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Trademark Law Update

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Trademark rights are now firmly recognized as an integral part of the world's trading system. The volume of trademark litigation, the value of well-recognized brands as company assets, and the extent to which domestic and international economic activity revolves around trademark rights — all confirm this point. Despite the importance of trademark rights, or perhaps because of that importance, the law of trademarks continues to evolve in 2016.

Context & An Overview of Change: The Last Decade

In the Preface to their law school casebook, Trademarks & Unfair Competition at page vi (6th ed. 2002), authors Peter Maggs and Roger Schechter state: "It has become a bit of a cliché to say that we live in a 'branded' society, in which the power and worth of trademarks as important business assets have never been greater. Clichés however, sometimes reflect underlying truths. It is an extraordinary time to undertake the study of trademark law. There is a sense of dynamism in this area . . . that is perhaps unmatched anywhere else on the legal landscape." (Emphasis added.) Since the turn of the millennium, we have seen major legislative amendments (e.g., to dilution law), continued controversy over trademark rights on the Internet, and more and more cross-border trademark disputes.

Trademark protection has expanded substantially since the U.S. Court of Appeals for the Federal Circuit began work in 1982 (the court has exclusive review over appeals from decisions of the U.S. Patent and Trademark Office or "PTO"). An overview of such expansion must include the ever-increasing number of designations that qualify for trademark protection. Applications for trademark registrations can now be filed and priority dates can now be obtained before the first use of a mark in commerce; no longer are trademark owners restricted by the underlying common law prerequisite that trademark rights accrue only upon use of the mark. Rights can be acquired on an international basis with far greater ease, based on a single application filed with the PTO. The period of non-use triggering a presumption of abandonment of a mark has been lengthened. The control requirement necessary to validate trademark licensing has been loosely applied. The scope of rights obtained by a trademark owner has expanded, both in terms of the geographic reach of rights (note the "famous marks" or "well-known marks" doctrine may permit a producer using the mark abroad to obtain relief in the United States if the mark is "well-known" here) and the type of uses against which relief can be secured. Actionable confusion has been expanded to encompass confusion as to matters other than the source of goods (e.g., to include confusion as to affiliation or endorsement), to consumers other than purchasers, at times in post-sale contexts. New causes of action have been created that provide relief without confusion (e.g., dilution). Enforcement powers have been strengthened: plaintiffs can now bring infringement actions based upon in rem jurisdiction over a domain name. And remedies for a successful plaintiff have been enhanced, especially in the areas of counterfeiting and cybersquatting.

U.S. trademark law has historically been a product of the common law. Trademark statutes are generally understood as schemes to acknowledge and confirm the existence of common law rights, and the current statute (the Trademark Act of 1946, also known as the Lanham Act) retains that general approach. Some recent changes in trademark law have occurred, however, by legislation. The Trademark Act of 1946 significantly changed and liberalized the common law to dispense with mere technical prohibitions. The change was so significant that courts have since discounted the precedential value of cases that interpreted trademark law as it existed before 1946. *See, e.g., Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 173 (1995) ("This history undercuts the authority of the precedent on which Jacobson relies. Much of the pre–1985 case law rested on statements in Supreme Court opinions that interpreted pre-Lanham Act trademark law and were not directly related to the holdings in those cases. Moreover, we believe the Federal Circuit was right in 1985 when it found that the 1946 Lanham Act embodied crucial legal changes that liberalized the law . . . ."); *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1360 (CCPA 1973) ("we consider the pre-Lanham Act decisions presented here to be inapt").

The Federal Trademark Dilution Act of 1995 ("FTDA") amended Lanham Act Section 43 to provide a new subsection (c) setting forth a federal cause of action for trademark dilution. 15 U.S.C. § 1125(c). *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333 (Fed. Cir. 2003) (referring to the House Judiciary Committee statements relative to the FTDA, the Federal Circuit noted that the geographic fame of the mark must extend throughout a substantial portion of the United States). Between its effective date and August 5, 1999, the FTDA did not provide grounds for opposition or cancellation in the Trademark Trial and Appeal Board ("TTAB"). *Babson Bros. Co. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996). On that date in 1999, however, legislation became effective permitting trademark opposition and cancellation proceedings based on dilution. The Trademark Dilution Revision Act of 2006 then amended the Trademark Act of 1946 and the later FTDA of 1995. The 2006 Act was primarily designed to overturn the U.S. Supreme Court decision in *Moseley v. Victoria's Secret Stores, Inc.*, 537 U.S. 418 (2003), which had required a plaintiff to show actual trademark dilution, rather than the likelihood of dilution. The 2006 Act also limited protection for trademark dilution to those marks recognized by members of the general public, rather than marks famous only in a niche market, and slightly amended the "fair use" defense.

President Bush signed into law the implementing legislation for the Madrid Protocol on November 2, 2002. Sections 60-74 were added to the Lanham Act as Subchapter IV, titled "The Madrid Protocol." *See* 15 U.S.C. §§ 1141-1141n. On November 2, 2003, registration under the Madrid Protocol became available through the PTO. Thus, a U.S. company can now file an intent-to-use application in the U.S. and then file in the PTO, in English, using U.S. currency, an application for registration of the mark in any of the Madrid Protocol member countries. Thereafter, the appropriate trademark offices in each of the designated countries will examine the application under their domestic law. This streamlined process reduces to a considerable extent the foreign trademark registration expenses of a U.S. company.

