INTELLECTUAL PROPERTY
FALL 2010
PROFESSOR GRIMMELMANN

READING PACKET 3
FALSE ADVERTISING, TRADEMARK, AND RIGHT OF PUBLICITY

Casebook Readings

Please read Lanham Act § 43(a)(1) (15 U.S.C. § 1125).

Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.
228 F.3d 24 (1st Cir. 2000)

LIPEZ, Circuit Judge.

"Más blanco no se puede" (Whiter is not possible) was the advertising tag line used by the defendant, the Proctor and Gamble Commercial Company, to sell its detergent, Ace con Blanqueador (Ace with whitener), in Puerto Rico. The Clorox Company Puerto Rico cried foul, complaining that no detergent brings out the white like its chlorine bleach when used with a detergent. Proctor & Gamble modified its pitch, inviting consumers to "Compare con su detergente ... Más blanco no se puede" (Compare with your detergent ... Whiter is not possible). [The court referred to this as the "Doorstep Challenge" campaign.] Unimpressed by this change, Clorox sued, alleging, inter alia, that the advertisements were false and misleading in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). After Clorox moved for a preliminary injunction, the district court dismissed the false advertising claim sua sponte. . . .

The false advertising prong of the Lanham Act provides:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . .
>
> (B) 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,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)."[6] A plaintiff can succeed on a false advertising claim by proving either that an advertisement is false on its face or that the advertisement is literally true or ambiguous but likely to mislead and confuse consumers. *See Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1139 (9th Cir.1997). If the advertisement is literally false, the court may grant relief without considering evidence of consumer reaction. *See United Indus. Corp. v. Clorox Co.,* 140 F.3d 1175, 1180 (8th Cir.1998). In the absence of such literal falsity, an additional burden is placed upon the plaintiff to show that the advertisement, though explicitly true, nonetheless conveys a

[6] The elements of a false advertising claim under the Lanham Act are: (1) a false or misleading description of fact or representation of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceives or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant placed the false or misleading statement in interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false or misleading statement, either by direct diversion of sales from itself to defendant or by a lessening of goodwill associated with its products.

misleading message to the viewing public. To satisfy its burden, the plaintiff must show how consumers have actually reacted to the challenged advertisement rather than merely demonstrating how they could have reacted. Clorox's amended complaint alleged that Proctor & Gamble's original and modified Doorstep Challenge television campaigns, as well as the promotional brochure, were false and misleading. Specifically, Clorox alleged that the Doorstep Challenge advertisements and promotions conveyed the false and misleading message to the Puerto Rican public that Ace con Blanqueador gets clothes as white or whiter than a detergent used with chlorine bleach. Clorox also alleged that the name "Ace con Blanqueador" is literally false with respect to Ace liquid detergent.

1. *Claims of Literal Falsity*

Clorox challenged two features of Proctor & Gamble's advertising campaign as literally false. First, Clorox alleged that the television commercials that aired in the original and modified campaign claimed that Ace gets clothes as white or whiter than chlorine bleach. According to Clorox, that claim is literally false because tests prove that chlorine bleach whitens better than detergent used alone. Second, Clorox alleged that the name, "Ace con Blanqueador," is literally false with respect to Ace liquid detergent because it falsely suggests that Ace liquid contains whitener or bleach.

a. *The Television Advertisements*

Whether an advertisement is literally false is typically an issue of fact. At least two factual questions must be answered in evaluating the accuracy of any particular advertisement. First, a factfinder must determine the claim conveyed by the advertisement. Once the claim made by the advertisement has been determined, the factfinder must then evaluate whether that claim is false.

In the case at hand, the parties focus their attention solely upon the first of these factual determinations. The complaint asserts that in head-to-head whitening tests, Clorox achieved "by far, superior results" to Ace. Clorox also emphasizes that "Ace's own boxes" state that in certain cases, for better results, the consumers must use chlorine bleach. In reviewing the motion to dismiss, we therefore assume as true that chlorine bleach whitens better than Ace and that a contrary claim would be literally false. The primary dispute between the parties is not which product whitens better,"/>[8] but rather whether any of Proctor & Gamble's advertisements make a claim of whitening superiority over chlorine bleach.

Although factfinders usually base literal falsity determinations upon the explicit claims made by an advertisement, they may also consider any claims the advertisement conveys by "necessary implication." *See Southland Sod Farms,* 108 F.3d at 1139. A claim is conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated. For instance, a factfinder found that an advertisement that claimed a motor oil provided "longer engine life and better engine protection" without explicitly mentioning competitors nonetheless drew a comparison by necessary implication vis à vis those competitors. This is not to say, however, that all messages implied by an advertisement will support a finding of literal falsity by a factfinder:

"/>[8] Indeed, Proctor & Gamble does not challenge on appeal Clorox's assertion that chlorine bleach in combination with a detergent gets clothes whiter than its Ace detergent.

> The greater the degree to which a message relies upon the viewer or consumer to integrate its components and draw the apparent conclusion, however, the less likely it is that a finding of literal falsity will be supported. Commercial claims that are implicit, attenuated, or merely suggestive usually cannot fairly be characterized as literally false.

United Indus. Corp., 140 F.3d at 1181. Similarly, a factfinder might conclude that the message conveyed by a particular advertisement remains so balanced between several plausible meanings that the claim made by the advertisement is too uncertain to serve as the basis of a literal falsity claim, though even in that case it could still form the basis for a claim that the advertisement is misleading. . . .

We conclude that Clorox has stated a claim that Proctor and Gamble's original Doorstep Challenge commercials are literally false. These commercials juxtapose a tag line, "Whiter is not possible," with images of consumers who normally used bleach to achieve white clothes and who are favorably impressed by the results obtained from using Ace alone. The overall theme of the commercials is that bleach is unnecessary if clothes are washed with Ace . . . Some of the commercials also suggest that eliminating chlorine from the laundry process will save consumers time or money, or curtail the negative side effects of washing clothes with chlorine. A factfinder could reasonably conclude that, viewed in their entirety, these advertisements claim that Ace is equal or superior in whitening ability to a detergent and bleach combination.

The modified Doorstep Challenge campaign continued the same visual comparisons . . . but added the words "Compare your detergent" to the "Whiter is not possible" tag line shown at the bottom of the screen at the end of the commercials. Although this change may render the comparative claim of the advertisements more ambiguous, we nonetheless conclude that it remains reasonable to interpret these advertisements as making by necessary implication a superiority claim for Ace over chlorine bleach. Consequently, the court erred in dismissing Clorox's literal falsity claims with respect to both Doorstep Challenge campaigns.

b. *The Name "Ace con Blanqueador"*

Clorox also alleged that the name, "Ace con Blanqueador," as applied to liquid Ace, is literally false. According to Clorox, the word "blanqueador" implies that liquid Ace has whitening capabilities like bleach. Clorox alleged that this is literally false because in its liquid form Ace does not contain bleach or whitening agents. Instead, it contains only a "color enhancer." Clorox emphasizes that liquid Ace uses the same formula as "Tide with Bleach Alternative" whose name, unlike "blanqueador," clearly signifies the absence of bleach. Proctor & Gamble responds that "blanqueador" means "whitener," and that the name cannot be literally false because tests show that the agents added to liquid Ace produce greater whiteness than detergents without those agents.

Clorox's allegations about the use of the name "Ace con Blanqueador" for the liquid detergent state a claim for literal falsity. Although "blanqueador," meaning "whitener," is broad enough to encompass both bleach and non-bleach whitening agents, the question remains whether liquid Ace is properly described as containing "whitening agents" of any sort. Clorox has alleged that it is not, insisting that Ace's ingredients are properly termed "color enhancers." Although the distinction between a "whitening agent" and a "color enhancer" eludes us, we must credit that allegation in this appeal from a 12(b)(6) dismissal. If Clorox succeeds in proving that liquid Ace contains only an "enhancer," rather than a "whitener," and if it further establishes the other elements of a false advertising claim, *see supra* note 6, it will be entitled to relief under the Lanham Act because Proctor & Gamble's designation of Ace liquid detergent as "Ace *con Blanqueador* " would be literally false.

2. *Claims of Misleading Advertising*

In addition to its claims of literal falsity, Clorox has alleged in its complaint that the Ace advertising campaign, even if true or ambiguous, makes an implied claim that is misleading to consumers. This second theory of recovery under the Lanham Act is independent of a literal falsity theory. Unlike the requirements of a claim of literal falsity, the plaintiff alleging a misleading advertisement has the burden of proving that a substantial portion of the audience for that advertisement was actually misled. *See Rhone-Poulenc Rorer,* 19 F.3d at 134 (citing *U.S. Healthcare v. Blue Cross,* 898 F.2d 914, 922 (3d Cir.1990)). An advertisement's propensity to deceive the viewing public is most often proven by consumer survey data. Clorox appended to the amended complaint a consumer survey prepared by David Whitehouse of Gaither International/Puerto Rico, Inc. [FN10] The survey consisted of a series of open-ended questions followed by several follow-up probes. In reliance on the survey, the complaint alleges that:

> In open-ended questions, 35% of respondents of its scientifically valid survey responded that the main message of the Doorstep Challenge Campaign was that, with ACE, there is no need to use other products for maximum whitening performance. In addition, when the respondents were asked if "the Detergent in the Ad (ACE) Leaves Clothes as White or Whiter than If One Uses Bleach," 47% totally agreed and 20% somewhat agreed with that statement. Plainly, the Doorstep Challenge Campaign has been amply shown to be likely to cause consumer deception.

Clorox has also alleged in its complaint that "in its promotional activities and advertisements," Proctor & Gamble "deceiv[ed] and confus[ed] the public, causing consumers to wrongly believe they are buying a detergent that possesses the same qualities and characteristics as a detergent used with CLOROX."

The court was required to credit Clorox's allegations. It could not conduct its own evaluation of the advertising copy because whether advertising is misleading depends on "what message was actually conveyed to the viewing audience." *Smithkline Beecham Corp.,* 960 F.2d at 298. In deciding whether a message is "misleading," the message conveyed is discerned by "public reaction," not by judicial evaluation. That is, absent some other defect in its proof of the elements of a false advertising claim if Clorox's consumer survey data (or Proctor & Gamble's own market research data) shows that the advertisements "deceive[d] a substantial portion of the intended audience," *U.S. Healthcare,* 898 F.2d at 922, Clorox is entitled to relief under the Lanham Act. Hence, the claims asserting misleading advertising were improperly dismissed.

3. *Puffery*

Finally, the statements, "Compare with your detergent ... Whiter is not possible," and "Whiter is not possible," are not non-actionable puffing. " 'Puffing' is exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely...." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 27:38 (4th ed.1997). "A specific and measurable advertisement claim of product superiority ... is not puffery." *Southland Sod Farms,* 108 F.3d at 1145 (claim that turfgrass seed requires "50% less mowing" was not puffery). Whether the "Doorstep Challenge" campaign conveys the message that Ace gets clothes whiter than chlorine bleach, or compares Ace with other detergents without implying that it whitens better than chlorine bleach, the claim is specific and measurable, not the kind of vague or subjective statement that characterizes puffery. Indeed, Proctor & Gamble concedes in its brief that its claim in its modified campaign, "Compare with your detergent ... Whiter is not possible," is not puffery. It contends that it is a true statement supported by its studies comparing Ace con Blanqueador with other detergents.

The original campaign tag line, "Whiter is not possible," is a closer call on the puffing issue. Standing alone, that statement might well constitute an unspecified boast, and hence puffing. In context, however, the statement invites consumers to compare Ace's whitening power against either other detergents acting alone or detergents used with chlorine bleach. Despite this ambiguity, it is a specific, measurable claim, and hence not puffing.

Proctor & Gamble's promotional brochure, on the other hand, contained statements like, "hit the white spot with just one shot," "Dare to pass the test. Wash with Ace and nothing else," "Say goodbye to the complications of cloro and other cleaners," and "Resist the 'bombs.' Put your ACE con Blanqueador to the test." We agree with Proctor & Gamble that each of these statements, viewed in isolation, is precisely the type of vague, unspecified boasting that typifies puffery. Nonetheless, the promotional brochure also states, "Whiter is not possible," the same statement that appears as the tag line on the original Doorstep Challenge television commercials. As in the television commercials, that statement may be literally false. Accordingly, the brochure cannot be dismissed as mere puffery.

Pursuant to § 43(a) of the Lanham Act, Clorox has stated a claim for literal falsity relating to the name of the Ace liquid detergent, "Ace con Blanqueador." Clorox has also stated claims for literal falsity and for misleading advertising with respect to the commercials aired in both the original and modified Doorstep Challenge advertising campaigns, as well as the promotional brochure. The district court erred by dismissing these claims pursuant to Rule 12(b)(6). We must vacate its judgment and remand the Lanham Act claims to the district court for further proceedings consistent with this decision. . . .

Amway problem

Proctor and Gamble (P&G) sells a variety of cleaning products, health and grooming products, and cosmetics. So does its competitor Amway. P&G is organized as a corporation; it manufactures products, then sells them to unaffiliated wholesalers and distributors for ultimate sale to consumers. Amway is a little different; it uses a network of affiliated "distributors"who purchase upstream either from other distributors or from Amway and who then sell downstream to other distributors or to consumers. The distributors do substantial work in training each other and in helping each other market Amway products. Amway provides a communications platform, AmVox, for distributors to communicate the distributors upstream and downstream from them.

One distributor, Randy Haugen, with a downstream network of approximately 100,000 members, sent the following message to them using AmVox:

> I wanna run something by you real quick that I think you will find pretty interesting. Just talking to a guy the other night about this very subject and it just so

happens that a guy brings information in and lays it on my desk this morning, so here it goes.

It says the president of Procter & Gamble appeared on the Phil Donahue Show on March 1, '95. He announced that due to the openness of our society, he was coming out of the closet about his association with the church of satan. He stated that a large portion of the profits from [P & G] products go to support his satanic church. When asked by Donahue if stating this on television would hurt his business, his reply was, "There are not enough Christians in the United States to make a difference." And below it has a list of the [P & G] products which I'll read: [the subject message then lists 43 P & G products].

It says if you are not sure about a product, look for the symbol of the ram's horn that will appear on each product beginning in April. The ram's horn will form the 666 which is known as satan's number. I'll tell you it really makes you count your blessings to have available to all of us a business that allows us to buy all the products that we want from our own shelf and I guess my real question is, if people aren't being loyal to themselves and buying from their own business, then whose business are they supporting and who are they buying from. Love you. Talk to you later. Bye.

