Chapter 12: Trademark Law Primer

12.1 Trademark Principles

This chapter surveys the principles behind the trademark system and the substantive law governing trademark litigation. It also provides an overview of the trademark system and a starting point for researching trademark law. After reviewing the history and major developments of trademark law, this chapter examines the elements of trademark validity. The chapter then reviews the benefits and requirements of trademark registration. The chapter then discusses trademark enforcement: trademark infringement, defenses, and remedies.

12.1.1 History and Development

Trademarks have existed for almost as long as trade itself. Once human economies progressed to the point where a merchant class specialized in making goods for others, the artisans who made and sold pottery or clothing began to "mark" their wares with a word or symbol to identify the maker. These early marks served to advertise, resolve ownership disputes, and guarantee quality (a self-identified merchant put their reputation on the line).

These functions coalesced in modern practice, where trademarks are widely viewed as devices that reduce information and transaction costs by allowing customers to estimate the nature and quality of goods before purchase based on their source.

The earliest trademark cases reflect an awareness of the need to provide a legal remedy against counterfeiting. Under English common law, a party who used a trademark was entitled to prevent subsequent use of the same mark by others selling the same types of goods.

In the United States, statutory trademark law appeared late on the scene by comparison to patents and copyrights. Trademarks in the eighteenth century were protected only by the common law of fraud. By the middle of the nineteenth century, state laws began to emerge to prevent fraud in the use of false stamps and labels. See Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trademark on the Rise of the Modern Corporation*, 34 BUS. & HIST. 66, 72 (1992).

With few exceptions, the evolution of trademark protection has been one of expansion of the rights of trademark owners. The Act of 1905 eliminated the infringement elements of identity and intention to deceive, substituting instead the more fluid test of likelihood of confusion. The Lanham Act of 1946 further liberalized trademark law by providing statutory protection even to unregistered marks. More recently, federal trademark law has afforded protection against dilution (blurring or tarnishment) of famous marks and cybersquatting—bad faith registration of internet domain names.

12.1.1.1 State Trademark Law

Trademarks were protected only at common law in the United States until 1870, when Congress enacted the first federal trademark statute. That statute, which grounded protection for trademark rights in the Intellectual Property Clause of the Constitution, was struck down by the Supreme Court as beyond the powers of Congress. The Court reasoned that the Intellectual Property Clause of the Constitution could not support the statute since it protected all marks regardless of any novelty or originality and potentially for perpetual duration. See*Trade-Mark Cases*, 100 U.S. 82, 94 (1879). Congress reenacted limited federal trademark protection in the Act of 1881, grounded in the Commerce Clause. The trademark statute was significantly modified in the Act of 1905 and further changed by subsequent amendment in 1920. Today, trademarks are protected by the Lanham Act of 1946, 15 U.S.C. §§ 1051 et seq.. In addition, most states retain their own trademark statutory and common-law traditions, and frequently, disputes will involve both state and federal causes of action.

The majority of states provide a trademark registration system of some type. State registration generally confers only the benefits of registration associated with that particular state, and may include protection for marks otherwise ineligible for federal protection (for example, if the mark owner does not use the mark in either interstate or foreign commerce). One of the advantages of state registration is that it can serve as evidence of use on a given date, which can enhance a party's claim to priority. In some states, it can also create *prima facie* evidence of ownership and validity. State registration alone, however, does not confer ownership in a valid trademark without also showing common-law use of the mark.

State and federal law on trademarks largely align. The majority of courts give state trademark common and statutory law the same interpretations and meaning as used in federal law.

12.1.1.2 Early Lanham Act

The Lanham Act forms the basis for modern federal trademark protection. While codified under Title 15 of the U.S. Code, 15 U.S.C. §§ 1051 et seq., many jurists and commentators still refer to the sections of the original Act in addition to, or in lieu of, citations to the U.S. Code.

During the 1930s, practitioners recognized a need for reform in state trademark registration requirements. Unlike the uniformity that exists in much of state trademark protection today, state practice, in the first half of the 20th century, was quite varied and often harsh. Many states required trademark registration as a condition of ownership and included term limits that mandated trademarks eventually fall into the public domain, no matter how long they were in use. Furthermore, many states required that the registration be made in that state regardless of whether the goods were manufactured there. These questionable and onerous measures, combined with a growing need for uniformity, convinced the ABA that a federal registration Act was necessary.

Congressman Fritz Garland Lanham introduced a draft, given to him by a member of the ABA Committee considering trademark reform, which would eventually become the 1946 Trademark Act bearing his name. The Senate Committee characterized the purpose of the Lanham Act "to place all matters relating to trademarks in one statute and to eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple, and relief against infringement prompt and effective." S. Res. No. 1333, 79th Cong. 2d Sess. (1946), U.S.C.C.A.N. 1274.

The Lanham Act was subject to a great deal of debate. Opposition to the Act came mainly from the Department of Justice ("DOJ") which asserted that trademarks were a type of monopoly that favor large business. The DOJ raised the concern that in uniformly recognizing trademarks, Congress would be granting exclusive rights to some for what amounts to frivolous emotional and symbolic associations. Defenders of the Act pointed to the distinctions between the monopolies granted in the copyright and patent systems, and the proposed trademark registration that actually functioned to break monopolies by emphasizing consumer choice and protection against misrepresentation and fraud. After eight years of debate, Congress passed the Lanham Act in 1946. It took effect on July 5, 1947.

Today, the Lanham Act controls disputes over trademark validity and infringement. The overall effect to the Act was to liberalize trademark law by providing advantages to registration of trademarks and introducing a separate statutory prohibition against "unfair methods of competition" that afforded protection even to unregistered marks. 15 U.S.C. § 1125(a) (also referred to as section 43(a) of the Lanham Act, following the original Act's sections). The result is that a broad class of "marks" now qualify for Lanham Act protection.

12.1.1.3 Registration, Unregistered Marks, False Advertising

One of the principal innovations of the Lanham Act was providing a centralized procedure for federal registration of trademark that confers nation-wide rights. However, unregistered marks are still eligible for legal protection against infringement under the Lanham Act.

Common law trademark rights, as well as state trademark rights, pre-date federal recognition of trademark, and were not preempted by the Lanham Act. As one court stated, "the Lanham Act . . . is for the registration, not the creation, of trademarks. Its terminology—indeed, the history of federal trademark statutes—presupposes the preexistence of a trademark to be registered." *Mine Safety Appliances Co. v. Electric Storage Battery Co.*, 405 F.2d 901 (C.C.P.A. 1969); *see In re Bose Corp.*, 546 F.2d 893 (C.C.P.A. 1976) ("Before there can be registration, there must be a trademark."). However, nothing in the Lanham Act presupposes a valid state common law right before conferring federal protection via federal registration. One need not demonstrate valid state rights before registering a mark.

Federal registration confers several benefits, particularly in the litigation context. Federal registration establishes constructive notice of a trademark, along with a rebuttable presumption of validity. Furthermore, federal registration provides a date that establishes a presumption of use and priority, although that is also rebuttable. Finally, federal registration opens the possibility of achieving incontestable status after five years, which eliminates a number of defenses. These advantages are discussed in further detail in § 12.3.

The Lanham Act also provides protection against misappropriation of unregistered marks through section 43(a). This section prohibits any false designation of origin or false description, regardless of whether the "word, term, name, symbol, or device, or any combination thereof" is registered. 15 U.S.C. § 1125. For this reason, section 43(a) is commonly referred to as providing "federal common law" protection for trademarks and related source identifiers, such as trade dress.

Analysis of validity, ownership, and infringement of unregistered marks largely parallels treatment of registered marks. However, it is important to recognize that unregistered marks are not eligible for the benefits of registration such as the rebuttable presumptions of use and validity and "incontestable status." Furthermore, ownership of an unregistered trademark does not automatically confer nationwide protection. Rather, common law trademarks are protected only in the areas where the marked products are sold or advertised.

Section 43(a) of the Lanham Act also provides the statutory basis for false advertising claims. The relevant language prohibits the false designation of origin, and the false or misleading description of fact or representation of fact, which "*in commercial advertising or promotion*, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities." 15 U.S.C. § 1125(a)(1)(B) (emphasis added). Chapter 10 surveys false advertising law and case management.

12.1.2 Major Recent Developments

12.1.2.1 "Intent to Use" Registration

In 1989, Congress established the "Intent to Use" ("ITU") registration process. *See* Trademark Law Revision Act of 1988 ("TLRA"), Pub. L. No. 100–667, 102 Stat. 3935 (codified at 15 U.S.C. § 1051 (2006)). Prior to the passage of the TLRA, a trademark registrant was required to demonstrate *actual* use in commerce. The TLRA amended section 1 of the Lanham Act to provide that "[a] person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may apply to register the trademark . . . on the principal register." § 1051. What constitutes a "bona fide intention" will be discussed in more detail in § 12.2.4.2, *infra*.

Once a registrant establishes a valid basis for registration and verifies a "bona fide intention" to use the mark, the Trademark Office will issue a "notice of allowance" which gives the applicant six months (extendable to one year automatically and to three years for good cause shown) to submit a Statement of Use—a declaration that the trademark has in fact been used in commerce, at which point the mark enters on the Principal Register. 15 U.S.C. §1063(b)(2). Once the registrant uses the mark, the initial application is considered "constructive use" in commerce, entitling the registrant to nationwide priority as of the application date. 15 U.S.C. §1057(c). This process enables makers of goods and services to pre-clear their marks before embarking on potentially costly advertising campaigns.

12.1.2.2 Federal Trademark Dilution Protection

In 1927, Frank Schechter introduced the concept of trademark dilution as a separate and distinct harm associated with trademarks. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927). Schechter observed that "the value of the modern trademark lies in its selling power" and that a trademark's selling power depends largely on its "uniqueness and singularity." *Id.* at 831. Schechter argued that use of a unique mark on non-competing products or services would cause the mark to "gradually but surely lose its effectiveness and unique distinctiveness." *Id.* at. 830. Schechter therefore advocated for a cause of action that would protect trademarks from this loss of distinctiveness.

Schechter's theory gained little traction for nearly two decades. In 1947, Massachusetts passed the first state dilution law. It provided for injunctive relief against likelihood of injury to business reputation ("tarnishment") and likelihood of injury to the distinctive quality of a trade name or trademark ("blurring"). *See* Act of May 2, 1947, ch. 307, §7a, 1947 Mass. Acts 300 (codified as amended at Mass. Gen. Laws Ann. ch. 110B, §12 (West 1996)). By 1995, a total of 25 states prohibited trademark dilution. *Madrid Protocol Implementation Act and Federal*

Trademark Dilution Act of 1995: Hearing on H.R. 1270 and H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary, 104th Cong. 2 (1995) (statement of Rep. Carlos J. Moorhead).

However, because dilution laws differed significantly from state to state, state dilution laws proved ineffective and problematic. Ultimately, the "patch-quilt" system of protection afforded by state anti-dilution laws coupled with courts' reluctance to grant nationwide injunctions for a violation of a right that only half of the states recognized led to Congressional consideration of federal dilution protection. Congress established a federal cause of action in 1996 with the enactment of the Federal Trademark Dilution Act ("FTDA"). FTDA, Pub. L. 104-98, 109 Stat. 985.

12.1.2.2.1 The Federal Trademark Dilution Act

The FTDA was aimed at protecting famous marks from unauthorized users that might attempt to trade upon the goodwill and established renown of such marks, and consequently dilute their distinctive quality. The FTDA defined the term "dilution" to mean "the lessening of the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistakes, or deception." FTDA, Pub. L. 104-98, 109 Stat. 985.

Courts struggled to apply the FTDA's definition of dilution, resulting in splits across the circuits. *See, e.g.*, *Ringling-Bros. Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1989) (finding that a plaintiff must prove "actual economic harm" to establish dilution); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (finding that only inherently distinctive marks could qualify for anti-dilution protection); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157 (3d Cir. 2000) (finding that "niche" fame was sufficient to meet the FTDA's fame threshold). In 2003, the Supreme Court interpreted the statute to require that the plaintiff show actual dilution rather than a likelihood of dilution to qualify for relief. *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003). Justice Stevens speculated in dicta that dilution by tarnishment might not be covered by the FTDA. *Id.* at 432. This confusion prompted Congress to pass the Trademark Dilution Revision Act ("TDRA"), clarifying and augmenting the federal dilution regime.

12.1.2.2.2 The Trademark Dilution Revision Act

The TDRA makes clear that the standard for proving a dilution claim is "likely to cause dilution" and consequently resolved any prior ambiguity in the statute or case law requiring "actual or likely dilution." *See* TDRA, Pub. L. 109-312, 120 Stat. 1730 (2006) (codified at 15 U.S.C. § 1125(c) (2006) and replacing the Federal

Trademark Dilution Act Pub. L. 104-98). Congress added this clarifying language to overrule the increased burden of proof ("actual dilution") required by the Supreme Court in *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003). The TDRA also filled in the statutory gap of dilution by tarnishment. In contrast to the FTDA, which made no explicit mention of tarnishment, the TDRA includes a dilution by tarnishment cause of action. *See* § 1125(c)(1). While these amendment strengthened protection against dilution, other provisions of the TDRA afforded greater leeway to use marks without violating trademark law.

By more specifically delineating actionable trademark uses, Congress both narrowed the boundaries of dilution and protected defendants' First Amendment rights. For example, before the passage of the TDRA, dilution case law generally did not require that the defendant make a trademark use of the mark. In contrast, for a dilution cause of action to exist under the TDRA, a defendant must use the plaintiff's mark as a "mark or trade name." *See* §§ 1125(c)(1), 1125(c)(2)(C). Further, unlike the FTDA, the TDRA designates specific defenses to a dilution by tarnishment cause of action, such as parody and nominative fair uses. *See* § 1125(c)(3).

Congress also significantly narrowed the tarnishment cause of action by tightening the threshold requirements a mark must satisfy to qualify for protection under the statute. Specifically, the Act now provides four factors that a court should consider in determining whether a mark is sufficiently "famous" to qualify for protection. *See* § 1125(c)(2)(A)(i)–(iv). The bill also denies protection for marks that are famous only in a niche market—the Act applies only to marks that have achieved nationwide fame. *See* § 1125(c)(2)(A).

12.1.2.3 The Anticybersquatting Consumer Protection Act

In 1999, Congress enacted the Anticybersquatting Consumer Protection Act. *See* Anticybersquatting Consumer Protection Act ("ACPA"), Pub. L. No. 106-113, 113 Stat. 1501 (codified at 15 U.S.C. § 1125(d) (2006)). The ACPA makes it illegal to register or use a domain name that corresponds to a trademark where the domain name registrant has no legitimate interest in using the name and acts in bad faith to deprive the trademark owner of the use of the name. 15 U.S.C. § 1125(d)(1)(A). The law was aimed at thwarting "cybersquatters"—those who register domain names using trademarks in order to later sell them to their rightful trademark owners or otherwise interested third parties.

Under the ACPA, a trademark owner may bring a cause of action against a domain name registrant who, acting in bad faith, registers, traffics in, or uses a domain name that is identical or confusingly similar to a distinctive mark, identical or confusingly similar to or dilutive of a famous mark, or is a trademark protected by 18 U.S.C. § 706 (marks involving the Red Cross) or 36 U.S.C. §

220506 (marks relating to the "Olympics"). § 1125(d)(1)(A). The statute provides an extensive list of factors that a court should consider in determining whether a defendant has acted in bad faith. *See* § 1125(d)(B)(i). The ACPA does not prevent the fair use of trademarks or any use protected by the First Amendment, including so-called "gripe sites" (such as "trademark"sucks.com). *See* § 1125(d)(B)(i).

12.2 Validity

While a firm may seek trademark protection for a particular identifier used to mark its goods or services, trademark law does not recognize every word, symbol or element of product packaging or design as legally protectable. This section will discuss the types of marks that can be protected and how a trademark owner establishes his or her right to a mark. The issue of validity can be raised in two different contexts: (1) trademark registration; and (2) infringement defenses, as will discussed more fully in § 12.6.1.

12.2.1 Basic Principles

12.2.1.1 General Function: Designation of Source

A mark must operate as a designation of source in order to be entitled to protection under the Lanham Act—i.e., it must identify the source of goods or services and operate to distinguish those goods and services from all others. *See Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59 F.3d 902 (9th Cir. 1995) (rejecting a church's claim that it had trademark rights in its founding yoga guru's name because the church had not used the name to identify and distinguish the source of church products or services). That a word, phrase or design functions as a designation of source can be established through survey or circumstantial evidence establishing that consumers recognize it as an indication of origin of a good or service.

Moreover, the size, style, color, or position of a word, phrase, or design on a label or advertisement can give some indication as to whether it is intended to be seen by consumers as a designation of source. More specifically, the mark at issue must be used in a manner that makes its use as a trademark immediately evident. If significant analysis is necessary to establish that the word, phrase, or design is being used as a designation of source, it probably is not a trademark. *See MicroStrategy Inc. v. Motorola, Inc.*, 245 F.3d 335 (4th Cir. 2001) (holding that MicroStrategy had not established use as a mark because it had not consistently placed the mark at issue "on a particular part of the page, or in a particular type, or labeled it with 'TM,' or consistently used a distinctive font, color, typeset or any other method that makes 'its nature and function readily apparent and recognizable without extended analysis'").

12.2.1.2 Anti-Dissection Rule

Some marks, known as composite marks, comprise both a word or slogan and a design or logo or multiple words (e.g., Coca-Cola). According to the anti-dissection rule, "[t]he commercial impression of a trademark is derived from it as a whole, not from its elements separated and considered in detail. For this reason it should be considered in its entirety." *Estate of P. D. Beckwith, Inc. v. Commissioner of Patents*, 252 U.S. 538, 545–46 (1920).