Many other expansions in trademark protection are due to the constant application by courts of existing legal norms to changing social and economic facts. The development of rules of trademark law, which is part of the broader law of unfair competition, or the adjudication of trademark claims, should reflect a balance among the rights of competitors, the goodwill of producers, and the interests of consumers. The dynamic nature of trademark law is reflected in various important changes, some of which are listed below.

1. In the twentieth century, both the state and federal courts tended to be highly solicitous of an individual's personal right to use his or her name in trade. More recently, courts have adopted a more flexible approach to the conflicting property interests involved in surname trademark infringement cases. Courts have been willing, for example, to enjoin the use of a surname unless accompanied by a disclaimer.

2. Although initially reluctant to do so, the PTO has accepted applications to register trade dress under the Lanham Act since at least the late 1950's. That trend has continued with an expansion of trade dress rights. The U.S. Supreme Court has spurred the expansion with cases such as *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (proof of secondary meaning is not required to prevail on a claim under Section 43(a) of the Lanham Act where the product packaging trade dress at issue is inherently distinctive), and *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (in an action for infringement of unregistered trade dress under Section 43(a) of the Lanham Act, a product design is distinctive and therefore can be protected upon a showing of secondary meaning).

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3. Immediately after the enactment of the Trademark Act of 1946, ambiguity persisted about whether Section 43(a) encompassed false advertising claims. Certain courts gave the provision a narrow construction. *See, e.g., Samson Crane Co. v. Union National Sales*, 87 F. Supp. 218 (D. Mass 1949), aff'd, 180 F.2d 896 (1st Cir. 1950). Courts gradually adopted a broader reading of the provision, however, and began to grant relief against false advertising. In 1989, Congress amended Section 43(a), codifying this line of cases and explicitly providing a general remedy for false advertising. *See* Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935 (effective Nov. 16, 1989). One of the main innovations of the Lanham Act is to permit competitors in an open market to enjoin false advertising. Previously, a plaintiff could succeed on a false advertising claim only if it was the sole source of the "genuine" goods (i.e., goods having the advertised virtue). Even when consumers are duped into buying the false advertiser's goods, there is often no way to be certain that the consumer would have bought from the plaintiff in an open market free from fraud; thus, plaintiffs found proof of harm difficult.

4. Trademarks themselves evolve over time, especially pictorial trademarks such as Betty Crocker, the sailor boy on the Cracker Jack package, and the Quaker Oats man. Such trademark transformations have occasionally been challenged as an abandonment of the earlier version of the mark. Courts have generally rejected such challenges as long as the new version of the mark does not alter the "commercial impression" of the original version.

5. One of the more traditional trademark law doctrines is known as the "Dawn Donut" compromise. Pronounced in *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959), the doctrine allowed a junior user to continue using a trademark in a geographic area until the senior user is ready to use the mark in that area. Courts have recently questioned whether the compromise has outlived its usefulness, given that our society is far more mobile than it was five decades ago and that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes. Clearly, the principle of territoriality in trademark law warrants revision in light of digital communication technologies and free trade, both of which enable goodwill and consumer understandings to develop in patterns that increasingly do not correspond to established geographic, political, or economic units.

6. The emergence of the Internet as a, perhaps <u>the</u>, major venue for commerce has required re-evaluation of many of the traditional trademark law principles. It is entirely appropriate that trademark law reconsider many of the principles, even basic principles, given the centrality of trademarks to modern life. Among those principles are trade identification, consumer confusion, and false advertising. The questions surrounding how to protect trademarks in cyberspace has dominated trademark law in recent years.

For example, the Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d), was adopted in 1999 specifically to provide courts with a preferable alternative to stretching the dilution law to cover cybersquatting cases. Cybersquatting involves the registration, as domain names, of well-known trademarks by non-trademark holders in violation of the rights of the trademark owners. Often, cybersquatters try to sell the names back to the trademark owners. The last decade has seen the courts tackle a number of trademark issues under the ACPA.

These Internet questions are being addressed by legislatures, alternative dispute resolution procedures, and judicial case law. The Federal Circuit is among the tribunals helping to shape modern trademark law. The courts will undoubtedly remain central, along with scholars, federal and state legislatures, and stakeholders, to the ongoing debate involved in developing ─ in a transparent fashion ─ the trademark law of the next decade (2016-2025).

The Last Year (2015-16)

Thus, trademark law has proven dynamic in the first fifteen years of this millennium, and no more so than in the past year. This annual review highlights eight "hot" topics from the second quarter of 2015 through the first quarter of 2016, each of which is discussed in more detail below. As a bonus, the review concludes with a summary of eight noteworthy cases.

1. Who Cares, Anyway? The Value of a Brand.

2. A Rare Constitutional Trademark Issue: The Redskins and The Slants.

3. Should You Join "HAVANA CLUB"? Trademarks in Cuba.

4. When the U.S. Supreme Court Speaks, People Listen . . . .

5. ICANN and the Uniform Rapid Suspension ("URS") System.

6. Is the Shammas Decision Un-American?

7. Trademark Solicitations (or Scams).

8. European Trademark Reform.

*. Eight Case Summaries.

