student academic-credit transfers and offers a free service, CataLink, that allows schools to link directly to CollegeSource's digitized course catalogs. Defendant AcademyOne, Inc. ("AcademyOne") builds systems that allow faculties to evaluate academic courses for credit equivalency. To build its database of course descriptions, AcademyOne hired a developer to download course catalogs and convert them into a text database. The developer downloaded some course catalogs from schools using CollegeSource's CataLink database and "scraped" the PDF files for text. AcademyOne allowed free access to its course-description database and hosted 4,000 courses on its website. AcademyOne purchased the terms "college source" and "career guidance foundation," both trademarks of CollegeSource, as search-engine keywords. CollegeSource sued AcademyOne for trademark infringement and unfair competition, among other claims. AcademyOne moved for summary judgment and the district court granted the motion.

ANALYSIS

The court dismissed CollegeSource's infringement and unfair-competition claims because CollegeSource did not provide sufficient evidence that AcademyOne's use of CollegeSource's trademarks was likely to cause confusion. The court noted the four-factor likelihood-of-confusion test for keyword cases adopted by the Ninth Circuit in *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011): (1) strength of the mark, (2) evidence of actual confusion, (3) types of goods and degree of care likely to be exercised by the typical purchaser, and (4) the labeling and appearance of the advertisements triggered by the keywords. In applying the traditional Third Circuit multifactor likelihood-of-confusion test known as the *Lapp* factors, the district court stated it would "place emphasis" on the four *Network Automation* factors.

The strength-of-the-mark factor favored CollegeSource because it used COLLEGE SOURCE for eighteen years and CAREER GUIDANCE FOUNDATION for over thirty years, and both marks were suggestive and thus inherently protectable. The court found the strength-of-the-mark factor particularly relevant in the keyword-advertising-infringement context. Specifically, it stated that consumers searching with a generic term are more likely to be searching for a category "instead of knowing exactly what [they are] looking for from the outset," whereas consumers searching for a suggestive or arbitrary term are most likely searching for the actual product.

The actual-confusion factor favored AcademyOne because there was "little evidence" showing actual confusion stemming from AcademyOne's purchase of CollegeSource's marks as keywords. CollegeSource did provide evidence that sixty-five Internet users who searched for CollegeSource clicked on an AcademyOne advertisement, but the court held that many of these individuals could have been employees of either company or those curious about the litigation. Furthermore, even if all sixty-five users were actually confused, the court deemed this evidence de minimis.

The care and attention expected of consumers when making a purchase also favored AcademyOne. First, quoting *Network Automation*, the court held that "the degree of care exercised by Internet users is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." According to the court, the "modern Internet user's increasing level of experience with search sites decreases the likelihood that they would be confused by the advertisements at issue in this case." In addition, given the importance of consumers' education-related inquiries, they were "likely to practice diligence in their research" and "exercise prudence." The court concluded that "[m]odern Internet users, particularly ones who are interested in credit distribution in higher education institutions, are not likely to be confused by Internet advertising."

The final *Network Automation* factor, labeling and appearance of the advertisements, also favored AcademyOne and turned out to be the critical factor in this case. Even though AcademyOne did not identify itself in its ads, the court found that the labeling and partitioning of the paid ads "decrease[d] the likelihood of confusion." Specifically, the ads were separate from the organic listings, the ads were labeled as "sponsored links," and some ads were even "differentiated by a shaded text box." In addition, AcademyOne did not use CollegeSource's marks in its advertisements, and instead used the marks only to trigger the ads. In short, the court held that the "entire context of the advertisement's appearance, especially the fact that CollegeSource's name does not appear [in] the advertisement," favored AcademyOne.

The court next weighed the rest of the *Lapp* factors. It initially agreed with *Network Automation* that the similarity-of-the-marks factor was less relevant in keyword cases than in situations where consumers confronted two different marks and were unable to distinguish between them. The court thus "place[d] little weight" on this factor and found it neutral. The intent factor favored AcademyOne because there was no evidence of an intent to confuse. "The only evidence CollegeSource produce[d] to support its assertion [was] that AcademyOne knew of CollegeSource's marks at the time it purchased its AdWords," but the court held that mere knowledge of the marks was "insufficient to infer an intent to capitalize on CollegeSource's goodwill." The court also weighed the similarities in marketing channels in favor of AcademyOne, finding that CollegeSource did not participate in online advertising of any kind and did not compete with AcademyOne in keyword advertising. Finally, because both companies produced similar products and solicited business from similar clients, the court weighed both the similarity in targets of the parties' sales efforts and similarity of the goods' function in favor of CollegeSource.

