A Twenty Year Retrospective on Trademark Law in Ten Cases

Marshall Leaffer

Indiana University Maurer School of Law

mleaffer@indiana.edu

For my presentation I have made a personal selection of the 10 cases on U.S. trademark law decided during the last twenty years. These cases are chosen to illustrate the current trends in trademark law during this two decade time frame, and to perhaps provide insight on where trademark law is headed in the near future. This selection includes not just positive examples of well-crafted case law. In fact, some cases to be discussed are, in my opinion, downright wrong. On the whole, this personal, certainly idiosyncratic, choice of cases will reveal that U.S. trademark law, despite perennial grumblings in the academic community, has done a relatively good job in adjusting to practical realities that trademark owners and consumers of brand name goods face in an internet environment and global commerce.

Number 10
In Re Bose Corp., 580 F.3d 1240 (Fed. Cir. 2009)

I am starting my retrospective with *In Re Bose* to illustrate the current plight of trademark practitioners whose job has gotten progressively harder during this twenty year period. In 1992 there were 125, 237 applications for registration. In 2011 the number rose to 398, 667. During this period, renewal applications rose from 6,355 to 49,000. I do not mean to belabor you with statistics. I simply wish to show the obvious, the life of a trademark practitioner is more complicated than ever and clearing marks has never been more difficult. This leads to *In Re Bose*, a decision that recognizes the practical difficulties of those on the front lines of trademark practice.

In this 2009 case, the Federal Circuit brought the standard for fraud on the Trademark Office in line with the patent world for inequitable conduct. In short, a "should have known" standard for false statement of fact in an application is no longer sufficient to sustain a claim for fraud either for a patent or a trademark filing. To succeed on a claim for fraud, a litigant must show that the filed affidavit contained false statements of material fact that were submitted with the intent to deceive. The effect of this case is that many more trademark attorneys will sleep easier at night without having to worry about a simple mistake resulting in cancellation of a client's mark.

Number 9

ITC Ltd. v. Punchgini Inc., 482 F.3d 135(2d Cir. 2007)

ITC v. Punchgini displays the failure of United States law to create a coherent policy in the protection of well-known marks despite its treaty obligations under Article 6bis of the Paris Convention. Introduced at Hague conference of 1925, article 6bis of Paris (and elaborated by TRIPs) requires member countries to protect marks that are well-known in a member country. It is generally recognized that countries must do so even though the well-known mark is neither registered nor used in the protecting country. In *ITC*, the 2d Circuit held that plaintiff's well-known mark Burkara for restaurant services was abandoned and could not be enforced against the defendant's similar mark despite its continued use in India and other countries. It so ruled because the Paris convention is not self-executing and that the well-known marks doctrine had not been enacted by Congress.

Would it be too much to hope for an amendment to the Lanham Act to take into account the protection of well-known marks as do our major trading partners? At the least, other circuits should follow the 9th Circuit's ruling in *Grupo Gigante v. Dallo,* 391 F.3d 1088 (9th Cir. 2004) in recognizing the well-known marks doctrine within an action under Section 43(a). Despite its long standing recognition, the territoriality doctrine has never existed in a pure state and during continued to give way in this 20 year period, as commerce and brand names continue to expand across national boundaries in a world structured by air travel, satellites, the internet, and the influx of immigrants into the U.S.

Number 8

McBee v. Delica Co., Ltd. 417 F.3d (1st Cir. 2005)

McBee, chosen for 8th place on the list, stands for more broad extraterritorial application of the Lanham Act. Cecil McBee was unable to enforce his rights against the use of his mark by a Japanese company for girls clothing on their Japanese language website. What is more significant in this case is that the court adopted the standard applied in the extraterritorial application of antitrust law in *Hartford Fire Insurance Co. v. California*, 509 U.S. 764 (1993). Simply put, jurisdiction over foreign conduct will exist under the Lanham Act if that conduct produced some substantial effect in the United States. Moreover, once the substantial effects test is met, the court is to consider the question of comity as a prudential question, not a jurisdiction question, of whether jurisdiction should be exercised. In so holding, the court shunted to one side both *Steele v. Bulova Watch Co*., 344 U.S. 280 (1952) and *Vanity Fair Mills v. T. Eaton Co.*, 234 F. 2d 633 (2d Cir. 1956). McBee is a significant case in articulating a more expansive standard for the extraterritorial application of the Lanham Act. I believe this approach is justified. Unlike 20 years ago, we are experiencing an intense flow of internet commerce that warrants a more expansive extraterritorial reach of U.S. trademark law.