1. Who Cares, Anyway? The Value of a Brand.

In the latest rankings of Interbrand, a leading brand consultancy with a network of 29 offices in 22 countries, Apple is the world's most valuable brand, achieving a valuation of about $170 billion. Other technology companies in the top-ten list of the world's most valuable brands were Google ($120 billion), Microsoft ($67 billion), IBM ($65 billion), (Samsung ($45 billion), and Amazon ($37 billion). And these valuations are dynamic: going up. Apple's brand value represents a rise of 43% over last year's figure.

Value alone is not everything, however, and brand ratings additionally account for other financial metrics, as well as qualitative measures such as brand affection and loyalty. Regardless of the measure, the figures clearly demonstrate the economic impact that a strong brand can generate – with trademarks the central component. Among the lesser known consequences of a valuable brand is the concept of brand mortgaging, a tactic successfully used by Ford to secure the funding that allowed its restructuring. Brand valuation is an important task that assesses the financial value of a brand for a clear picture of how it contributes to business results. Brand valuations have been used to plan, build, and monitor brand strategies over time, assess acquisitions, or help with investment/trade-off decisions.

2. A Rare Constitutional Trademark Issue: The Redskins and The Slants.

Recent developments in the PTO, the courts, and the popular press have highlighted the important issue of how we treat trademarks that disparage a segment of our population. In order of increasing adverse consequences, the law might (1) refuse to grant a trademark owner the benefits of a federal registration, (2) decline to enforce the owner's rights against other parties, or (3) preclude the owner from itself using the trademark. With respect to the fist consequence, the Trademark Act refuses registration of a disparaging mark under 15 U.S.C. § 1052(a).

Two ongoing cases are separately addressing that provision. One case involves the Redskins football team; the other involves an Asian-American rock band called "The Slants." The PTO denied both the team's and the band's applications to register their respective marks, and both parties appealed. Each party made the same argument: Section 1052(a) is an unconstitutional discrimination against free, even if unpopular, speech.

In *In re Tam*, No. 14-1203 (Fed. Cir. Dec. 22, 2015), a split in banc U.S. Court of Appeals for the Federal Circuit ruled in favor of the band and held that the federal government's ban on disparaging trademark registrations violates the First Amendment. Stated the Federal Circuit: "Many of the marks rejected as disparaging convey hurtful speech that harms members of oft-stigmatized communities. . . . But the First Amendment protects even hurtful speech." The government cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks. Long-standing Federal Circuit precedent held that Section 1052(a) passed constitutional muster because it did not actually stop trademark owners from using an offensive mark, merely from registering it with the government. The court noted, however, that the First Amendment's protections have never been limited to situations where the government outright bars speech: "That principle governs even when the government's message-discriminatory penalty is less than a prohibition."

In *Pro-Football Inc. v. Blackhorse*, No. 15-1874, pending before the U.S. Court of Appeals for the Fourth Circuit, the appellate court is reviewing the decision of the U.S. District Court for the Eastern District of Virginia. The district court affirmed the PTO's decision to cancel the football team's registrations, rejecting the constitutional challenge on the ground that trademarks constitute "government speech" and, therefore, are not subject to First Amendment scrutiny. If the Fourth Circuit reaches a different conclusion than the Federal Circuit as to the constitutionality of Section 1052(a), in a decision expected sometime in 2016, then the U.S. Supreme Court may ultimately decide the issue.

Meanwhile, interested groups such as the U.S. Department of Justice, the ACLU, the International Trademark Association, the NFL, and the American Bar Association – all of whom filed briefs in the Federal Circuit case, as well as the affected population groups, watch and wait.

On March 10, 2016, the PTO issued an Examination Guide for issues related to the ban on registering disparaging or scandalous or immoral trademarks under Section 1052(a). The Examination Guide states: "While the constitutionality of these provisions remains in question and subject to potential Supreme Court review, for any new applications the USPTO will issue only advisory refusals on the grounds that a mark consists of or comprises scandalous, immoral, or disparaging matter under Section 2(a) [of the Lanham Act]." Under these circumstances, the PTO Trademark Examining Attorney will suspend action on the application in the first Office Action until these constitutional questions are resolved.

3. Should You Join "HAVANA CLUB"? Trademarks in Cuba.

As Bob Dylan famously wrote in the title track of his 1964 album, "The Times They Are a-Changin'." Today the times are changing with respect to Cuba. Following President Barack Obama's recent announcement that the United States is normalizing relations with Cuba and his visit to Cuba on March 21, 2016, U.S. trademark owners should consider registering at least their most important trademarks in Cuba.

Trademarks have long been able to be protected in Cuba on behalf of U.S. individuals and corporations. Until recently, the question has been, "Why do so?," given that an embargo precluded U.S. individuals and corporations from conducting business in Cuba. The easy answer for many has been: "Let's not waste the money." In addition to the absence of a business reason to protect trademarks in Cuba, Cuban trademark law seems to discourage such protection. Like the United States, Cuba has a legislative requirement that trademarks must be used in commerce to avoid claims of abandonment. A third party can petition to cancel a registered trademark if the mark is not used for three consecutive years after registration. Therefore, the inability of U.S. trademark owners to use their trademarks to promote goods or services in Cuba renders them vulnerable to attack.