12.2.2 Types of Marks

The Lanham Act distinguishes among several different types of protectable marks: (1) trademarks; (2) service marks; (3) certification marks; (4) collective marks; and (5) trade dress.

12.2.2.1 Trademark

The Lanham Act defines "trademark" as any word, name, symbol or device (or any combination thereof) which is used by a person to identify the source of his or her goods and distinguish them from those manufactured or sold by others. Lanham Act § 45; 15 U.S.C. § 1127. Examples of trademarks include the word mark "Kellogg's" for cereal, "Post-it" for 3M's brand of adhesive products and the "Tony the Tiger" character for Kellogg's brand of frosted flakes.

12.2.2.1.1 Color

Color is an integral element of many trademarks. Consider, for example, the yellow color associated with McDonald's "golden arches" or the red and white of the "Coca-Cola" mark. In both of these cases, the color is part of a composite mark.

In *Qualitex Company v. Jacobson Products Company* the Supreme Court held that a color alone—independent of any other design elements—can be trademarked: "We now hold that there is no rule absolutely barring the use of color alone." 514 U.S. 159, 162 (1995). In that case, the Court held the "gold/green" color of a pad used on dry cleaning presses by professional cleaners was eligible for trademark protection if it satisfied the general requirements of the Lanham Act. *Id.* at 174.

The Court made clear, however, that like trade dress, a party claiming trademark for a color must demonstrate that that the color is both distinctive and non-functional. *Id.* at 166. These requirements are discussed in greater detail in §§ 12.2.3.2.4, 12.6.1.2.

12.2.2.1.2 Trade Name

A "trade name" is "used to by a person to identify his or her business or vocation." Lanham Act §45; 15 U.S.C. § 1127. In contrast to trademarks, which identify the source of a good, and service marks, which identify a service, trade names identify *the company itself*. As the Ninth Circuit has explained: "Trademarks and trade names are technically distinct. Trade names are symbols used to distinguish companies, partnership and businesses. Trade names symbolize the reputation of a business as a whole. In contrast, trademarks and service marks are designed to identify and distinguish a company's goods and services." *Accuride International, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1534 (9th Cir. 1989). Further, unlike trademarks and service marks, a trade name cannot be registered under the Lanham Act unless it functions to identify the source of a particular goods or service, in addition to merely identifying the company. *See Bell v. Streetwise Records, Ltd.*, 761 F.2d 67, 75 (1st Cir. 1985). However, trade names are generally registrable under state trademark registries, and state and federal common law can provide protection against confusingly similar company names.

12.2.2.2 Service Marks

"Service mark" refers to any word, name, symbol, or device, (or any combination thereof) used by a person to identify the source of his or her services, and distinguish the services of that person from the services of others. Lanham Act § 45; 15 U.S.C. § 1127. The Lanham Act also allows for the registration of titles, character names, and other distinctive features of radio and television programs as service marks. Thus the "James Bond 007" mark qualifies for protection as an entertainment service mark owned by Danjaq, LLC.

Service marks are subject to the same rules governing trademarks, including the rules on establishing priority of use. *See, e.g., Martahus v. Video Duplication Services, Inc.*, 3 F.3d 417 (Fed. Cir. 1993) (cancellation of service mark on grounds that similar service mark had priority). Nonetheless, it is important to distinguish between the service and the products being served. For example, while a restaurant that sells food products—such as McDonald's—can protect the restaurant's food service brand with a service mark, the mark would not automatically extend protection to the actual products it sells. Thus McDonald's would need to protect its "Big Mac" or "McFlurry" products with trademarks.

Indeed, issues can arise when an applicant attempts to register service marks for services that are closely related to the sale of goods. In general, where the services are "expected or routine" in connection with the goods, such registrations are rejected. The policy of rejecting closely related registrations seeks to prevent clogging of the Principal Register. *See, e.g., In re Dr. Pepper Co.*, 836 F.2d 508 (Fed.

Cir. 1987) (affirming trademark office rejection of service mark for conducting contests in connection with sale of soft drinks).

12.2.2.3 Certification Marks

In general, the "source" identified by a trademark is a single company or individual. "Certification marks" and "collective marks" are important exceptions to this principle.

The Lanham Act defines a "certification mark" as any word, name, symbol, or device (or any combination thereof) used by a person *other than its owner* "to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization." Lanham Act §45, 15 U.S.C. § 1127.

Certification marks are typically used by trade associations or other commercial groups to identify a particular type of goods. For example, the city of Roquefort, France, holds a certification mark in "Roquefort" as a sheep's milk cheese cured in the limestone caves of Roquefort, France. *See Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494 (2d Cir. 1962) (enjoining use of the term "Imported Roquefort Cheese" on cheese not made in Roquefort, France). Certification marks cannot be limited to a single producer; they must be open to anyone who meets the standards set forth for certification.

Certification marks serve to certify conformity with centralized standards. *See, e.g., Levy v. Kosher Overseers Association of America Inc.*, 36 U.S.P.Q.2d 1724 (S.D.N.Y. 1995), *rev'd*, 104 F.3d 38 (2d Cir. 1997) (case involving plaintiff, Organized Kashruth Laboratories, suing another for infringement of its well-known kosher certification mark, the "circle K" found on many kosher foods). Because trademarks are thought by many to have grown out of trade guilds, which had much the same quality-control function, it could be argued that certification marks were the first true modern trademarks. *See* FRANK SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 47 (1925).

Certification marks are meant to bear the "seal of approval" of a central organization, so they can be cancelled on the ground that the organization no longer exercises sufficient control over its members to ensure consistent product standards. *See* Lanham Act § 14; 15 U.S.C. § 1064 (providing that a certification mark may be cancelled if not policed effectively); *see also American Angus Association v. Sysco Corp.*, 865 F. Supp. 1180 (W.D.N.C. 1993) (denying cancellation standing to trademark infringement defendant who sought to cancel plaintiff's beef quality certification mark).

12.2.2.4 Collective Marks

Like certification marks, "collective marks" do not identify a singular source of a good. However, while certification marks designate that a particular seller's goods meet the certification standards set by the trademark owner's organization, collective marks merely indicate membership in a particular organization. Collective marks are defined by the Lanham Act as a trademark or service mark "used by the members of a cooperative, an association, or other collective group or organization." Lanham Act § 45; 15 U.S.C. § 1127. Thus, unlike certification marks, collective marks are not subject to the anti-use by owner rule. *See id*. (requiring a certification mark to be "used by a person other than its owner").

The TTAB usefully distinguishes between two types of collective marks: (1) a collective trademark or collective service mark; and (2) a collective membership mark. *Aloe Creme Laboratories, Inc. v. American Society for Aesthetic Plastic Surgery, Inc*., 192 U.S.P.Q. 170 (TTAB 1976). A *collective trademark* or *collective service mark* is a mark:

> adopted by a "collective" (i.e., an association, union, cooperative, fraternal organization, or other organized collective group) for use only by its members, who in turn use the mark to identify their goods or services and distinguish them from those of nonmembers. The "collective" itself neither sells goods nor performs services under a collective trademark or collective service mark, but the collective may advertise or otherwise promote the goods or services sold or rendered by its members under the mark.

192 U.S.P.Q. at 173. By contrast, a *collective membership mark* is a mark:

> adopted for the purpose of indicating membership in an organized collective group, such as a union, an association, or other organization. Neither the collective nor its members uses the collective membership mark to identify and distinguish goods or services; rather, the sole function of such a mark is to indicate that the person displaying the mark is a member of the organized collective group. For example, if the collective group is a fraternal organization, members may display the mark by wearing pins or rings upon which the mark appears, by carrying membership cards bearing the mark, etc.

Id. (citation omitted). Where the collective group engages in the marketing of its own goods or services under a particular mark, the mark is not a collective mark but is rather a trademark for the collective's goods or service mark for the collective's services. *See id.*

Collective marks of the first type—a collective trademark—is useful in franchising and related arrangements where individual stores or outlets are at least somewhat independent from the central organization holding the collective mark. An example of a collective trademark is the "PGA" or "Professional Golfers' Association of America" mark. An example of the second kind of mark—a collective membership mark—would be the "Snack Food Association" mark. Members of the collective do not use this mark to identify or distinguish their goods and services; it is merely used to indicate membership in the organization.

Collective marks are generally treated the same as ordinary trademarks. *See, e.g., Sebastian Int'l v. Long's Drug Stores Corp.*, 53 F.3d 1073 (9th Cir. 1995) (holding trademark "first sale" doctrine applicable to sales under a collective mark).

12.2.2.5 Trade Dress

In addition to the names and symbols traditionally associated with trademark law, product manufacturers have increasingly sought protection for product packaging and the shape or configuration of the product. The product or packaging attributes that serve to identify goods or services are known as "trade dress." While, traditionally, trade dress only referred to the appearance of the labels, wrappers, or packaging used, today trade dress encompasses "the total image of a product, and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983), *quoted with approval in Two Pesos, Inc. v. Taco Cabana Inc.*, 505 U.S. 763, 764 n.1 (1992). Examples of trade dress include: the shape of the Coca-Cola bottle, the décor, menu, and style of a restaurant, and even the shape of the "Goldfish" cracker.

A firm may seek protection for either the totality of all product or packaging features or some subset of features. It is important to note, however, that not every aspect of a visual appearance, shape, design, and color will be treated as protectable. To be protectable under either common law or section 43(a) action and to be federally registrable trade dress must satisfy two requirements: (1) it must be distinctive, and (2) it must be non-functional. Each of these requirements will be discussed at greater length in §§ 12.2.3.2.4, 12.6.1.2.

12.2.3 Distinctiveness

To establish exclusive rights in a trademark, the trademark owner must show that the mark is "distinctive" of the source of the goods or services to which it is affixed. *See Lahoti v. VeriCheck, Inc.*, 586 F.3d 1190, 1197 (9th Cir. 2009). The distinctiveness of a mark falls along a continuum or spectrum. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d. Cir. 1976). In descending order of relative distinctiveness, marks may be deemed: (1) arbitrary or fanciful, (2) suggestive, (3) descriptive (including personal names and geographic designations) or (4) generic. Arbitrary, fanciful and suggestive marks are considered inherently distinctive. Descriptive terms are not inherently distinctive and thus require secondary meaning. Generic terms are not distinctive and cannot be trademarked.

"These categories, like the tones in a spectrum, tend to blur at the edges and merge together. The labels are more advisory than definitional, more like guidelines than pigeonholes." *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983). The majority of courts have held that categorization of a term along the spectrum is a factual determination which may only be reversed by an appellate court when found to be clearly erroneous. *See* Fed. R. Civ. P. 52. Figure 12.1 illustrates the distinctiveness spectrum.

Figure 12.1 Distinctiveness Spectrum
(appears on next page)

12.2.3.1 Inherently Distinctive

When a trademark is immediately capable of identifying a unique product source, it is labeled as "inherently distinctive." The Lanham Act protects inherently distinctive marks as soon as they are used in commerce. As the court explained in *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1120 n.7 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992), explained, "the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning." Such marks are registrable under the Lanham Act as soon they are used in interstate commerce. Inherently distinctive marks are further subdivided into fanciful, arbitrary, and suggestive marks.

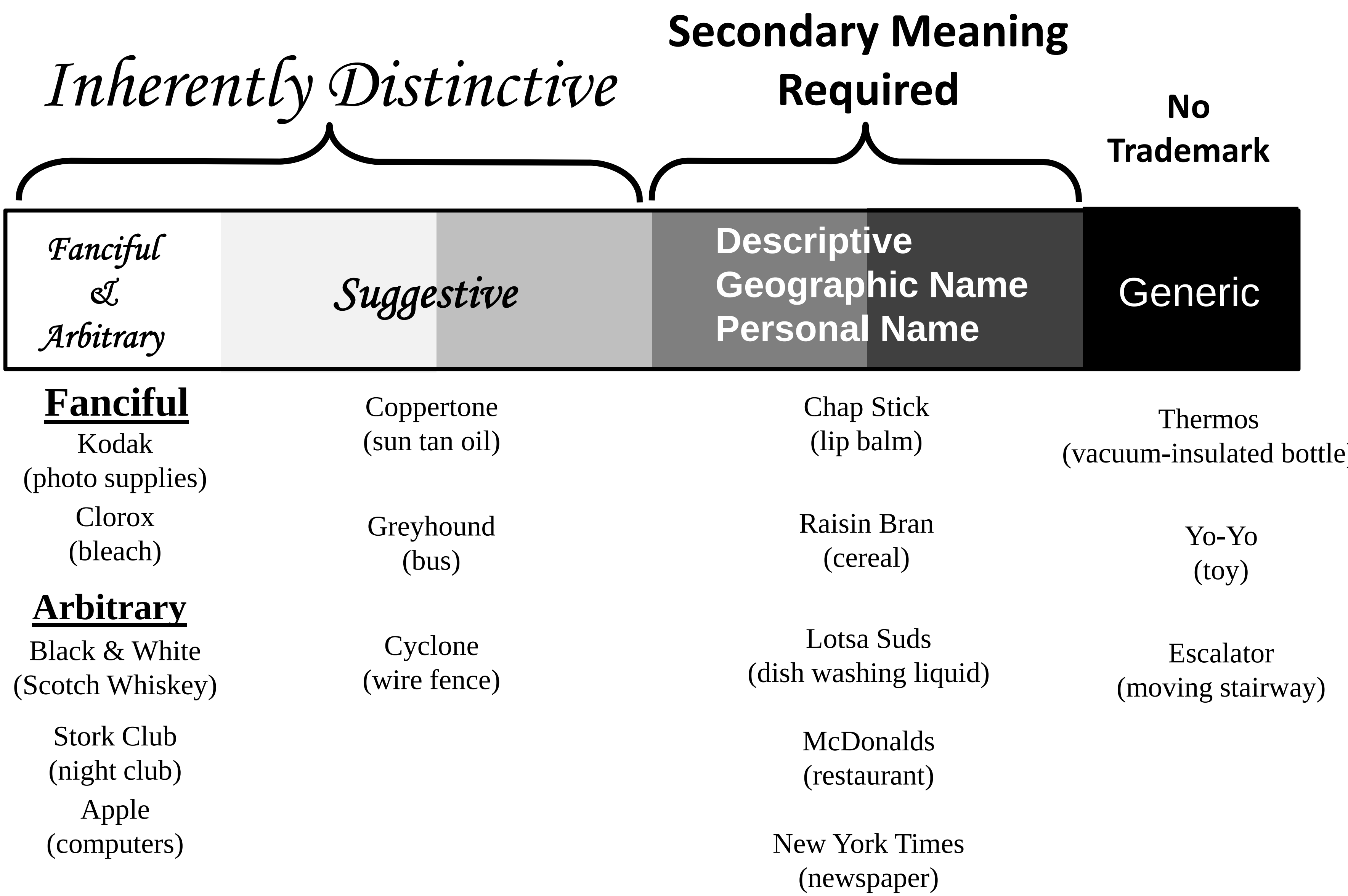
12.2.3.1.1 Fanciful Marks

"Fanciful" marks are "coined" words invented for the purpose of serving as a trademark. These marks are either totally unknown in the language or are completely out of common usage and thus have no meaning beyond their source identifying function. Examples of fanciful marks include the mark "Kodak" serving to identify photographic supplies or the mark "Clorox" for bleach.

Fanciful marks are considered the "strongest" of all marks because their novelty creates a substantial impact on the buyer's mind:

> The more distinctive the trademark is, the greater its influence in stimulating sales, its hold on the memory of the purchaser and the likelihood of associating similar designations on other goods with the same source. If the trademark is a coined word such as Kodak, it is more possible that all goods on which a similar designation is used will be regarded as emanating from the same source than when the trademark is

Figure 12.1 Distinctiveness Spectrum



> one in common use on a variety of goods, such as "Gold Seal" or "Excelsior."

Arrow Distilleries, Inc. v. Globe Brewing Co., 117 F.2d 347, 349 (4th Cir. 1941). Consequently, a fanciful mark is generally given expansive scope.

12.2.3.1.2 Arbitrary Marks

"Arbitrary" marks are common English words that bear no particular relation to the goods or services that they identify. The classic example of an arbitrary mark is the mark "Stork Club," used to identify a nightclub. The Ninth Circuit explained that the mark

> [i]s in no way descriptive of the appellant's night club, for in its primary significance it would denote a club for storks. Nor is it likely that the sophisticates who are its most publicized customers are particularly interested in storks.

Stork Restaurant v. Sahati, 166 F.2d 348, 355 (9th Cir. 1948). Other examples of arbitrary marks include the mark "Apple" for computer goods, and "Black & White" for scotch whiskey.

12.2.3.1.3 Suggestive Marks

In contrast to fanciful and arbitrary marks which do not describe the goods or services they connote, suggestive marks hint at some of the properties of the goods or services they designate. However, suggestive marks fall short of providing an outright description of the products they identify (unlike descriptive marks, described in § 12.2.3.2.1). For example, while the mark "Coppertone" for suntan lotion is suggestive of the coppery skin tone that can result from use of the lotion, it requires a significant degree of imagination for the consumer to relate the mark to the product. Similarly, the mark "Greyhound" for a bus service seeks to conjure up a sleek and fast animal (as opposed to the odor of a dog).

Some scholars note that suggestive marks are sometimes difficult to distinguish from arbitrary marks and argue that there is little, if any, reason to differentiate between the two given that both marks are considered inherently distinctive. *See, e.g.*, 4 McCarthy on Trademarks & Unfair Competition § 11:12 (4th ed.) (hereinafter McCarthy).

12.2.3.2 Non-Inherently Distinctive Marks – Requiring Secondary Meaning

The Lanham Act requires proof of secondary or acquired meaning to establish trademark protection for descriptive terms, geographic designations, and personal names. The Supreme Court restated in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000) (*quoting Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982)), that "a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, 'in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.'" The Court explained that:

> The phrase 'secondary meaning' originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. 'Secondary meaning' has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no 'primary' meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts-but in this opinion we follow what has become the conventional terminology.

