US trademark law – year in review

The last year saw a wealth of trademark case law issued in US forums, on issues ranging from counterfeiting to dilution. Perhaps most significant was *In Re Bose*, which has transformed the fraud landscape

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It's not often that a decision radically changes existing law. Yet 2009 saw the Federal Circuit render just such a decision in *In re Bose*. The year also saw important decisions from US courts in the areas of trademark counterfeiting, internet keywording and dilution; and from the Trademark Trial and Appeal Board (TTAB) in relation to key prosecution issues. This article briefly touches on some of 2009's more significant decisions.

In re Bose changes fraud landscape

The Federal Circuit's decision in *In re Bose Corporation* (580 F 3d 1240 (Fed Cir 2009)) was one of the most important US trademark decisions of 2009. In *Bose*, the Federal Circuit upended the law with respect to fraud and held that in order for a trademark applicant or registrant to commit fraud in connection with the prosecution of a trademark application or the maintenance of a trademark registration, it must be found that the applicant/registrant intentionally acted to deceive the Trademark Office.

Prior to *Bose*, a trademark applicant committed fraud when it made material representations of fact that it knew or should have known to be false or misleading. With *Bose*, the "knew or should have known" language was tossed out in favour of a higher standard: "a trademark is obtained fraudulently...only if the applicant or registrant *knowingly* makes a false, material representation with the *intent* to deceive the [Trademark Office]" (emphasis added).

Although *Bose* was not decided until the end of August, the TTAB still found time in 2009 to use the decision to begin to paint the post-*Bose* landscape. In *Asian Western Classics BV v Slekow* (92 USPQ 2d 1478 (TTAB 2009)), the TTAB held that in light of *Bose*, "a pleading of fraud...must also include an allegation of intent". As such, the mere allegation that an applicant "knew or should have known" the falsity of a material statement was insufficient to make out a proper fraud pleading.

In *Enbridge, Inc v Excelerate Energy Limited Partnership* (92 USPQ 2d 1537 (TTAB 2009)), the TTAB concluded that summary judgment premised on fraud was inappropriate notwithstanding the applicant's admission that its application had been supported by mistaken representations. In light of *Bose,* the allegation that the applicant "knew or should have known" the falsity of certain material statements was not enough; an allegation of an intent to deceive was also necessary.

Thus, by the end of 2009, the fallout from *Bose* made clear that a fraud claim must not only include an allegation that the accused statement was false, but also allege that the false statement was intentional. These allegations must also be made on more than mere "information and belief" – specific facts to support the intentionally fraudulent nature of the statement must be pled.

Internet keywording

In an eagerly awaited decision, the Second Circuit determined that Google's "sale" of trademarks under its AdWords programme amounted to a use in commerce sufficient to subject it to claims of trademark infringement liability, among other things. In response to Google's motion to dismiss the case (based on its assertion that it had not technically "used" the plaintiff's mark), the court in *Rescuecom Corp v Google Inc* (562 F 3d 123 (2nd Cir 2009)) found that Google's recommendation and sale of the plaintiff's trademark was, in fact, a use in commerce, ruling that Google "displays, offers, and sells Rescuecom's mark to [its] advertising customers". The court felt that such "use" fitted squarely into the types of action covered by the trademark statute: namely, the use and sale of another's mark in connection with the in-commerce sale of services. The court could not accept that "Google's recommendation and sale of Rescuecom's mark to its advertising customers" was merely an internal use that was not communicated to the public. Google's programmes were without question public, and by suggesting the RESCUECOM trademark to Google's advertisers Google was using that mark in commerce.

However, the fact that Google's activities were considered "use" did not answer the ultimate question in Rescuecom. Importantly, in sending the case to the lower court, the Second Circuit was careful to point out that it had "no idea whether Rescuecom [could] prove that Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion or mistake".

The war on counterfeiting

The past year also saw some interesting cases in the counterfeiting arena. In *Zino Davidoff SA v CVS Corporation* (571 F 3d 238 (2nd Cir 2009)) the Second Circuit upheld a preliminary injunction where the defendant had in its possession fragrance products in packaging whose unique production code (UPC) had been removed or otherwise defaced. The court concluded that manipulation and mutilation of product packaging were sufficient grounds for preliminary injunctive relief because the removal of the UPCs "impaired [the plaintiff's] marks by interfering with the trademark owner's ability to identify counterfeit goods and to control the quality of its legitimate products by identifying and recalling defective products". By distributing the product with the code removed, CVS was interfering with an established and practised quality control protocol which, in light of the importance of a trademark owner's right to control the quality of its products, was enough to warrant an injunction.