In conclusion, the court held that the remaining *Lapp* likelihood-of-confusion factors "did not seriously weigh in favor of CollegeSource" and thus did not outweigh the three of four *Network Automation* factors that favored AcademyOne, including the critical "appearance of the advertisements" factor. The court thus granted AcademyOne's motion for summary judgment.

CONCLUSION

This case is of interest because it is one of only a few district courts, and the first one in the Third Circuit, that has adopted the *Network Automation* factors for determining likelihood of confusion in the keyword context.

FINNEGAN

If you have any questions or need additional information, please contact:

Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Civil Cases

CYBERsitter LLC v. Google, Inc., 2012 WL 5873650 (C.D. Cal. Oct. 24, 2012)

by David M. Kelly

CASE SUMMARY

FACTS

Plaintiff CYBERsitter LLC ("CYBERsitter") develops Internet content-filter programs. Google, Inc. ("Google") sells keyword-triggered advertising through its AdWords program. From 2000 to 2010, CYBERsitter used the AdWords program and agreed to Google's user agreement, which stated that litigants must bring "all claims arising out of or relating to this agreement or the Google program(s) [i.e., any of Google's advertising programs]" in the federal or state courts of Santa Clara County, California. ContentWatch, a CYBERsitter competitor, purchased CYBERSITTER as a keyword from Google and used the CYBERSITTER mark in the text of its advertisements triggered by searches for CYBERSITTER. CYBERsitter sued Google and ContentWatch, alleging that Google infringed its trademarks by (1) selling the right to use the CYBERSITTER mark to ContentWatch, who "in turn illegally use[d] the trademark in its online advertisements"; and by (2) allowing and encouraging ContentWatch's use of CYBERSITTER in its online advertisements through the AdWords program.

ANALYSIS

Google moved to transfer the case to the Northern District of California, arguing that jurisdiction was controlled by CYBERsitter's AdWords user agreement with Google. The court denied Google's motion, holding "[i]t is clear from a plain reading of the forum-selection clause in light of the [the Google AdWords user agreement]" that the clause did not apply to CYBERsitter's infringement claims. Specifically, the court held that the AdWords agreement "solely addresse[d] *Plaintiff's* participation as a customer in Google's advertising program(s)[,] not Plaintiff's rights or duties in regard to a third party's unlawful infringement of its trademark." Google argued that the phrase "Google Program" included CYBERsitter's infringement claims against Google and that if the court were to deny the motion, it would be ignoring the term "Google Program(s)" and "reading inconsistent or contradictory meaning" into the plain language of the clause. The court disagreed, finding no "objectionable surplusage" in holding that the agreement did not apply here. The court also rejected Google's argument that CYBERsitter's infringement claims "relate[d] directly" to the AdWords agreement because of Google's Editorial Guidelines and trademark policies that appeared on separate web pages. It found that CYBERsitter's infringement claims were unrelated to Google's general monitoring policies.

This case conflicts with the results in several 2010 decisions in AdWords cases from other district courts. In *Flowbee International, Inc. v. Google, Inc.*, No. 4:2010-cv-00668 (N.D. Cal. Feb. 18, 2010), Flowbee sued Google for allowing a competitor to purchase its trademark in Google's AdWord program. Google successfully moved to transfer the case from the Southern District of Texas to California based on the

Adwords agreement's forum-selection clause. The Texas court held that "the language of the forum selection clause covers not only claims related to the agreement, but also claims related to the Google Programs." Similarly, in *Parts Geek, LLC v. U.S. Auto Parts Network, Inc.*, 2010 WL 1381005 (D.N.J. Apr. 1, 2010), the District Court of New Jersey came to the same conclusion and granted Google's motion to transfer the case to California pursuant to Google's Adwords agreement. The *CYBERsitter* court did not mention either decision in its opinion.