You work in the general counsel's office at Proctor and Gamble. What will you do?

Papa John's problem

The following is taken from *Pizza Hut, Inc. v. Papa John's Intern., Inc.*, 227 F. 3d 489 (5th Cir. 2000):

With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

In May 1995, Papa John's adopted a new slogan: "Better Ingredients. Better Pizza." . . . Since 1995, Papa John's has invested over $300 million building customer goodwill in its trademark "Better Ingredients. Better Pizza." The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the "tag line" at the end of Papa John's radio and television ads, or with the company logo in printed advertising.

On May 1, 1997, Pizza Hut launched its "Totally New Pizza" campaign. This campaign was the culmination of "Operation Lightning Bolt," a nine-month, $50 million project in which Pizza Hut declared "war" on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared "war" on "skimpy, low quality pizza." National ads aired during this campaign touted the "better taste" of Pizza Hut's pizza, and "dared" anyone to find a "better pizza."

. . . Papa John's ran a series of ads comparing specific ingredients used in its pizzas with those used by its "competitors." During the course of these ads, Papa John's touted the superiority of its sauce and its dough. During the sauce campaign, Papa John's asserted that its sauce was made from "fresh, vine-ripened tomatoes," which

> were canned through a process called "fresh pack," while its competitors—including Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John's stated that it used "clear filtered water" to make its pizza dough, while the "biggest chain" uses "whatever comes out of the tap." Additionally, Papa John's asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads, Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

You work in the general counsel's office at Papa John's. You have just received a demand letter from your counterpart at Pizza Hut demanding that you cease using the "Better Ingredients. Better Pizza" slogan and immediately stop airing your ingredient-comparison ads. The letter asserts that Pizza Hut's independent taste tests and other "scientific evidence" establish that filtered water makes no difference in pizza dough, that there is no "taste" difference between Papa John's "fresh-pack" sauce and Pizza Hut's "remanufactured" sauce, and that fresh dough is not superior to frozen dough.

How will you respond?

Paint Problem

Lanham Act suits are not the only mechanism for review of advertising claims. The Federal Trade Commission has the authority to bring enforcement actions against "unfair and deceptive acts or practices." Individual consumers who have actually purchased a defective product can bring suit for any resulting physical harms under a theory of products liability; those who have purchased a product that was falsely described in advertising are typically entitled to their usual contract remedies. (Mini-problem: James Frey's book, *A Million Little Pieces*, which was marketed as an autobiography of addition and rehab, sold over five million copies. It emerged that Frey had fabricated much of the book; it was fiction. What recourse, if any, do purchasers of the book have?)

In addition, the National Advertising Division of the Council of Better Business Bureaus offers a voluntary industry self-regulation alternative. Businesses can undergo an arbitration process in which an advertiser and a challenger submit to the NAD their views on whether a given advertisement's claims are supported by the evidence. The process is quick—decisions issue within 60 business days—and less expensive than litigation. The results of the arbitration are non-binding, but compliance tends to be high, because many of the businesses involved are repeat players and appreciate the process overall.

The basic elements of NAD doctrine are the same as in false advertising law more generally. Notably, however, the NAD places an initial burden is on the advertiser to provide a "reasonable basis" for any claims it makes. If it satisfies this burden, the challenger then bears the burden of proving that there is a "material flaw" in the advertiser's evidence or that "more reliable evidence" demonstrates a different result.

Here is an outline of a recent NAD case, No. #5009, *Southern Diversified Products, LLC*. How would you write up the decision, if you were interning at the NAD and were asked to prepare an opinion?

The challenged advertisements are claims on behalf of Mythic Paint. Advertisements online state that:

> Mythic Paint is the only zero-VOC, zero-carcinogenic, premium quality line of latex paints available ... Our paint doesn't contain anything you need to be afraid of. Mythic paint is not required by the government to place this type of warning on their cans [next to an image of a warning label from a competitor's can]

VOC is short for "volatile organic compound"; some chemicals in this category have been linked to health hazards. The advertiser explains that it relies on its suppliers' certifications on their federally-required Materials Safety Data Sheets (MSDS) that their any VOCs or carcinogens in their ingredients are present in concentrations lower than the .1% (for VOCs) or .01% (for carcinogens) required to be reported. The federal Occupational Safety and Health Administration considers concentrations beneath this level to be *de minimis* and not to pose a health risk justifying regulation. The challenging competitor explains that all paints contain some VOCs and carcinogens (possibly beneath the thresholds that federal and state law require to be disclosed) and that Mythic has not conducted any testing of its own, instead relying solely on its suppliers' MSDSes.

Class 18: Distinctiveness

Casebook Readings

Please read pages 19–37 (*Horizon Mills*, *Bristol-Myers*) in the casebook.

Please read the definition of "trademark" in Lanham Act § 45 (15 U.S.C. § 1127).

Drug Stamps Problem

Drug dealers in many cities sell heroin in single-dose bags for about $10. Frequently, the bags are labeled with a "stamp": a phrase, image, or both. Three are illustrated above. Other stamps include EXORCIST, FLATLINE, and GET HIGH OR DIE TRYING (this last one is laced with fentanyl).

Why would drug dealers mark their bags in this way? What functions do the stamps serve? Are these legally enforceable trademarks?

Problem 2-2

Please do Problem 2-2, at page 37 in the casebook.

CLASS 19: SUBJECT MATTER

Casebook Readings

Please read pages 38–55 (*Two Pesos, Samara Bros., Qualitex*) in the casebook. Read *Samara Bros.* and *Qualitex* closely as usual, but feel free to skim *Two Pesos* between the description of the facts on page 38 and the holding in the concluding paragraph on page 42.

Please read Lanham Act § 43(a)(3) (15 U.S.C. § 1125),

Please read Lanham Act § 2(e)(5) (15 U.S.C. § 1052).

Jay Franco Sons, Inc. v. Clemens Franek
No. 09-2155 (7th Cir. Aug. 11, 2010)

EASTERBROOK, Chief Judge.

The same year Huey Lewis and the News informed America that it's "Hip To Be Square", Clemens Franek sought to trademark the circular beach towel. His company, CLM Design, Inc., pitched the towel as a fashion statement—"the most radical beach fashion item since the bikini," declared one advertisement. "Bound to be round! Don't be square!" proclaimed another. CLM also targeted lazy sunbathers: "The round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely reposition yourself."

The product enjoyed some initial success. Buoyed by an investment and promotional help from the actor Woody Harrelson (then a bartender on the TV show Cheers), CLM had sold more than 30,000 round beach towels in 32 states by the end of 1987. To secure its status as the premier circular-towel maker, the company in 1986 applied for a trademark on the towel's round design. The Patent and Trademark Office registered the "configuration of a round beach towel" as trademark No. 1,502,261 in 1988. But this was not enough to save CLM: Six years later it dissolved. The mark was assigned to Franek, who continues to sell circular towels.

In 2006 Franek discovered that Jay Franco Sons, a distributor of bath, bedding, and beach accessories, was selling round beach towels. After settlement negotiations failed, Franek sued two of Jay Franco's customers, Target and Walmart, for unauthorized use of his registered trademark in violation of §32 of the Lanham Act, 15 U.S.C. §1114. Jay Franco had agreed to indemnify and defend its customers in such suits, so it sued Franek to invalidate his mark. ...

One way to void a trademark is to challenge its distinctiveness. A valid trademark identifies the source of the good it marks. Designs do not inherently communicate that information, so to be valid a product-design mark must have acquired a "secondary meaning"—a link in the minds of consumers between the marked item and its source. But this type of invalidation is unavailable to Jay Franco. Franek (and before him CLM) has continuously used the round-towel mark since its 1988 registration. That makes the mark "incontestable," 15 U.S.C. §1065, a status that eliminates the need for a mark's owner in an infringement suit to show that his mark is distinctive. See 15 U.S.C. §1115(b); Park `N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189 (1985).

Unfortunately for Franek, incontestable marks are not invincible. The Lanham Act lists a number of affirmative defenses an alleged infringer can parry with; one is a showing that the mark is "functional." See §1115(b)(8); ...

TrafFix says that a design is functional when it is "essential to the use or purpose of the device or when it affects the cost or quality of the device," 532 U.S. at 33, a definition cribbed from Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 850 n.10 (1982). So if a design enables a product to operate, or improves on a substitute design in some way (such as by making the product cheaper, faster, lighter, or stronger), then the design cannot be trademarked; it is functional because consumers would pay to have it rather than be indifferent toward or pay to avoid it. A qualification is that any pleasure a customer derives from the design's identification of the product's source—the joy of buying a marked good over an identical generic version because the consumer prefers the status conferred by the mark— doesn't count. That broad a theory of functionality would penalize companies for developing brands with cachet to distinguish themselves from competitors, which is the very purpose of trademark law. In short, a design that produces a benefit other than source identification is functional.

Figuring out which designs meet this criterion can be tricky. Utility patents serve as excellent cheat sheets because any design claimed in a patent is supposed to be useful. For this reason, TrafFix held that expired utility patents provide "strong evidence that the features therein claimed are functional." 532 U.S. at 29. The parties in this case wrangle over the relevance of a handful of utility patents that claim circular towels. We need discuss only one (No. 4,794,029), which describes a round beach towel laced with drawstrings that can be pulled to turn the towel into a satchel. This patent's first two claims are:

> 1. A towel-bag construction comprising: a non-rectangular towel;
>
> a casing formed at the perimeter of said towel;
>
> a cord threaded through said casing; and
>
> a section of relatively non-stretchable fabric of a shape geometrically similar to that of said towel attached with its edges equidistant from the edges of said towel.
>
> 2. A towel-bag construction as set forth in claim 1 wherein said towel is circular in shape, whereby a user while sunbathing may reposition his or her body towards the changing angle of the sun while the towel remains stationary.

Claim 2 sounds like Franek's advertisements, which we quoted above. The patent's specification also reiterates, in both the summary and the detailed description, that a circular towel is central to the invention because of its benefit to lazy sunbathers.

Franek argues that claim 2 does not trigger the TrafFix presumption of functionality because his towel does not infringe the '029 patent. He notes that claim 2 incorporates claim 1 (in patent parlance, claim 1 is "independent" and claim 2 "dependent," see 35 U.S.C. §112) with the added condition that the towel be circular. An item can infringe a dependent claim only if it also violates the independent claim incorporated by the dependent claim. Franek reasons that because his towel lacks a perimeter casing, drawstring, and non-stretchable section of fabric, it does not infringe claim 1, and thus cannot infringe claim 2. Even if his towel could infringe claim 2, Franek maintains that the claim is invalid because the towel-to-bag patent was sought in 1987, two years after Franek started selling a round beach towel, and thus too late to claim its invention.

Proving patent infringement can be sufficient to show that a trademarked design is useful, as it means that the infringing design is quite similar to a useful invention. But such proof is unnecessary. Functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent. TrafFix's ruling that an expired patent (which by definition can no longer be infringed) may evince a design's functionality demonstrates that proof of infringement is unnecessary. If an invention is too useless to be patentable, or too dissimilar to a design to shed light on its functions, then the lack of proof of patent infringement is meaningful. Otherwise it is irrelevant. A design may not infringe a patented invention because the invention is obvious or taught by prior art, see 35 U.S.C. §§ 102(a), 103(a), but those and other disqualifiers do not mean that the design is not useful. Just so here: Franek's towel may lack some of the components in claim 1 necessary to infringe claim 2, but claim 2's coverage of a circular beach towel for sunbathing is enough to signal that a round-towel design is useful for sunbathers. ... We must therefore presume that the unique component in claim 2—the round shape of the towel—is useful. ...

To put things another way, a trademark holder cannot block innovation by appropriating designs that undergird further improvements. Patent holders can do this, but a patent's life is short; trademarks can last forever, so granting trademark holders this power could permanently stifle product development. If we found Franek's trademark nonfunctional, then inventors seeking to build an improved round beach towel would be out of luck. They'd have to license Franek's mark or quell their inventiveness. That result does not jibe with the purposes of patent or trademark law.

This "strong evidence" of the round towel's functionality is bolstered by Franek's own advertisements, which highlight two functional aspects of the round beach towel's design. One, also discussed in the '029 patent, is that roundness enables heliotropic sunbathers—tanners who swivel their bodies in unison with the sun's apparent motion in order to maintain an even tan—to remain on their towels as they rotate rather than exert the energy to stand up and reposition their towels every so often, as conventional rectangular towels require.

Franek responds that whatever its shape (golden-ratio rectangle, square, nonagon) any towel can satisfy a heliotropic tanner if it has enough surface area—the issue is size, not shape. That's true, and it is enough to keep the roundness of his towel from being functional under the first prong of TrafFix's definition ("essential to the use or purpose of the device") but not the second. For heliotropic sunbathers, a circle surpasses other shapes because it provides the most rotational space without waste. Any non-circle polygon will either limit full rotations (spinning on a normal beach towel leads to sandy hair and feet) or not use all the surface area (a 6N tall person swiveling on a 6N by 6N square towel won't touch the corners). Compared to other shapes that permit full rotations, the round towel requires less material, which makes it easier to fold and carry. That's evidence that the towel's circularity "affects the . . . quality of the device." (The reduction in needed material also suggests that round towels are cheaper to produce than other-shaped towels, though Franek contends that cutting and hemming expenses make them costlier. We express no view on the matter.)

But let us suppose with Franek—who opposed summary judgment and who is thus entitled to all reasonable inferences—that round towels are not measurably better for spinning with the sun. After all, other shapes (squircles, regular icosagons) are similar enough to circles that any qualitative difference may be lost on tanners. Plus, the ability to rotate 180 degrees may be an undesired luxury. Few lie out from dawn `til dusk (if only to avoid skin cancer) and the daily change in the sun's declination means it will rise due east and set due west just twice a year, during the vernal and autumnal equinoxes. A towel shaped like a curved hour-glass that allows only 150 or 120 degrees of rotation (or even fewer) may be all a heliotropic tanner wants. No matter. Franek's mark still is functional.