Number 7

Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003)

Dastar, number 7 on the list, represents the inevitable tension that occurs as the scope of intellectual property rights progressively broaden. In *Dastar,* the defendant had copied a public domain a television series based on an Eisenhower book on WW II. The plaintiff brought an action under the Lanham Act section 43(a) on a reverse passing off theory for failure of the defendant to provide proper credit to the creator of the series. In finding for the defendant, the court noted that if Dastar had bought the videotapes and then repackaged and sold them under its name, that claim would undoubtedly be sustained. But here, Justice Scalia pointed out that the defendant took a creative work in the public domain, copied, modified it, and produced its own series of videotapes. In effect, according to the court, a false designation of origin under the Lanham Act did not occur because *Dastar* was the "origin of the goods" under the language of the statute. While § 43(a) of the Lanham Act prohibits actions that deceive consumers, it did not occur here. "The words of the Lanham should not be stretched to cover matters that are typically of no consequence to consumers*,"* the court stated. *Dastar* is an important case because it caused a minor upheaval in the scope of the Lanham to cover certain applications of the reverse confusion doctrine, for example, in the failure to properly provide artistic credit. We will be working out these issues relating to the more unconventional applications of 43(a), such as the outer limits of the reverse confusion doctrine, for some time to come.

Number 6

Tiffany (NJ) Inc. v. eBay Inc. 600 F.3d 93, (2d Cir. 2010)

Online service providers operate in a risky legal environment and are subject to potential unlimited claims of both direct and contributory infringement by aggrieved copyright and trademark owners. OSP's are given special recognition under §512 of the Copyright Act that erects a system of safe harbors if certain conditions are met by the OSP. Third party liability in trademark law is based on the common law principles developed in the physical world under in such cases as *Inwood Laboratories, Inc. v. Ives Laboratories, Inc*., 456 U.S. 844 (1982).

I have chosen *Tiffany v. eBay* to illustrate the dilemma of the OSP in an action for contributory trademark infringement in the internet environment. There is a paucity of decisions dealing with third party liability in the trademark internet context, but this is sure to change. *EBay* is the first major decision on this issue. In finding for eBay, the appellate court rejected argument that contributory infringement could be based on the fact that eBay had generalized knowledge of some counterfeit goods being listed on its site. The court held that contemporary knowledge of particular listings are infringing or will infringe in the future is necessary for liability under a cause of action for contributory infringement. EBay prevailed in this case, but OSPs will be pursued with increasing intensity under third party liability claims for contributory infringement for the foreseeable future. We need a safe harbor provision in trademark law much like §512 of the Copyright Act.

Number 5

V Secret Catalogue Inc. v. Moseley d/b/a Victor's Little Secret, 605 F.3d 382 (6th Cir. 2010)

The federal dilution cause of action is a major development in trademark law of the last twenty years. The first version (1995) of the dilution statute was a mess. The 2006 amendments to the dilution provisions were a necessary improvement, but fundamental questions of proof of dilution by blurring and tarnishment continue to plague the courts. I have chosen the 6th Circuit case *V Secret Catalogue v. Mosley* to illustrate the muddle we find ourselves in for developing consistent rules for trademark dilution. In fact, I believe that the majority opinion in this case is clearly wrong. The court ruled that there is a strong inference that the mark "Victoria's Little Secret" was likely to tarnish the famous "Victoria's Secret "mark because of a semantic association between the two marks. But most important, the 6th Circuit Court of Appeals held that the novelty shop failed to rebut the probability that some consumers would find the shop's mark both offensive and harmful to the reputation and the favorable symbolism associated with Victoria Secret's Mark. The court's decision that any sexual connotation disparages a famous mark and creates a rebuttable presumption of dilution is nowhere to be found in the statute and is downright wrong as a matter of law. *V Secret Catalogue* does not augur well for the predictability of dilution causes of action. Will we need another amendment to the dilution provisions?

Number 4

Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC, 507 F.3d 252 (4th Cir. 2007)

Under the Statute, the dilution cause of action is excluded when a mark is used in "any fair use… of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with…identifying, criticizing, or commenting upon the famous mark." §43(c)(3)(A)(ii). *Vuitton* is one of several cases that tackle the thorny question of defenses and other limitations to cause of action in dilution. This case did not employ "parody" as a fair use defense, but as an element that disproved the likelihood of dilution. In applying the dilution factors the court found a defendant's mark, used as a parody, may be good evidence in negating a cause of action of dilution by blurring, even though defendant's mark is used on related goods. I predict that defenses to causes of action in dilution will play a greater role in the future because we these defenses (and other limitations) as a safety valve against the imperialism of an unbridled dilution cause of action.