CONCLUSION

This case is of interest because many trademark owners are likely AdWords customers, and this decision provides support for keeping infringement actions against Google in the forums chosen by trademark owners.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Civil Cases

Diller v. Barry Driller Inc., 104 USPQ2d 1676 (C.D. Cal. Sept. 10, 2012)

*by Brian R. Westley**

CASE SUMMARY

FACTS

Media mogul Barry Diller ("Diller") brought a claim against the operators of BarryDriller.com, a digital service that streamed broadcast-television signals over the Internet. BarryDriller.com featured a graphic of a young, fit, shirtless man holding a drill. The website competed with Aereo, a company backed by Diller that provides subscribers with a very similar service. Defendants argued that "Barry Driller" was a nominative fair use and a parody. Diller, however, believed the name was chosen because of his involvement with Aereo's Internet-broadcasting service. He filed suit against the defendants for false endorsement under the Lanham Act and violation of his right of publicity under California common and statutory law. He also sought a temporary restraining order and preliminary injunction to prevent the use of "Barry Driller." The district court granted the restraining order pending a hearing on the preliminary injunction request.

ANALYSIS

In considering Diller's preliminary injunction request, the court as an initial matter clarified what mark was actually at issue in the case. Defendants argued there was no similarity between the graphic of a young, shirtless man holding a drill and Diller. The court explained, however, that the claim was based on the defendants' use of a slight variation of Diller's *name*, not the use of his *appearance*. Thus, the proper issue was whether the use of the term "Barry Driller" would cause consumer confusion with Diller's name apart from the use of the graphic.

Next, the court dismissed the defendants' arguments that the use of "Barry Driller" was nominative fair use and a parody. "Barry Driller" was not a nominative fair use, the court stated, because the defendants did not use Diller's real name to refer to him directly; instead, the defendants added an "r" and referred to their own Internet-broadcasting service. "Barry Driller" was not a parody because nothing on the defendants' website distinguished Diller from "Barry Driller" to convey to a reasonable viewer that "Barry Driller" was a parody. Moreover, the court stated, the mark was used for purely commercial purposes.

Turning to Diller's false-endorsement claim, the court conducted a fact-intensive likelihood-of-confusion analysis. The court first noted that in a celebrity-endorsement case, the strength of the celebrity's persona is judged by the "level of recognition the celebrity enjoys among members of society." This factor demonstrates likelihood of confusion only if the celebrity is well known among the defendants' target customers—in this case, those in the entertainment and technology industries. Diller's name was strong in the minds of these customers, the court held, because Diller's name frequently appeared in the media and he was the chairman and CEO of two large entertainment companies (Paramount Pictures and Fox) before leading companies like Aereo that offer services over the Internet.

The court ultimately determined that Diller was likely to prevail on his false-endorsement claim because the defendants' use of "Barry Driller" created a likelihood of confusion. The goods in the case were closely related, and the marks were almost identical in sound and appearance. Both services were web-based and likely to target the same customers, indicating a likely overlap in the parties' marketing channels. Moreover, both services also operated in New York and would likely expand to many of the same markets across the country. The evidence also strongly suggested that the defendants intended to exploit Diller's celebrity, with one defendant admitting in a press interview to intentionally selecting "Barry Driller" to evoke Diller's identity.

The court also held that the defendants likely violated Diller's state-law rights of publicity claims. The court explained that by purposely adopting the "Barry Driller" mark to advertise and sell their Internet services, the defendants created significant risk of injury to Diller's goodwill and reputation. The court rejected the argument that the defendants' inclusion of an "r" in the plaintiff's name was a transformative use.

The court granted the preliminary injunction in Diller's favor, finding irreparable harm, that the balance of hardships favored Diller, and that an injunction was in the public interest.

CONCLUSION

This case provides an example of a court recognizing that celebrities have property rights in their identities under the Lanham Act analogous to those of trademark holders, enabling celebrities to protect their identities against commercial uses that are likely to mislead consumers about their sponsorship or approval.

**Brian R. Westley is a Law Clerk at Finnegan*.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

INCONTESTABLE®

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

December 2012 Issue

Back to Main

Civil Cases

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. CV-06-6229 (C.D. Cal. Nov. 14, 2012)

by Lynn M. Jordan

CASE SUMMARY

FACTS

Max Fleischer, the head of Fleischer Studios, Inc. ("Original Fleischer"), created the Betty Boop character in the 1930s and developed a number of Betty Boop cartoon films. In 1941, Original Fleischer sold its rights in the Betty Boop character and films to Paramount Pictures, Inc., the first of several subsequent sales involving interests in the Betty Boop character and/or films.