Franek's advertisements declare that the round towel is a fashion statement. Fashion is a form of function. A design's aesthetic appeal can be as functional as its tangible characteristics. And many cases say that fashionable designs can be freely copied unless protected by patent law. The chief difficulty is distinguishing between designs that are fashionable enough to be functional and those that are merely pleasing. Only the latter group can be protected, because trademark law would be a cruel joke if it limited companies to tepid or repugnant brands that discourage customers from buying the marked wares. The Supreme Court broached the subject in Qualitex when it discussed the functionality of the green-gold color of a dry cleaning pad. Unwilling to say that the pad required a green-gold hue or was improved by it, the Court still thought that the color would be functional if its exclusive use by a single designer "would put competitors at a significant non-reputation-related disadvantage." 514 U.S. at 165. This is a problem for Franek's round-towel mark.

Franek wants a trademark on the circle. Granting a producer the exclusive use of a basic element of design (shape, material, color, and so forth) impoverishes other designers' palettes. See, e.g., Brunswick Corp. v. British Seagull Ltd., 35 F.3d 1527 (Fed. Cir. 1994) (black color of boat engines is functional because it is compatible with boats of many different colors).Qualitex's determination that "color alone, at least sometimes, can meet the basic legal requirements for use as a trademark" (514 U.S. at 166), means that there is no per se rule against this practice. See also Thomas Betts Corp. v. Panduit Corp., 138 F.3d 277, 299 (7th Cir. 1998). The composition of the relevant market matters. But the more rudimentary and general the element—all six-sided shapes rather than an irregular, perforated hexagon; all labels made from tin rather than a specific tin label; all shades of the color purple rather than a single shade—the more likely it is that restricting its use will significantly impair competition. See, e.g., Keene, 778 F.2d at 343; Lorillard v. Pride, 28 F. 434 (C.C.N.D. Ill. 1886); Saint-Gobain Corp. v. 3M Co., 90 U.S.P.Q. 2d 1425 (T.T.A.B. 2007). Franek's towel is of this ilk. He has trademarked the "configuration of a round beach towel." Every other beach towel manufacturer is barred from using the entire shape as well as any other design similar enough that consumers are likely to confuse it with Franek's circle (most regular polygons, for example).

Contrast Franek's mark with the irregular hexagon at issue in Keene or the green-gold hue in Qualitex. Those marks restrict few design options for competitors. Indeed, they are so distinctive that competitors' only reason to copy them would be to trade on the goodwill of the original designer. Cf. Service Ideas, Inc. v. Traex Corp., 846 F.2d 1118, 1123-24 (7th Cir. 1988) (purposeful copying of a beverage server's arbitrary design indicated a lack of aesthetic functionality). That's not so here. A circle is the kind of basic design that a producer like Jay Franco adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it. There are only so many geometric shapes; few are both attractive and simple enough to fabricate cheaply. Cf. Qualitex, 514 U.S. at 168-69 (functionality doctrine invalidates marks that would create color scarcity in a particular market). And some consumers crave round towels—beachgoers who prefer curved edges to sharp corners, those who don't want to be "square," and those who relish the circle's simplicity. A producer barred from selling such towels loses a profitable portion of the market. The record does not divulge much on these matters, but any holes in the evidence are filled by the TrafFix presumption that Franek's mark is functional, a presumption he has failed to rebut.

Franek chose to pursue a trademark, not a design patent, to protect the stylish circularity of his beach towel. Cf. Kohler Co. v. Moen Inc., 12 F.3d 632, 647 (7th Cir. 1993) (Cudahy, J., dissenting) (calling Franek's mark a "horrible example[]" of a registered trademark that should have been a design patent). He must live with that choice. We cannot permit him to keep the indefinite competitive advantage in producing beach towels this trademark creates.

If Franek is worried that consumers will confuse Jay Franco's round beach towels with his, he can imprint a distinctive verbal or pictorial mark on his towels. That will enable him to reap the benefits of his brand while still permitting healthy competition in the beach towel market.

AFFIRMED.

Sandpaper problem

3M claims trademark rights in a shade of purple for "sandpaper, namely, coated abrasives with either paper or cloth backing." 3M has also been using the slogans "Ask for it by color, not by name" and "If it's Purple, it's from 3M." There is evidence in the record that several other manufacturers use shades of purple for their sandpaper. Does 3M have enforceable rights? If you need further information, what would you want to know?

CLASS 20: REGISTRATION

Casebook Readings

Please read pages 66–87 (*Phillips-Van Heusen, JT Tobacconists, California Innovations*), 122–25. The cases are comparatively unimportant, but the notes in this section raise a large number of important doctrines.

Please read Lanham Act § 2 (15 U.S.C. § 1052) in detail.

Please read the definitions of "service mark," "certification mark" and "collective mark" in Lanham Act § 45 (15 U.S.C. § 45).

Scandalousness Problems

The casebook provides pictures of three marks whose applications for registration were challenge on scandalousness grounds: the defecating dog, the MOONIES mark, and the American-flag condom mark. Should these marks be registrable? Why or why not?

Disparagement Problems

Are the BUDDA BEACHWEAR and REDSKINS marks on page 84 disparaging? Whose views should be determinative on this question? How should those views be ascertained?

Name Mark Problem

Is JAMES GRIMMELMANN registrable? Under what circumstances? What about GRIMMELMANN? FORD? HENRY FORD? ROBIN HOOD?

Misdescriptiveness and Deceptiveness Problems

Please do problems 2-8 and 2-9, at page 71 of the casebook.

Geographical Mark Problems

Please do problems 2-10, 2-11, and 2-12, at page 80 of the casebook.

CLASS 21: PRIORITY

Casebook Readings

Please read pages 95–106 in the casebook (*Healthcare Communications, Peaches Entertainment*) and the notes on pages 95, 99–100, and 110–12.

Please read Lanham Act § 1 (15 U.S.C. § 1051).

Please read the definition of "use in commerce" in Lanham Act § 45 (15 U.S.C. § 1127).

Galt House, Inc. v. Home Supply Co.
483 S.W.2d 107 (Ky. 1972)

Reed, Judge.

The plaintiff, Galt House, Inc., instituted this action to enjoin the defendants, Home Supply Company, and its principal officer and stockholder, Al J. Schneider, from operating a new hotel in Louisville, Kentucky, under the assumed trade name "Galt House." The trial judge refused to enjoin the use of the name at the plaintiff's behest. We affirm that decision for the reasons later discussed. ...

In February 1964, the plaintiff, Galt House, Inc., incorporated under the laws of this state. In its articles of incorporation it adopted as its corporate name the term "Galt House." ... The plaintiff has no assets and no liabilities; neither does it have corporate books or records. Plaintiff's president and sole shareholder is Arch Stallard, Sr., a real estate broker in Louisville, Kentucky, who specializes in hotel and motel real estate. Mr. Stallard has on occasions since the date of the filing of plaintiff's articles of incorporation made a few sporadic inquiries concerning possible locations for a hotel and considered engaging in an enterprise by which a franchise operation would be effected. These few efforts came to naught and Mr. Stallard testified that because of illness and death in his family he had been "laying dormant."

The defendant, Home Supply Company, is a Kentucky corporation organized sometime prior to 1950. The defendant, Al J. Schneider, is its president and controlling shareholder. Home Supply Company is active in the business of constructing and operating hotels in this state. It presently operates a hotel on the Kentucky State Fair Board property under the assumed name "Executive Inn." It is presently engaged in the construction and completion of a high-rise hotel on riverfront-development property belonging to an agency of the City of Louisville.

In April 1969, Home Supply Company, through its president Schneider, submitted to the city agency plans of a hotel bearing the name Galt House. This name had been recommended to Schneider by the then mayor of the City of Louisville, Kenneth Schmied, and the chairman of the Riverfront Development Commission, Archibald Cochran. The trial judge found from the evidence that throughout discussions leading up to the bidding, the new hotel was referred to as the Galt House and has been so referred to since. Home Supply Company was the successful bidder, was awarded the contract, and construction commenced in May 1970. A new hotel, 26 stories in height with 714 rooms, is now nearly completed and has affixed a sign bearing the name "The Galt House." The hotel already has scheduled future conventions and room reservations, although it will not open until after May 1972. In April 1971, Home Supply Company applied for and received from the Secretary of State of Kentucky a registration and service mark of the name "The Galt House."

Plaintiff filed suit in August 1971, seeking to enjoin the defendants from any use of the name Galt House. ... The trial judge concluded in substance that the plaintiff did not by mere incorporation acquire property rights in the name "Galt House" and that the plaintiff had not performed sufficient acts since incorporation to acquire property rights in and to that name. Accordingly, the trial judge reasoned that the plaintiff was not entitled to injunctive relief against the defendants' use of the contested name. Plaintiff then appealed to this court ...

During the Nineteenth Century the Galt House Hotel was a famous hostelry in Louisville with an excellent and widely recognized reputation. In 1838 the barroom at the Galt House was the scene of a killing as a result of which an attorney and judge and his two companions were indicted for murder. They were tried and acquitted. ... The trial itself is famous in the annals of Kentucky history.

In 1842 Charles Dickens toured America. In his account in "American Notes," he was characteristically uncomplimentary in his description of Louisville; he was impressed, however, with the Galt House. He wrote: "We slept at the Galt House; a splendid hotel; and were as handsomely lodged as though we had been in Paris, rather than hundreds of miles beyond the Alleghanies (sic)." In 1858 Charles Mackay, an English writer, passed through Louisville. In his account in "Life and Liberty in America" he remarked: ". . . we crossed in the steamer to Louisville, and once more found ourselves in a land of plenty and comfort, in a flourishing city, in an excellent hotel — the Galt House, one of the best conducted establishments in America; . . . ."

The Galt House, located on Main Street at Second Street, occupied separate buildings during its existence as a hotel. The second Galt House was destroyed by fire in January 1865 at a reported loss of $1,000,000. The third Galt House, a magnificent structure in its day, was abandoned as a hotel and ceased operations in 1920. Belknap Hardware Company thereafter occupied the site of the last Galt House.

Thus, it would appear that since 1920 there has been no use of the name Galt House in connection with or to describe a hotel. The name doubtless strikes interest when used in the presence of history buffs and among those familiar with the folklore of Louisville. Among such cognoscenti the name encourages remembrance of things past.

As found by the circuit judge, the corporation which operated the last Galt House was formed in 1911 and its formal corporate existence expired in 1961. From 1920 to 1961, however, it did not engage in the hotel business. Therefore, the name Galt House had not been used in connection with a going business for 49 years when defendants undertook to use it as the name of their new hotel in 1969.

The primary argument asserted by the plaintiff actually rests upon a premise that by mere incorporation under a corporate name it retains the right to exclude others from the use of that name so long as the corporation legally exists. ...

Surely the plaintiff acquires no standing to enjoin under the accepted principles of the law of unfair competition. Under the modern extended scope of the doctrine of unfair competition, its present outer limits afford protection and relief against the unjust appropriation of, or injury to, the good will or business reputation of another, even though he is not a competitor. Plaintiff is concededly a nonuser of the contested name. Plaintiff has no customers, conducts no real or substantial business and has never held its name out to the public in connection with any going business. Therefore, by its inaction, it could not have established either a good will or reputation which the defendants could be legitimately accused of pirating as a competitor or otherwise. Therefore, if plaintiff has standing to enjoin, its status must rest upon the acquisition of a protectable right by its act of incorporation under the contested name. ...

In Duff v. Kansas City Star Company, 299 F.2d 320, (C.A.8 1962), the court held that there is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade with which the mark is employed. This principle was applied to the trade name of a newspaper which had not been published for eight years. The court decided that since there was no established business (good will) to which the contested name attached, the plaintiff had no right to prevent another from using the name in an active, going business. The court pointed out that the contested name was not in and of itself a valid, copyrightable name. It was no more than the common name of a once-published newspaper.

In American Photographic Pub. Co. v. Ziff-Davis Pub. Co., 127 F.2d 308, 29 C.C.P.A. 1014 (1942), it was held that where the plaintiff for over twenty years had failed to make use of the trade name "Popular Photography" for a separate magazine but had merely used the term on the masthead of another magazine called "American Photography," no good will could have attached and the plaintiff had no standing to prevent a subsequent user from calling its magazine "Popular Photography."

We are also unable to find that plaintiff has any standing to enjoin under the theory that it was placed on the same footing with the former Galt House Corporation whose existence expired by operation of law in 1961. There was no transfer of the name from the expiring Galt House Corporation to plaintiff. The former Galt House Corporation at the end of its corporate term of existence as fixed by its articles terminated its right to do business in 1961. It had not engaged in the hotel business under its corporate name since 1920. The former Corporation was incapable of possessing a business with a good will or a corporate trade name. The name did not survive, for there was nothing to which it could be attached. ...

Fletcher Cyc. Corp. (1968 Perm.Ed.), Sec. 2425, page 54 states: "Mere incorporation under a particular name does not create the right to have such name protected against use by another, ..." The elements of unfair competition are absent because there can be no public confusion between existing businesses nor is there any infringement upon the good will and reputation of a going business. ...

We must only determine whether the plaintiff has the right to prohibit the defendants from using the name. We agree with the trial judge that the plaintiff has no standing to enjoin the use of the name by the defendants under the facts of this case.

King-Seeley Thermos Co. v. Aladdin Industries, Inc.
321 F.2d 577 (2nd Cir. 1963)

LEONARD P. MOORE, Circuit Judge.

This action by brought by appellant King-Seeley Thermos Co. (King-Seeley) to enjoin the defendant, Aladdin Industries, Incorporated from threatened infringement of eight trademark registrations for the word "Thermos" owned by appellant. Defendant answered, acknowledging its intention to sell its vacuum-insulated containers as "thermos bottles", asserted that the term "thermos" or "thermos bottle" is a generic term in the English language, asked that plaintiff's registrations of its trademark "Thermos" be cancelled and that it be adjudicated that plaintiff have no trademark rights in the word "thermos" on its vacuum bottles. The trial court held that plaintiff's registrations were valid but that the word "thermos" had become "a generic descriptive word in the English language *** * *** as a synonym for `vacuum insulated' container."

The facts are set out at great length in the comprehensive and well-reasoned opinion of the district court and will not be detailed here. In that opinion, the court reviewed King-Seeley's corporate history and its use of the trademark "Thermos". He found that from 1907 to 1923, King-Seeley undertook advertising and educational campaigns that tended to make "thermos" a generic term descriptive of the product rather than of its origin. This consequence flowed from the corporation's attempt to popularize "Thermos bottle" as the name of that product without including any of the generic terms then used, such as "Thermos vacuum-insulated bottle". The court found that by 1923 the word "thermos" had acquired firm roots as a descriptive or generic word.