See id. at n.*.

Secondary meaning exists when buyers associate a mark with a single source of products. Thus when consumers recognize the "Tender Vittles" *brand* of cat food—i.e. when they expect the can so labeled to be of that brand—this descriptive term is functioning as a trademark. To be sure, "Tender Vittles" retains its meaning as a product descriptor. But proof that it has acquired secondary meaning as a source identifier elevates it to trademark status.

There is no bright-line rule for determining whether a mark has achieved secondary meaning. It is a question of fact upon which the party asserting validity bears the burden of proof. Secondary meaning can be established through presentation of direct evidence of consumer understanding, generally in the form of consumer surveys. Indeed, courts have characterized consumer surveys as the "most persuasive" evidence of secondary meaning. *See, e.g.*, *Vision Sports, Inc. v. Melville Corp*, 888 F.3d 609 (9th Cir. 1989); *Security Center, Ltd. V. First National Security Centers*, 750 F.2d 1295, 1300 (5th Cir. 1985).

Secondary meaning can also be established through circumstantial evidence. Such circumstantial evidence can include evidence of lengthy exclusive use of the mark in question. Similarly, a party can also offer evidence concerning the volume of sales and number of customers. Another type of circumstantial evidence of secondary meaning is the amount of advertising a firm has used to promote its mark. Courts can also whether a defendant intentionally copied the mark at issue. *See Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 283 F.2d 551, 528 (9th Cir. 1960) (observing "[t]here is no logical reason for the precise copying save an attempt to realize upon a secondary meaning that is in existence").

12.2.3.2.1 Descriptive Marks

A descriptive mark provides information that relates to some aspect of the good or service it identifies. A descriptive mark may describe the properties, ingredients, intended purpose, function or use of the good. For example, the descriptive mark "Raisin Bran" describes the key ingredients of that particular cereal. Similarly, the brand "Lotsa Suds" used on a laundry detergent describes the product's performance. As referenced in § 12.2.3.2, descriptive marks will not be given trademark protection unless the user has acquired secondary meaning. *See* Lanham Act § 2(e)(1), (f); 15 U.S.C. § 1052(e)(1), (f). Secondary meaning is necessary to prove that the mark is actually serving as a source identifier, rather than merely acting as a descriptor of the good or service it labels.

Courts and commentators have advanced a number of tests for determining whether a mark is descriptive or merely suggestive—and therefore inherently distinctive. For example, courts often consider the amount of consumer imagination necessary to obtain useful information from the mark (the "imagination" test). The Federal Circuit has summarized the test as follows:

> A mark is merely descriptive if it immediately conveys to one seeing or hearing it knowledge of the ingredients, qualities, or characteristics of the goods or services with which it is used; whereas, a mark is suggestive if imagination, thought, or perception is required to reach a conclusion on the nature of the goods or services.

Application of Quik-Print Copy Shops, Inc., 616 F.2d 523, 525 (C.C.P.A. 1980). In determining how the consuming public will interpret a given mark, courts often consult the dictionary definition of the terms used in order to determine "'the ordinary significance and meaning of the words' to the public." *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.3d 786, 792 (5th Cir. 1983).

An alternative approach to categorizing marks as suggestive or descriptive is the "need" test. This test asks to what extent a mark is actually *needed* by competitors to identify their goods or services: "[i]f the message conveyed by the mark about the goods or services is so direct and clear that competing sellers would be likely to [need to] use the term in describing or advertising their goods [or services], then this indicates the mark is descriptive." *Miss World (UK) Ltd. v. Mrs. America Pageants*, 856 F.3d 1445, 1449 (9th Cir. 1988). It is worth noting that the "need" test is simply a corollary of the "imagination" test: "As the amount of imagination needed increases, the need of [competitors to use] the mark to describe the produce decreases." *Id.*

12.2.3.2.2 Geographic Marks

Geographic marks use the name of the place where their activities are located as part of the brand name for their goods and services. Geographic marks must have secondary meaning in order to receive trademark protection. *See* Lanham Act § 2(e)(2), (f); 15 U.S.C. § 1052(e)(2), (f). The Restatement (Third) of Unfair Competition explains that

> [t]he rationale for the requirement of secondary meaning for geographically descriptive terms is analogous to that applicable to other descriptive designations. Consumers may perceive the designation only in its geographically descriptive sense rather than as a symbol of source or another association with a particular person. . . . That a watch is Swiss, that a wine is from California, that maple syrup is from Vermont, or that a dress has been designed in New York or Paris are facts in which consumers are interested and which sellers therefore wish to disclose in a prominent manner. . . . [M]erchants should remain free to indicate their place of business or the origin of their goods without unnecessary risk of infringement.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 14, cmt. d (1995). Indeed, courts have developed a fair use doctrine for allowing purely descriptive non-source indentifying uses, balancing a merchant's interest in accurately describing its location against the interest of the senior users and the consumer. The junior user must confine and adapt geographical usage so as to avoid likelihood of confusion. Courts will often accommodate these competing interests by requiring junior users to employ disclaimers, prefixes, suffixes, and other means of reducing confusion. *See generally* MCCARTHY §14.14.

A subset of geographic marks—geographically deceptively misdescriptive marks—are never granted trademark protection. Geographically deceptively misdescriptive marks are marks that use a geographic designation that is inaccurate, but plausible, and thus likely to deceive consumers. The Federal Circuit has explained that a geographically deceptively misdescriptive mark (1) has as its primary significance a generally known geographic place; and (2) identified products that purchasers are likely to believe mistakenly are connected with that location. *In re Wada*, 194 F.3d 1297 (Fed. Cir. 1999). Nonetheless, non-deceptive geographically misdescriptive marks are eligible for registration and protection. *See In re Nantucket, Inc.*, 677 F.2d 95 (C.C.P.A. 1982) (finding that the use of the mark "Nantucket" for a brand of men's shirts sold on North Carolina's Outer Banks was not a deceptive geographically misdescriptive mark because there was no proof that the purchasing public would expect men's shirts to have their origin at Nantucket Island, off the Massachusetts coast).

12.2.3.2.3 Personal Name Marks

Personal name marks, such as "Jones Antiques," must acquire secondary meaning in order to obtain trademark protection. *See* Lanham Act § 2(e)(4), (f); 15 U.S.C. § 2(e)(4), (f). Even where secondary meaning has been established, the law remains concerned with the rights of junior users with same name. Although some early cases recognized an absolute right to use one's name in business and denied the senior user of the mark any relief at all, courts today grant a "qualified injunction" "[p]ermitting [junior] use only in a subsidiary capacity, and . . . with the first name attached [in equal size]. . . . In either event, the junior user has almost uniformly been bound to display negative disclaimers." *Basile, S.p.A. v. Basile*, 899 F.2d 35, 38 (D.C. Cir. 1990). *See, e.g.*, *Gucci v. Gucci Shops, Inc.*, 688 F. Supp. 916 (S.D.N.Y. 1988) (enjoining Paulo Gucci, grandson of Guccio Gucci, from using Paulo Gucci as a trademark, but permitting him to identify himself as the designer of products marketed under an alternative trademark, provided that his name always appear after the alternative trademark, be no more prominent than the alternative trademark, and be accompanied by a disclaimer).

12.2.3.3 Trade Dress

Trade dress is the "totality of elements in which a product or service is packaged or presented. These elements combine to create the whole visual image presented to customers and are capable of acquiring exclusive legal rights as a type of identifying symbol of origin." *Stephen W. Boney, Inc. v. Boney Services, Inc.*, 127 F.3d 821, 828 (9th Cir. 1997) (quoting 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:1 (4th ed.1996)). Trade dress "may include features such as size, shape, color, color combinations, texture, or graphics." *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 613 (9th Cir. 1989). Trade dress traditionally encompassed only the packaging, or "dressing," of a product, but in recent years has expanded to include the design of a product. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000).

Like all other marks, trade dress must also be distinctive in order to qualify for protection under the law. The Supreme Court held in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.* that while product packaging could be inherently distinctive, product design can never be protected as a trademark absent proof of secondary meaning. *Id.* at 212–13. While categorizing trade dress as packaging or product design is not always easy, trade dress will generally be categorized as product design where the asserted mark is a product. Examples include furniture, cars, boats, and clothing items. The Supreme Court specifically held that where there is doubt as to whether trade dress is product packaging or design, courts should err on the side of product design and apply the higher standard (secondary meaning). *See Wal-Mart*, 529 U.S. at 214–15.

The Court explained the rationale for the higher standard for product design:

> The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the

> product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent customer's attention on a crowded store shelf—their predominant function remains source identification. . . . In the case of product design, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as the cocktail shaker shaped like a penguin—is not intended to identify the source, but to render the product itself more useful or appealing.

Wal-Mart, 529 U.S. at 212–13.

When a product is categorized as product packaging, it may, however, be found to be inherently distinctive. The law leaves unresolved, however, what test should be applied in order to determine whether a product's packaging is, in fact, inherently distinctive. Some courts have attempted to apply the same spectrum of distinctiveness typically reserved for word marks. *See, e.g.*, *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982).

However, the Second Circuit has commented on the limitations inherent to this approach: "the varieties of labels and packaging available to wholesalers and manufacturers are virtually unlimited. As a consequence, a product's trade dress typically will be arbitrary or fanciful and meet the inherently distinctive requirement for § 43(a) protection." *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993, 1000 (2d Cir. 1997). Thus, under the spectrum test, virtually all product packaging will be deemed inherently distinctive.

An alternative test is the *Seabrook* test which asks whether: (1) the packaging's design or shape is a common, basic shape or design; (2) it was unique or unusual in a particular field; and (3) it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods which consumers view as mere ornamentation. *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A. 1977). Several courts have adopted the *Seabrook* test. *See, e.g.*, *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998).

12.2.3.4 Genericness and Genericide

For a term to serve the purpose of a trademark, it must be distinctive of a unique source. When a term refers instead to a general class of products and thus no longer identifies a single source, it is deemed "generic" and cannot serve as a trademark. Examples of generic terms include: "thermos," for a vacuum-insulated bottle; "cellophane," for transparent cellulose film; and "escalator" for a moving stairway.

Generic terms are either (1) "born generic," i.e., refused registration on the Principal Register or denied protection by the courts because they are generic *ab initio*, *see, e.g.*, *Rudolph Int'l, Inc. v. Realys, Inc.*, 482 F.3d 1195, 1199 (9th Cir. 2007) (analyzing "disinfectable" for nail files that could withstand the disinfection process and concluding that "disinfectable" is not trademarkable), or (2) they become generic over time through a process called "genericide," *see, e.g.*, *Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655, 667 (7th Cir. 1965) (The term "yo-yo" "if not a generic term in the beginning . . . became such in the minds of the public and . . . plaintiff itself did much to educate the public in this respect."); *see also* § 12.6.4.2 (further discussing genericide). While most genericness cases involve word marks, trade dress and product configurations can also be generic. *See, e.g.*, *Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042 (9th Cir. 1998) (holding that an autumnal grape leaf featured on both plaintiff's and defendant's wine bottles was generic in the wine industry); *Sunrise Jewelry Mfg. Corp. v. Fred, S.A.*, 175 F.3d 1322 (Fed. Cir. 1999) (holding that generic product configuration may be cancelled notwithstanding "incontestable" status; remanding for determination of genericness).

12.2.4 Priority

Both at common law and under federal registration procedures, determining who owned a trademark involves determining who was first to use the mark to identify her goods or service. Lanham Act § 45; 15 U.S.C. § 1127. Section 45 of the Lanham Act requires that the mark either be (1) "used in commerce" or (2) registered with a bona fide intention to use it in commerce. The requirement of "use in commerce" is an historical result of the constitutional basis for the trademark law, which (unlike the patent and copyright statutes) relies on the congressional power to regulate interstate commerce. This requirement also goes hand in hand with the basic trademark purpose of protecting consumers; the consumer's association of a mark with a particular product can only arise after a trademark is placed on goods and services sold in commerce.

The Trademark Trial and Appeal Board often resolves priority disputes through opposition or interference proceedings. Section 13 of the Lanham Act, 15 U.S.C. §1063, provides that "[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register may . . . file an opposition in the Patent and Trademark Office, stating the grounds therefore." Further, section 1062(a) expressly provides that trademark applications be published before issuance, so that interested parties may have the opportunity to search for and oppose potentially damaging applications. Applications can be opposed by showing that the mark is not entitled to registration, for example because others had made use of it before the applicant.

12.2.4.1 Priority at Common Law

In part because trademark protection pre-dates the federal registration system, the fundamental rule of trademark ownership is priority of *use*, not priority of registration. The analysis of whether a user has established priority of use in a mark is the same whether the mark has federal statutory protection or only common law protection. If a mark is inherently distinctive, the first to use the mark—i.e. to affix the mark to goods and sell them—is the owner. For non-inherently distinctive marks, the first to affix the mark to goods, sell them, *and* acquire secondary meaning, acquires ownership. While other countries give priority to the first-to-file, the United States grants ownership and priority on a first-to-use basis, although the concept of constructive use, discussed below in § 12.2.4.2, confers priority to the party who is first-to-file an inherently distinctive mark that is thereafter used in commerce.

12.2.4.1.1 Affixation of Mark

A strict interpretation of the common law affixation requirement held that the trademark must be physically attached to the product in a manner that would allow consumers to identify the mark and the product together. Courts consistently refused to recognize use of a mark in advertising as "trademark use." *See, e.g.*, *Western Stove Co. v. Geo. D. Roper Corp.*, 82 F. Supp. 206 (D. Cal. 1949). However, under section 2(d) of the Lanham Act, 15 U.S.C. 1052(d), the use of a term or mark in advertising, as a trade name or even just descriptively may be sufficient to prevent a later user from obtaining federal registration of that term. *See, e.g.*, *Alfred Electronics v. Alford Mfg. Co.*, 333 F.2d 912, (C.C.P.A. 1964); *International Tel. & Tel. Corp. v. General Instrument Corp.*, 152 U.S.P.Q. 821 (T.T.A.B. 1967).

However, the general law of unfair competition has long afforded protection to non-fixed marks, such as trade names. In *American Steel Foundries v. Robertson*, the U.S. Supreme Court further weakened the affixation requirement when it noted that while a "trademark" must be affixed and a "trade name" need not, "the precise difference is not often material, since the law affords protection against its appropriation in either view upon the same fundamental principles." 269 U.S. 372 (1926). Because trademarks also commonly serve as trade names, and some pre-sale activity can establish use priority, the common-law affixation requirement rarely arises. *See* § 12.2.4.3.4.

12.2.4.2 Federal Constructive Use Priority

Priority of use can also be obtained by filing an application for federal registration pursuant to Lanham Act §7(c), 15. U.S.C. §1057(c). The Act provides that such filing "shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect." However, "constructive use" priority will not overrule evidence of another party's prior actual use, registration, or pending registration. Put another way, the registration of a subsequent user will not destroy a prior user's common law rights to a mark.

12.2.4.3 First Use

Much of the controversy surrounding priority centers on who was actually the first to use the mark and what exactly constitutes "use." Priority of use, not priority of concept or invention, controls the determination of trademark priority.

To qualify as a trademark use, the mark must be used to identify and distinguish source. The concept follows from the basic common law principle that "first-in-time equals first-in-right," so priority in trademark attaches to the earlier use of a mark in commerce. *Grupo Gigante SA De CV v. Dallo & Co.*, Inc., 391 F.3d 1088, 1093 (9th Cir. 2004). A mark need not be static and unchanging to continue to receive protection. Subtle variations in the appearance or version of the mark can be "tacked on" to a later version for the purposes of establishing priority of use, so long as the current version creates the same "commercial impression." *See* § 12.6.4. It is also important to recognize that to be a "use in commerce" no actual sale is required. Priority of use in trademark will attach even when the goods are simply being test-marketed or given as promotional gifts. *See, e.g.*, *Planetary Motion, Inc. v. Techsplosion, Inc.,* 261 F.3d 1188 (11th Cir. 2001) (priority attached to a mark associated with program widely distributed for free on the Internet); *Capital Speakers, Inc. v. Capital Speakers Club*, 41 U.S.P.Q.2d 1030, n.3 (T.T.A.B. 1996) (priority attached to gift items) ("A for-profit sale is not required."); *McDonald's Corp. v. McKinley*, 13 U.S.P.Q.2d 1895 (T.T.A.B. 1989) (priority of use established in toys offered as promotional items).

Some courts have determined that even a very limited use of the mark associated with the goods or service will be sufficient to establish priority. In these courts, neither volume of sales, advertising, nor the degree of familiarity of the public with the mark will bar a determination of prior use. *See Fieldcrest Mills, Inc. v. Couri*, 220 F. Supp. 929 (S.D.N.Y. 1963); *see also Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) ("even a single use in trade may sustain trademark rights if followed by continuous commercial utilization") (dictum); *cf. Lucent Information Management Inc. v. Lucent Technologies Inc.*, 186 F.3d 311 (3d Cir. 1999) (finding one sale, absent robust advertising efforts, was insufficient to establish priority). As established by the Sixth Circuit in a case regarding an employment agency's first endeavors to build its employer base, "[a]s long as there is a genuine use of the mark in commerce . . . ownership may be established even if the first uses are not extensive and do not result in deep market penetration or widespread recognition." *Allard Enterprises Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350 (6th Cir. 1998)

However, other courts have viewed similar uses as so "small, sporadic and inconsequential" as to be de minimis for priority of use purposes. *See Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967); *see also Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499 (7th Cir. 1992) (sale of a few bottles of shampoo insufficient to establish priority). In *Lucent Information Management Inc. v. Lucent Technologies Inc.*, 186 F.3d 311 (3d Cir. 1999), the Third Circuit established a four-factor balancing test to determine "use," examining the (1) total sales, (2) potential for growth, (3) number of purchasers, and (4) extent of advertising. Applying that test, the court found a single sale by the senior user, without any substantial investment in advertising or growth of product market share, insufficient to bar a junior user's subsequent use.