Plaintiff Fleischer Studios, Inc. ("Fleischer"), a new entity created by Max Fleischer's family in the 1970s under the same name, claimed that it owned copyright and trademark rights to the Betty Boop character through a multiple-step chain of title involving numerous entities over a time period from 1941 to 1997. It filed suit against the defendants for copyright and trademark infringement based on use of the Betty Boop image and name on dolls, t-shirts, and handbags.

Defendant A.V.E.L.A., Inc. and others (collectively "A.V.E.L.A.") claim the right to license the Betty Boop image to third parties based on A.V.E.L.A.'s copyright in restored vintage posters that were based on works in the public domain.

On summary judgment, the district court originally found that Fleischer did not have valid copyright or trademark rights in the Betty Boop name or image, and that defendants had not used the BETTY BOOP wording as a trademark or in a way likely to cause consumer confusion. The Ninth Circuit affirmed summary judgment in favor of A.V.E.L.A., holding sua sponte that the defendants' uses were aesthetically functional. Following widespread criticism, the court withdrew its opinion and issued an amended opinion, which made no mention of aesthetic functionality. The amended opinion upheld judgment for the defendants on the copyright claims and on the image-mark claims, but vacated the ruling on the BETTY BOOP word-mark claims, remanding to the district court for further findings. Specifically, the Ninth Circuit indicated that it was unable to ascertain a legal basis for the district court's "unexplained conclusions" that the defendants' uses were neither trademark uses nor likely to cause confusion. On remand, the district court limited itself to reexamination of these prior "unexplained" rulings.

ANALYSIS

Acknowledging that its previous order concluding that defendants had not used the BETTY BOOP wording as a trademark "did not provide much reasoning," the district court asserted that the Ninth Circuit's original but withdrawn opinion did. Finding it "sound and applicable" despite being withdrawn, the district court once again concluded that the defendants had not used BETTY BOOP as a trademark, this time expressly relying on the doctrine of aesthetic functionality.

Citing, as the Ninth Circuit had initially done, both *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980), and *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062 (9th Cir. 2006), the district court concluded that since the Betty Boop images on the defendants' merchandise were decorative, not source identifying (and it had already been determined that the defendants could use those images), it would put the defendants at a significant competitive disadvantage if they could not use the wording BETTY BOOP in connection with their otherwise permissible use of the images. The court noted that the defendants had always included their own name and brand in connection with the merchandise.

Alternatively, the court found that even if the uses of BETTY BOOP were not aesthetically functional, they constituted fair use as a matter of law. According to the district court, if defendants could use the images of the Betty Boop character, they must also be permitted to identify the character by name. Thus, the defendants' use of the BETTY BOOP wording was solely to describe its merchandise and the character depicted, and not source identifying.

Accordingly, the district court held that "whether defendants' use of the word mark fits within the aesthetic functionality doctrine, or, alternatively, is a fair use, the ultimate conclusion is the same: Defendants' use does not indicate a source or origin of the products, and is therefore not a trademark use." The court granted summary judgment in favor of defendants.

CONCLUSION

Although the case does resurrect the doctrine of aesthetic functionality, it is important to note the specific facts in this case and the necessary limitations. In particular, the defendants had rights to use the character's image, and the words at issue were the only means necessary to identify the character depicted.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Civil Cases

Oriental Fin. Grp., Inc. v. Cooperativa de Ahorro y Crédito Oriental, 698 F.3d 9 (1st Cir. Oct. 18, 2012)

by Yasmin Tavakoli Egge

CASE SUMMARY

FACTS

Oriental Financial Group, Inc. ("Oriental"), a financial-services institution in Puerto Rico, appealed a decision from the U.S. District Court for the District of Puerto Rico challenging the scope of an injunction against Puerto Rico-based competitor Cooperativa de Ahorro y Crédito Oriental ("Cooperativa"), a nonprofit credit union offering various personal banking and checking services. Oriental initiated its action against Cooperativa in May 2010, asserting Lanham Act claims for service-mark infringement and alleging that Cooperativa's COOP ORIENTAL name was confusingly similar to Oriental's ORIENTAL marks.