At about 1923, because of the suggestion in an opinion of a district court that "Thermos" might be a descriptive word, King-Seeley adopted the use of the word "vacuum" or "vacuum bottle" with the word "Thermos". Although "Thermos" was generally recognized in the trade as a trademark, the corporation did police the trade and notified those using "thermos" in a descriptive sense that it was a trademark. It failed, however, to take affirmative action to seek out generic uses by non-trade publications and protested only those which happened to come to its attention. Between 1923 and the early 1950's the generic use of "thermos" had grown to a marked extent in non-trade publications and by the end of this period there was wide-spread use by the unorganized public of "thermos" as a synonym for "vacuum insulated." The court concluded that King-Seeley had failed to use due diligence to rescue "Thermos" from becoming a descriptive or generic term.

Between 1954 and 1957, plaintiff showed awareness of the widespread generic use of "thermos" and of the need to educate the public to the word's trademark significance. It diversified its products to include those not directly related to containers designed to keep their contents hot or cold. It changed its name from the American Thermos Bottle Company to The American Thermos Products Company and intensified its policing activities of trade and non-trade publications. The court found, however, that the generic use of "thermos" had become so firmly impressed as a part of the everyday language of the American public that plaintiff's extraordinary efforts commencing in the mid-1950's came too late to keep "thermos" from falling into the public domain. The court also held that appellant's trademarks are valid and because there is an appreciable, though minority, segment of the consumer public which knows and recognizes plaintiff's trademarks, it imposed certain restrictions and limitations on the use of the word "thermos" by defendant.

We affirm the district court's decision that the major significance of the word "thermos" is generic. No useful purpose would be served by repeating here what is fully documented in the opinion of the court below.

Appellant's primary protest on appeal is directed at the district court's finding that "The word `thermos' became a part of the public domain because of the plaintiff's wide dissemination of the word `thermos' used as a synonym for `vacuum-insulated' and as an adjectival-noun, `thermos', through its educational and advertising campaigns and because of the plaintiff's lack of reasonable diligence in asserting and protecting its trademark rights in the word `Thermos' among the members of the unorganized public, exclusive of those in the trade, from 1907 to the date of this action."

We are not convinced that the trademark's loss of distinctiveness was the result of some failure on plaintiff's part. Substantial efforts to preserve the trademark significance of the word were made by plaintiff, especially with respect to members of the trade. However, there was little they could do to prevent the public from using "thermos" in a generic rather than a trademark sense. And whether the appropriation by the public was due to highly successful educational and advertising campaigns or to lack of diligence in policing or not is of no consequence; the fact is that the word "thermos" had entered the public domain beyond recall. Even as early as 1910 plaintiff itself asserted that "Thermos had become a household word."

Judge Anderson found that although a substantial majority of the public knows and uses the word "thermos", only a small minority of the public knows that this word has trademark significance. He wrote:

> "The results of the survey [conducted at the behest of the defendant] were that about 75% of adults in the United States who were familiar with containers that keep the contents hot or cold, call such a container a `thermos'; about 12% of the adult American public know that `thermos' has a trade-mark significance, and about 11% use the term `vacuum bottle'. This is generally corroborative of the court's conclusions drawn from the other evidence, except that such other evidence indicated that a somewhat larger minority than 12% was aware of the trade-mark meaning of

`thermos'; and a somewhat larger minority than 11% used the descriptive term `vacuum' bottle or other container."

The record amply supports these findings.

Appellant argues that the court below misapplied the doctrine of the Aspirin and Cellophane cases. Its primary contention is that in those cases, there was no generic name, such as vacuum bottle, that was suitable for use by the general public. As a result, to protect the use of the only word that identified the product in the mind of the public would give the owners of the trademark an unfair competitive advantage. The rule of those cases, however, does not rest on this factor. Judge Learned Hand stated the sole issue in Aspirin to be: "What do the buyers understand by the word for whose use the parties are contending? If they understand by it only the kind of goods sold, then, I take it, it makes no difference whatever what efforts the plaintiff has made to get them to understand more." Of course, it is obvious that the fact that there was no suitable descriptive word for either aspirin or cellophane made it difficult, if not impossible, for the original manufacturers to prevent their trademark from becoming generic. But the test is not what is available as an alternative to the public, but what the public's understanding is of the word that it uses. What has happened here is that the public had become accustomed to calling vacuum bottles by the word "thermos". If a buyer walked into a retail store asking for a thermos bottle, meaning any vacuum bottle and not specifically plaintiff's product, the fact that the appellation "vacuum bottle" was available to him is of no significance. The two terms had become synonymous; in fact, defendant's survey showed that the public was far more inclined to use the word "thermos" to describe a container that keeps its contents hot or cold than the phrase "vacuum bottle". ...

No doubt, the Aspirin and Cellophane doctrine can be a harsh one for it places a penalty on the manufacturer who has made skillful use of advertising and has popularized his product. However, King-Seeley has enjoyed a commercial monopoly of the word "thermos" for over fifty years. During that period, despite its efforts to protect the trademark, the public has virtually expropriated it as its own. The word having become part of the public domain, it would be unfair to unduly restrict the right of a competitor of King-Seeley to use the word.

Problems 2-13 and 2-15

Please do problem 2-13, at page 106, and problem 2-15, at pages 112–13.

McJobs Problem

Douglas Coupland's 1991 novel *Generation X* several times uses the term "McJob" to refer to low-paying dead-end jobs. The Oxford English Dictionary, which has traced usage of the word in this sense as far back as 1986, now has an entry defining it as "An unstimulating, low-paid job with few prospects, esp. one created by the expansion of the service sector."

The McDonald's Corporation holds registrations on MCDONALDS, MCCAFE, MCGRIDDLES, MCDEALS, MCNUGGET, and many other food service related marks. It also holds a registration, for which it filed in 1984, on MCJOBS for the class of services "Training handicapped persons as restaurant employees," and claims a first use in commerce of 1982. The McDonald's Corporation has sent a cease-and-desist letter to the *OED*, demanding that its entry for "McJob" be removed. You are practicing trademark law (but have never had either McDonald's or the *OED* as a client) and a reporter has asked you to comment on the story. What will you say?

CLASS 22: INFRINGEMENT I

Casebook Readings

Please read pages 127–42 (*Lever Bros*) in the casebook.

Please read Lanham Act § 32(1) (15 U.S.C. § 1114).

Wine Problem

Here are the facts as stated in *Banfi Products Corp. v. Kendall-Jackson Winery Ltd.*, 74 F Supp. 2d 188 (E.D.N.Y. 1999). Assuming a bench trial, how should the court rule on the multi-factor test for trademark infringement?

A. Parties

Plaintiff Banfi Products Corporation ("Banfi") is a New York corporation whose principal place of business is in the Village of Old Brookville, Nassau County, New York. (Tr. 31:17.)[2] At present, Banfi is the largest importer of Italian wines in the United States, importing as much as sixty to seventy percent of all Italian wines coming into this country. (Tr. 668:16-22.) Banfialso imports wines produced by its affiliated companies in Montalcino and Strevi, Italy. (Tr. 33:20-25.) Domestically, Banfi produces a chardonnay wine in Old Brookville, New York, distributed primarily on Long Island and in Manhattan. (Tr. 68:25-70:5.)

Defendant Kendall-Jackson Winery, Ltd. ("Kendall-Jackson") is a California corporation with its principal place of business in Santa Rosa, California. (Joint Pre-Trial Order, Schedule M, Stipulated Fact No. 2.) In 1994, Kendall-Jackson purchased the Robert Pepi Winery, located in Napa Valley, California. (Joint Pre-Trial Order, Schedule M, Stipulated Fact No. 6.)

B. COL-DI-SASSO

Banfi imports and sells COL-DI-SASSO, which is produced by an affiliate of Banfi in the Tuscan region of Italy. (Tr. 667:22-668:6.) Dr. Ezio Rivella, Banfi's general manager of Italian operations, conceived of the name COL-DI-SASSO in Montalcino, Italy in 1989 or 1990. (Tr. 34:4-35:21.) COL-DI-SASSO is an Italian term meaning "hill of stone." (Joint Pre-Trial Order, Schedule M, Stipulated Fact No. 9.) It was named for a particular rock known as "sasso," prevalent in the region of Tuscany. (Tr. 675:8-13.)

Originally, COL-DI-SASSO was introduced as a Cabernet Sauvignon wine. (Joint Pre-Trial Order, Schedule M, Stipulated Fact No. 14.) Soon thereafter, however, Banfi changed COL-DI-SASSO to a 50-50 blend of Sangiovese and Cabernet. (Tr. 163:1-4.) Banfi began selling this new blend in early 1993. (Tr. 163:16-22.)

COL-DI-SASSO's trade dress is very distinctive. Its front label includes an orange-yellow depiction of a landscape, surrounded by a green-black marbleized background. (Pl.'s Ex. 117.) The name COL-DI-SASSO is featured prominently on the front label, as are the words "Sangiovese" and "Cabernet." (Pl.'s Ex.117). The back label includes the following legends: (1) "Red Table Wine of Tuscany;"(2) "Banfi S.R.L.;" (3) "50% Sangiovese — 50% Cabernet

Sauvignon;" (4) "Banfi Vinters;" and (5) "Produce of Italy." (Pl.'s Ex. 117.) Additionally, the word "Banfi" appears in black script on the cork used in bottles of COL-DI-SASSO. (Tr. 441:12-13.)

In 1991, Banfi introduced COL-DI-SASSO to the Italian market, and sold substantial quantities from that point forward throughout Europe. (Tr. 35:24-36:3.) Banfi sent its first shipment of COL-DI-SASSO, consisting of two bottles, to the United States in late 1991. (Tr. 38:18-22.) Yet commercial distribution and sales of COL-DI-SASSO in the U.S. did not commence until the Spring of 1992. (Tr. 38:23-25.) On or about December 29, 1992, the United States Patent and Trademark Office ("PTO") issued Banfi federal trademark registration No. 1,743,450 for COL-DI-SASSO. (Pl.'s Ex. 53.)

By late 1993, Banfi began to experience a sharp increase in U.S. sales of COL-DI-SASSO. To date, over 27,000 cases of COL-DI-SASSO have been sold in the United States. (Pl.'s Ex. 115). In 1998, Banfi's total U.S. sales in dollars of COL-DI-SASSO exceeded $1.3 million. (Pl.'s Ex. 112.)

COL-DI-SASSO's success is attributable, in part, to the fact that Banfi expends vast sums of money each year on advertising and promotions for COL-DI-SASSO, to wit, $190,000 in 1998, $160,000 in 1997, $140,000 in 1996, and $113,000 in 1995. (Tr. 45:6-10.) In promoting COL-DI-SASSO, Banfi uses point-of-sale materials such as displays, brochures, table tents, which are pieces of cardboard placed on restaurant tabletops featuring images of a designated wine bottle, and bottle collars placed over the necks of COL-DI-SASSO bottles. (Tr. 44:19-45:1, 49:9-18.)

Banfi sells COL-DI-SASSO to wine and spirit distributors throughout the United States, who in turn distribute the wine to restaurants and retail establishments. (Tr. 43:23-44:10.) Banfimarkets COL-DI-SASSO as an affordable, everyday Italian red wine. (Tr. 52:17-23.) Accordingly, Banfi encourages its distributors to place the wine in discount liquor stores, supermarkets, and mid-range Italian restaurants such as the Olive Garden and Macaroni Grill. (Tr. 51:8-11, 53:15-54:3.) COL-DI-SASSO sells for between $8 and $10 per bottle in stores (Tr. 39:2-3), and for anywhere from $16 to $23 per bottle in restaurants. (Tr. 56:5-6.) Restaurants also feature COL-DI-SASSO by the glass as a promotional tool. (Tr. 56:7-15.)

Since its introduction, COL-DI-SASSO has received generally favorable reviews from the media. In May 1994, the Houston Chronicle praised Banfi's 1991 vintage of COL-DI-SASSO, giving the wine "4 stars — a Cabernet-sauvignon-sangiovese blend, is molto buono, capisce?" (Pl.'s Ex. 68 at 57.) In 1995, the Providence Journal-Bulletin described the flavor of Banfi's1992 vintage of COL-DI-SASSO as "rustic and nicely Tuscan." (Pl.'s Ex. at 45.) The following year, the Washington Post opined that the 1994 vintage of COL-DI-SASSO is a "versatile, affordable, everyday wine that will complement burgers, poultry, and ... red meat" with its "bright, forward, quaffable style." (Pl.'s Ex. 37.) Finally, in 1997, the Port St. Lucie Newsrecognized the 1995 COL-DI-SASSO as its pick of the week, describing the wine as "dark in color and import, smooth and spicy, full-bodied and fairly silky and deeply imbued with peppery raspberry and blackberry flavors." (Pl.'s Ex. 58.)

C. ROBERT PEPI COLLINE DI SASSI

The other wine at issue in this case is ROBERT PEPI COLLINE DI SASSI, produced by the Robert Pepi Winery in Napa Valley, California. In July 1994, defendant Kendall-Jackson Winery ("Kendall-Jackson") purchased the Pepi winery and has continued to produce COLLINE

DI SASSI ever since. In late 1989 or early 1990, Robert A. Pepi and his son Robert L. Pepi, founders of the Pepi winery, arrived at the name ROBERT PEPI COLLINE DI SASSI while eating dinner together. (Tr. 243:20-245:10.) Directly translated, ROBERT PEPI COLLINE DI SASSI means "Robert Pepi little hills of stone." (Tr. 261:4-6.) The "Colline" element of ROBERT PEPI COLLINE DI SASSI is a three-syllable word pronounced "Col-ee-ne." (Tr. 260:17-261:3, 302:8-11, 358:10-12.) Although ROBERT PEPI COLLINE DI SASSI is labeled solely as a Sangiovese varietal, it contains a small amount (typically 15%) of cabernet. (Tr. 370:1-2, 357:5-15.)