12.2.4.3.1 Preparing to Do Business

Generally, use of a mark in preparing to do business, absent the development and marketing of goods and services, does not establish a priority of use. Absent a consumer's association of the mark with a good or service, there is nothing to protect. *See, e.g.*, *Maritec Industries Inc. v. Sterling Powerboats Inc.*, 75 U.S.P.Q.2d 1145 (M.D. Fla. 2004) ("Priority rights in a mark are not established by using the mark in preliminary steps to launch a business."). For example, in *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470 (Fed. Cir. 1987), the use of trademark and new package configuration in consumer testing was insufficient to establish priority of use because the company's adoption of the trademark was contingent upon favorable testing results.

Some forms of pre-sales activities, often substantial and including solicitation, however, can establish priority of use over a junior user. This is sometimes referred to as "analogous use." Qualifying analogous uses include pre-sales activity, such as pre-sales publicity directed at potential purchasers, that is sufficient to "create an association in the minds of the purchasing public between the mark and the [analogous user]'s goods." *Herbko Intern., Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 1162 (Fed. Cir. 2002). Analogous use will typically not support trademark protection or registration, typically because the analogous use does not satisfy the requirement that the mark be affixed to goods or services. When analogous use is followed by actual use, however, the user can establish priority as of its first analogous use. *See Shalom Children's Wear Inc. v. In-Wear A/S*, 26 U.S.P.Q.2d 1516, 1519 (T.T.A.B. 1993) ("Use analogous to trademark use . . . is non-technical use of a trademark in connection with the promotion or sale of a product under circumstances which do not provide a basis for an application to register, usually because the statutory requirement for use on or in connection with the sale of goods in commerce has not been met. Although never considered an appropriate basis for an application to register, such use has consistently been held sufficient use to establish priority rights as against subsequent users of the same or similar marks.").

Analogous use cases often involve an intensive factual inquiry into the totality of circumstances and principles of equity to determine whether the pre-sale user merits priority. *See, e.g.*, *Geo. Washington Mint, Inc. v. Washington Mint, Inc.*, 349 F. Supp. 255 (S.D.N.Y. 1972) (finding first user to solicit and accept orders with mark had priority of use over subsequent user who made the first sales). Following *Washington Mint*, the Ninth Circuit in *New West Corp. v. NYM Co. of Calif., Inc.*, 595 F.2d 1194, 1200 (9th Cir. 1979), held that pre-sales advertising, promotional activity, and solicitation, can result in a "totality of acts" which "create an association of the goods or services and the mark with the user thereof." The Ninth Circuit later clarified, however, that the significant factor in *New West* was the highly public nature of the senior user's substantial pre-sale activity, so the lenient *New West* standard does not apply to private or limited pre-sale uses of a mark. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1052–53 (9th Cir. 1999). The Ninth Circuit has since enumerated factors to be considered when applying the *New West* "totality of circumstances" standard, including: (1) the genuineness and commercial character of the pre-sale activity; (2) whether the use of the mark was sufficiently public to distinguish it amongst the appropriate consumer segment; (3) the scope of pre-sale activity relative to a commercially reasonable attempt to market the goods or services; (4) the extent or degree of continued use; and (5) the amount of business transacted as related to the pre-sales activity. *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1159 (9th Cir. 2001) (finding that defendant's pre-launch marketing campaign, including distribution of press releases and presentations to prospective customers, soon followed by launch of service established analogous use priority).

12.2.4.4 Preemptive Sales

When determining priority of use courts are occasionally confronted with "preemptive sales" whereby a not quite bona fide first sale user has rushed to market for the purpose of preventing a competitor from making a bona fide first sale with the mark. *See, e.g.*, *Stern Electronics, Inc. v. Kaufman*, 669 F.2d 852 (2d Cir. 1982). The cases have generally held that a party's public announcements regarding the launch of new products or services have established common law rights superior to a competitor's rights in the mark associated with preemptive sales. *See, e.g.*, *Maryland Stadium Authority v. Becker*, 806 F. Supp. 1236, 1241 (D. Md. 1992), *aff'd*, 36 F.3d 1093 (4th Cir. 1994) (finding that promotional efforts and media coverage "had conferred a secondary meaning upon the name Camden Yards" sufficient to establish priority of use in favor of the builders over a t-shirt vendor).

This is also an area where courts find it useful to recognize the validity and priority of similar marks previously used. Recall that subtle variations in the appearance or version of the mark can be "tacked on" to a later version for the purposes of establishing priority of use, so long as the current version creates the same "commercial impression." *See* § 12.6.4; *see, e.g.*, *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427 (7th Cir. 1999) (finding team had prior rights in the name, despite a change in city affiliation, over preemptive sale user and state registrant).

12.3 Federal Trademark Registration

12.3.1 Basic Principles

The United States PTO conducts rigorous administrative registration proceedings. Unlike most foreign registration systems, which review applications only for compliance with formal requirements, the PTO reviews applications to ensure that they meet both formal requirements (which are largely set forth in § 1 of the Lanham Act) and substantive requirements (largely found in § 2 of the Lanham Act). For marks already being used in commerce (§1(a) Use-Based applications), the application process consists of five basic stages: (1) application, (2) examination, (3) publication in the PTO's Official Gazette, (4) opposition, and (5) registration.

The PTO also provides registration for marks not yet in use. For these marks, which the applicant intends to use in commerce in the near future, §1(b) provides for the filing of ITU applications. This process consists of two additional stages following opposition and preceding registration discussed above: (4.a) the issuance by the PTO of a "Notice of Allowance" and (4.b) the filing by the applicant of a Statement of Use. Below we will consider the basic requirements of federal registration, along with several benefits. However, it is important to note that federal registration is not a requirement for a valid trademark. Unlike the patent system, where examination establishes validity, federal trademark registration does not *create* a trademark; it merely records a valid trademark.

12.3.2 Principal Register

Although registration is not a prerequisite to trademark protection, trademarks registered on the Principal Register enjoy a number of significant advantages. The primary advantages that we will focus on here are: (1) nationwide constructive use and constructive notice, which cut off rights of other users of the same or similar marks, Lanham Act §22 (15 U.S.C. §1072) and Lanham Act §7(c) (15 U.S.C. §1057(c)); (2) the possibility of achieving incontestable status after five years, which greatly enhances rights by eliminating a number of defenses, Lanham Act §15 (15 U.S.C. §1065); and (3) a *prima facie* presumption of the validity of the mark and the registrant's ownership of the mark, Lanham Act § 33(a) (15 U.S.C. § 1115(a)). Other advantages federal trademark registration confers, that are not discussed in detail below, are: (1) the right to request customs officials to bar the importation of goods bearing infringing trademarks, Lanham Act §42 (15 U.S.C. § 1124); (2) provisions for treble damages, attorney fees, and certain other remedies in civil infringement actions, Lanham Act §§ 34–38 (15 U.S.C. §§ 1116–20), and (3) in the case of registered trade dress, owners do not bear the burden of establishing non-functionality (*see* Lanham Act § 43(a)(3) (15 U.S.C. § 1125(a)(3)), which imposes this burden on owners of unregistered trade dress).

The PTO maintains a publicly available index of registered trademarks and trademark applications. This procedure is different from patent applications, the contents of which are typically kept secret for 18 months after filing.

With respect to Use-Based applications, if no opposition is filed within thirty days or if the opposition fails, then the PTO issues a certificate of registration and notice of the registration is published in the Official Gazette. With respect to ITU applications that are either unopposed or unsuccessfully opposed, the PTO issues a Notice of Allowance. The applicant then has six months (extendable for a total of three years) to file a Statement of Use showing that it is making use of the mark in commerce. *See* Lanham Act § 2(d) (15 U.S.C. § 1052(d)); *see also* TRADEMARK MANUAL OF EXAMINATION PROCEDURES ("TMEP") § 1106.

12.3.2.1 Constructive Notice

As discussed in § 12.1.1.2, a driving force behind developing a federal trademark system was to promote national uniformity. For this reason, an owner of a valid mark on the Principal Register has superior rights throughout the United States. This nationwide protection attaches to a federally registered mark regardless of the where the mark was first used. However, even where another user successfully files a federal application, a bona fide prior user retains common law rights in the region where the mark is used. *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427, 435 (7th Cir. 1999), *cert. denied*, 528 U.S. 1188 (2000) ("[A] trademark application is always subject to previously established common trademark rights of another party."). *See* § 12.2.4. The common law rights of a senior user are preserved by Lanham Act § 15, 15 U.S.C. § 1065.

For all marks on the Principal Register, the constructive notice provision of § 22, 15 U.S.C. § 1072, establishes nationwide rights as of the date of registration. If an application for federal registration on the Principal Register is filed before November 16, 1989, the effective date of the Trademark Law Revision Act, statutory constructive notice is established as of the date of registration. This notice will prevent a subsequent user from establishing exclusive territory of use for the mark. Lanham Act § 22, 15 U.S.C. § 1072. For applications to the Principal Register filed after November 16, 1989, nationwide rights are established as of the date of the application by the constructive use provisions of § 7(c) discussed in § 12.3.2.3.

12.3.2.2 Rebuttable Presumption of Validity

Registration on the Principal Register constitutes *prima facie* evidence of a mark's validity, of the mark's registration, of the registrant's ownership, and of the registrant's exclusive right to use the mark. Lanham Act § 7(b), 15 U.S.C. § 1057(b); Lanham Act § 33(a), 15 U.S.C. § 1115(a). Furthermore, it is *prima facie* evidence that the registered mark is not confusingly similar to other registered marks, *Liberty Mut. Ins. Co. v. Liberty Ins. Co.*, 185 F. Supp. 895 (E.D. Ark. 1960), and that the mark has acquired secondary meaning. A Use-Based application that results in a registration will also serve as *prima facie* evidence that the mark was used in interstate commerce prior to registration. *Li'l Red Barn, Inc. v. Red Barn System, Inc.*, 322 F. Supp. 98 (N.D. Ind. 1970), *aff'd per curiam*, 174 U.S.P.Q. 193 (7th Cir. 1972).

However, the § 33 presumption of validity merely establishes *prima facie* evidence. The Seventh Circuit has observed, "[t]he presumption of validity that registration creates is easily rebuttable, since it merely shifts the burden of production to the alleged infringer." *See, e.g.*, *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 486 (7th Cir. 2007); *see also Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 172 (7th Cir. 1996) ("The presumption of validity that federal registration confers evaporates as soon as evidence of invalidity is presented. Its only function is to incite such evidence and when the function has been performed the presumption drops out of the case.").

12.3.2.3 Rebuttable Presumption of Priority of Use as of Application Date

Successful applications filed after November 16, 1989 entitle the registrant to a "constructive use date" as of the filing date of the application for the purposes of establishing nationwide priority. Lanham Act § 7(c), 15 U.S.C. § 1057(c). "Constructive use 'establishes a priority date with the same legal effect as the earliest actual use of a trademark at common law;' all ownership rights in a mark flow from prior use." *Humanoids Group v. Rogan*, 375 F.3d 301, 305 n.3 (4th Cir. 2004) (citation omitted). Constructive use priority is available regardless of whether the registrant filed a use-based or ITU application. However, users who have either used the mark or filed an application for the mark prior to the registrant are exempt from the "constructive use" provision. These users have either: (1) used the mark prior to the application and have not abandoned it; (2) filed their own earlier application to register; and/or (3) are foreign applicants who have a foreign registration date and qualify for that foreign filing as their constructive date of priority under Lanham Act § 44(d). Lanham Act § 7(c), 15 U.S.C. § 1057(c).

12.3.2.4 Rebuttable Presumption of Continual Use

Courts have read *prima facie* evidence of continual use into all of the other *prima facie* evidentiary presumptions associated with trademark registration in Lanham Act §§ 7(b) and 33(a). This is analogous to the Federal Circuit's view of presumptive validity under the Patent Act. *See Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1570 (Fed. Cir. 1987) ("The presumption mandated by § 282 is applicable to all of the many bases for challenging a patent's validity).

12.3.2.5 Eligible for Incontestability Status

Pursuant to Lanham Act § 15, 15 U.S.C. § 1065, registrants may file an "Affidavit of Incontestability" within one year after any five-year period of continuous use of the mark. In practice, sophisticated trademark owners typically combine their first Section 8 Affidavit of Continuing Use (filed in the sixth year following registration) with a Section 15 Affidavit of Incontestability. A Section 15 Affidavit of Incontestability can be filed at any time during the duration of the registration of the mark, so long as the mark has been in continuous use for the previous five years. *See* TMEP § 1605.03.

Under Lanham Act § 33(b), 15, U.S.C. § 1115(b), following the successful filing of a §1065 Affidavit of Incontestability, "the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce." 15 U.S.C § 1115(b) A challenger can no longer contest the mark as either merely descriptive (i.e., that it lacks secondary meaning), or as lacking priority. *Id.* However, several challenges to validity remain under §33(b), including allegations of fraud, abandonment, genericide, and functionality. *Id.* Indeed, as Justice Stevens noted, "the term 'incontestable' is itself somewhat confusing and misleading because the Lanham Act expressly identifies over 20 situations in which infringement of an allegedly incontestable mark is permitted." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 206 (1985) (Stevens, J. dissenting) (internal citations omitted).

12.3.2.6 Concurrent Registration

If two parties file for registration of marks that were in use in different geographic regions at the same time, the PTO will generally declare an "interference" between the two applications. But if the parties agree, or if the Trademark Board determines that registration of both marks is unlikely to cause confusion, both marks can be registered for "concurrent use." If two or more marks are registered concurrently, however, the PTO will endeavor to impose restrictions on the use of the marks to prevent confusion among consumers. Concurrent use applies only to two marks that are actually in use, so it will not apply to ITU applications.

Lanham Act §2(d) provides for concurrent registration where "the Commission determines that confusion, mistake or deception is not likely to result from the continued use by more than one person of the same or similar marks." 15 U.S.C. §1052(d). Such confusion is usually avoided by restricting the goods with which the mark is connected, and/or the placement of the marks on those goods. *Id.* Section 2(d) also allows for the waiver of prior use by agreement of the parties seeking concurrent registration, and for the commissioner to issue concurrent use registrations when ordered to do so by a court. *Id.*

The most important condition for approval of concurrent use registration is that such registration cannot be likely to cause confusion of buyers or others. *See Application of Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970). In *Beatrice,* the senior user (Beatrice) had used a mark in 23 states and the junior user (Fairway) had used a mark in five states by the time the registration hearing commenced. Both had filed registration applications, and a concurrent use proceeding was instituted. The court established the general rule that the senior user can be awarded registration covering all parts of the United States except those regions where the subsequent (junior) user can establish existing rights in its actual area of use or zones of natural expansion. The junior user must show that confusion is not likely to result from the concurrent registration. The court then recognized three exceptions to this general rule: (1) the PTO is not required to grant registration contrary to an agreement between the parties that leaves some territory open; (2) where the junior user is the first to obtain federal registration, the junior user obtains nationwide rights subject only to the territorial limitations of the senior user (see, e.g., *Weiner King, Inc. v. Weiner King Corp.*, 615 F.2d 512 (C.C.P.A. 1980) (junior user who registered first and expanded after discovering the senior user was entitled to registration covering the entire United States with the exception of a small enclave encompassing the senior user's territory)); and (3) areas of mutual nonuse may be maintained if the mark, goods, and territories are such that this is the only way to avoid likelihood of confusion.

12.3.3 Supplemental Register

Because there are countries where trademark registration is granted to marks that would not qualify for the U.S. Principal Register, often because of the inherent distinctiveness requirement, the Supplemental Register was created. Under the Paris Convention, foreign registration could not be granted in the absence of domestic registration. Thus, even if a U.S. mark cannot gain the advantages of registration on the Principal Register, it can obtain protection in foreign countries.

To be eligible for the Supplemental Register a mark need only be capable of distinguishing goods or services. There is no need to prove that it actually functions in that capacity. The Supplemental Register is not available for clearly generic names, but it is available for descriptive marks and trade dress.

Unlike the Principal Register, registration on the Supplemental Register confers no substantive trademark rights "beyond common law." *See Clairol, Inc. v. Gillette Co.*, 389 F.2d 264 (2d Cir. 1968). Registration on the Supplemental Register has no evidentiary effects, it does not provide constructive notice of ownership, the mark cannot become incontestable, and it cannot be used as a basis for the Treasury Department to prevent the importation of infringing goods. However, a mark on the Supplemental Register can be litigated in federal court, be cited by the PTO against a later applicant, and provide notice to others that the mark is in use. *See In re Clorox Co.*, 578 F.2d 305 (C.C.P.A. 1978). Marks registered on the Supplemental Register are not subject to ITU filings, interference proceedings, or opposition challenges, but can be canceled at any time by a court.

12.3.3.1 Lack of Secondary Meaning

A common reason for registering marks on the Supplemental Register is that they are descriptive marks that have yet to acquire secondary meaning, and therefore lack "inherent distinctiveness." For such marks to be valid and enforceable, the proponent must establish secondary meaning. *See* § 12.2.3.2. Under § 2(f) of the Lanham Act, the PTO "may accept as *prima facie* evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the *five years* before the date on which the claim of distinctiveness is made." 15 U.S.C. § 1052(f) (emphasis added). Thus, it is possible that, following five years on the Supplemental Register, a mark may be considered to have acquired secondary meaning. Although the text of the provision makes clear that the five year presumption of secondary meaning is discretionary for the PTO, many courts have interpreted this language as also applying in the litigation context. *See, e.g.*, *Sunbeam Products, Inc. v. West Bend Co.*, 123 F.3d 246, 255 (5th Cir. 1997) ("The district court was entitled to accept this evidence [of 17 years of use] as *prima facie* evidence of secondary meaning.").