Oriental commenced use of its ORIENTAL mark for financial services in 1964 in the southeastern region of Puerto Rico, and in 1996 relocated its main offices to San Juan in northern Puerto Rico where it expanded into forty-three branches by 2010. Cooperativa began operating in 1966 and first used its COOP ORIENTAL mark in 1995. From 1995 through 1996, Cooperativa operated a single branch in the northeastern region of Puerto Rico. In 2009, Cooperativa expanded its reach to San Juan and launched a substantial advertising campaign in newspapers and on television and billboards throughout Puerto Rico. As part of its new advertising campaign, Cooperativa adopted a new COOP ORIENTAL logo featuring an orange trade dress allegedly similar to Oriental's logo, and emphasizing the term ORIENTAL over the term COOP.

Cooperativa defended against Oriental's preliminary injunction motion, contending that Oriental's claims were barred by laches based on over forty years of coexistence. Following an evidentiary hearing, the district court rejected Cooperativa's laches defense, contending that the infringement commenced in 2009 upon its adoption of the new logo and trade dress. Finding no likelihood of confusion between Cooperativa's former logo and mark based upon the absence of actual confusion, it ruled that the permanent injunction would only apply to post-2009 infringing activity, and allowed Cooperativa to revert to the mark and trade dress it used prior to 2009 or to adopt new logos consistent with the injunction.

On appeal, the First Circuit reversed the district court's order allowing Cooperativa to resume using its old COOP ORIENTAL mark, and found as a matter of first impression that the doctrine of progressive encroachment could apply to preclude Cooperativa's affirmative defense of laches. The First Circuit remanded the case to the district court to determine whether there was a likelihood of confusion between the pre-2009 versions of the COOP ORIENTAL mark used by Cooperativa, and whether the scope of the injunction needed to be broadened to cover such marks.

ANALYSIS

The First Circuit focused its review on whether Cooperativa's affirmative defense of laches had any merit with respect to the expanded injunction sought by Oriental. While the First Circuit acknowledged there were factual disputes as to whether Oriental had actual or constructive knowledge of Cooperativa's use of the COOP ORIENTAL mark prior to 2009, and whether Cooperativa could establish detrimental reliance or prejudice, it found that even if both these elements were present, the doctrine of progressive encroachment could still bar Cooperativa's laches defense.

The appeals court analyzed all three elements of progressive encroachment, namely, (1) whether during the period of delay it was reasonable for plaintiff to conclude it should not have brought suit to challenge the infringing activity; (2) whether the defendant materially altered its infringing activities; and (3) whether the suit was unreasonably delayed after the alteration in the infringing activity. In analyzing the first element, the appeals court found that Cooperativa's pre-2009 infringement was de minimis, namely, so small in scope that it was reasonable for Oriental to conclude that a suit was not worth the cost of litigation. Under the second element, the First Circuit found that Cooperativa materially altered the reach of its operations in 2009 by expanding beyond a single region in Puerto Rico to San Juan and other regions where Oriental was already operating, and by significantly expanding its advertising campaign to include television as well as print ads statewide. Under the third element, the First Circuit concluded that Oriental did not delay in bringing the present suit because it was filed shortly after Cooperativa expanded its activities throughout Puerto Rico. The First Circuit thus held that on remand Cooperativa's laches defense would not be heard, and the scope of the injunction needed to be reconsidered by the district court.

CONCLUSION

The First Circuit recognizes that the doctrine of progressive encroachment allows an infringement plaintiff to tolerate de minimis or low-level infringement prior to bringing suit, sets forth the test for progressive encroachment, and provides a helpful roadmap for how it may be used as an offensive countermeasure by plaintiffs in trademark-infringement actions to preclude the affirmative defense of laches.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Civil Cases

Tempur-Pedic Int'l, Inc. v. Angel Beds LLC, 2012 WL 290980 (S.D. Tex. Nov. 6, 2012)

by Robert D. Litowitz

CASE SUMMARY

FACTS

In 2005, Tempur-Pedic International, Inc. ("Tempur-Pedic") sued Angel Beds LLC ("Angel Beds") for using the URL www.tempurpedic.angelbeds.com for a website that also contained comparative information about the parties' respective mattresses. That case settled, with Angel Beds agreeing not to use the URL or the term "Tempur-Pedic" in metatags. In 2012, Tempur-Pedic sued Angel Beds again. This time, the complaint challenged the domain name www.tempurpediccomparison.com and other alleged uses of Tempur-Pedic's trademarks on Angel Bed's website. The complaint included claims of trademark infringement, unfair competition under Section 43(a), breach of contract, and dilution. Tempur-Pedic alleged that Angel Beds included Tempur-Pedic marks in domain names and website content "in order to drive Internet traffic to its website" and to create initial-interest confusion.