Since the introduction of ROBERT PEPI COLLINE DI SASSI, its trade dress has gone though several changes. Up through the 1993 vintage, the front label on bottles of ROBERT PEPI COLLINE DI SASSI was long and narrow with a jagged top edge. (Pl.'s Ex. 114.) The Words "Robert Pepi," "Colline Di Sassi," and "Napa Valley" all appeared on the front label in gold block lettering superimposed on a mauve background. (Pl.'s Ex. 114.) Beginning with the 1994 vintage, the front label again was long and narrow, but was brown-black in hue with a jagged edge along the right side. (Pl.'s Ex. 19.) The front label still contained the legends "Robert Pepi," "Colline Di Sassi," and "Napa Valley" in gold block lettering. (Pl.'s Ex. 19.)

The current trade dress of ROBERT PEPI COLLINE DI SASSI consists of a rectangular wrap-around front label. The label is orange and cream, bearing the legend "Robert Pepi" in black script in the top left corner. (Pl.'s Ex. 113.) The words "Colline Di Sassi" and "Napa Valley Sangiovese" are centered on the front label in black print. (Pl.'s Ex. 113.) The back label reiterates that the wine is produced and bottled in Napa Valley California. (Pl.'s Ex.113).

In September 1990, ROBERT PEPI COLLINE DI SASSI labels were approved by the Bureau of Alcohol, Tobacco and Firearms ("BATF"). (Pl.'s Ex. 1.) Of considerable significance, the label approval application listed "ROBERT PEPI" as the "brand name" and "COLLINI (sic) DI SASSI" as the so-called "fanciful name." (Pl.'s Ex. 1.) Thereafter, in October 1990, Pepi began to distribute the 1988 vintage of ROBERT PEPI COLLINE DI SASSI throughout the United States. (Tr. 246:2-8.)

Since then, distribution of ROBERT PEPI COLLINE DI SASSI has been relatively limited. Annual case sales of defendant's wine have ranged from 133 cases in 1990, to 462 in 1991, 689 in 1992, 301 in 1993, 170 in 1994, 996 in 1995, 903 in 1996, 37 in 1997, and 1345 in 1998. (Pl.'s Ex. 139.) Pepi did not produce a 1994 vintage of ROBERT PEPI COLLINE DI SASSI due to concerns over quality. (Tr. 286:23-287:4.) Moreover, from 1990 through 1998, advertising expenditures for ROBERT PEPI COLLINE DI SASSI, both by Pepi and Kendall-Jackson, have been minimal. (Tr. 263:18-25.)

Kendall-Jackson distributes ROBERT PEPI COLLINE DI SASSI to independent distributors, who in turn sell the wine to restaurants and retail stores. (Tr. 545:20-24.) ROBERT PEPI COLLINE DI SASSI has been marketed as an highend, limited production wine. (Tr. 252:6-19.) In fact, after its purchase of the Pepi winery in 1994, Kendall-Jackson included ROBERT PEPI COLLINE DI SASSI as part of its "Artisans & Estates" stable of high-end, specialty wines. (Tr. 580:3-10.) Accordingly, both Pepi and Kendall-Jackson have tried to place ROBERT PEPI COLLINE DI SASSI in better or high-priced restaurants and wine shops, as opposed to chain restaurants and discount stores. (Tr. 252:6-19, 263:2-12.) ROBERT PEPI COLLINE DI SASSI sells for $20 to $25 per bottle in stores (Tr. 252:11-12, 582:23-583:1), and from \$35 to \$45 or more in restaurants. (Pl.'s Ex. 3, 70.) Due to its high cost, ROBERT PEPI COLLINE DI SASSI generally is not sold by the glass in restaurants. (Tr. 442:14-18.)

While arguably not directly relevant to the question of likelihood of confusion, it should be noted that the cuttings used by Pepi to produce ROBERT PEPI COLLINE DI SASSI in California were brought into the United States illegally. (Tr. 264:1-11.) Robert L. Pepi, the former head of the Pepi winery, allegedly "grafted the vines to Sangiovese" in 1985, and harvested the first crop of grapes in 1988. (Tr. 243:9-14.) In reality, however, the vine cuttings of Sangiovese, later used in producing ROBERT PEPI COLLINE DI SASSI, were knowingly smuggled into this country illegally in wooden barrels to avoid quarantine. (Tr. 265:1-10.) These facts also may be of some relevance to Pepi's BATF application, which lists "Robert Pepi" as the brand name and "Colline di Sassi" as the "fanciful name." See infra note 3.

D. Nature of Dispute

This dispute arose in 1994 when John Mariani, Banfi's Chairman Emeritus, saw a reference to the Pepi wine in an article published in USA Today. (Pl.'s Ex. 30.) The article, entitled "California vineyards take on an Italian accent," listed "ROBERT PEPI COLLINO (sic) DI SASSI" as one of several California wines using such Italian grape varietals as Sangiovese. (Pl.'s Ex. 30.) It should be noted that up until the date of the USA Today article, John Mariani had never heard of the mark ROBERT PEPI COLLINE DI SASSI. (Tr. 683:21-24) John Mariani faxed the article to several officers of Banfi with the following handwritten direction: "[s]top Robert Pepi from using `COLLINO' (sic) DI SASSI." Ask JM. It is a region not in USA. Recall `Walnut Creek' (Pl.'s Ex. 30) (emphasis added). Mr. Mariani objected to Pepi's use of the name "COLLINE DI SASSI" because, in his view, it was inappropriate for a California wine to be using a name that implied a connection with the Grande Sasso, a rock located in Italy's Appenine Mountains. (Tr. 674:14-676:13.)[3]

A copy of Mariani's facsimile was presented to Philip Calderone, Banfi's Vice President and General Counsel who, like Mariani, had not heard of ROBERT PEPI COLLINE DI SASSI until that point. (Tr. 215:2-6.) In response, Calderone, without further discussing the matter withBanfi's owners, wrote a letter to Pepi on March 9, 1994, demanding that Pepi cease marketing ROBERT PEPI COLLINE DI SASSI because of the risk of consumer confusion. (Tr. 215:15-17.) The letter read as follows:

> Dear Mr. Pepi:
>
> It has come to the attention of Banfi Vinters that your winery is marketing a California red wine named "Colline di Sassi." Being the U.S. trademark holder of the brand name "Col di Sasso" (sic) used for a tuscan red wine, Banfi feels there is a confusing similarity between the two brand names.
>
> I respectfully request that you choose another name for the referenced product, achieving a phase-out and cease and desist status on the "Colline di Sassi" name which conflicts with our trademark. A copy of our U.S. trademark is enclosed for your information, and I look forward to a written reply.
>
> Very truly yours, BANFI VINTERS /s/ Philip D. Calderone Vice President, Associate General Counsel

(Pl.'s Ex. 29.)

Pepi's reply letter, dated March 17, 1994, informed Banfi that its rights in the mark were superior to Banfi's because Pepi obtained BATF approval for the mark in 1990, whereas Banfidid not obtain federal trademark registration of its mark until 1992. (Pl.'s Ex. 116.) Pepi further agreed that there is, in fact, "a confusing similarity in the two brand names" and therefore requested that Banfi cease using the COL-DI-SASSO mark and withdraw its trademark registration. (Pl.'s Ex. 116.) Pepi attached various documents to its March 17th letter, including sales figures for ROBERT PEPI COLLINE DI SASSI as well as the wine's BATF label approval. (Tr. 221:13-20.)

After conducting an investigation during which it reviewed sales figures, bills of lading, and trade articles relating to the two wines, Banfi concluded that there was no likelihood of confusion between COL-DI-SASSO and ROBERT PEPI COLLINE DI SASSI, and accordingly declined to cease using the COL-DI-SASSO mark. (Tr. 222:21-223:5.) To further ensure that there would be no confusion, however, Banfi added the word "Banfi" in gold script along the side of COL-DI-SASSO's front label. (Compare Pl.'s Ex. 117 with Pl.'s Ex. 21.) In July 1994, defendant Kendall-Jackson purchased Pepi and continued to demand that Banfi cease using the COL-DI-SASSO mark.

In order to resolve this dispute once and for all, Banfi commenced the instant action pursuant to the Lanham Act, 15 U.S.C. § 1051, et seq., seeking a judgment declaring that its use of the COL-DI-SASSO mark does not infringe Kendall-Jackson's use of ROBERT PEPI COLLINE DI SASSI, i.e., that there is no likelihood of confusion. In response, Kendall-Jackson asserted several counterclaims, arguing that it has priority, the marks are confusing, and therefore Banfishould be enjoined from using the COL-DI-SASSO mark.

E. Facts Relevant to Polaroid Analysis to Determine Likelihood of Confusion

Before this dispute developed, COL-DI-SASSO and ROBERT PEPI COLLINE DI SASSI co-existed for approximately four years without any evidence of actual confusion. (Tr. 498:15-21, 554:25-555:3.) No one associated with Banfi had ever heard of ROBERT PEPI COLLINE DI SASSI, nor had Pepi or Kendall-Jackson heard of COL-DI-SASSO. (Id.) Similarly, there is no evidence that any consumer, distributor, retailer, or critic confused the two wines at issue in this case, as neither Banfi nor Kendall-Jackson ever received misdirected mail or telephone calls. (Tr. 77:2-4, 551:23-552:4, 498:24-499:7.) Furthermore, to date, neither party has conducted a market study to determine whether there is, in fact, a likelihood of confusion. (Tr. 555:4-556:22.) Accordingly, during oral argument on Banfi's Motion for Partial Summary Judgment on September 4, 1998, parties stipulated that there is no actual confusion between the two wines.

Moreover, it should be noted that there is widespread third-party use of names similar to COL-DI-SASSO and ROBERT PEPI COLLINE DI SASSI in the wine industry, including, inter alia,CA `DEL SOLO, COLLI SENESI, COL D'ORCIA, COLLE MANORA, COLLE SOLATO, COLLI FIORENTINI, COLLINA RIONDA DI SERRALUNGA, COLLINE DI AMA, and COLLINE NOVARESI BIANCO. (Pl.'s Ex. 107B-J.)

In terms of the wine industry as a whole, it is well settled that retail wine stores typically segregate wine according to geographic origin, i.e., California, Italy, and Chile. (Tr. 166:11-13.) Similarly, restaurant wine lists either separate wines from different countries, or at a minimum include some indication of each wine's geographic origin, along with the vinter's name and the year and price of the wine. (Tr. 493:6-15.) In addition, while serving bottles of wine, waiters almost uniformly present the bottle so that the customer can examine the label and smell the cork, which, in the case of COL-DI-SASSO is imprinted with the word “Banfi.” (Tr. 438:24-25, 439:25-440:3.)

Lastly, with respect to the sophistication of wine consumers, studies, like the one published byThe U.S. Wine Market Impact Databank Review and Forecast, have indicated that wine drinkers tend to be older, wealthier, and better educated than the average population. (Pl.’s Ex. 88.) Specifically, wine consumers “60 and over account for some 28% of all wine volume, while those between 50 and 59 consumer another 22 percent.” (Pl.’s Ex. 88 at 311.) In addition, “[t]he wine consumer is generally an affluent one — more than forty-one percent have incomes of at least $60,000.” (Id. at 312.) Finally, survey results indicate that “[a]t least half of the drinkers for all the wine types (with the exception of Sangria) have some college education ....” (Id. at 313.)

Sleekcraft Problem

Following are the facts as stated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Assuming a jury verdict in favor of the plaintiff on a claim of trademark infringement at trial, how should the court rule on the defendant’s motion for judgment notwithstanding the verdict?

> AMF and appellee Nescher both manufacture recreational boats. AMF uses the mark Slickcraft, and Nescher uses Sleekcraft. ...

AMF's predecessor used the name Slickcraft Boat Company from 1954 to 1969 when it became a division of AMF. The mark Slickcraft was federally registered on April 1, 1969, and has been continuously used since then as a trademark for this line of recreational boats.

Slickcraft boats are distributed and advertised nationally. AMF has authorized over one hundred retail outlets to sell the Slickcraft line. For the years 1966-1974, promotional expenditures for the Slickcraft line averaged approximately $ 200,000 annually. Gross sales for the same period approached $ 50,000,000.

After several years in the boat-building business, appellee Nescher organized a sole proprietorship, Nescher Boats, in 1962. This venture failed in 1967. In late 1968 Nescher began anew and adopted the name Sleekcraft. Since then Sleekcraft has been the Nescher trademark. The name Sleekcraft was selected without knowledge of appellant's use. After AMF notified him of the alleged trademark infringement, Nescher adopted a distinctive logo and added the identifying phrase "Boats by Nescher" on plaques affixed to the boat and in much of its advertising. The Sleekcraft mark still appears alone on some of appellee's stationery, signs, trucks, and advertisements.

The Sleekcraft venture succeeded. Expenditures for promotion increased from $ 6,800 in 1970 to $ 126,000 in 1974. Gross sales rose from $ 331,000 in 1970 to over $ 6,000,000 in 1975. Like AMF, Nescher sells his boats through authorized local dealers.

Slickcraft boats are advertised primarily in magazines of general circulation. Nescher advertises primarily in publications for boat racing enthusiasts. Both parties exhibit their product line at boat shows, sometimes the same show. ...

Casebook Readings

Please read pages 159–72 in the casebook (*General Motors*, *Netscape*), and the notes at pages 188–91.

Please read Lanham Act § 43(c) (15 U.S.C. § 1125).

Boston Professional Hockey Ass'n v. Dallas Cap Emblem Mfg.
510 F.2d 1004 (5th Cir. 1975)

RONEY, Circuit Judge:

Nearly everyone is familiar with the artistic symbols which designate the individual teams in various professional sports. The question in this case of first impression is whether the unauthorized, intentional duplication of a professional hockey team's symbol on an embroidered emblem, to be sold to the public as a patch for attachment to clothing, violates any legal right of the team to the exclusive use of that symbol. Contrary to the decision of the district court, we hold that the team has an interest in its own individualized symbol entitled to legal protection against such unauthorized duplication.

The National Hockey League (NHL) and thirteen of its member hockey teams [1] brought this action to enjoin Dallas Cap Emblem Manufacturing, Inc., from manufacturing and selling embroidered emblems depicting their trademarks. All plaintiffs assert a cause of action for common law unfair competition. The NHL and twelve of the plaintiff teams have secured federal registration of their team symbols as service marks for ice hockey entertainment services and seek relief . . . .