Interestingly, in *Davidoff* the fact that the plaintiff had not shown the accused products to be inferior (CVS had argued that they were grey market goods and thus genuine products, albeit intended for another market) was not persuasive. The court held that such proof was unnecessary: "the actual quality of the goods is irrelevant; it is the control of quality that the trademark owner is entitled to maintain." Further, the removal of the UPC resulted in a lower-quality product because without the code, the packages were defaced and therefore materially different from legitimate products.

In another counterfeiting case, the Tenth Circuit concluded in *Beltronics USA, Inc v Midwest Inventory Distribution, LLC* (562 F 3d 1067 (10th Cir 2009)) that a "material difference" for trademark infringement purposes could include collateral benefits associated with trademarked products. Thus, where a reseller of genuine radar detection devices removed the original serial number, making the product ineligible for the manufacturer's warranty, software updates and recall notices, and where consumers were likely to be confused as a result of such removal, the reseller's actions were sufficient to subject it to a preliminary injunction.

The court found that while an actionable "material difference" can be a physical difference, it can also be a difference in control procedures designed to ensure quality at the time of re-sale, or even a difference in non-physical characteristics such as associated warranties or purchaser service commitments. The court was quick to point out that not every difference is material, however, and that even where a difference is material, the sale of that product is not necessarily actionable – it becomes actionable from a trademark infringement perspective only where the sale of the product is likely to cause confusion.

Trademark registration practice

In addition to *Bose*, 2009 saw several other interesting prosecution-related decisions.

Evidence of intention to use

The TTAB provided guidance on the issue of an applicant's *bona fide* intention to use a mark in US commerce *in Honda Motor Co, Ltd v Winkelmann* (90 USPQ 2d 1660 (TTAB 2009)), wherein it concluded that "the absence of any documentary evidence regarding an applicant's *bona fide* intention to use a mark in commerce is sufficient to prove [an absence of]...such intention... unless other facts are presented which adequately explain or outweigh applicant's failure to provide such documentary evidence". The TTAB went on to clarify that "[i]n determining the sufficiency of documentary evidence demonstrating *bona fide* intent, ...the Trademark Act does not expressly impose 'any specific requirement as to the contemporaneousness of an applicant's documentary evidence corroborating its claim of *bona fide* intention. Rather, the focus is on the entirety of the circumstances, as revealed by the evidence of record'."

Honda suggests that it is important for applicants filing US "intent-to-use" applications to take steps to substantiate their plans for the US market. At a minimum, applicants – including foreign applicants designating the United States under a Madrid-based filing – should be in a position to show that their efforts in other countries evidence use of the mark (or plans to use the mark) on or in connection with the goods claimed in the US application.

Specimens

In a pair of decisions relating to specimens, the TTAB offered instruction on the selection of appropriate specimens of use. *In re Pharmavite, LLC* (91 USPQ 2d 1778 (TTAB 2009)) involved an attempt to register a design consisting of an image of overlapping medicine bottles for "dietary supplements". The key issue on appeal was whether the alleged mark (ie, the depiction of the bottles without any other indicia of source) "create[d] a distinct commercial impression separate and apart from the words and designs" that appeared on the specimens. The actual bottles included certain of the applicant's trademarks, as well as other images. Although the specimens did show two overlapping medicine bottles, the TTAB could not ignore the written indicia also depicted on the bottles. The TTAB concluded that the specimen did not match the applied-for mark: not only would relevant purchasers see the other elements contained on the specimens, but they would perceive such indicia as "the defining essence of the...design" for which registration was sought.

For applicants seeking to register designs consisting of background elements, it is important to note that in order to be registrable, the design must serve as a source indicator in and of itself. As such, "the portion sought to be registered [must] create...a separate and distinct commercial impression".