ANALYSIS

Angel Beds moved to dismiss Tempur-Pedic's unfair-competition and breach-of-contract claims, and also moved for a more definite statement of "the nature of the marks [defendant] is alleged to have infringed." In its motion, Angel Beds contended that the complaint was deficient because it did not include specific allegations of intentional wrongdoing. The district court denied both motions. On the motion to dismiss, the court first addressed whether the liberal pleading standard of Fed. R. Civ. P. 8 or the heightened standard for pleading fraud under Fed. R. Civ. P. 9 should apply to Tempur-Pedic's Section 43(a) unfair-competition claim. Noting a split among the circuits, the district court agreed with district courts in Tennessee, New York, and Illinois that fraud is not an element of a claim for unfair competition under that section of the Lanham Act. So the heightened pleading standard of Fed. R. Civ. P. 9 did not apply to Tempur-Pedic's claim. Under the more liberal pleading standard, Tempur-Pedic "unquestionably asserted a plausible claim for violation of section 43(a) of the Lanham Act." The district court also held that Tempur-Pedic's complaint was not "so vague or ambiguous that the Defendants cannot reasonably formulate a response," even though it did not specify which of its several trademarks identified in the complaint were being diluted. The court therefore denied the motion for a more definite statement.

CONCLUSION

A complaint for trademark and infringement, unfair competition, and dilution satisfies the pleading requirements of Fed. R. Civ. P. 8 when it identifies the marks owned by the plaintiff, explains defendant's alleged wrongful conduct, and outlines the alleged threatened harm.

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

Washington, DC • Atlanta, GA • Boston, 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.

December 2012 Issue

Back to Main

Unregistrable

"Eat Mor" War: Chick-fil-A Bites Off Too Much Again?

by Robert D. Litowitz

"I've been chasing ghosts and I don't like it. I wish someone would show me where to draw the line."
John Cale

Chick-fil-A, the fast-food poultry palace with a Baptist bent, earned public ire when one of its executives came out against same-sex marriage, telling a Christian news organization that Chick-fil-A supported "the biblical definition of the family unit." Boycotts ensued, but not lawsuits.

But the "Chick" is no stranger to public controversy or to legal proceedings, especially when it comes to trademarks. The company has aggressively enforced its federal registration for the slogan "Eat Mor Chikin." It even claims that the slogan is so famous that no one else should be able to use the expression "Eat More," regardless of the product or cause.

Until recently, Chick-fil-A's fight to rule the "Eat Mor/More" roost was largely a success, with the company pecking away at one alleged infringer after another.

That is until it ran into Bo Muller-Moore and his "Eat More Kale" t-shirt business. Muller-Moore lives in Vermont and makes shirts emblazoned with crisp messages or simple declarations such as "Cheese." When a local farmer suggested the slogan "Eat More Kale," Muller-Moore complied, and sales blossomed. So much so that he applied to register the slogan with the United States Patent and Trademark Office.

That's when Chick-fil-A entered the picture. It's lawyers stepped in to protest, claiming that Muller-Moore's mark would confuse the public and damage Chick-fil-A and its "Eat Mor" mark.

Muller-Moore, however, is no chicken. Instead of wilting under legal pressure, the "Eat More Kale" man has mounted a counteroffensive. Battling a fast-food corporate giant takes more than chicken feed. So Muller-Moore started a campaign on the public-fundraising site "Kickstarter," which usually is the province of musicians, filmmakers, and artists seeking backers for their next record, film, or project. Using the site to bankroll a lawsuit may be a new growth industry for Kickstarter. With his story propelled by the Internet, Muller-Moore has already topped his funding goal of $75,000, allowing him to go toe to toe with Chick-fil-A.

Some may call Chick-fil-A a trademark bully. Others may see the purveyor of crispy chicken sandwiches as taking necessary steps to protect a valuable trademark asset. But whatever your take on the situation, one thing is clear—trademark owners, even well-heeled ones, can no longer count on mom and pop rolling over at the first whiff of legal trouble. The playing field may not exactly be level, but the Internet and sites like Kickstarter have now redrawn the boundaries.

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor
Jonathan M. Gelchinsky, Editor
Whitney Devin Cooke, Assistant Editor
Yasmin Tavakoli Egge, Assistant Editor

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

www.finnegan.com