The Status Quo

The Cuban embargo prohibits most types of commerce with Cuba absent a special license from the Office of Foreign Assets Controls, a division of the U.S. Department of the Treasury. The law provides a general license, however, that permits nationals of either country to register, prosecute or oppose a trademark. Relying on the general license, hundreds of U.S. companies have registered their trademarks in Cuba anticipating future changes that might allow trade and commerce. These registrations normally come in waves during times when the possibility for political change makes the news. Thus, the current policy change is likely to generate a new wave of registrations. Changes in the status quo are likely to be slow because the 1992 Cuban Democracy Act (the "Torricelli Law") and the 1996 Cuban Liberty and Solidarity Act ("Helms-Burton Act") limit the authority of the executive branch to modify or end the embargo.

A Turbulent Background Highlighted by "Havana Club"

Cuba's state distillery sells a popular rum under the trademark "Havana Club" in over 120 countries, although the U.S. embargo precludes sales in this country. The rum is distributed through Pernod Ricard, a French company. In 1996, Havana Club Holding SA and Havana Club International SA, two corporations jointly owned by Cubaexport and Pernod Ricard, filed a U.S. district court action claiming trademark infringement for use of the famous Havana Club mark. That trademark claim blossomed into years of litigation yielding multiple district court decisions and prompting a flurry of alarmist, and often inaccurate, media reports. The litigation prompted a "Havana Club" lawsuit filed in Spain; a European Union challenge before the World Trade Organization over one of the U.S. laws applied in the district court; concerns about a possible United States-versus-Cuba trade war; and threats by Fidel Castro to produce a counterfeit "Coca-Cola" drink in Cuba. Although Castro never carried out his threat, the "Havana Club" incident highlights the turbulent history of trademark rights between the two countries.

Reasons to Now Consider Trademark Registrations in Cuba

1. Business

Cuba may be the strongest country in the Caribbean in terms of its economy. It has long relied heavily on foreign investment and, over time, has welcomed visits by U.S. businesspeople exploring post-embargo opportunities. President Obama's recent announcement brings us to the brink of the most pronounced commercial change in U.S. relations with Cuba in 50 years. If and when the embargo is lifted, Cuba is expected to become a popular vacation destination for visitors from the United States, and the door will open to many different types of commerce. For these business reasons, it has been recommended that trademark owners, particularly those who conduct business in the Caribbean and Latin America, especially Central America, should consider filing applications to protect their marks in Cuba.

2. Avoid “Brand Theft”

Perhaps the most important reason to now consider trademark registrations in Cuba is to avoid “brand theft,” the unfortunate experience of having a Cuban individual or company register marks of a U.S. trademark owner in bad faith anticipating a change in the political climate that would allow U.S. entry into Cuba. When the U.S. trademark owner does decide to do business in Cuba, and to use and register its trademarks there, such use and registration may be precluded by the Cuban individual or company’s prior registration. U.S. trademark owners confronted a similar experience when South Africa lifted its practice of apartheid, allowing for U.S. expansion into that country in the 1990s.

More recently, U.S. trademark owners have confronted this experience in South Africa and certain Asian countries. Under Chinese trademark law, for example, only a registered trademark enjoys protection and the first person or entity to register the mark becomes its lawful owner -- even if the mark has already been used by others in China. The only exception to this rule is that of an unregistered trademark which, through widespread and prolonged use in China, has become famous at the time of the hostile registration. Certain Chinese companies or individuals are known to actively follow a strategy, certainly opportunistic and to many unfair, of registering trademark rights in China that arguably belong to foreign trademark owners. These “stolen” trademark rights create great uncertainty for the foreign investor doing business in China. Perhaps even more problematic, in some cases the stolen trademark rights can be enforced against use by the foreign trademark owner of its own mark in China. Consider the plight of a European wine manufacturer, Castel Freres SAS, which was ambushed by a Chinese competitor enforcing a stolen trademark with catastrophic consequences. In April 2012, Castel was ordered to pay more than $5 million in compensation, one of the largest damage awards ever in a trademark infringement case in China.

We were just advised that a Cuban individual filed to register the mark of a U.S. client. An initial investigation indicates that the same individual filed a number of applications, all about the same time, covering a number of marks well-known in the United States. Such action is obviously in bad faith. Regardless, it would seem prudent that U.S. trademark owners begin to consider filing for trademark protection in Cuba if for no other reason than to avoid third parties from attempting to obtain the rights to their marks.

Cuban Trademark Law

Assuming that a U.S. trademark owner decides to protect its mark in Cuba, a little knowledge about Cuban trademark law might help. The Cuban Trademark Office (CTO) reportedly works fairly well. As in many other jurisdictions, once the application is filed, it will be examined to determine whether the requisite formalities have been met. If there is some unmet formality, an official action will issue. After all the formalities have been met, the application will be published for opposition. If no oppositions are filed within the 60-day period that begins on the publication date, the substantive examination will be completed for the application. If no obstacles are found with respect to the registration, then the payment of the grant fees will be due within a 30-day term from the date of the notification of grant. Generally, absent complications, the registration process takes approximately 18 to 24 months.