12.3.3.1.1 No Estoppel Effect on Issue of Distinctiveness

While registration on the Supplemental Register is an admission against interest that the mark is descriptive, and lacks secondary meaning, nothing prevents a Supplemental Register mark owner from arguing before a court that secondary meaning has been acquired, either through the five year presumption of §2(f) or otherwise. *See California Cooler, Inc. v. Loretto Winery, Ltd.*, 774 F.2d 1451, 1454 (9th Cir. 1985) (noting that to hold otherwise would mean "a manufacturer which registers on the supplemental register comes away with fewer rights than it would have had if it had not sought registration at all").

12.3.4 Grounds for Refusing Registration

As discussed in § 12.2, there are several reasons a trademark might be invalid, and any of these reasons might lead the PTO to refuse registration.

Section 2(a) forbids the registration of "immoral" or "scandalous" matter as well as matter that is "disparaging." *See Harjo v. Pro-Football Inc.*, 50 U.S.P.Q.2d 1705 (BNA) 1705, 1735 (T.T.A.B. 1999), *rev'd on other grounds,* 284 F. Supp. 2d 96 (D.D.C. 2003), *aff'd on reh'g*, 567 F. Supp. 2d 46 (D.D.C. 2008), *aff'd*, 565 F.3d 880 (D.C. Cir. 2009) (first determining likely meaning of the term attached to the good, and then determining whether the likely meaning of the matter in question would be perceived as scandalous by a "substantial composite of the general public" at the time the registration of the matter is sought); *cf.* U.S. Patent and Trademark Office, U.S. Application No. 86092137 (Mar. 17, 2014) (refusing to register "Washington Redskin Potatoes"). The determination of whether a mark is immoral or scandalous is made from "the standpoint of not necessarily a majority, but a substantial composition of the general public," and "in the context of contemporary attitudes." *In re Mavety Media Group Ltd*., 33 F.3d 1367, 1371 (Fed. Cir. 1994). Where a mark's offensiveness is unclear, the PTO will pass the application to publication and give the public an opportunity to object. *See In re Hines*, 32 U.S.P.Q.2d 1376 (T.T.A.B. 1994). *See also Mavety*, 33 F.3d at 1374. Cases concerning immoral or scandalous trademarks often involve marks with sexual or otherwise vulgar connotations. *See, e.g., In re Wilcher Corp.*, 40 USPQ2d 1929 (T.T.A.B. 1996) (refusing to register a logo of a man with a penis for a nose as a trademark for a bar called "Dick Head's"); *Greyhound Corp. v. Both Worlds, Inc.*, 6 USPQ2d 1635 (T.T.A.B. 1988) (refusing to register a logo of a defecating greyhound as a mark for shirts).

Under the same subsection of the Act, the PTO may refuse registration of a mark that "may disparage . . . persons, living or dead, institutions, beliefs or national symbols, or bring them into contempt or disrepute." Lanham Act § 2(a);

15 U.S.C. § 1052(a). The Trademark Board applies a two-part test to determine whether an applicant's mark is "disparaging":

> (1) What is the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services?
> (2) If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, is that meaning disparaging to a substantial composite of the referenced group?

In re Squaw Valley Development Company, 80 U.S.P.Q.2d 1264 (T.T.A.B. 2006).

A complex body of doctrine has also formed around the registrability and protectability of geographic terms attached to goods or services. *See* Lanham Act § 2(e)(2), (f); 15 U.S.C. § 1052(e)(2), (f) (A term is geographically descriptive if (1) its primary significance is a generally known geographic location; (2) the goods or services originate in that geographic location; and (3) purchasers would be likely to believe that the goods originate from that location); *see, e.g.*, *In re Nantucket, Inc.*, 677 F.2d 95 (C.C.P.A. 1982) (finding Nantucket for men's shirts manufactured elsewhere not geographically descriptive, but rather arbitrary, because consumers would not perceive a goods/place association). Terms determined to be "primarily geographically deceptively misdescriptive" are unregistrable and unprotectable even upon a showing of secondary meaning. Lanham Act § 2(e)(3), (f); 15 U.S.C. § 1052(e)(3), (f) (*Non-geographic* deceptively misdescriptive marks, however, are registrable upon a showing of secondary meaning, Lanham Act § 2(e)(1), (f); 15 U.S.C. § 1052(e)(1), (f)).

The PTO also disfavors registration of surnames. This practice springs in part from an old common law policy in favor of the right to use one's name, a policy that still has some life but is increasingly scrutinized in light of the increasingly global economy. *See, e.g.*, *Basile, S.p.A. v. Basile*, 899 F.2d 35, 39 (D.C. Cir. 1990) ("The courts are now consistent in imposing tighter restrictions on the second comer in the face of possible confusion.").

Finally, the PTO will not register a mark it deems generic. Generic marks are those designations which are so associated with a particular product class that they have always been or have become the natural way to refer to that type of product (e.g., escalator for moving staircases).

12.4 Trademark Infringement

Section 32 of the Lanham Act provides federal trademark protection for registered marks, 15 U.S.C. § 1114, and section 43 of the Lanham Act provides general federal trademark protection for both registered and unregistered marks, as well as trade dress. 15 U.S.C. § 1125(a). Both provisions require substantially the same elements to prove a trademark infringement claim.

The threshold question in a trademark infringement claim is whether plaintiff in fact owns a valid, protectable mark. *Vision Center v. Opticks, Inc.*, 596 F.2d 111, 115 (5th Cir. 1980). Beyond that, for a plaintiff to prevail on a trademark infringement claim, a court must find that the defendant has made use of a mark identical or similar to the plaintiff's mark in commerce, and that defendant's use of the mark is *likely to cause confusion* to consumers. *See* 15 U.S.C. § 1114, 1125.

12.4.1 Use in Commerce

To determine whether trademark infringement has occurred, a court must first assess whether the defendant has made "use in commerce" of the same or similar mark as owned by the plaintiff. 15 U.S.C. § 1114, 1125. Both sections governing trademark infringement require use of the mark be "on or in connection with any goods or services." Under section 45 of the Lanham Act, 15 U.S.C. § 1127, a defendant makes "use in commerce" of a mark on goods when the mark "is placed in any manner on the goods or their containers or the displays associated therewith . . . or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale." With respect to service marks, "use in commerce" is defined as use or display "in the sale or advertising of services . . . rendered in commerce" or if a person is engaged in commerce "in connection with the services." 15 U.S.C. § 1127. "Use in commerce" encompasses any use of a mark in interstate commerce or commerce between the United States and another country, as such uses fall under the commerce activities that Congress regulates.

Some courts have interpreted the use in commerce requirement as meaning that the defendant has to not only use the mark in commerce, but also use it as a trademark. In the most thorough statutory analysis, the court in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009), rejected the "use as a trademark" requirement and held that Google's use of Rescuecom's mark was indeed a use in commerce, although it did not reach the question of whether that use was likely to cause confusion to consumers.

12.4.2 Likelihood of Confusion

A successful trademark infringement claim hinges on whether the plaintiff can demonstrate that the defendant's use of the mark is likely to cause confusion to consumers. Confusion can exist not only as to source of the product or service, but also as to sponsorship or affiliation. Because trademark protection serves to aid consumers in making decisions in the marketplace by allowing them to distinguish between goods and services, it is essential to determine whether it is likely that the consumer, the target for protection, will in fact be confused by a defendant's use of a mark.

The test for likelihood of confusion is not specifically defined in the Lanham Act. It has developed through case law. Each federal circuit has developed its own multi-factor test for likelihood of confusion. Although each circuit's multi-factor test varies as to the number of factors considered and the language used, all of the multifactor tests across circuits address similar considerations.

Some of the factors that courts will consider include similarity of the marks, strength of the protected mark, proximity of the goods or services in question, evidence of actual confusion, use of similar marketing channels, care likely to be exercised by potential purchasers in relation to the particular goods or services, and the intent of the defendant in appropriating plaintiff's mark. District courts are generally required to address each of the factors listed in their circuit's multifactor test explicitly. If a factor is irrelevant, the court must explain why. Failure to do so can result in remand.

12.4.2.1 Basic Principles

12.4.2.1.1 Preponderance of the Evidence

As with other civil litigation, the plaintiff in a trademark infringement suit bears the burden of proving by a preponderance of the evidence that a likelihood of confusion exists. *See, e.g., David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377 (8th Cir. 1965).

12.4.2.1.2 Types of Proof

There are three different types of proof that can be offered to prove a likelihood of confusion: (1) survey evidence; (2) evidence of actual confusion (although it is important to note that actual confusion is not *required*, *see* § 12.4.2.2.1); and (3) argument based on an inference arising from a judicial comparison of the conflicting marks themselves and the context of their use in the marketplace. *Heartland Bank v. Heartland Home Finance, Inc.*, 335 F.3d 810, 819 (8th Cir. 2003) (adopting the three evidentiary routes outlined at MCCARTHY § 23:63).

12.4.2.2 Likelihood

12.4.2.2.1 Actual Confusion Not Necessary

While actual confusion is strong proof of a likelihood of consumer confusion, (*see, e.g.*, *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971) ("There can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion."); *Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482, 490 (1st Cir. 1981) ("[W]hen the marks have been in the same market, side by side, for a substantial period of time [without actual confusion], there is a strong presumption that there is little likelihood of confusion.")), a plaintiff need not demonstrate that actual confusion exists in the marketplace as a result of the defendant's use of the mark at issue in order to succeed in a trademark infringement action. Indeed, "[i]t is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986).

However, a mere "possibility" of confusion is not sufficient. The Seventh Circuit explained that this is because "[m]any consumers are ignorant or inattentive so some are bound to misunderstand [the source of the goods] no matter how careful a producer is." *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995). Consequently, the likelihood of confusion test requires a showing of "probable" confusion. *See, e.g.*, *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987) ("Likelihood of confusion requires that confusion be probable, not simply a possibility.").

12.4.2.3 Confusion

12.4.2.3.1. Who Is Confused?

In order to succeed on a trademark infringement action, the plaintiff must demonstrate that an appreciable or substantial number of "reasonably prudent" buyers would likely be confused by the defendant's use of the mark at issue. *See, e.g.*, *International Ass'n of Machinists and Aerospace Workers, AFL-CIO v. Winship Green Nursing Center*, 103 F.3d 196, 201 (1st Cir. 1996) ("[T]he law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care."). Defining the standard of care for a "reasonably prudent consumer" is similar to defining the standard of care for a "reasonably prudent person" in a negligence tort case. MCCARTHY § 23:91.

12.4.2.3.2. Confusion as to Source, Affiliation, Connection, or Sponsorship

A plaintiff will be entitled to relief if it can show that the defendant's use of the mark is likely to lead to confusion either as to the source of the defendant's goods or services, or their affiliation, connection, or association with the plaintiff. *See*

Lanham Act § 43(a), 15 U.S.C. § 1125(a). Confusion as to source exists when a reasonably prudent consumer is likely to be confused as to the source of the defendant's goods—mistakenly believing that they come from the same source as the plaintiff's goods. Confusion as to affiliation, connection, or sponsorship occurs when a reasonably prudent consumer forms the impression that there is some relationship between the producers of goods bearing similar marks. However, a plaintiff cannot succeed on a trademark infringement action where a junior user's mark simply calls to mind the senior user's mark. Indeed,

> [t]he very fact of calling to mind may indicate that the mind is distinguishing, rather than being confused by, the two marks. . . . Seeing a yellow traffic light immediately "calls to mind" the green that has gone and the red that is to come, or vice versa; that does not mean that confusion is being caused. As we are conditioned, it means exactly the opposite.

Application of Ferrero, 479 F.2d 1395, 1397 (C.C.P.A. 1973). Consequently, a junior user's use of the slogan "don't do-it-yourself without us" to market home improvement materials and services was found not to infringe American Express's slogan for traveler's checks: "don't leave home without them." The court found that while the defendant's slogan called the plaintiff's slogan to mind, confusion was not likely to exist as to the source of the goods and services. *American Express Co. v. Payless Cashways, Inc.*, 222 U.S.P.Q. 907 (T.T.A.B. 1984).

12.4.2.3.2.1 Demise of the Competing Goods Doctrine

Early in the development of trademark law, courts used the competing goods doctrine to limit trademark infringement to the use of a similar mark on *directly competing* goods. *See, e.g.*, *Borden Ice Cream Co. v. Borden's Condensed Milk Co*., 201 F. 510 (7th Cir. 1912) (holding, under the competing goods doctrine, that "Borden" ice cream did not infringe "Borden" milk). The Second Circuit rejected the doctrine in 1917 when it protected the "Aunt Jemima" mark for pancake batter from use on pancake syrup. *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407 (2d Cir. 1917), *cert. denied*, 245 U.S. 672, 38 S. Ct. 222 (1918). The court held that a mark will be protected from use on any goods that buyers would be likely to think came from the same source as plaintiff's goods. *Id.* at 409–10. Similarly, in *Yale Electric Corp. v. Robertson*, Judge Learned Hand held that there would be a likelihood of confusion as to source between flashlights and locks, although the products were not in direct competition. 26 F.2d 972 (2d Cir. 1928). Hand explained the harm that can occur when a plaintiff's mark is used by the defendant on noncompeting goods:

> [I]t has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful. … The disparity in quality between such wares and anything the [junior user] makes no longer counts. … The [senior user] need not permit another to attach to its good will the consequences of trade methods not its own.

Id. at 974.

Today, the vast majority of courts, following Hand's logic, have done away with the competing goods doctrine and instead find infringement where the defendant uses the mark on goods sufficiently related as to lead to confusion of source, sponsorship, affiliation, or connection. *See* § 12.4.2.3.2.

12.4.2.3.2.1.2 Merchandising

One consequence of the demise of the competing goods doctrine is that it allows trademark owners greater control over the merchandising of products bearing their mark. *See* Stacy L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461 (2005).Under the competing goods doctrine, a junior user would be permitted to use, for example, a sports team trademark such as the "San Francisco 49ers" mark on any noncompetitive goods. The modern rule allows the owner of the "49ers" mark protection from any use of the mark that might lead to confusion as to source, affiliation, connection or sponsorship.

Some courts have taken an even more expansive view of what might satisfy the "confusion" requirement in the sports logo merchandising context, finding that the requirement is satisfied where the plaintiff's trademark itself is the "triggering mechanism" that induces the consumer to purchase the defendant's good, even if the consumer is not confused as to the source or association. In *Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, the Fifth Circuit enjoined the defendant's use of National Hockey League team symbols on embroidered emblems to be attached to hats, jackets and other articles of clothing, despite the district court's finding that a consumer would not be likely to think that defendant's emblems were manufactured by, or associated with, the plaintiffs. 510 F.2d 1004 (5th Cir. 1975). The court explained:

> It can be said that the public buyer knew that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. *The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.*

Id. at 1012 (emphasis added); *but see Int'l Order of Job's Daughters v. Lindeburg and Co.*, 633 F.2d 912 (9th Cir. 1980) (rejecting the *Boston* reasoning and holding that the plaintiff must demonstrate that the defendant's use of the Job's Daughters young women's organization insignia on its jewelry must have the potential to cause confusion as to sponsorship or endorsement).

12.4.2.3.3 Passing Off

"Passing off," also known as "palming off," is often used to describe situations where a defendant intended to confuse buyers through substitution or fraud. McCarthy § 25:3. One form of intentional "passing off" is substitution—when alternative goods are sold under the plaintiff's trademark. A common example is when a restaurant serves a generic cola in response to a request for "Coca-Cola." *See, e.g.*, *Coca-Cola Co. v. Dorris*, 311 F. Supp. 287 (E.D. Ark. 1970).

12.4.2.3.4 Reverse Passing Off

Reverse passing off occurs when a defendant falsely "misrepresents someone else's goods or services as his own." *Dastar Corp. v. Twentieth Century Fox Film Corp*., 539 U.S. 23, 27 n.1. A defendant may engage in reverse passing off by removing the plaintiff's mark from a product and rebranding the product with its own mark in attempt to pass of the plaintiff's goods as its own. *But see* McCarthy § 25:6 (arguing that this form of reverse passing off does not actually create consumer confusion).

The Supreme Court has held that reverse passing off may violate § 43(a)(1)(A) of the Lanham Act as a false designation of origin. *See* 539 U.S. at 30. However, the Court held that § 43(a)(1)(A) is not triggered by a false designation of being the creator of an artistic work such as a motion picture because "origin" in this statutory context denotes only the manufacturer of physical goods and not the creator of the intellectual property embodied in the goods. Id. at 32–38. Thus, "reverse passing off" claims brought under Lanham Act § 43(a)(1)(A) cannot be based upon false claims of authorship, invention, or creation.

12.4.2.3.5 Initial Interest Confusion

Infringement can be based upon confusion that creates initial customer interest, even though the sale is not actually consummated as a result of this confusion. *See* Charles E. Bruzga, *Sophisticated Purchaser Defense Avoided Where Pre-Sale Confusion is Harmful*, 78 TRADEMARK REP. 659 (1988). This doctrine traces back to *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 717 (S.D.N.Y. 1973), *aff'd*, 523 F.2d 1331 (2d Cir. 1975), where the court found that a prospective piano purchaser may be lead to purchase a "Grotrian-Steinweg" piano because he was *initially* under the mistaken impression that the piano was affiliated with the "Steinway" brand: "Misled into an initial interest, a potential Steinway buyer may satisfy himself that the less expensive Grotrian-Steinweg is at least as good, if not better, than a Steinway. Deception and confusion thus work to appropriate [Steinway's] good will." *See id.* at 717. Thus, even though the buyer was not confused at the point of purchase, initial interest confusion affected the buyer's search. It is important to recognize, however, that this case did not establish initial interest confusion as an alternative basis (from likelihood of confusion) for determining trademark infringement.