Late in 2009, the Federal Circuit reviewed and vacated a TTAB decision refusing registration because the specimen consisted of a web page that did not show an actual picture of the goods in connection with the mark. In *In re Michael Sones* (93 USPQ 2d 1118 (Fed Cir 2009)) the court explained that US trademark law does not require that a website specimen include a photograph of the goods. Rather, the trademark statute makes clear that a mark is properly used where 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". Thus, "a picture is not a mandatory requirement for a website-based specimen of use, and... the test for an acceptable website-based specimen, just as any other specimen, is simply that it must in some way evince that the mark is 'associated' with the goods as an indicator of source".

Sound reasoning

The past year also saw two interesting decisions in cases discussing the registrability of sound marks. *In re Vertex Group* (89 USPQ 2d 1694 (TTAB 2009)) involved applications to register the sound made by a personal alarm. Affirming the refusal to register the mark, the TTAB analogised the protectability of sounds inherently made by devices to the protectability of colours and product configurations, concluding that such sounds are never inherently distinctive. Thus, for such marks to be registrable, acquired distinctiveness or secondary meaning must be established.

Building on its decision in *Vertex*, the TTAB in *Nextel Communications Inc v Motorola Inc* (91 USPQ 2d 1393 (TTAB 2009)) held that Motorola's "chirp" sound mark for mobile-to-mobile communication devices was unregistrable because, among other things, Motorola had failed to show the necessary acquired distinctiveness. Despite Motorola's record evidence of significant sales and "great sums of money" spent on advertising and promotion – much of which featured the "chirp" sound – the TTAB concluded that Motorola had failed to show how this evidence translated into consumer awareness that the sound was actually viewed as an indicator of a single source.

For applicants seeking to register sound marks, it is thus important to keep in mind that in addition to being non-functional, the applied-for sound (at least in situations where it is the sound made by the operation of the goods for which registration is sought) must be something that the relevant public has come to associate with a single source. There is no prescription for how that association is to be established, but as with colour and product configuration trademarks, advertising and promotion designed to educate consumers as to the sound's trademark nature will likely be required. In the end, however, it is not the type or amount of advertising and promotion that is decisive, but rather how effective those efforts have been.

Open chapters

The important decisions of the year notwithstanding, US courts in 2009 left open certain key issues. For example, the end of 2009 brought yet another decision in the long-running dispute between coffee giant Starbucks and New Hampshire's Wolfe's Borough Coffee over Wolfe's use of its "Charbucks" marks. Although finally putting to rest the questions of trademark infringement and dilution by tarnishment (no likelihood of confusion; no dilution by tarnishment), the Second Circuit remanded the case for further proceedings on the dilution by "blurring" issue.

The problem, according to the appeals court, was that although the lower court had correctly concluded that the "Charbucks" and "Starbucks" marks were only "minimally similar", it then went on to conclude that the dissimilarity alone was enough to defeat Starbucks' blurring claim. The appeals court explained that while "the degree of similarity" is a factor to be considered in evaluating the likelihood of dilution, this does not mean that two marks must be "substantially similar" for one to dilute the other. The court was concerned that the lower court had placed undue emphasis on the similarity question at the expense of properly evaluating the other factors. On remand, the district court was instructed to view all relevant factors in an attempt to focus on whether association, arising from the similarity between the subject marks, impairs the distinctiveness of the famous mark.

The duty to police

Yet another open US trademark issue at the end of 2009 was the extent to which an online retailer must police its marketplace for counterfeits. In July 2009 the Second Circuit heard arguments in an appeal from the decision in *Tiffany (NJ), Inc v eBay, Inc* (576 F Supp 2d 463 (SDNY 2008)). Among the key issues was whether an online marketplace could be held liable for trademark infringement merely by being aware of and failing to stop infringing sales made via its site. Tiffany appealed the lower court's conclusion that eBay's "generalized knowledge" of infringing activity was insufficient to shift to eBay the burden to police Tiffany's marks. The trial court had held that Tiffany, like all trademark owners, had a duty to protect its trademarks "through vigilant policing and appropriate acts of enforcement", notwithstanding the fact that eBay may have been in a position to detect and stop certain infringements.

On April 1 2010 the Second Circuit affirmed the district court's decision that eBay was not liable for trademark infringement or dilution based on the sale of counterfeit goods via the retailer's website. However, the appeals court remanded the case to the district court for further proceedings on the false advertising claim.

Outlook

While 2009 saw many important US decisions, the pendency of *Rescuecom*, *Starbucks*, *eBay*, and several other important cases suggests that 2010 could also be an exciting year. Stay tuned! *iam*

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