If an opposition is filed, the applicant will be given a term of 30 days in which to respond to the opposition. After the response to opposition is filed, the CTO will complete a substantive examination which will take into account the opposition (as well as any possible obstacles found during a search). In the event that the application is rejected after examination, an appeal is possible within a term of 30 days. As indicated above, the CTO office works well, and its decisions are usually reasonable. We are advised that prosecution can take some time mainly due to bureaucracy, i.e., the system is slow. Note that all the firms that practice before the CTO are also government entities, so that they too can be slow at times.

The approximate cost to prepare and file a trademark application in Cuba is about $1,500. The approximate cost to initiate an opposition is between $1,400 to $1,800. These estimates include all official and professional fees, but do not include late filings or translations. As to formalities, only a power of attorney is required; no further certifications or legalizations are required. If it is not filed with the application, the power of attorney must be filed within the next 60 days. Multiclass applications may be filed. It is necessary to limit products and/or services; entire classifications may not be protected. No use is necessary before the certificate of registration is granted.

A registration is valid for 10 years and can be renewed in 10-year increments. Use is not required to renew a registration. As stated above, however, nonuse for three consecutive years may trigger cancelation of the registration if another party files a petition enforcing the use requirement. This risk is tempered somewhat by practicality: our colleagues knowledgeable about Cuban trademark law advise that in more than 30 years of filing applications in Cuba on behalf of U.S. and European companies, they have never seen a cancelation action filed by a third party on the basis of nonuse.

Conclusion

The current policy change is likely to generate a new wave of applications to register trademarks in Cuba. Before a

U.S. trademark owner joins the charge, however, at least two cautions should be noted. First, changes in the political status quo are likely to be slow -- the opportunity to do business in Cuba may not open for some time. Second, like the United States, Cuba has a legislative requirement that trademarks must be used in commerce to avoid claims of abandonment. Specifically, a third party can petition to cancel a registered trademark if the mark is not used for three consecutive years after registration. Therefore, the inability of U.S. trademark owners to use their trademarks to promote goods or services in Cuba renders them vulnerable to attack. This theoretical risk may be of little practical import, however, given the historical lack of challenges to trademark rights based upon nonuse.

Regardless of the cautions, U.S. trademark owners may be prudent to protect their marks in Cuba. Failure to plan ahead may cost them dearly. As prior experiences in South Africa and Asia have shown, unless they act soon to protect their marks in Cuba, U.S. trademark owners may find themselves unable to sell products and services in a desirable and neighboring market under the brand name that they have invested so heavily to build elsewhere.

4. When the U.S. Supreme Court Speaks, People Listen . . . .

The U.S. Supreme Court does not often address trademark law issues. In the last year, however, the Court has decided two trademark cases. The Hana Financial case decided a relatively obscure issue and, therefore, is not all that impactful. The B&B Hardware case is more important.

A. In *Hana Financial Inc. v. Hana Bank*, 135 S. Ct. 907 (2015), the question presented was whether tacking of previously used trademarks is an issue of law or fact. The *Hana Financial* case is perhaps more notable for the fact that it was the U.S. Supreme Court's first substantive trademark ruling in ten years than for its actual holding. Regardless, the Court decided, in favor of Hana Bank, that juries, rather than judges, must make the key ruling on whether to apply the trademark law doctrine of "tacking." Tacking becomes relevant somewhat rarely in trademark litigation. The doctrine allows trademark owners to retain a priority first-use date even if they slightly modify their mark over the years, "tacking" the old date onto the updated version of the mark.

B. In *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), the question presented was whether a TTAB decision finding confusing similarity between two marks (for registration purposes) precludes a district court from later making a contrary finding (on the infringement question). Shortly after the *Hana Financial* case, the U.S. Supreme Court issued its second substantive trademark law ruling in nearly a decade. The Court held that findings made by the TTAB can have a preclusive effect in subsequent federal court proceedings if the usual requirements of issue preclusion are met, and the issues litigated in the two actions are "materially the same." In so ruling, the Supreme Court announced that TTAB determinations can be conclusive in subsequent suits to prevent re-litigation of the same issues.

   The TTAB denied registration of Hargis' mark SEALTITE based on likelihood of confusion with B&B Hardware's SEALTIGHT mark. In addition to opposing registration of Hargis' mark by the PTO, B&B Hardware also sued Hargis for trademark infringement in district court. Before the district court ruled on likelihood of confusion, the TTAB announced its finding of likelihood of confusion. B&B Hardware then argued to the district court that Hargis could not re-litigate the issue of likelihood of confusion because the TTAB's decision warranted preclusive effect. The district court and, later, the U.S. Court of Appeals for the Eighth Circuit disagreed, with the appellate court reasoning in part that the issues in the two actions were not the same: the TTAB applies different factors than the Eighth Circuit to evaluate likelihood of confusion.