Other courts, however, have expanded upon this rationale. The Seventh Circuit has explained that

> [t]he Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated. This "bait and switch" of producers, also known as initial interest confusion, will affect the buying decision of consumers in the market for the goods, effectively allowing the competitor to get its foot in the door by confusing consumers.

Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996).

The initial interest confusion doctrine has taken on special salience in Internet domain name and metatag cases. *See* § [Internet Chapter]. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, for example, the Ninth Circuit found that defendant's use of the plaintiff's trademark, "MovieBuff," in the hidden metatag code of its Web site infringed the plaintiff's mark. 174 F.3d 1036 (9th Cir. 1999). The court supported its reasoning with the following analogy:

> Suppose West Coast's competitor (let's call it "Blockbuster") puts up a

> billboard on a highway reading—"West Coast Video: 2 miles ahead at Exit 7"—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there.

Id. at 1064. It is important to note that initial interest confusion does not exist as a distinct test for trademark infringement. Rather, it should be considered as part of a comprehensive likelihood of confusion inquiry. More recent cases have clarified this point. *See Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1145-54 (9th Cir. 2011).

12.4.2.3.6 Post-Sale Confusion

Post-sale confusion refers to confusion following the sale of goods by people other than the purchaser. Thus, somewhat like initial interest confusion, there is no confusion at the point of purchase. While the individual who purchases the good may know that it is an imitation or "knock off," several trademark-related harms can manifest. First, gift recipients and prospective purchasers could be confused as to the source of a good and mistakenly attribute inferior qualities of the imitation good to the trademark owner's brand, thereby damaging its goodwill among consumers. *See General Motors Corp. v. Keystone Automotive Industries, Inc.*, 453 F.3d 351 (6th Cir. 2006) ("[I]njection of knockoffs into the stream of commerce may lead to a likelihood of confusion among the general public."); *but cf. Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376 (7th Cir. 1996) (restricting the scope of the post-confusion rule to viewing by *potential customers* and holding that there was no evidence that those touring defendant's plant were potential customers in the market to buy defendant's look-alike corn milling equipment).

Second, consumers will be able to acquire the same prestige associated with the senior user's good by purchasing an imitation good rather than the original. Relatedly, flooding the market with particular trademarked goods can destroy a brand's scarcity and exclusivity. The Second Circuit has explained:

> The creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. . . . [T]he purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.

Hermès Intern. v. Lederer de Paris Fifth Ave., Inc., 219 F.3d 104, 108 (2d Cir. 2000).

12.4.3 Dilution

Trademark law has traditionally focused on preventing consumer confusion as to source. It has focused on preventing the defendant from using a trademark (e.g., Microsaft) sufficiently similar to the plaintiff's trademark (e.g., Microsoft) as to cause consumers to believe that defendant's goods originate in the plaintiff. But what if the defendant uses a trademark similar or identical to the plaintiff's trademark on goods entirely unrelated to the plaintiff's goods? For example, what if the defendant uses the trademark Microsaft—or Microsoft, for that matter—as a trademark for apple juice or bed linens? In these instances, consumers are unlikely to be confused as to the true source of the defendant's goods. Nevertheless, trademark law recognizes a harm to the owner of a famous mark that is "diluted." The nature of the harm is that unauthorized use of a junior mark—for example Microsaft—will impair the distinctive quality of a famous mark—here Microsoft.

Under the Federal Trademark Dilution Revision Act ("TDRA"), to prove a federal dilution claim, a plaintiff must establish: (1) its mark is famous; (2) the defendant made use of a mark or trade name in commerce; (3) defendant's use began after the plaintiff's mark became famous; and (4) defendant's mark is likely to cause dilution by blurring or tarnishment of the famous mark. *See* Lanham Act § 43(c), 15 U.S.C. § 1125(c). Unlike infringement, dilution does not require that the junior mark be used in a competing manner nor does it require likelihood of confusion, mistake, or deception. Additionally, dilution does not require actual economic injury. It is important to recognize that dilution is not a different degree of confusion than conventional trademark claims. Rather, dilution represents a different form of harm to the capacity of a famous mark to signify a distinctive source. Therefore, it should not arise in cases alleging competing goods.

12.4.3.1 Famous Mark

A famous mark is a mark that is widely recognized by the general consuming public of the United States. 15 U.S.C. § 1125(c)(2)(A). To determine whether a mark possesses the requisite degree of recognition, the TDRA instructs courts to consider all relevant factors including: (i) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (ii) the amount, volume, and geographic extent of sales of goods or services offered under the mark; (iii) the extent of actual recognition of the mark; (iv) whether the mark was registered under the Act of 1881, or the Act of 1905, or on the principal register. *Id.*

The requirement of fame is designed as an important limitation on the reach of federal anti-dilution protection. As Representative Howard Berman explained in hearings on the Trademark Dilution Revision Act ("TDRA") dilution should "be used sparingly as an 'extraordinary' remedy, one that requires a significant showing of fame. . . . [I]t is our hope that the dilution remedy will be used in the rare circumstance and not as the alternative pleading." Statement of Rep. Howard L. Berman, California, ranking member, Subcommittee on Courts, the Internet and Intellectual Property, reprinted in House Judiciary Committee Report H.R. 109–23 on H.R. 683 (109th Cong. 1st. Sess) (March 17, 2006), p.25.

12.4.3.2 Dilution by Blurring

The TDRA defines dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). Under the TDRA, a plaintiff seeking an injunction against dilution by blurring must plead and prove: (1) ownership of a famous mark, (2) defendant's use of the challenged designation as a mark or trade name, (3) use of the challenged mark or trade name in interstate commerce, and that (4) defendant's use began after the plaintiff's mark became famous, (5) defendant's use is likely to cause dilution by blurring, and (6) defendant's use is likely to impair the distinctiveness of the plaintiff's famous mark. *See* Lanham Act § 43(c), 15 U.S.C. § 1125(c).

Dilution by blurring cannot occur unless it is likely that the consumer will associate the defendant's mark with the plaintiff's famous mark. *See* 15 U.S.C. § 1125(c)(2)(B) (defining dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark"). Identical use of a coined, fanciful mark (such as "Kodak," or "Rolex") is evidence that the ordinary consumer, when confronted with the identical mark on far removed goods or services will make an "association" with the famous mark because there is no other significance to the word other than as the famous trademark. However, in the case of non-coined marks (such as "Saturn" auto or "Time" magazine) "association" should not be assumed, even where the marks at issue are identical. It cannot be presumed that the ordinary consumer, when confronted with these kind of marks used on nonconfusing, far removed goods or services, will inevitably and necessarily think of the famous mark. For example, while the mark "Amazon" used on hiking and survival equipment is identical to the famous mark "Amazon" for Internet sales, the mark may not create the required "association" with the famous mark in the minds of ordinary consumers.

The TDRA articulates a list of six non-exclusive factors to aid courts in determining whether a defendant's use is likely to cause dilution by blurring:

> (i) The degree of similarity between the mark or trade name and the famous mark; (ii) The degree of inherent or acquired distinctiveness of the famous mark; (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) The degree of recognition of the famous mark;

> (v) Whether the user of the mark or trade name intended to create an association with the famous mark; and (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B). A developing issue is the degree of similarity required under the first factor. Courts are currently trending towards requiring only a minimal degree of similarity. *See Starbucks Corp. v Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009) (holding that blurring could be possible on remand even though the marks were only "minimally similar"); *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 111 n. 18 (2d Cir. 2010) ("under the [TDRA] the similarity between the famous mark and the allegedly blurring mark need not be 'substantial' in order for the dilution by blurring claim to succeed"); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1159 (9th Cir. 2011) (under the TDRA, there is no "requirement of 'identity or near identity' of the marks").

12.4.3.3 Dilution by Tarnishment

The TDRA defines dilution by tarnishment as an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). For example, a court found under a state trademark dilution statute that marketing of posters printed with the words "Enjoy Cocaine" featuring the same typeface and red and white color scheme as Coca-Cola's "Enjoy Coca-Cola" advertisements tarnished Coca-Cola's famous mark. *See Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972).

By contrast, using a mark to criticize the mark's owner is not tarnishment under the statute. Nor is it illegal to use the mark to display or refer to the plaintiff's own product, even if it is in a context the plaintiff might find repugnant. For example, in *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254 (C.D. Cal. 2003), the owner of the Slip 'N Slide trademark sued the makers of the film "Dickie Roberts: Former Child Star" over a scene in which the fictional Roberts injured himself by misusing a Slip 'N Slide water slide. The court held that the film's depiction of the product, while "silly," could not tarnish the plaintiff's mark. Rather, tarnishment occurs only when the famous mark is used on the *defendant's* unsavory goods, causing the public to draw a connection between the plaintiff's goods and the defendant's.

12.4.4. Indirect Infringement

Not only are those who directly produce infringing goods liable for trademark infringement, those who contribute to direct infringement of others can be held liable under doctrines of contributory infringement and vicarious liability. While very similar to articulations of vicarious and contributory infringement tests for copyright, often identically worded, the tests for indirect liability in trademark law are narrower.

12.4.4.1 Contributory Infringement

In order to be held liable for contributory trademark infringement, a party must either (1) intentionally induce another to infringe a trademark; or (2) continue to supply its product knowing that the purchaser is infringing. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854–55 (1982). The knowledge required to trigger contributory liability is specific, not general. *Tiffany v. eBay, Inc.* 600 F.3d 93, 110 (2d. Cir. 2010) (finding that eBay's general knowledge that counterfeit goods are sold on its website is "insufficient to trigger liability under *Inwood*").

Contributory trademark infringement can extend to landlords who lease their premises to businesses engaging in the sale of infringing goods. *See, e.g.*, *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996); *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143 (7th Cir. 1992). In order to hold a landlord liable for contributory infringement, the landlord's contribution to the infringement must go beyond merely providing the space, and frequently includes providing advertising services or otherwise facilitating infringing sales. These landlord liability principles have been applied to determine the extent of indirect liability of internet service providers. *See, e.g.*, *Tiffany v. eBay*, 600 F.3d at 97 (characterizing the website as an online "marketplace").

12.4.4.2 Vicarious Liability

As applied to trademarks, a person or entity can be held vicariously liable where an apparent or actual partnership exists with the infringer or where the person or entity exercises joint ownership or control over the infringing article. *See, e.g., Perfect 10, Inc. v. Visa Intern. Serv. Ass'n*, 494 F.3d 788 (9th Cir. 2007); *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.,* 955 F.2d 1143 (7th Cir. 1992). Unlike a contributory infringement analysis that focuses on the knowledge of the third party, an examination of vicarious liability focuses on the exercise of control. Applying common tort principles, a joint tortfeasor may be found vicariously liable for trademark infringement. *Hard Rock Café Licensing Corp. v. Concession Servs.*, Inc., 955 F.2d at 1150.

12.6 Defenses

The following defenses are available to trademark infringement defendants: invalidity; priority; consent; abandonment; fair use; laches; unclean hands; fraud; and antitrust.

12.6.1 Invalidity

A defendant can seek to avoid trademark liability by asserting that the plaintiff's mark is invalid. A defendant can demonstrate that the plaintiff's mark is not valid by showing that it is not distinctive, meaning that the mark is either descriptive and has failed to gain secondary meaning, or generic. Additionally, a defendant can also demonstrate that a plaintiff's mark is functional, and therefore ineligible for trademark protection. The defense of invalidity can be raised whether a mark is federally registered or protected under state common law.

12.6.1.1 Lack of Distinctiveness/Failure to Prove Secondary Meaning

To qualify for trademark protection, a mark must be distinctive. A mark can achieve distinctiveness through being categorized as inherently distinctive (a suggestive, or an arbitrary or fanciful mark) or, if the mark is merely descriptive, through gaining secondary meaning. A mark is said to have secondary meaning if the plaintiff shows that "the primary significance of the term in the minds of the consuming public is not the product but the producer." *Kellogg Co. v. National Biscuit Co*., 305 U.S. 111, 118 (1938). Thus, a defendant can prevail against an infringement claim by demonstrating that the plaintiff's mark is generic, or that the mark is descriptive and has failed to gain secondary meaning. The mark will then be found invalid and ineligible for protection. However, if a mark has become incontestable, lack of distinctiveness cannot be used as a defense for an incontestable mark, as at that point, incontestability serves as conclusive evidence of a mark's validity. *See* § 12.3.2.5.

12.6.1.2 Functionality

Even where a mark or a trade dress feature is found to be distinctive of a particular source, it will still not qualify for trade dress protection if the feature is found to be "functional." While, in the most basic sense, any distinctive trade dress feature is functional because it functions to designate a source, within the context of trademark law, functionality refers to a particular legal conclusion regarding a mark. The functionality doctrine, codified at 15 U.S.C. § 1125(a)(3), requires that courts deny trademark protection for a utilitarian product shape or feature. If there is something inherently useful about the feature or if the feature enhances manufacturing efficiency, then it is functional and therefore not protectable. The functionality doctrine is primarily applicable in trade dress disputes, but it extends to disputes involving word marks and other marks deemed to have a function. A defendant can raise a functionality defense regardless of whether the claimant has established distinctiveness. The burden of proof for demonstrating functionality falls on the person seeking protection to show that the feature to be protected is not functional.

The rationales for the functionality doctrine are: (1) to ensure that only one body of law, patent law, provides protection for the useful aspects of a product, and; (2) to make certain that manufacturers in a given market can utilize certain product features necessary to compete effectively in the market. The functionality doctrine reinforces the underlying goals of patent law: that we should promote innovation by granting to inventors a monopoly on designs or useful features *for a limited duration*. If someone could obtain trademark protection for functional product features or designs, they could monopolize those features forever. *See Qualitex Co. v. Jacobsen Products Co.*, 514 U.S. 159, 165 (1995). This would essentially create an avenue to obtain a "back-door patent," MCCARTHY § 7:64. Second, granting trademark protection for functional features could directly impede competition in the marketplace: in instances where a design feature is integral to the function of a product, the owner of that trademarked design feature could potentially prevent other manufacturers from utilizing a feature necessary to compete effectively in the market for a given product.

In asserting a functionality defense, a defendant can claim that the product design or feature at issue is not protectable due to its utilitarian or aesthetic functionality.

12.6.1.2.1 Utilitarian Functionality

Most questions of functionality in trademark law concern whether a feature or aspect of a product has utilitarian functionality, that is, whether that feature is directly related to the use of the product.

A court will find the feature or design of a given product or article to be functional, and thus inappropriate for trademark protection, where it is "essential to the use or purpose of the article" or "affects the cost or quality of the article." *Qualitex Inc. v. Jacobsen Products Co., Inc.*, 514 U.S. at 165 (quoting *Inwood Laboratories, Inc.*, 456 U.S. 844, 860 (1982)). This test, "essential to the use or purpose test," is the governing test for functionality today. Some courts, including the Ninth Circuit, consider a set of factors when determining whether a feature is functional. MCCARTHY § 7:69 (providing a survey of functionality definitions across circuits).

In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, the Supreme Court reinforced the "essential to the use or purpose" test, but also addressed the issue of how evidence of a utility patent for a given feature or design will impact functionality determinations. 532 U.S. 23 (2001). A utility patent (even an expired patent) that claims features at issue in a trade dress infringement claim is "strong evidence of functionality," adding "great weight" to the claimant's burden of proving nonfunctionality of the feature for which she is seeking trade dress protection. *Id.* at 24. This protects manufacturers from being excluded from using features that are an essential component to how a product works. *See id.* If a utility patent claiming a certain feature has expired and the feature is also determined to be ineligible for trade dress protection, that feature is in the public domain and can be freely used and copied by manufacturers. However, the fact that one feature of a product has been patented does not bar against other distinctive features of the product being patentable. Ultimately, where distinctive elements of the product can be separated from functional elements, those separable features can still be eligible for trademark or trade dress protection.

12.6.1.2.2 Aesthetic Functionality

Just as the utilitarian functionality doctrine prevents trademark protection from bestowing perpetual protection to utilitarian designs and features without holding trademark owners to the standards and limited duration of the patent system, the aesthetic functionality doctrine aims to block analogous perpetual protection for expressive features of trademarks. Thus, a product design feature that is an important ingredient in the commercial success of the product because of its aesthetic appeal can be deemed aesthetically functional and hence ineligible for trademark protection. *See Pagliero v. Wallace China*, 198 F.2d 339 (9th Cir. 1952) (holding a floral design for plates to be aesthetically functional); RESTATEMENT OF TORTS § 742 (1938). For example, the user of a red, heart-shaped box for chocolates, even if it was first in commerce, cannot obtain trademark protection for this design because the packaging shape and color appeal primarily to aesthetic desires of consumers. Such boxes strike a romantic chord.

The Supreme Court implicitly excludes aesthetically functional features from the scope of trademark protection in its definition of trademark protection: a product or feature is functional if it is "'essential to the use or purpose of the article or if it affects the cost or value of the article.'" *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (*quoting Inwood Lab. v. Ives Lab.*, 456 U.S. 844, 850 n.10 (1982)). The Court explained that

> if a design's 'aesthetic value' lies in its ability to 'confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs,' then the design is 'functional.' Restatement (Third) of Unfair Competition § 17, Comment c, pp. 175-76 (1995). The 'ultimate test of aesthetic functionality,' it explains, 'is whether the recognition of trademark rights would significantly hinder competition.'

Id. at 170.