The Facts

The controlling facts of the case at bar are relatively uncomplicated and uncontested. Plaintiffs play ice hockey professionally. In producing and promoting the sport of ice hockey, plaintiffs have each adopted and widely publicized individual team symbols. During the 1971-72 season, more than eight million fans attended NHL games where they saw the team marks displayed on the jerseyfronts of the players and throughout the game programs. For each game on national television, between ten and twenty million hockey enthusiasts saw plaintiffs' marks. Other fans observed the team marks during more than 300 locally televised games a season and on a weekly television series entitled "National Hockey League Action" which is syndicated in over 100 markets. These figures do not include the millions who were exposed to plaintiffs' marks through sporting news coverage in newspapers, magazinesand on television.

Plaintiffs have authorized National Hockey League Services, Inc. (NHLS) to act as their exclusive licensing agent. NHLS has licensed various manufacturers to use the team symbols on merchandise and has granted to one manufacturer, Lion Brothers Company, Inc., the exclusive license to manufacture embroidered emblems depicting the marks in question. In the spring of 1972, NHLS authorized the sale of NHL team emblems in connection with the sale of Kraft candies. That promotion alone was advertised on more than five million bags of candy.

Defendant Dallas Cap   Emblem Manufacturing, Inc., is in the business of making and selling embroidered cloth emblems. In August of 1968 and June of 1971, defendant sought to obtain from NHLS an exclusive license to make embroidered emblems representing the team motifs. Although these negotiations were unsuccessful, defendant went ahead and manufactured and sold without authorization emblems which were substantial duplications of the marks. During the month of April 1972, defendant sold approximately 24,603 of these emblems to sporting goods stores in various states. Defendant deliberately reproduced plaintiffs' marks on embroidered emblems and intended the consuming public to recognize the emblems as the symbols of the various hockey teams and to purchase them as such. . . .

A cause of action for the infringement of a registered mark in violation of *15 U.S.C.A. § 1114* exists where a person uses (1) any reproduction, counterfeit, copy or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any goods; (5) where such use is likely to cause confusion, or to cause mistake or to deceive. . . .

The Case

The difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services. The statutory and case law of trademarks is oriented toward the use of such marks to sell something other than the mark itself. The district court thought that to give plaintiffs protection in this case would be tantamount to the creation of a copyright monopoly for designs that were not copyrighted. The copyright laws are based on an entirely different concept than the trademark laws, and contemplate that the copyrighted material, like patented ideas, will eventually pass into the public domain. The trademark laws are based on the needed protection of the public and business interests and there is no reason why trademarks should ever pass into the public domain by the mere passage of time.

Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.

Underlying our decision are three persuasive points. *First*, the major commercial value of the emblems is derived from the efforts of plaintiffs. *Second*, defendant sought and ostensibly would have asserted, if obtained, an exclusive right to make and sell the emblems. *Third*, the sale of a reproduction of the trademark itself on an emblem is an accepted use of such team symbols in connection with the type of activity in which the business of professional sports is engaged. We need not deal here with the concept of whether every artistic reproduction of the symbol would infringe upon plaintiffs' rights. We restrict ourselves to the emblems sold principally through sporting goods stores for informal use by the public in connection with sports activities and to show public allegiance to or identification with the teams themselves.

As to 15 U.S.C.A. § 1114.

Plaintiffs indisputably have established the first three elements of a *§ 1114* cause of action. Plaintiffs' marks are validly registered and defendant manufactured and sold emblems which were (1) substantial duplications of the marks, (2) without plaintiffs' consent, and (3) in interstate commerce. The issue is whether plaintiffs have proven elements four and five of an action for mark infringement under the Lanham Act, i.e., whether the symbols are used in connection with the sale of goods and whether such use is likely to cause confusion, mistake or deception.

The fourth requisite of a *§ 1114* cause of action is that the infringing use of the registered mark must be in connection with the sale, offering for sale, distribution or advertising of any goods. Although the district court did not expressly find that plaintiffs had failed to establish element four, such a finding was implicit in the court's statement that "in the instant case, the registered trade mark is, in effect, the product itself."

Defendant is in the business of manufacturing and marketing emblems for wearing apparel. These emblems are the products, or goods, which defendant sells. When defendant causes plaintiffs' marks to be embroidered upon emblems which it later markets, defendant uses those marks in connection with the sale of goods as surely as if defendant had embroidered the marks upon knit caps. *See Boston Professional Hockey Association, Inc. v. Reliable Knitting Works, Inc., 178 U.S.P.Q. (BNA) 274 (E.D.Wis.1973)*. The fact that the symbol covers the entire face of defendant's product does not alter the fact that the trademark symbol is used in connection with the sale of the product. The sports fan in his local sporting goods store purchases defendant's fabric and thread emblems because they are embroidered with the symbols of ice hockey teams. Were defendant to embroider the same fabric with the same thread in other designs, the resulting products would still be emblems for wearing apparel but they would not give trademark identification to the customer. The conclusion is inescapable that, without plaintiffs' marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams. It becomes clear that defendant's use of plaintiffs' marks is in connection with the sale, offering for sale, distribution, or advertising of goods and that plaintiffs have established the fourth element of a *§ 1114* cause of action.

The fifth element of a cause of action for mark infringement under *15 U.S.C.A. § 1114* is that the infringing use is likely to cause confusion, or to cause mistake or to deceive. . . . The confusion question here is conceptually difficult. 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.

The plaintiffs, with the exception of Toronto, have satisfied all elements of a cause of action for mark infringement in violation of *15 U.S.C.A. § 1114*. Plaintiffs are entitled to an injunction permanently enjoining defendant from the manufacture and sale, in interstate commerce, of emblems embroidered with substantial duplications of plaintiffs' marks without plaintiffs' consent, and such other relief as might flow from the facts. . . .

Visa Int'l Service Ass'n v. JSL Corp.
__ F.3d __ (9th Cir. 2010)

KOZINSKI, Chief Judge:

She sells sea shells by the sea shore. That's swell, but how about Shell espresso, Tide motor oil, Apple bicycles and Playboy computers? We consider the application of anti-dilution law to trademarks that are also common English words.

Facts

Joseph Orr runs eVisa, a multilingual education and information business that exists and operates exclusively on the Internet, at www.evisa.com. At least he did, until the district court enjoined him. Orr traces the name eVisa back to an English language tutoring service called "Eikaiwa Visa" that he ran while living in Japan. "Eikaiwa" is Japanese for English conversation, and the "e" in eVisa is short for Eikaiwa. The use of the word "visa" in both eVisa and Eikaiwa Visa is meant to suggest "the ability to travel, both linguistically and physically, through the Englishspeaking world." Orr founded eVisa shortly before his return to America, where he started running it out of his apartment in Brooklyn, New York. Visa International Service Association sued JSL Corporation, through which Orr operates eVisa, claiming that eVisa is likely to dilute the Visa trademark. The district court granted summary judgment for Visa, and JSL appeals.

Analysis

A plaintiff seeking relief under federal anti-dilution law must show that its mark is famous and distinctive, that defendant began using its mark in commerce after plaintiff's mark became famous and distinctive, and that defendant's mark is likely to dilute plaintiff's mark. JSL does not dispute that the Visa mark is famous and distinctive or that JSL began using the eVisa mark in commerce after Visa achieved its renown. JSL claims only that the district court erred when it found as a matter of law that eVisa was likely to dilute the Visa trademark.

There are two types of dilution, but here we are concerned only with dilution by blurring, which occurs when a mark previously associated with one product also becomes associated with a second. See 15 U.S.C. § 1125(c)(2)(B); Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903-04 (9th Cir. 2002). This weakens the mark's ability to evoke the first product in the minds of consumers. "For example, Tylenol snowboards, Netscape sex shops and Harry Potter dry cleaners would all weaken the 'commercial magnetism' of these marks and diminish their ability to evoke their original associations." Mattel, 296 F.3d at 903. Dilution isn't confusion; quite the contrary. Dilution occurs when consumers form new and different associations with the plaintiff's mark. "Even if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one." Id.

Whether a defendant's mark creates a likelihood of dilution is a factual question generally not appropriate for decision on summary judgment. Nevertheless, summary judgment may be granted in a dilution case, as in any other, if no reasonable fact-finder could fail to find a likelihood of dilution. Congress has enumerated factors courts may use to analyze the likelihood of dilution, including the similarity between the two marks and the distinctiveness and recognition of the plaintiff's mark. 15 U.S.C. § 1125(c)(2)(B)(i), (ii), (iv). And, in an appropriate case, the district court may conclusively determine one or more of these factors before trial.

The marks here are effectively identical; the only difference is the prefix "e," which is commonly used to refer to the electronic or online version of a brand. That prefix does no more to distinguish the two marks than would the words "Corp." or "Inc." tacked onto the end. See Horphag Research Ltd. v. Garcia, 475 F.3d 1029, 1036 (9th Cir. 2007) (use of identical mark provides "circumstantial evidence" of dilution). And Visa is a strong trademark. "In general, the more unique or arbitrary a mark, the more protection a court will afford it." Nutri/System, Inc. v. Con-Stan Indus., Inc., 809 F.2d 601, 605 (9th Cir. 1987). The Visa mark draws on positive mental associations with travel visas, which make potentially difficult transactions relatively simple and facilitate new opportunities and experiences. Those are good attributes for a credit card. But those associations are sufficiently remote that the word visa wouldn't make people think of credit cards if it weren't for the Visa brand. "This suggests that any association is the result of goodwill and deserves broad protection from potential infringers." Dreamwerks Prod. Grp., Inc. v. SKG Studio, 142 F.3d 1127, 1130 n.7 (9th Cir. 1998). Visa also introduced uncontroverted evidence that Visa is the world's top brand in financial services and is used for online purchases almost as often as all other credit cards combined. This was enough to support the district court's summary judgment.

JSL vigorously contests the validity of market surveys and expert testimony introduced by Visa to show that eVisa dilutes the Visa mark, and it claims that evidence should have been excluded under Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579 (1993). But a plaintiff seeking to establish a likelihood of dilution is not required to go to the expense of producing expert testimony or market surveys; it may rely entirely on the characteristics of the marks at issue. See 15 U.S.C. § 1125(c)(2)(B) (listing relevant factors). Expert testimony and survey evidence may be necessary in marginal cases, or where a defendant introduces significant evidence to show that dilution is unlikely. But JSL presented nothing, other than Orr's statement that he did not intend to dilute the Visa mark, to rebut the inference of likely dilution created by the strength and similarity of the marks. Good intentions alone do not negate a showing of a likelihood of dilution. We therefore need not reach the admissibility of Visa's expert testimony and market survey evidence.

JSL claims the eVisa mark cannot cause dilution because, in addition to being an electronic payment network that's everywhere you want to be, a visa is a travel document authorizing the bearer to enter a country's territory. When a trademark is also a word with a dictionary definition, it may be difficult to show that the trademark holder's use of the word is sufficiently distinctive to deserve anti-dilution protection because such a word is likely to be descriptive or suggestive of an essential attribute of the trademarked good. Moreover, such a word may already be in use as a mark by third parties. For example, we rejected a dilution claim by Trek Bicycle Corporation for its "Trek" mark in part because it played heavily off the dictionary meaning of "trek," suggesting that the bicycles were designed for long or arduous journeys. Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 912 n.14 (9th Cir. 2002). Additionally, the creators of the Star Trek series had already "incorporated this common English language word into their trademark," and the "glow of this celebrity ma[de] it difficult for Trek to obtain fame using the same word." Id. In our case, Visa's use of the word visa is sufficiently distinctive because it plays only weakly off the dictionary meaning of the term and JSL presented no evidence that a third party has used the word as a mark.

It's true that the word visa is used countless times every day for its common English definition, but the prevalence of such non-trademark use does not undermine the uniqueness of Visa as a trademark. "The significant factor is not whether the word itself is common, but whether the way the word is used in a particular context is unique enough to warrant trademark protection." Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1190 n.4 (6th Cir. 1988). In the context of anti-dilution law, the "particular context" that matters is use of the word in commerce to identify a good or service. There are, for instance, many camels, but just one Camel; many tides, but just one Tide. Camel cupcakes and Tide calculators would dilute the value of those marks. Likewise, despite widespread use of the word visa for its common English meaning, the introduction of the eVisa mark to the marketplace means that there are now two products, and not just one, competing for association with that word. This is the quintessential harm addressed by anti-dilution law. JSL is not using the word visa for its literal dictionary definition, and this would be a different case if it were. Visa does not claim that it could enforce its Visa trademark to prevent JSL from opening "Orr's Visa Services," any more than Apple could shut down Orr's Apple Orchard or Camel could fold up Orr's Camel Breeders. Visa doesn't own the word "visa" and may not "deplete the stock of useful words" by asserting otherwise. New Kids on the Block v. News America Publ'g, Inc., 971 F.2d 302, 306 (9th Cir. 1992); cf. Kellogg Co. v. Nat'l Biscuit Co., 305 U.S. 111, 116-17 (1938). Conferring anti-dilution rights to common English words would otherwise be untenable, as whole swaths of the dictionary could be taken out of circulation. Nor would a suit against Orr's Visa Services advance the purpose of anti-dilution law. Such use of the word would not create a new association for the word with a product; it would merely evoke the word's existing dictionary meaning, as to which no one may claim exclusivity.

JSL argues that its use of the word "visa" is akin to Orr's Visa Services because the eVisa mark is meant to "connote the ability to travel, both linguistically and physically, through the English-speaking world" and therefore employs the word's common English meaning. JSL's site depicted the eVisa mark next to a booklet that looks like a passport, and it divided the services offered into the categories "Travel Passport," "Language Passport" and "Technology Passport."

But these allusions to the dictionary definition of the word visa do not change the fact that JSL has created a novel meaning for the word: to identify a "multilingual education and information business." This multiplication of meanings is the essence of dilution by blurring. Use of the word "visa" to refer to travel visas is permissible because it doesn't have this effect; the word elicits only the standard dictionary definition. Use of the word visa in a trademark to refer to a good or service other than a travel visa, as in this case, undoubtedly does have this effect; the word becomes associated with two products, rather than one. This is true even when use of the word also gestures at the word's dictionary definition. JSL's allusions to international travel are more obvious and heavy-handed than Visa's, and JSL claims that its use of the word is therefore "different" from Visa's. That's true; Visa plays only weakly off the word's association with international travel, whereas JSL embraced the metaphor with gusto. But dilution always involves use of a mark by a defendant that is "different" from the plaintiff's use; the injury addressed by anti-dilution law in fact occurs when marks are placed in new and different contexts, thereby weakening the mark's ability to bring to mind the plaintiff's goods or services. The only context that matters is that the marks are both used in commerce as trademarks to identify a good or service, as they undoubtedly are in this case.