   The U.S. Supreme Court reversed, stating that the likelihood of confusion standards applied in registration proceedings before the TTAB and infringement suits in federal district court are effectively the same for purposes of issue preclusion. The "factors are not fundamentally different" and "minor variations . . . do not defeat preclusion." The Supreme Court further stated that even though the TTAB and district courts have different procedures, so long as the TTAB reaches a final decision on the same issue as that before the district court, deference should be given to the TTAB.

   The Supreme Court also recognized cases in which issue preclusion would not apply. Where the TTAB's decision is based on consideration of materially different facts with legal significance, for example, analyzing use of the mark solely based on statements in the registration application as opposed to actual use of the mark in commerce, issue preclusion would not bar re-litigation in district court. In addition, where the usual requirements of issue preclusion are not met, it would not apply. Generally, for an earlier decision to have preclusive effect on a subsequent action, the parties and the issues in the two actions must be the same, and the issue to be precluded from re-litigation in the second action must have been actually litigated in the prior action and resolved by a valid final judgment that was essential to the outcome of the earlier action.

The U.S. Supreme Court's decision in *B&B Hardware* is arguably fairly limited. Litigants in disputes before the TTAB can attempt to avoid the preclusive effects of a TTAB decision by seeking a clean slate de novo review of the TTAB decision through a civil action in district court. Moreover, where the TTAB's considerations are not "materially the same" as those before the district court, issue preclusion would not apply. Finally, litigants may opt to proceed directly to district court to sue for infringement and cancellation of a registration simultaneously, and forego the TTAB altogether.

5. ICANN and the Uniform Rapid Suspension ("URS") System.

ICANN
The Internet Corporation for Assigned Names and Numbers

On January 12, 2012, the Internet Corporation for Assigned Names and Numbers (ICANN) opened the application window for its new Generic Top Level Domain (gTLD) program. This process allows successful applicants to run their own domain registry (i.e., ".brand" such as ".martin"), and could potentially raise the number of available gTLD's from its current level to thousands of new options. Simply put, the Internet is changing and brand owners must continue to monitor activities.

The New Generic Top Level Domain program also contained new rights protection mechanisms. One such mechanism, called the "Uniform Rapid Suspension" or "URS" system, has been in operation for over two years. Thus, data can be collected about those who use the URS system and about the reasoning of panelists deciding cases under the URS system.

In 1998, to address the problem of conflicts between domain name registrations and pre-existing trademarks, ICANN obligated all accredited domain name registrars to agree to a uniform dispute resolution policy for domains that ICANN administers. In turn, the registrars required, and continue to require, all registrants to agree to the policy. The consequence was to establish a multi-national, mandatory alternative dispute resolution mechanism. ICANN specifies a list of approved dispute resolution providers to conduct arbitrations for domains it administers. The operative procedures for these arbitrations are identified in a document called the Uniform Domain Name Dispute Resolution Policy (UDRP). The full text of the UDRP and the list of providers can be found at the ICANN website www.ICANN.org.

The URS system was created as an expedited alternative to the UDRP. The URS system was designed to give rights holders a faster, less expensive path to relief in clear-cut cases of infringement. On the other hand, users of the URS system have a higher burden of proof than the UDRP requires (specifically, a clear and convincing standard) and can only obtain suspension, rather than transfer, of the infringing domain name. In addition, the URS system is not available for legacy TLD's (i.e., older TLD's that existed before the New Generic Top Level Domain program).

The National Arbitration Forum (NAF) and the Asian Domain Name Dispute Resolution Centre were approved to decide URS cases. By the end of 2015, the NAF alone had decided over 400 URS cases. About 86% of the cases resulted in suspension of the domain names; about 6% resulted in rejection of the complaint; and about 8% were withdrawn. The success rate is slightly lower than in UDRP proceedings heard by the NAF, in which the complainant prevails in over 90% of the cases.

Review of the new gTLD rights protection mechanisms is ongoing. Those who must determine whether the UDRP or URS dispute resolution system best suits their needs should monitor such review. Familiarity with the decisions made and case law developed under the URS system, and an understanding of how panelists approach the "clear and convincing" standard, will be critical to that decision.

6. Is the "Shammas" Decision Un-American?

vs.

Under the "American Rule," absent an exception such as a clear statement in the applicable statute that expressly authorizes the recovery of attorneys' fees, each party to a lawsuit must bear its own attorneys' fees and expenses for the litigation. In contrast, the "English Rule" requires the loser to pay both parties' fees and expenses and, therefore, is basically a fee-shifting mechanism. Applicants who challenge in a federal district court a decision of the TTAB of the PTO that upholds a PTO refusal to register a trademark may now be required to reimburse the government for PTO attorney fees ─ even if the applicant wins.

Background

Pursuant to 15 U.S.C. § 1071, a party who is dissatisfied with a decision by the TTAB may either appeal to the U.S. Court of Appeals for the Federal Circuit or commence a *de novo* civil action in a federal district court. If the applicant appeals to the Federal Circuit, the appeal is decided based on the record before the TTAB. If the applicant chooses a civil action, however, the applicant may introduce new evidence. Pursuant to 15 U.S.C. § 1071(b)(3), if an applicant commences a civil action where there is no adverse party (e.g., an opposer to the application to register a mark), then a copy of the complaint must be served on the PTO director, and "unless the court finds the expenses to be unreasonable, all of the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." (Emphasis added.) In *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), the U.S. Court of Appeals for the Fourth Circuit addressed for the first time whether the PTO could recover attorneys' fees pursuant to this provision.