Thus, the aesthetic functionality doctrine seeks to ensure that no manufacturer monopolizes expressive designs without meeting the requirements of and being subject to the limitations of copyright protection. In determining aesthetic functionality, courts consider whether preventing competitors from using a particular design or feature would put them at a significant competitive disadvantage by reason of the expressive appeal of the design or feature to consumers and the lack of alternative, comparably expressively attractive, designs.

The aesthetic functionality doctrine has been criticized as vague and in conflict with trademark law's goal of preventing consumer confusion. See A. Samuel Oddi, The Functions of "Functionality" in Trademark Law, 22 Hous. L. Rev. 925, 951-63 (1985) (observing that "[f]rom the outset, 'aesthetic functionality' has proved to be a most controversial and ill-defined concept"); *Gucci Timepieces America In. v. Yidah Watch Co.*, 47 USPQ2d 1938, 1941 (C.D. Cal. 1998) (observing that "[a]esthetic functionality is a discredited theory which has been used only sparingly since its 1952 introduction in the Ninth Circuit"). The *Pagliero* formulation reveals the inherent subjectivity of the doctrine:

> "Functional". . . might be said to connote other than a trade-mark purpose. If the particular feature is an *important ingredient in the commercial success* of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature, or more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden [even] where the requisite showing of secondary meaning is made.

Pagliero v. Wallace China, 198 F.2d 339, 343 (9th Cir. 1952) (footnotes omitted) (emphasis added). Later decisions have rejected the "important ingredient" formulation, *see, e.g.*, *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.*, 999 F.2d 619 (2d Cir. 1993); *Sicilia Di. R. Biebow & Co. v. Cox*, 732 F.2d 417 (5th Cir. 1984); *Keene Corp. v. Paraflex Industries, Inc.*, 653 F.2d 822 (3d Cir. 1981); *but cf. Publications Int'l Ltd. v. Landoll, Inc.*, 164 F.3d 337, 342 (7th Cir. 1998), *cert. denied*, 526 U.S. 1088 (1999) (holding gold gilding of cookbook pages to be unprotectable as a "prime example of aesthetic functionality").

12.6.2 Priority

The United States adheres to a trademark ownership regime based on priority of use: generally first-in-time, first-in-right. A defendant can raise priority as a defense in a trademark action in three scenarios: (1) if the defendant was the first entity to actually use an inherently distinctive designation as a mark; (2) if the defendant was the first entity to acquire secondary meaning in a non-inherently distinctive designation; or (3) if prior to plaintiff's actual use, the defendant registered its intent to use a mark with the Trademark Office and actually used that mark within the required time frame (generally within six months of registration, but that time frame can be extended up to three years from the ITU registration filing date).

12.6.3 Consent/License

A defendant can defend on the ground that the trademark owner has consented to or licensed—expressly or impliedly—the defendant's use of the mark.

12.6.4 Abandonment

A defendant can assert that the trademark owner has lost its rights due to abandonment. 15 U.S.C. § 1115(b)(2). Broadly, the term abandonment refers to loss of trademark rights due to the owner's non-use of a mark (traditional "abandonment") as well as loss due to intentional and non-intentional acts of the owner (unsupervised licenses, genericide, and assignments in gross).

Loss of rights due to an owner's nonuse occurs when use of a mark has been discontinued with intent not to resume such use. 15 U.S.C. § 1127. Use of a mark means the bona fide use of the mark in the ordinary course of trade and not made merely to reserve a right in a mark. *Id.* Likewise, intent to resume use requires intent to resume a commercial level of use, "mere token use made for the purpose of maintaining trademark rights is not sufficient." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 30.

The burden of proving abandonment falls upon the party seeking cancellation of a registered mark because a certificate of registration is "'*prima facie* evidence of the validity of the registration' and continued use." *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1023 (Fed. Cir. 1989). The party seeking cancellation must establish abandonment by a preponderance of the evidence. *Id.* However, the Lanham Act specifies that non-use for three consecutive years constitutes *prima facie* evidence of abandonment. *Id.*

Resumption of use of the mark cannot cure abandonment. Nor can a trademark owner overcome the presumption of abandonment triggered by three years of non-use by asserting that it intends to resume use at some indefinite point in the future.

12.6.4.1 Unsupervised Licenses

Abandonment can also occur when a designation loses its significance as a trademark. 15 U.S.C. § 1127. Marks can lose significance due to unsupervised licensing – licensing a mark without adequate control over the quality of goods or services sold under the mark by the licensee. The Lanham Act "places an affirmative duty upon a licensor of a registered trademark to take reasonable measures to detect and prevent misleading uses of his mark by his licensees or suffer cancellation of his federal registration." *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 366 (2d Cir. 1959) (Lumbard, J., dissenting in part). Where the owner or licensor of a mark fails to exercise sufficient control over the quality of a particular product, the licensee may cause the mark to lose its significance as an identifier of equal quality, resulting in abandonment.

12.6.4.2 Genericide

Generic terms cannot serve as trademarks. *See* § 12.2.3.4. While some terms are inherently generic, other terms become generic through genericide. Genericide occurs when a previously distinctive mark ceases to identify a single source of a good or service. For example, the term "yellow pages" fell victim to genericide when consumers came to understand the term to denote classified telephone directories as opposed to a particular source for such products. Genericide constitutes abandonment of a mark. Where a defendant asserts genericide as a defense, the defendant bears the burden of proof. *The Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95 (2d Cir. 1989).

Some trademark owners attempt to prevent genericide by preserving a mark's distinctiveness through advertisements and lawsuits. Other trademark owners fail to police a mark, which can contribute to genericide. Ultimately, consumers determine the meaning of a mark.

12.6.4.3 Assignments in Gross/Intentional Abandonment

Assignment of a trademark unaccompanied by transfer of the underlying asset or "goodwill" is known as an assignment in gross. *See Marshak v. Green*, 746. F.2d 927, 929 (2d. Cir. 1984). An assignment in gross is invalid because trademarks are symbols of goodwill –not pure property rights. See 15 U.S.C. § 1060(a) (stating that a registered mark shall be "assignable with the good will of the business in which the mark is used"); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 34 (1995) (noting that "an assignment of [trademark] ownership transfers the assignor's priority in the use of the designation to the assignee only if the assignee also acquires the line of business that is associated with the designation or otherwise maintains continuity in the use of the designation by continuing the line of business without substantial change"). Furthermore, an assignment in gross usually abandons the trademark because the assignor discontinues its use and the assignee lacks the goodwill to ensure continuity in the nature and quality of a good or service. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 34, cmt. f (1995) ("[A]n assignment in gross followed by a period of nonuse by the assignor may result in abandonment of the assignor's priority in the use of the mark . . .").

The assignment in gross rule traditionally required assignment of tangible assets along with a trademark. *See Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 676 (7th Cir. 1982). The courts have relaxed the standard to allow assignments of "soft" trademark-related assets such as customer lists, production formulas, or even unspecified goodwill. *See Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (C.C.P.A. 1971); *see also Hy-Cross Hatchery, Inc. v. Osborne*, 303 F.2d 947 (C.C.P.A. 1962).

12.6.4.4 Minor Changes in Mark and Product Do Not Constitute Abandonment

Minor changes in both the product and the mark itself do not necessarily constitute abandonment. A change in the product will not constitute abandonment if the old and new products are closely related. For example, no abandonment occurred where the active ingredients in a dietary supplement changed. *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873 (9th Cir. 2009). However, a mark will be deemed abandoned where a sudden and substantial change in the nature or quality of the goods occurs.

Trademark owners are similarly permitted to make minor changes in the format or appearance of the mark itself. Abandonment will not occur if the modified mark creates the same commercial impression as the old version of the mark. The key is continuity. If the change to the mark neither creates a new mark nor affects the commercial impression created by the old mark, the change does not constitute abandonment.

12.6.5 Exhaustion/First Sale

Once a trademark owner sells a trademarked good, the buyer of that good is free to resell the good without permission of the trademark owner. The intellectual property protection governing that product is "exhausted" after the first authorized sale. As the Ninth Circuit has explained, "the right of a producer to control distribution of its trademarked product does not extend beyond the first sale of the product." See *Sebastian Int'l v. Longs Drug Stores Corp.*, 53 F.3d 1073 (9th Cir. 1995), *cert. denied*, 516 U.S. 914 (1995). The first sale doctrine, however, applies only to authorized sales of genuine product.

The exhaustion doctrine is subject to important limitations relating to resale of goods without requisite quality control requirements, repackaging of goods, repair and reconditioning of goods, and importation of goods.

12.6.5.1 Resale Without Requisite Quality Control

In some circumstances, the resale of goods can violate quality control standards set by the trademark owner. Such sales interfere with the essential link between the source and the quality of the goods. In *Warner-Lambert Co. v. Northside Development Corp.*, 86 F.3d 3 (2d Cir. 1996), the maker of Halls® cough drops sought to enjoin a wholesaler from selling the product beyond their freshness expiration date. The court held that

> [d]istribution of a product that does not meet the trademark holder's quality control standards may result in the devaluation of the mark by tarnishing its image. If so, the non-conforming product is deemed for Lanham Act purposes not to be the genuine product of the holder, and its distribution constitutes trademark infringement.

Id. at 6. *See also Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104 (4th Cir. 1991).

Nonetheless, a broad application of this rule would enable trademark owners to nullify the exhaustion doctrine. The Third Circuit has warned that

> 'quality control' is not a talisman the mere utterance of which entitles the trademark owner to judgment. . . . Rather, the test is whether the quality control procedures established by the trademark owner are likely to result in differences between the products such that consumer confusion regarding the sponsorship of the products could injure the trademark owner's goodwill.

Iberia Goods Corp v. Romeo, 150 F.3d 298, 304 (1998).

12.6.5.2 Repackaged Goods

Even where goods satisfy the legitimate quality concerns of a trademark owner, the repackaging or rebottling of the trademarked goods for sale by another entity could potentially undermine consumers' perception as to the nature and quality of trademarked goods. In *Prestonettes v. Coty*, 264 U.S. 359 (1924), the Supreme Court held that "[w]hen the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo." The Court held that a repackager could resell the trademarked goods of an unaffiliated vendor so long there was no confusion, which could be accomplished through a suitable disclaimer indicating how the repackaged product had been altered and that the reseller was not affiliated with the source of the underlying trademarked product. Thus, courts hold that legitimate purchasers of trademarked goods can generally repackage and resell such goods with the original trademark so long as they: (1) disclose that the product has been repackaged; (2) reveal their name; (3) disclaim the absence of any affiliation with the trademark owner; and (4) not give undue prominence to the trademark of the source of the repackaged good. Such safeguards balance the exhaustion principle, limiting consumer confusion, and protecting trademark owners' goodwill.

12.6.5.3 Repaired and Reconditioned Goods

Similar concerns can arise when purchasers of trademarked goods repair or recondition them for resale. As with repackaged goods, repaired and reconditioned goods can be resold under the original source's trademark so long as the reseller discloses to the nature, quality, and source of the goods. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (holding that a reseller of reconditioned spark plugs need not remove the original trademark so long as the repaired goods were stamped "repaired" or "used" on each plug and the cartons disclosed that the plugs were reconditioned and indicated the reseller's name). The Court noted, however, that trademark infringement might nonetheless occur where "the reconditioning or repair would be so extensive or basic that it would be a misnomer to call the article by its original name, even though the works 'used' or 'repaired' were added." *See id.* at 129. Thus, the Ninth Circuit enjoined a reconditioner of Rolex watches from using the Rolex trademark on repaired watches incorporating non-Rolex parts. *See Rolex Watch, U.S.A., Inc. v. Michel Co.,* 179 F.3d 704 (9th Cir. 1999). This rule, however, does not afford Rolex or any other original source with a monopoly in the market for replacement parts. *See Karl Storz Endoscopy-America, Inc. v. Fiber Tech Medical, Inc.*, 4 Fed. Appx. 128 (4th Cir. 2001) (holding that the Lanham Act does not prevent the owner of a trademarked product from choosing the source of repair parts so long as there is no misrepresentation of the repairer's source of part or affiliation with the trademark owner of the product in question).

12.6.5.4 Imported Goods

Many goods manufacturers formulate and market their products differently throughout the world. A distinct concern arises, therefore, where goods are purchased from the trademark owner (or its authorized licensee) outside of the United States and then imported into the United States for resale. As a result of different pricing structures, there can be arbitrage opportunities whereby products purchased abroad can be resold in the United States profitably at a lower price than products from the original source. Such parallel importation is commonly referred to as a "gray market." As the Supreme Court explained in *K-*

Mart Corp. v. Cartier, Inc., 486 U.S. 281 (1988), "a gray-marketed good is a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the U.S. trademark holder."

A combination of case law interpreting the Tariff Act and the Lanham Act in conjunction with Customs Service regulations afford U.S. trademark owners broad, although not absolute, authority to bar the importation of parallel imports. Section 26 of the Lanham Act states that "no article of imported merchandise . . . which shall copy or simulate a [registered] trademark . . . shall be admitted to entry at any customhouse of the United States." Similarly, the Tariff Act provides that "it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise . . . bears a trademark owned by a citizen of, or by a corporation or association created or organized within the United States, and registered in the Patent and Trademark Office." *See* 19 U.S.C. § 1526(a). These statutory provisions appear to prohibit the importation of gray market goods into the United States. Furthermore, the Supreme Court's decision in *A Bourjois & Co. v. Katzel*, 250 U.S. 689 (1923) holds that should such goods find their way into the United States, their subsequent sale constitutes trademark infringement.

Notwithstanding these principles, the Customs Services interpretation of gaps in the statutory provisions – the Tariff Act limits protection to U.S. entities while the Lanham Act refers to imports that "simulate" a registered trademark – produced more subtle distinctions that allow parallel imports to enter the United States and be legally sold where there is "common control" between the foreign and domestic trademark owners and the goods are either physically identical or bear labels disclosing the physical differences. *See* 19 C.F.R. § 133.21(c); *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Lever Brothers v. United States*, 877 F.2d 101 (D.C. Cir. 1989).

12.6.6 Fair Use

The term fair use encompasses two types of non-infringing use of another's mark: "classic" fair use, which relates to the use of words to non-deceptively describe a good or service, and "non-trademark" or "nominative" use, which refers to a defendant's use of the trademark owner's mark for communicative purposes – such as comparative advertising, criticism, expression, or reporting.

12.6.6.1 Classic Fair Use

The classic fair use defense applies to a defendant's good-faith use of a descriptive mark for descriptive purposes. *See* 15 U.S.C. § 1115(b)(4). Thus, fruit vendors can refer to "apples" without running afoul of Apple®, the computer device maker, trademarks. The classic fair use defense does not extend to use of a descriptive mark for its secondary or acquired meaning, although such uses might fall within the nominative use doctrine.

The classic fair use defense follows logically from the requirements for protection of a descriptive mark. Because a descriptive mark must acquire secondary meaning to be protected as a trademark, it has two meanings – its original, descriptive meaning and its acquired meaning as a trademark identifying and distinguishing goods or services. Trademark law permits anyone to use the term for for its original, descriptive meaning.

The Supreme Court has acknowledged that even "some consumer confusion is compatible with fair use." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121 (2004). The Court noted, however, that although likelihood of confusion is not incompatible with fair use, it should be factored into the overall balancing of evidence to determine if the use is indeed "fair." *Id.* Notably, the Court placed the burden of proof on the party asserting trademark infringement.

12.6.6.2 Non-Trademark or Nominative Use

Non-trademark or nominative use occurs where a defendant uses a plaintiff's mark to identify the plaintiff's goods or services. Common examples include advertisements for repair services ("we repair Honda ® automobiles") and comparative advertising (our mints taste better and have fewer calories than Tic Tac ®).

The Ninth Circuit established a three-part test for determining whether a use avoids liability:

> First, the product or service in question must be one not readily identifiable without use of the trademark; second only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

New Kids on the Block v. News America Publishing, Inc., 971 F.2d 302 (1992). The Ninth Circuit placed the burden of proof on the plaintiff. Hence, nominative use in the Ninth Circuit functions as an alternative to the classic multi-factor likelihood of confusion test rather than as an affirmative defense to trademark infringement. Although adopting a similar three-part test, the Third Circuit places the burden of proof on the defendant. *See Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3d Cir. 2005).

12.6.6.3 Parody

Although not technically an affirmative defense to trademark infringement, parody is a way of arguing that there will be no trademark infringement because there will be no likelihood of confusion. The defendant argues that an ordinary consumer will not be deceived or confused but will see that the defendant's use of the plaintiff's mark is simply a parody of the plaintiff's trademark or of the trademark owner. However, parody that confuses customers is not immune from trademark infringement. Therefore, unlike classic fair use, which may be raised as a defense regardless of likelihood of confusion, parody only protects unauthorized use of a trademark where there is no likelihood of confusion.

Parody is an outgrowth and application of free speech protected by the First Amendment. When a defendant claims that his or her unauthorized use is protected by parody, courts must balance elements of traditional trademark analysis (preventing consumer confusion) with free speech values. Because parody must necessarily conjure up the target, a parody conveys "two simultaneous—and contradictory—messages: that it is the original, but also that it is *not* the original and is instead a parody. To the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused." *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989) (original emphasis).

12.6.6.4 First Amendment

More generally, trademark rights cannot prevent uses of trademarks that fall within the First Amendment's protections of freedom of expression. Where a trademark exceeds its source identifying function, the First Amendment immunizes unauthorized use of that trademark by another to communicate ideas or express points of view.

12.6.7 Laches

Laches is a traditional defense to any request for injunctive relief. In the context of trademark infringement, courts have held that the defense can also be used to defeat a request for profits or damages arising from trademark infringement—although such remedies are traditionally deemed "legal" rather than equitable. The Lanham Act recognizes the defense, and declares it enforceable even against a federally registered mark that has become incontestable. Lanham Act § 33(b)(9), 15 U.S.C. § 1115(b)(9).