Number 3

Network Automation Inc. v. Advanced Systems Concepts Inc., 638 F.3d 1137, 1144 (9th Cir. 2011)

In 1992, less than 2% of U.S. population habitually used the internet; today that number approaches 80%. The average internet user is increasingly savvy in on-line transactions. The case law has reflected this evolution in our thinking by recognizing the realities of consumer behavior in the on-line environment. By comparison, *Brookfield Communications, Inc. v. West Coast Entertainment Corp*., 174 F.3d 1036 (9^{th} Cir 1999) mirrored an earlier view of naïve consumers bewitched by the new medium. For example, in *Brookfield* the court declared that "In the internet context…entering a web site takes little effort …thus web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick and mortar store." And the court spun a theory of initial interest confusion by using a dubious analogy to the physical world: "using another's trademark is much like posting a sign with another's trademark in front of one's store." In addition, the court declared that, in proving likelihood of confusion on the internet, the first three factors (which came to be known as the internet troika) of the *Sleekcraft* test were the most important factors to prove likelihood of confusion on the internet. In sum, case law in the 1990's created a curious set legal principles based on assumptions about the on-line marketplace that no longer exist if they ever did. Clearly, it was time for a reassessment more consistent with actual practice.

Much has changed since *Brookfield*. This evolution in thinking about trademark law and the internet is illustrated in *Network automation, Inc. v. Advanced Systems Concepts, Inc. Network Automation* involved a claim of likelihood of confusion in a Google AdWords context—the acquisition of a competitor's trademark as trigger for its search engine advertisements. The court, in vacating a preliminary injunction, emphasized that the *Brookfield* internet troika factors are not necessarily the factors most important to every case involving likelihood of confusion on the internet. The Ninth Circuit Court of Appeals also differed with *Brookfield* about internet consumer behavior, stating that "the default degree of consumer care is becoming more heightened as the novelty of the internet evaporates and online commerce becomes commonplace." *Network Automation* is one of several cases recognizing the real world of internet marketing and the increasing sophistication of consumers in their on-line activities.

Number 2

Wal-Mart Stores Inc. v. Samara Brothers Inc., 529 U.S. 205 (2000)

I have chosen *Wal-Mart Stores, Inc. v. Samara Brothers* as my number two case on this list because of the ever greater importance of the protection of trade dress and product design (and other non-traditional trademarks) under §43(a) of the Lanham Act. In the first year of this conference*, Two Pesos, Inc. v. Taco Cabana, Inc*. 505 U.S. 763 (1992), was fresh on everybody's mind, a case that significantly enlarged the scope of protection for trade dress. In *Two Pesos*, the Court held that inherently distinctive trade dress is protectable without proof of secondary meaning. In *Wal-Mart*, the court cut back on the progressive broadening of rights in this domain, by distinguishing product design on the one hand and trade dress/packaging on the other. It ruled that product design, like product color, is not capable of being inherently distinctive. The point is that product design (unlike trade dress/packaging) serves purposes other source identification. Thus, allowing product design to be protected without proof of secondary meaning would harm to consumer interests. Of course, how one is to make the distinction between trade dress/packaging and product design is not always easy, to say the least. *Wal-Mart* can be read in conjunction with *Qualitex v. Jacobsen*, *Dastar* and *Traffix* as Supreme Court cases that attempt to strike a balance between competitive entry into markets, and the protection of a trademark owner's good will. This is a difficult task but one that will continue to occupy the courts for some time.

Number 1

TrafFix Devices, Inc. v. Marketing Displays Inc., 532 U.S. 23 (U.S. 2001)

I have chosen *TrafFix* as my number case for essentially negative reasons. To be honest, it is case that but I have come to intensely dislike. The doctrine of functionality was already one of the most challenging and befuddling doctrines in trademark law even before the Supreme Court added another layer needless confusion in *TrafFix*. It granted certiorari in TrafFix to resolve a minor issue involving the relevance of an expired utility patent and ended up rewriting the entire law of functionality in a bizarre and incoherent manner. In so doing, the court rendered an inherently difficult doctrine more perplexing, less intelligible, and, of course, less predictable. Paradoxically, we already had a decent standard for determining functionality in In *Re Morton Norwich Products*, 671 F.2d 1332 (C.C.P.A 1982) by applying four evidentiary criteria (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design's utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product. The mischief of *TrafFix* can be found in the muddled post-*TrafFix* case law, and it will take a long time to undo the confusion created by this poorly crafted decision.