In 2009, Milo Shammas applied to register the trademark "PROBIOTIC." The Trademark Examining Attorney refused to register the mark, and the TTAB affirmed the refusal. *In re Milo Shammas*, Serial No. 77758863 (TTAB Oct. 25, 2012). Mr. Shammas then filed a *de novo* civil action in a U.S. district court. *Shammas v. Focarino*, 990 F. Supp. 2d, 591 (E.D.Va. 2014). After Shammas lost the case on summary judgment, the government submitted a motion for reimbursement of about $36,000 in expenses, including the prorated salaries of its attorneys. (Although Section 1071(b)(3) has existed for at least 40 years, the PTO had never before claimed attorneys' fees as recoverable "expenses" under the statute.) Shammas argued that "expenses" under Section 1071(b)(3) cannot include attorneys' fees because the statute does not explicitly provide for shifting attorneys' fees, which is required to overcome the American Rule. The district court disagreed, granted the PTO's motion, and directed Shammas to pay. Shammas appealed to the Fourth Circuit.

The Fourth Circuit Decision

A divided Fourth Circuit affirmed the district court's decision. The appellate court agreed with Shammas that "expenses" is a broad term. A majority of the appellate panel held that the American rule applies, however, only when the award of attorneys' fees depends on whether the party seeking fees prevails. Because Section 1071(b) mandates payment of attorneys' fees without regard to a party's success, the statute does not trigger the American rule; Section 1071(b)(3) is not in fact a fee-shifting statute. The court relied on the text of Section 1071(b) (specifically, the use of the broad phrase "all expenses") and the statute's legislative history to conclude that the statute contemplates that applicants are always responsible for paying the PTO's attorney fees. The court also concluded that the requirement that an applicant pay all PTO expenses was intended to reduce the financial burden on the PTO. Because district court actions under Section 1071(b) allow parties to take additional discovery and introduce new evidence, the PTO faces higher costs in defending against these actions than it would in an appeal to the Federal Circuit. According to the Fourth Circuit majority, Section 1071(b)(3) "plainly incentivizes trademark applicants to appeal routine trademark denials to the Federal Circuit."

The court also rejected Shammas's argument that "expenses of the proceeding" means "costs," because (a) the statute uses both "costs" and "expenses" so they were not meant to be read synonymously, and (b) a prior decision in the context of a nearly identical patent statute found that "the word 'expenses' was to include more than that which is ordinarily included in the words 'cost'." *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931).

Practical Implications of the "Shammas" Decision

Before the *Shammas* decision, a dissatisfied applicant challenging a decision upholding a PTO refusal to register a trademark typically chose between filing a Federal Circuit appeal or filing a civil action in a district court based on three factors: (i) whether the applicant wanted to supplement the TTAB record, (ii) whether there was any choice-of-law benefit to proceeding in the Federal Circuit versus in a district court in another circuit, and (iii) the likely increased expense associated with a civil action that could include supplemental evidence and discovery and the possibility of an appeal of the district court decision. Applicants must now also consider a fourth factor, namely, that they may (and will, at least in the Fourth Circuit) have to pay the PTO's legal expenses if they elect to file a civil action.

After *Shammas*, unsuccessful trademark applicants can be expected to file more TTAB appeals in the Federal Circuit, rather than *de novo* actions in the district court. In at least some cases, the burden of being obligated to pay the PTO's attorneys' fees may be such a prohibitive expense that it would effectively remove district court review under Section 1071(b) as a viable procedure for all but the wealthiest applicants. The risk of having to pay the PTO's attorneys' fees may also become a factor in counselling trademark applicants. The *Shammas* decision may have the indirect effect of increasing efforts and costs in appeals of PTO Trademark Examining Attorney's refusals to the TTAB. Refused applicants may find it necessary to develop complete records in their appeals to the TTAB rather than rely on more limited arguments. Then, if the TTAB affirms a refusal, an applicant may appeal the decision to the Federal Circuit with the benefit of a full record but without being obligated to pay the PTO's attorneys' fees. The proverbial "bottom line": clients and their attorneys may need to reconsider how to prosecute applications to register trademarks and appeal adverse TTAB decisions.

7. Trademark Solicitations (or Scams).

A. Private companies not affiliated with the PTO have been sending official-looking solicitations to trademark owners with increasing frequency. In addition to posing as the PTO, such private companies may mimic foreign intellectual property offices or operate under names that give the impression that the company is affiliated with a governmental agency. At first glance, these solicitations may look like an invoice or notification from the government that a maintenance or renewal fee is due, or that a fee for a watch service is required. Such notices are scams. Trademark owners should not respond without first consulting their trademark attorney.