The district court was quite right in granting summary judgment to Visa and enjoining JSL's use of the mark.

Fashion Questions

Knock-off handbags: discuss.

Why is it the "in" thing these days to leave the gold sticker on the visor of baseball hats? Come to think of it, why is that gold sticker there in the first place?

The last few years have seen an explosion of ironic clothing: particularly hats and work shirts bearing the names of real, distinctly blue-collar businesses—service stations, truck manufacturers, etc.—worn by people who've never worked there or been a customer. What's going on, and does trademark law have anything to say about it?

Dilution Lightning Round

Dilution?

Compare the Ringling Brothers mark THE GREATEST SHOW ON EARTH with:

Compare Lance Armstrong's LIVESTRONG mark with:

Compare:

Compare the NEW YORK STOCK EXCHANGE with:

CLASS 24: DEFENSES

Casebook Readings

Please read pages 240–44 (*Sunmark*) and 249–51 (*August Storck*) in the casebook, and the notes at pages 254–58.

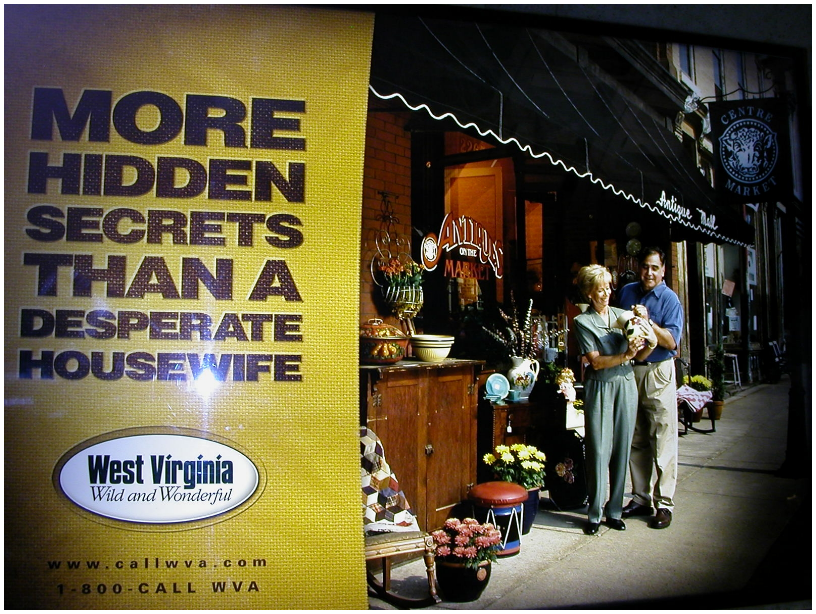
Please read Lanham Act § 33(b)(4) (15 U.S.C. § 1115).

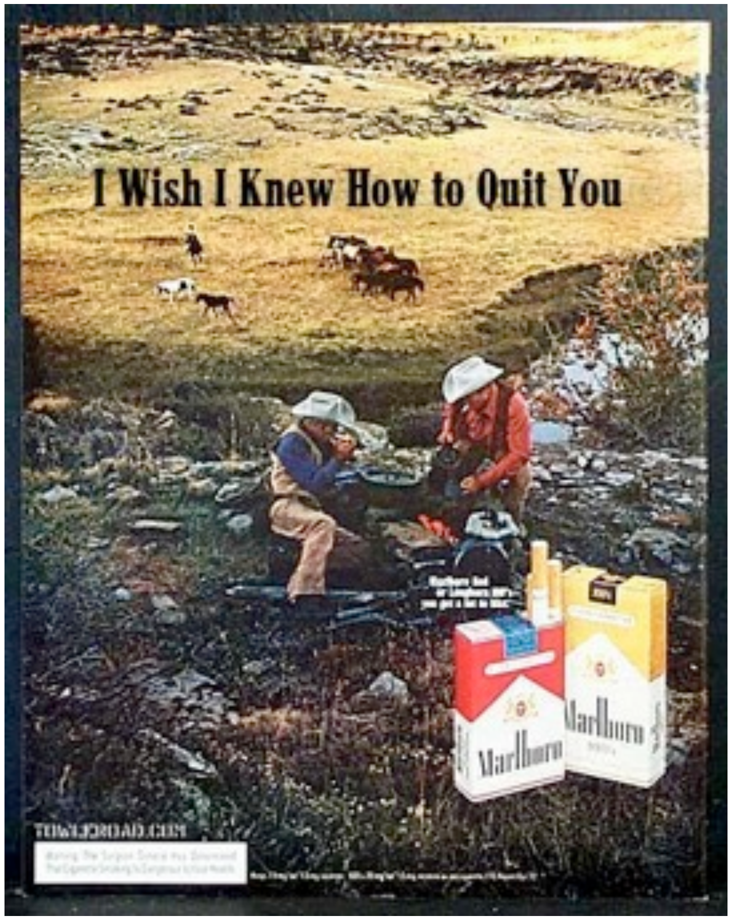
Problems 4–2 and 4–3

Please do problems 4–2 and 4–3, at page 258.

Trademark Fair Use / Nominative Fair Use Lightning Round

Is the defense descriptive fair use, nominative fair use, First Amendment, or more than one? Does the defense succeed?


MORE HIDDEN SECRETS THAN A DESPERATE HOUSEWIFE
West Virginia
Wild and Wonderful
www.callwva.com
1-800-CALL WVA
Antiques on the Market
Antique Mall
Centre Market



CLASS 25: TRANSACTIONS AND REMEDIES

Casebook Readings

Please read pages 270–80 (*Maltina*) in the casebook.

Please read the definition of "abandoned" in Lanham Act § 45 (15 U.S.C. § 1127).

Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.
458 F.3d 931 (9th Cir. 2006)

McKEOWN, Circuit Judge.

. . . Ronald Mallett owned federal Trademark No. 2,073,287 (the "Pelican Mark"), consisting of the word "pelican" below an outline of a flying pelican in a circle, for a backpack/ luggage line. His business had enjoyed some modest success but later was set back by dwindling prospects. Nonetheless, Mallett kept plugging, selling a few backpacks and promoting them at trade shows for several years until he assigned the Pelican Mark to Electro Source, LLC ("Electro Source"). Because he continued to transport and sell his trademarked goods in commerce, he never ceased using the Pelican Mark. The district court concluded, however, that

Mallet's use of the mark while depleting his inventory was neither bona fide nor in the ordinary course of trade, and that he therefore abandoned the mark. . . .

Pelican Products, Inc. and Brandess-Kalt-Aetna Group, Inc. (collectively "PPI") manufacture, market, and distribute a variety of products under the trademarks "Pelican Products," "Pelican," and "Peli Products." PPI also registered the mark "www.pelican.com." Electro Source commenced suit against PPI in 2002, setting forth a variety of claims, including trademark infringement of its Pelican Mark. PPI responded with various counterclaims and defenses alleging, among other things, that Mallett had abandoned the Pelican Mark prior to the assignment to Electro Source. PPI moved for summary judgment. The district court agreed with PPI that the Pelican Mark had been abandoned, thus rendering the subsequent assignment to Electro Source ineffective. The court ordered cancellation of the Pelican Mark but denied PPI's application for attorneys' fees. Electro Source appeals the determination of abandonment and the cancellation order, and PPI cross-appeals the denial of attorneys' fees.

This appeal focuses on a single legal question: does the Lanham Act mandate a finding of trademark abandonment where the record on summary judgment supports an inference that the trademark holder persisted in exhausting excess inventory of trademarked goods at reduced prices through good faith marketing and sales, despite the decline of his business?

The Lanham Act defines abandonment as (1) discontinuance of trademark use and (2) intent not to resume such use:

> A mark shall be deemed to be "abandoned" if ... the following occurs:
>
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127 (emphasis added).

Neither "bona fide use" nor "ordinary course of trade" is defined in the statute. Both phrases, however, also appear in the statute's definition of "use in commerce," which provides:

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—
>
> (1) on goods when—
>
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto ... and
>
> (B) the goods are sold or transported in commerce....

Id. (emphasis added). Because "trademark" is defined under the statute in part by the "bona fide intention to use [it] in commerce," id., and because both "use in commerce" and "use" for the purposes of abandonment mean "bona fide use ... in the course of ordinary trade," the meaning of "use" for the purposes of abandonment necessarily signifies "use in commerce" and thus includes the placement of a mark on goods sold or transported. See Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 676 (7th Cir.1982).

Section 1127 thus provides that "use" of a trademark defeats an allegation of abandonment when: the use includes placement on goods sold or transported in commerce; is bona fide;3 is made in the ordinary course of trade; and is not made merely to reserve a right in a mark. Critically, for present purposes, nothing in the plain meaning of § 1127 excludes from the protections of the statute use of a trademark by a struggling or even a failing business that meets these requirements.

PPI does not challenge the fact that good faith sales of goods bearing the Pelican Mark were made during the critical time period (from 1998, when Mallett's business was clearly suffering, until the Pelican Mark was assigned to Electro Source in 2002). Instead, PPI argues that "those transactions were not made and could not have been 'bona fide' trademark uses because they were not made by or in connection with any business to which goodwill accrued" in light of Mallett's alleged intent to abandon his business after his inventory was depleted.

The district court implicitly adopted PPI's formulation, which is predicated on prospective abandonment. In its summary judgment order, the district court correctly recited the elements of abandonment, but went on to weigh the evidence and "find, as a matter of law, that Mallett abandoned" the Pelican Mark because Mallett's sales, characterized as attempts to merely "rid oneself of inventory," were not bona fide uses in the ordinary course of trade.

This summary judgment conclusion was erroneous for two reasons. Although it acknowledged that abandonment is generally a factual issue in resolving the issue the court weighed evidence and drew inferences against Mallett as to his intent and as to what constituted sales in the ordinary course of trade. This approach contravenes the rule on summary judgment that all reasonable inferences are to be made in favor of the non-moving party. In addition, the district court did not hew to the strict statutory standard for abandonment, which requires complete discontinuance of use, even for a business on its way out. If there is continued use, a prospective intent to abandon the mark or business does not decide the issue of abandonment.

Abandonment under § 1127 requires an intent not to resume trademark use, as opposed to a prospective intent to abandon the mark in the future. This distinction is not merely semantic. An intent not to resume use presupposes that the use has already ceased—the first prong of the abandonment statute. In contrast, a prospective intent to abandon says nothing about whether use of the mark has been discontinued.

Of course, we recognize that "[n]othing in the statute entitles a registrant who has formerly used a mark to overcome a presumption of abandonment arising from subsequent non-use by simply averring a subjective affirmative 'intent not to abandon.' " Imperial Tobacco Ltd. v. Philip Morris, Inc., 899 F.2d 1575, 1581 (Fed.Cir.1990). However, a prospective declaration of intent to cease use in the future, made during a period of legitimate trademark use, does not meet the intent not to resume standard. Thus, the district court's collapsing of the standards was at odds with the statute.

Consequently, unless the trademark use is actually terminated, the intent not to resume use prong of abandonment does not come into play. See Money Store, 689 F.2d at 675-76. In Money Store, a trademark holder decided to stop using its trademark, yet continued to make some good faith use of the mark on billboard displays until it sold and assigned the mark. The court held "[t]he statutory definition makes clear ... that abandonment requires discontinuance of use .... Although United's use of the mark may have declined by the date of the assignment, any use ... of the mark was 'in commerce' " and defeats abandonment. Id. at 675-76. The question, then, is whether Mallett ceased use of the mark before assignment, not whether Mallett harbored an intent to cease use in the future. . . .

Our decision in Carter-Wallace, Inc. v. Procter Gamble Co. offers a bright line rule: "Even a single instance of use is sufficient against a claim of abandonment of a mark if such use is made in good faith." 434 F.2d 794, 804 (9th Cir.1970). In Carter-Wallace, the trademark holder made nominal sales over a period of four years in order to maintain the mark while the trademark rights were litigated in court:

> During the period of the above litigation and thereafter defendant sold deodorant products with the mark SURE, albeit in small quantities. Defendant has not advertised or promoted SURE deodorant other than by listing the product in trade directories. Defendant's sales of SURE deodorant were not made for profit but for the purpose of continuing the business ... so that the SURE mark would be available for use on a major advertised product when the legal problems ... were resolved.

Id. at 798.

We rejected the argument that the trademark had been abandoned because "only nominal" sales were made "with the sole intent of sustaining the mark." Id. at 803. Rather, we held that the mark had not been abandoned because the trademark holder "proferred [sic] legitimate business reasons for its action" in waiting for the trademark ownership issues to be fully litigated and resolved.

Good faith nominal or limited commercial sales of trademarked goods are sufficient, we held, to avoid abandonment, where the circumstances legitimately explained the paucity of the sales.

The district court did not follow Carter-Wallace's principle that a single legitimate sale satisfies the use criteria of § 1127. Instead the court assumed that declining sales, discounted sales, depletion of inventory, and the decision not to sue potential infringers were factors that, in combination, were tantamount to discontinuance of bona fide use in the ordinary course of trade. The court made that determination as a matter of law in the face of obvious factual disputes. . . .

The same general notion merits consideration in the trademark context. Indeed, it is not unusual for a troubled or failing business to sell and assign its trademark, along with the corresponding goodwill and the remaining business. Some business and financial firms even specialize in rescuing troubled companies, rehabilitating the business, and capitalizing on their goodwill and intellectual property, including trademarks. If trademark protection were stripped the minute a company runs into financial trouble or decides to liquidate, the two cornerstone interests in trademark would be defeated— protection of the public through source identification of goods and protection of the registrant's investment in the trademark.

Looking at the circumstances of this case, we evaluate the legal requirements for abandonment against the record of Mallett's sales and his transport of Pelican Mark goods, making all reasonable inferences in favor of Electro Source as the non-moving party. There are no allegations that Mallett's activities were feigned, non-commercial, insufficiently public, or made merely to reserve the mark. Neither are there allegations that Mallett's efforts were unreasonable in relation to his circumstances—a continuing yet failing business trying to sell excess inventory—or to the relevant market. To the contrary, the record suggests that in the ordinary course of his small, struggling business, Mallett transported and publicly displayed his Pelican Mark goods over a number of years in an earnest effort to sell them, and made actual sales. These are core trademark activities that necessarily contemplate trading upon the goodwill of the mark.