In order to establish the defense, the defendant must generally show that (1) the plaintiff had sufficient knowledge of the defendant's activities concerning the mark at issue; (2) the plaintiff delayed in bringing suit; and (3) the defendant will be prejudiced by allowing the plaintiff to assert its rights at this time. *See, e.g.*, *Cuban Cigar Brands N. V. v. Upmann Intern., Inc.*, 457 F. Supp. 1090, 1096 (S.D.N.Y. 1978).

In determining whether a laches defense is applicable there are no bright line rules to determining whether there was a prejudicial delay. While many courts use a time period analogous to the state law statute of limitations as a starting point in their analysis, it is not determinative of unreasonable delay. Rather, most courts pay particular attention to the facts of the case at bar and balance the equities. In deciding whether a laches defense will succeed, the Ninth Circuit weighs six factors: (1) the strength of plaintiff's trademark; (2) plaintiff's diligence in enforcing the mark; (3) the harm to plaintiff if relief is denied; (4) whether defendant acted in good faith ignorance of plaintiff's rights; (5) competition between the parties; and (6) the harm suffered by defendant because of plaintiff's delay. *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983).

12.6.8 Unclean Hands

Unclean hands is a traditional equitable defense based on significant misconduct by the trademark owner specifically related to the subject matter of the litigation. In such a case, a court will deny the plaintiff injunctive or other equitable relief.

The Lanham Act provides that traditional equitable defenses are available in trademark infringement actions, even against incontestable marks. Lanham Act § 33(b)(9), 15 U.S.C. § 1115(b)(9). The Restatement (Third) of Unfair Competition explains that

> [i]f a designation used as a trademark, trade name, collective mark, or certification mark is deceptive, or if its use is otherwise in violation of public policy, or if the owner of the designation has engaged in other substantial misconduct directly related to the owner's assertion of rights in the trademark, trade name, collective mark, or certification mark, the owner may be barred in part or whole from the relief that would otherwise be available. . . .

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 32.

The Supreme Court has explained that "[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim." *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945). There are, however, limits on the kind of conduct that can be labeled "unclean hands." The Third Circuit held that the conduct at issue must rise to the level of "egregious" misconduct: "Because a central concern in an unfair competition case is protection of the public from confusion, courts require clear, convincing evidence of 'egregious' misconduct before invoking the doctrine of unclean hands." *Citizens Financial Group, Inc. v. Citizens Nat. Bank of Evans City*, 383 F.3d 110, 129 (3d Cir. 2004). The Ninth Circuit has taken a similar position. It requires a balancing approach that weighs the plaintiff's conduct against the defendant's wrongs and the potential injury to the public resulting from the defendant's use of the mark:

> In the interests of right and justice the court should not automatically condone the defendant's infractions because the plaintiff is also blameworthy, thereby leaving the two wrongs unremedied and increasing the injury to the public. . . . The relative extent of each party's wrong upon the other and upon the public should be taken into account and an equitable balance struck.

Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347, 350 (9th Cir. 1963).

12.6.9 Fraud

The defense of fraud is generally asserted in cases where a trademark owner has obtained a federal trademark registration through false representations to the PTO or has otherwise made false filings with the PTO. A party raising the defense generally must demonstrate that the registrant has: (1) knowingly made false statements or submissions to the PTO, and (2) that the registration would not have issued but for the false statements or submissions. Fraud is treated as a "disfavored defense." *Aveda Corp. v. Evita Marketing, Inc.*, 706 F. Supp. 1419, 1425 (D. Minn. 1989). Indeed, the Seventh Circuit has stated that:

> Fraud must be shown by *clear and convincing evidence* in order to provide a basis for either cancellation or damages. … Fraud will be deemed to exist only when there is a deliberate attempt to mislead the Patent [and Trademark] Office into registering the mark.

Money Store v. Harriscorp Finance, Inc., 689 F.2d 666, 670 (7th Cir. 1982) (emphasis added).

While fraudulent registration can defeat a claim of trademark infringement or a registered mark, the trademark owner is still free to sue for infringement under state law and under section 43(a) of the Lanham Act. *See Aveda Corp.*, 706 F.Supp. at 1425 ("Trademarks are created by use, not registration. Federal registration creates valuable substantive and procedural rights, but the common law creates the underlying right to exclude. Thus, even if a plaintiff's registration is shown to be fraudulently obtained, the plaintiff's common law rights in the mark may still support an injunction against an infringing defendant."). It is worth noting, however, that the Lanham Act provides a separate civil cause of action available to anyone injured by another's fraudulent procurement of federal trademark registration. *See* Lanham Act § 38, 15 U.S.C. § 1120.

12.6.10 Antitrust

Early cases held that a plaintiff's alleged antitrust violation was no defense to a claim of trademark infringement. Later cases, however, have entertained the defense. *See, e.g.*, *Forstmann Woolen Co. v. Murray Sices Corp.*, 10 F.R.D. 367 (D.N.Y. 1950); *Sanitized, Inc. v. S. C. Johnson & Sons, Inc.*, 23 F.R.D. 230 (S.D.N.Y. 1959); *Phi Delta Theta Fraternity v. J. A. Buchroeder & Co.*, 251 F. Supp. 968 (W.D. Mo. 1966); *Electrical Information Publications, Inc. v. C-M Periodicals, Inc.*, 163 U.S.P.Q. 624 (N.D. Ill. 1969); *Estee Lauder, Inc. v. Fragrance Counter, Inc.*, 189 F.R.D. 269 (S.D. N.Y. 1999).

Courts generally require that the defendant demonstrate not only that a trademark owner committed an antitrust violation, but also that the trademark itself was used to accomplish the violation. In the *Zeiss* case, which Thomas McCarthy has called "the most carefully reasoned case on the issue," MCCARTHY § 31:91, Judge Mansfield explained:

> Since denial of a plaintiff's exclusive right to the use of his trademark is not essential to the restoration of competition, it is not enough merely to prove that merchandise bearing a trademark, however valuable the trademark, has been used in furtherance of antitrust violations. If this is all that were required, any antitrust violation in the distribution of such merchandise would result in a forfeiture of the trademark with a consequent unnecessary frustration of the policy underlying trademark enforcement. An essential element of the antitrust misuse defense in a trademark case is proof that the mark itself has been the basic and fundamental vehicle required and used to accomplish the violation.

Carl Zeiss Stiftung v. VEB Carl Zeiss, Jena, 298 F. Supp. 1309, 1315 (S.D.N.Y. 1969), *modified*, 433 F.2d 6862d Cir. 1970), *cert. denied*, 403 U.S. 905 (1971).

The antitrust defense is rarely successful. In fact, while courts have recognized the defense as theoretically possible, in no final reported decision involving trademark infringement has a court refused to enforce a trademark because it was used as a vehicle for an antitrust violation. MCCARTHY § 31:91.

12.7 Remedies

Trademark law provides injunctive relief, monetary damages, and attorney fees in appropriate circumstances.

12.7.1 Injunctive Relief

Section 34(a) of the Lanham Act provides courts with "the power to grant injunctions, according to the principles of equity . . . to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent violation under" 15 U.S.C. 1125(a), (c), or (d), 15 U.S.C. § 1116(a).

Injunctive relief is particularly appropriate in trademark infringement cases because there is usually no remedy at law, including monetary damages that could sufficiently compensate a plaintiff for a defendant's continued infringement. *See Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (1988). Trademark law serves to protect the plaintiff's goodwill in their mark, and once a defendant has damaged that goodwill with infringing activity, the defendant usually cannot simply repair that damage with money. Further, because trademark protection also serves to protect consumers, a monetary award alone cannot prevent consumer confusion.

Courts will presume injury where a plaintiff establishes a likelihood of confusion because the defendant's infringing use of the mark limits or removes the plaintiff's control over its own mark and business reputation. *See, e.g.*, *International Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1091 (7th Cir. 1988). Thus, the plaintiff must demonstrate likelihood of confusion with respect to its valid mark and that the defendant is using the plaintiff's mark. The plaintiff does not have to prove actual damage to qualify for injunctive relief.

Injunctions in trademark cases must be specific, and can be prohibitive or affirmative in what they require. By way of example, a court can order an injunction preventing the defendant from further marketing, manufacturing, and selling an infringing product, and can even affirmatively require that defendant provide further remedy through corrective advertising to remedy any likelihood of confusion in the marketplace. A court can issue an injunction requiring that products made by the defendant be recalled, destroyed, or discontinued.

As in other types of litigation where injunctive relief is available, a plaintiff can attempt to obtain injunctive relief at multiple stages in the litigation process by seeking a preliminary injunction (in anticipation of litigation) or a permanent injunction at the conclusion of litigation. Consistent with traditional notions of equity, a plaintiff can file for an injunction before they suffer actual injury if the threat of defendant's infringement is imminent.

12.7.1.1 Preliminary Injunctions

To obtain a preliminary injunction, a plaintiff must demonstrate likelihood of success on the merits of his case, that, absent preliminary injunctive relief, he or she is likely to suffer irreparable harm, that the "balance of equities tips in his favor," and that the injunction serves the public interest. *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7, 20 (2008). Preliminary injunctions are discussed in detail in Chapter 3.

12.7.1.2 Permanent Injunctions

Once a plaintiff establishes infringement by demonstrating a likelihood of confusion, courts routinely award injunctive relief in trademark cases. A plaintiff seeking a permanent injunction against a trademark infringer must nonetheless satisfy the traditional four-factor test for obtaining a permanent injunctive relief, by demonstrating: (1) irreparable injury; (2) that any remedy at law (such as monetary damages) would inadequately compensate the injured plaintiff; (3) that, after considering a "balance of hardships" between the parties, an equitable remedy is appropriate; and (4) that a permanent injunction would not be a disservice to the public. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

12.7.1.3 Cancellation

Section 37 of the Lanham Act grants courts concurrent power with the PTO to cancel registration of a mark in whole or in part. 15 U.S.C. § 1119. In conducting cancellation proceedings, federal courts can only consider the grounds for cancellation in Section 14 of the Lanham Act (15 U.S.C. § 1064). A court's power to cancel a mark extends only to cases where there is some independent ground for federal jurisdiction. Thus, cancellation cannot be the sole basis of a plaintiff's action.

A party seeking cancellation of a mark has the burden of overcoming the evidentiary effect of a federal registration. Even if a party fails to include a counterclaim for cancellation and prevails on underlying trademark issues, a trial court has discretion to either amend the judgment to include cancellation or refuse to do so—leaving it to the PTO to deal with res judicata impact of the case in a cancellation proceeding.

12.7.1.4 Other Forms of Injunctive Relief: Impounding and Destruction

Lanham Act § 34(d), 15 U.S.C. § 1116(d) allows for an ex parte court order seizing and impounding goods involved in a criminal counterfeiting violation. Such a seizure is permitted only where the plaintiff has shown that the evidence of counterfeiting will disappear or be destroyed if the defendant were to have advance notice of the claim. *See* Lanham Act § 34(d)(4)(B)(vii), 15 U.S.C. § 1116(d)(4)(B)(vii) (stating that, for an ex parte order to be granted, the court must find that "the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person").

Court-ordered destruction of counterfeit goods is also available as a remedy. Although Congress did not enact a civil provision analogous to the criminal provision authorizing destruction of counterfeit goods (Lanham Act § 34), courts have held that Congress intended that destruction be allowed in civil cases as well. *See, e.g.*, Fendi *S.A.S. Di Paola Fendi E Sorelle v. Cosmetic World, Ltd.*, 642 F. Supp. 1143 (S.D.N.Y. 1986).

12.7.2 Monetary Relief

The Lanham Act authorizes the owner of an infringed trademark to recover the defendant's profits, actual damages, and the costs of the action, subject to the principles of equity. *See* Lanham Act § 35; 15 U.S.C. § 1117. In addition, the Lanham Act provides for the award of treble damages and attorney fees for use of a counterfeit mark.

12.7.2.1 Recovery of Defendant's Profits

Section 35(a) provides that the trademark owner need merely prove defendant's sales in seeking an accounting of the defendant's profits. Upon making this showing, the burden of proof shifts to the defendant to prove costs or other deductions from that amount. The statute provides that "[i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." 15 U.S.C. § 1117(a).

12.7.2.2 Actual Damages

The Lanham Act authorizes the trademark owner to recover for harm proximately caused by the defendant's infringement. This can include lost profits, loss of goodwill or other reputational harm, and corrective advertising. The trademark owner need not prove willful infringement except for recovery of damages for dilution.

The plaintiff must come forward with a reasonable basis for establishing the existence and extent of its damages. Most courts require that the trademark owners must prove actual confusion in order to recover damages. *See, e.g., Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 311 & n.9 (1st Cir. 2002); *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36, cmt. i ("the recovery of damages ordinarily requires proof that some consumers have actually been confused or deceived"). Some courts, however, have held that the trademark owner's inability to prove actual confusion does not preclude recovery of actual damages. *See, e.g., Lindy Pen Co. v. Bic Pen Corp.*, 982

F.2d 1400, 1410-11 (9th Cir. 1993) (expressing a "distinct preference for those opinions permitting relief based on the totality of the circumstances").

12.7.2.3 Enhanced Damages in General

The Lanham Act authorizes courts to enter judgment for any amount up to three times the amount of actual damages. See § 35(a); 15 U.S.C. § 1117(a). At the same time, the Lanham Act states that such amounts shall "constitute compensation and not a penalty." Thus, courts may not award punitive damages even where the defendant's conduct is willful, wanton, or fraudulent. Note, however, that punitive damages may be available under state trademark and unfair competition law.

12.7.2.4 Enhanced Damages in Counterfeiting Cases

Section 35(b) of the Lanham Act provides for the award of "three times such profits or damages" calculated pursuant to Section 35(a) as well as attorney fees for counterfeiting activity unless the court finds extenuating circumstances. See § 35(b); 15 U.S.C. § 1117(b).

12.7.2.5 Statutory Damages in Cybersquatting Cases

Section 35(d) of the Lanham Act allows the trademark owner "to elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amoung of not less than $1,000 and not more than $100,000 per domain name, as the court considers just." See § 35(d); 15 U.S.C. § 1117(d).

12.7.2.6 Attorney Fees and Costs

Section 35 of the Lanham Act authorizes the court to award "reasonable attorney fees to the prevailing party" in "exceptional cases." 15 U.S.C. 1117(a). "Exceptional cases" for a prevailing trademark owner include intentional, deliberate, or willful infringement, and not mere negligence, though courts differ as to whether bad faith is required. Prevailing defendants are also eligible for recovery of attorney fees. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 525 n.12 (1994) (observing that "the federal fee-shifting statutes in the patent and trademark fields, which are more closely related to that of copyright, support a party-neutral approach" and that courts in those fields "have generally awarded attorney's fees in an evenhanded manner based on the same criteria"). In determining whether a plaintiff has brought a meritless, vexatious, bad faith, or otherwise "exceptional" case, courts have the discretion to apportion attorney fees by claim if some of plaintiff's claims are merely unsuccessful, but not on the level of "exceptional" and therefore not deserving of an attorney's fee award. In determining the amount of reasonable attorney's fees, courts generally apply the "lodestar" method, which consists of multiplying the number of hours reasonably spent on litigation of the lawsuit by the a reasonable hourly fee rate.

12.7.3 Corrective Advertising

Remedies related to corrective advertising arise in two contexts: injunctive relief and monetary awards. Some courts have ordered injunctive relief requiring a defendant to undertake a corrective advertising campaign to undo the confusion or deception caused by the defendant's infringing actions. *See, e.g., Thomas Nelson, Inc. v. Cherish Books, Ltd.*, 595 F. Supp. 989 (S.D.N.Y. 1984).

Courts have awarded monetary damages based on a corrective advertising rationale. In the landmark case of *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D. Colo. 1976), *modified*, 561 F.2d 1365 (10th Cir. 1977), the district court upheld a jury verdict of $2.8 million to fund corrective advertising by the trademark owner. The Court of Appeals applied a 25% ratio to the award, reducing the total award to approximately $700,000. *See id.* Many courts have followed the theory of *Big O Tires* awarding monetary damages for corrective advertising.

12.7.4 Criminal Liability

The 1984 Trademark Counterfeiting Act established federal criminal liability for trademark infringement. 18 U.S.C. § 2320. The 1984 Act has since been broadened on several occasions.

In order to impose criminal trademark liability, the government must prove that the defendant: (1) trafficked or attempted to traffic in goods or services; (2) intentionally; (3) using a counterfeit mark on or in connection with such goods or services; and (4) knew the mark was counterfeit. *See United States v. Sultan*, 115 F.3d 321, 325 (5th Cir. 1997). For criminal prosecution purposes, a counterfeit mark is a mark used in connection with goods or services that is identical to or substantially indistinguishable from a mark registered for those goods or services on the Principal Register, whether or not the defendant knew such mark was registered, and the use of which is likely to cause confusion, mistake or to deceive. *See* 18 U.S.C. § 2320(e)(1). All defenses, affirmative defenses, and limitations on remedies that would be applicable in a civil action under the Lanham Act are available to a criminal defendant. 18 U.S.C. § 2320(c). The defendant in a criminal proceeding under § 2320 has the burden of proving any affirmative defense by a preponderance of the evidence. *Id.*

If convicted under the statute, an individual is subject to maximum penalties for a first offense of $2 million and/or 10 years in prison. 18 U.S.C. § 2320(a)(1). For a non-individual defendant the maximum penalties increase to $5 million. *Id.* For any subsequent offense, the maximum penalties increase to $5 million and/or 20 years in prison and for a non-individual defendant, the maximum fine is $15,000,000. *Id.* The federal criminal anti-counterfeiting laws have no separate statute of limitations and hence are subject to the five-year statute of limitations for civil trademark violations.