In sum, the record does not support summary judgment in favor of PPI on the claim of abandonment. We therefore reverse the district court's grant of summary judgment as to abandonment and vacate the order canceling the Pelican Mark. . . .

Barcamerica Int'l USA Trust v Tyfield Importers, Inc.
289 F.3d 589 (9th Cir. 2002)

O'SCANNLAIN, Circuit Judge.

We must decide whether a company engaged in "naked licensing" of its trademark, thus resulting in abandonment of the mark and ultimately its cancellation.

This case involves a dispute over who may use the "Leonardo Da Vinci" trademark for wines.

Barcamerica International USA Trust ("Barcamerica") traces its rights in the Leonardo Da Vinci mark to a February 14, 1984 registration granted by the United States Patent and Trademark Office ("PTO"), on an application filed in 1982. [FN1] On August 7, 1989, the PTO acknowledged the mark's "incontestability." See 15 U.S.C. § 1115(b). Barcamerica asserts that it has used the mark continuously since the early 1980s. In the district court, it produced invoices evidencing two sales per year for the years 1980 through 1993: one to a former employee and the other to a barter exchange company. Barcamerica further produced invoices evidencing between three and seven sales per year for the years 1994 through 1998. These include sales to the same former employee, two barter exchange companies, and various sales for "cash." The sales volume reflected in the invoices for the years 1980 through 1988 range from 160 to 410 cases of wine per year. Barcamerica also produced sales summaries for the years 1980 through 1996 which reflect significantly higher sales volumes; these summaries do not indicate, however, to whom the wine was sold.

In 1988, Barcamerica entered into a licensing agreement with Renaissance Vineyards ("Renaissance"). Under the agreement, Barcamerica granted Renaissance the nonexclusive right to use the "Da Vinci" mark for five years or 4,000 cases, "whichever comes first," in exchange for $2,500. The agreement contained no quality control provision. In 1989, Barcamerica and Renaissance entered into a second agreement in place of the 1988 agreement. The 1989 agreement granted Renaissance an exclusive license to use the "Da Vinci" mark in the United States for wine products or alcoholic beverages. The 1989 agreement was drafted by Barcamerica's counsel and, like the 1988 agreement, it did not contain a quality control provision. In fact, the only evidence in the record of any efforts by Barcamerica to exercise "quality control" over Renaissance's wines comprised (1) Barcamerica principal George Gino Barca's testimony that he occasionally, informally tasted of the wine, and (2) Barca's testimony that he relied on the reputation of a "world-famous winemaker" employed by Renaissance at the time the agreements were signed.3 (That winemaker is now deceased, although the record does not indicate when he died.) Nonetheless, Barcamerica contends that Renaissance's use of the mark inures to Barcamerica's benefit.

Cantine Leonardo Da Vinci Soc. Coop. a.r.l. ("Cantine"), an entity of Italy, is a wine producer located in Vinci, Italy. Cantine has sold wine products bearing the "Leonardo Da Vinci" tradename since 1972; it selected this name and mark based on the name of its home city, Vinci. Cantine began selling its "Leonardo Da Vinci" wine to importers in the United States in 1979. Since 1996, however, Tyfield Importers, Inc. ("Tyfield") has been the exclusive United States importer and distributor of Cantine wine products bearing the "Leonardo Da Vinci" mark. During the first eighteen months after Tyfield became Cantine's exclusive importer, Cantine sold approximately 55,000 cases of wine products bearing the "Leonardo Da Vinci" mark to Tyfield. During this same period, Tyfield spent between $250,000 and $300,000 advertising and promoting Cantine's products, advertising in USA Today, and such specialty magazines as The Wine Spectator, Wine and Spirits, and Southern Beverage Journal.

Cantine learned of Barcamerica's registration of the "Leonardo Da Vinci" mark in or about 1996, in the course of prosecuting its first trademark application in the United States. Cantine investigated Barcamerica's use of the mark and concluded that Barcamerica was no longer selling any wine products bearing the "Leonardo Da Vinci" mark and had long since abandoned the mark. As a result, in May 1997, Cantine commenced a proceeding in the PTO seeking cancellation of Barcamerica's registration for the mark based on abandonment. Barcamerica responded by filing the instant action on January 30, 1998, and thereafter moved to suspend the proceeding in the PTO. The PTO granted Barcamerica's motion and suspended the cancellation proceeding.

Although Barca has been aware of Cantine's use of the "Leonardo Da Vinci" mark since approximately 1993, Barcamerica initiated the instant action only after Tyfield and Cantine commenced the proceeding in the PTO. A month after Barcamerica filed the instant action, it moved for a preliminary injunction enjoining Tyfield and Cantine from any further use of the mark. The district court denied the motion, finding, among other things, that "there is a serious question as to whether [Barcamerica] will be able to demonstrate a bona fide use of the Leonardo Da Vinci mark in the ordinary course of trade and overcome [the] claim of abandonment." Barcamerica Int'l U.S.A. Trust v. Tyfield Importers, Inc., No. CV-98-00206-FCD, at 4-5 (E.D. Cal. filed Apr. 13, 2000) (Damrell, J.).

Thereafter, Tyfield and Cantine moved for summary judgment on various grounds. The district court granted the motion, concluding that Barcamerica abandoned the mark through naked licensing. . . . This timely appeal followed. . . .

Barcamerica first challenges the district court's conclusion that Barcamerica abandoned its trademark by engaging in naked licensing. It is well-established that "[a] trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained." Moore Bus. Forms, Inc. v. Ryu, 960 F.2d 486, 489 (5th Cir.1992). But "[u]ncontrolled or 'naked' licensing may result in the trademark ceasing to function as a symbol of quality and controlled source." McCarthy on Trademarks and Unfair Competition § 18:48, at 18-79 (4th ed.2001). Consequently, where the licensor fails to exercise adequate quality control over the licensee, "a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark." Moore, 960 F.2d at 489. Such abandonment "is purely an 'involuntary' forfeiture of trademark rights," for it need not be shown that the trademark owner had any subjective intent to abandon the mark. McCarthy § 18:48, at 18-79. Accordingly, the proponent of a naked license theory "faces a stringent standard" of proof. Moore, 960 F.2d at 489.

Judge Damrell's analysis of this issue in his memorandum opinion and order is correct and well-stated, and we adopt it as our own. As that court explained,

> . . . The lack of an express contract right to inspect and supervise a licensee's operations is not conclusive evidence of lack of control. "[T]here need not be formal quality control where 'the particular circumstances of the licensing arrangement [indicate] that the public will not be deceived.' " Moore Bus. Forms, Inc., 960 F.2d at 489 (quoting Taco Cabana Int'l, Inc. [v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th Cir. 1991)]). Indeed, "[c]ourts have upheld licensing agreements where the licensor is familiar with and relies upon the licensee's own efforts to control quality." Morgan Creek Prods., Inc. v. Capital Cities/ABC, Inc., 22 U.S.P.Q.2d 1881, 1884 (C.D.Cal. 1991).
>
> Here, there is no evidence that [Barcamerica] is familiar with or relied upon Renaissance's efforts to control quality. Mr. Barca represents that Renaissance's use of the mark is "controlled by" plaintiff "with respect to the nature and quality of the wine sold under the license," and that "[t]he nature and quality of Renaissance wine sold under the trademark is good." [Barcamerica]'s sole evidence of any such control is Mr. Barca's own apparently random tastings and his reliance on Renaissance's reputation. According to Mr. Barca, the quality of Renaissance's wine is "good" and at the time plaintiff began licensing the mark to Renaissance, Renaissance's winemaker was Karl Werner, a "world famous" winemaker.
>
> Mr. Barca's conclusory statements as to the existence of quality controls is insufficient to create a triable issue of fact on the issue of naked licensing. While Mr. Barca's tastings perhaps demonstrate a minimal effort to monitor quality, Mr. Barca fails to state when, how often, and under what circumstances he tastes the wine. Mr. Barca's reliance on the reputation of the winemaker is no longer justified as he is deceased. Mr. Barca has not provided any information concerning the successor winemaker(s). While Renaissance's attorney, Mr. Goldman, testified that Renaissance "strive[s] extremely hard to have the highest possible standards," he has no knowledge of the quality control procedures utilized by Renaissance with regard to testing wine. Moreover, according to Renaissance, Mr. Barca never "had any involvement whatsoever regarding the quality of the wine and maintaining it at any level." [Barcamerica] has failed to demonstrate any knowledge of or reliance on the actual quality controls used by Renaissance, nor has it demonstrated any ongoing effort to monitor quality.
>
> [Barcamerica] and Renaissance did not and do not have the type of close working relationship required to establish adequate quality control in the absence of a formal agreement. No such familiarity or close working relationship ever existed between [Barcamerica] and Renaissance. Both the terms of the licensing agreements and the manner in which they were carried out show that [Barcamerica] engaged in naked

> licensing of the "Leonardo Da Vinci" mark. Accordingly, [Barcamerica] is estopped from asserting any rights in the mark.

On appeal, Barcamerica does not seriously contest any of the foregoing. Instead, it argues essentially that because Renaissance makes good wine, the public is not deceived by Renaissance's use of the "Da Vinci" mark, and thus, that the license was legally acceptable. This novel rationale, however, is faulty. Whether Renaissance's wine was objectively "good" or "bad" is simply irrelevant. What matters is that Barcamerica played no meaningful role in holding the wine to a standard of quality—good, bad, or otherwise. As McCarthy explains,

It is important to keep in mind that "quality control" does not necessarily mean that the licensed goods or services must be of "high" quality, but merely of equal quality, whether that quality is high, low or middle. The point is that customers are entitled to assume that the nature and quality of goods and services sold under the mark at all licensed outlets will be consistent and predictable.

McCarthy § 18:55, at 18-94 (emphasis added) (footnotes omitted). And "it is well established that where a trademark owner engages in naked licensing, without any control over the quality of goods produced by the licensee, such a practice is inherently deceptive and constitutes abandonment of any rights to the trademark by the licensor." First Interstate Bancorp v. Stenquist, 16 U.S.P.Q.2d 1704, 1706 (N.D.Cal.1990).

Certainly, "[i]t is difficult, if not impossible to define in the abstract exactly how much control and inspection is needed to satisfy the requirement of quality control over trademark licensees." McCarthy, § 18:55, at 18-94. And we recognize that "[t]he standard of quality control and the degree of necessary inspection and policing by the licensor will vary with the wide range of licensing situations in use in the modern marketplace." Id., at 18-95. But in this case we deal with a relatively simple product: wine. Wine, of course, is bottled by season. Thus, at the very least, one might have expected Barca to sample (or to have some designated wine connoisseur sample) on an annual basis, in some organized way, some adequate number of bottles of the Renaissance wines which were to bear Barcamerica's mark to ensure that they were of sufficient quality to be called "Da Vinci." But Barca did not make even this minimal effort.

We therefore agree with Judge Damrell, and hold that Barcamerica engaged in naked licensing of its "Leonardo Da Vinci" mark—and that by so doing, Barcamerica forfeited its rights in the mark. We also agree that cancellation of Barcamerica's registration of the mark was appropriate.

For the foregoing reasons, the decision of the district court is affirmed.

Problem 5-2

Please do problem 5-2, at pages 281–82 in the casebook. Math will be required. For this problem in particular, it may be helpful to work together with a classmate or two.

Mongols Problem

The Mongols Motorcycle Club is a group of motorcyclists based in Southern California. Its 500–1,500 loosely affiliated members have created an unincorporated association, Mongol Nation, which has registered the collective mark MONGOLS for "association services, namely promoting the interests of persons interested in the recreation of riding" and a trademark consisting of an individual riding a motorcycle with the letters "M.C." for use on "jackets and t-shirts." Group members often wear leather jackets bearing either the word MONGOLS, the image, or both. The group has also manufactured a number of T-shirts with these images for sale, although they have not particularly targeted the general public.

You are an Assistant U.S. Attorney for the Central District of California. Your office has been investigating the Mongols for drug trafficking, extortion, and murder, and is preparing to bring a RICO indictment against approximately 75 members of the Mongols. Your boss, the U.S. Attorney, has proposed that you also seek a seizure of the Mongols' trademarks. By seizing the marks, he explains, your office will be able to immediately arrest anyone wearing a Mongols jacket and impound the jacket. Explain to him whether the plan will work. Does the Lanham Act provide statutory authority for seizing the mark? Assuming that it or RICO authorizes the seizure, what effect at law will the seizure have?

CLASS 26: RIGHT OF PUBLICITY

Casebook Readings

Please read pages 211–24 in the casebook.

Milk-a-Holic Problem

Please watch the E*Trade ad at http://www.youtube.com/watch?v=lEXZ2hfD3bU. Does anyone have a viable right of publicity claim against E*Trade in respect of this ad?

Comic Double-Header Problem

Anthony Twist is a hockey player who played for the St. Louis Blues and the Quebec Nordiques. He was known as an "enforcer" who would pummel players from the opposing team if they disrespected or acted too aggressively toward his teammates. Todd MacFarlane is a comic book creator and hockey fan. In his *Spawn* comic book series, MacFarlane included a character name Antonio Twistelli, a/k/a "Don Dracula," a violent Sicilian mob boss who becomes embroiled in a conflict with Spawn. Twistelli does not physically resemble Twist. MacFarlane has sometimes given away copies of *Spawn* as promotions at hockey games.

Johnny and Edgar Winter are blues/rock musicians. They are notable for their physical appearance in addition to their musicianship: both were born with albinism, giving them pale skin and nearly-white hair. They wear their hair long (Johnny frequently also wears a top hat), and have performed together as a musical duo for many years. DC Comics issued a *Jonah Hex* mini-series, two issues of which featured a pair of villains named "Johnny Autumn" and "Edgar Autumn." Both have pale skin and white hair; Johnny Autumn wears a top hat. The Autumn Brothers are also half-worm/half-human hybrids; Jonah Hex ultimately kills them in a gun battle.

Does Anthony twist have a right of publicity claim against MacFarlane? Do the Winter Brothers have a right of publicity claim against DC Comics? Right of publicity law has borrowed extensively from copyright and trademark in trying to decide questions of this sort—so you should, too.

Tiger Woods Problem

Does Tiger Woods have a right of publicity claim in respect of the above image, which is sold as a limited-edition collectible lithograph to golf fans?