The PTO has issued an official warning about these types of solicitations, and many foreign intellectual property agencies have done the same. Public Internet sites also contain advice about these types of solicitations, such as Wikipedia's page on scams in intellectual property. The scammers often have official-sounding names like "United States Trademark Registration Office" and "Register of International Patents and Trademarks," but reading the fine print reveals that the correspondence is not official. Official PTO correspondence is sent only to the person who files a trademark application. If an attorney filed the application, then all correspondence will go to the attorney who will communicate directly with the client.

B. Many clients have reported receiving correspondence (like that below) from private companies claiming to be domain registrars and reporting that a third party is attempting to register a domain comprising the client's trademark. These notices frequently originate in China or elsewhere in Asia and claim that the purported infringing registration can be stopped by paying a fee to register the domain yourself. These notices are scams. Do not respond.

Internet registrars are under no obligation to inform trademark owners that a third party is seeking to purchase a domain comprising a registered trademark. Investigation usually reveals that the third party identified in the correspondence does not actually exist. The company sending the notice may be a domain registrar trying to trick the trademark owner into buying domains that it otherwise does not need, but feels compelled to buy to prevent the fictional third party from "stealing" a domain name or trademark. Of course, should the trademark owner wish to acquire any domain name, that is a separate decision to be made independent of the subject solicitation.

The company sending the notice may also be a domain name squatter testing the trademark owner's interest in the domain name that includes its name or mark. Experience shows that a reply to the e-mail tells the domain squatter that the trademark owner is interested in the domain name, prompting them immediately to have the domain name registered in the name of another company. The domain name squatter would then act as a middleman offering to sell the domain name to the trademark owner. This scheme has become a business model for such domain name squatters. Again, if a trademark owner is really interested in the domain name, it should proceed directly to register the domain name through normal channels.

EXAMPLE SCAM EMAIL RECEIVED:

From: Howard [mailto:Howard@netservice.hk]
Sent: Friday, February 20, 2016 2:46 AM
To: Jackson, Cheryl
Subject: stradley ---Intellectual property rights (To CEO) Urgent
Importance: High

Dear CEO,

We are a domain name registration service company in Hongkong, which mainly deal with international company's domain name registration and disputing in Asia. On the February 19, 2016, we received an application formally from "Yingfeng Investment Corp",who applied for the Internet trademark"trademark "stradley" and some domain names relevant to this trademark from our organization.

According to our procedures and in order to protect your intellectual property rights, we need to send this email to the original company for confirming the actual relationship with this company.If you do not know this company, we doubt that they have other motivation to register

these domain names and probably want to do some cybersquatting. Now we have postponed this issue and have not proceeded their registration,In order not to confuse registering these domain names,Please contact us by telephone or email as soon as possible.

Best Regards

Howard
Auditing Director
Hong Kong Head Office:
Tel:00852 9566 0205(Direct)
00852 9566 0496(Office)
Fax:00852 9566 0302
Email:Howard@netservice.hk
Web: http://www.sk-holdings.net

8. European Trademark Reform.

Last month, in March 2016, major reforms became effective in the European Union trademark system. Those reforms affected both Community Trade Marks (CTMs) and national trademarks of the European Union's 28 member states. The reform package consists of a new Regulation on European Union trademarks, which amended the previous CTM Regulation and related texts (the Regulation), and a new Directive for the Member States to implement with respect to the national trademarks (the Directive). Although most provisions of the new Regulation are already in force, the Directive requires transposition by member states into the national laws and the states have 3 to 7 years to complete that transposition.

The reform package is widely hailed as a significant step towards creating a more harmonized, modern, and efficient trademark system for the European Union. The package includes the following specific reforms.

Terminology. The former CTM is now called the European Union Trade Mark (EUTM). In addition, the former Office for Harmonization in the Internal Market (OHIM) will be changing its name to the EU Intellectual Property Office (EUIPO).

Fees. The initial application fee to register a mark will no longer include up to 3 classes of goods and services. Instead, application fees will be on a per-class basis, as they are in the United States, with a cost saving for those applicants who wish to file in only one class.

Classes	Old Appl'n Fee	New Appl'n Fee
First Class	€900 covers up to 3 Classes	€850
Second Class		€50
Third Class		€150
Fourth & more Classes	€150	€150

In addition, renewal fees for EUTMs will be reduced by up to about 37%.

Classification. OHIM's previous practice of interpreting identifications of goods and services which include a "class heading" as encompassing all goods or services within that class will change. All who own CTM registrations that identify as goods or services the whole heading of classes ─ even if followed by a specification of some goods and/or services ─ may be impacted. These registrations risk reduced protection, because protection will be limited to the literal meaning alone. For example, if the entire heading of Class 41 has been claimed, i.e. "Education; training; entertainment; sports and cultural activities," there will be no protection for the services not literally included in the heading, such as for example "publishing services" or "ticketing services." A grace period of six months (until September 24, 2016) exists, after the new regulation comes into effect, during which a declaration can be filed to specify all the goods and services to be protected. In addition, in order to maintain the protection that was originally granted, registrants might consider filing a new application for registered trademarks which could lapse through non-use and directed to those goods and/or services for which it is not possible to prove valid use over the last five years. After March 23, 2016, identifications will be interpreted literally.

Filing Practice. EUTMs can no longer be filed through national trademark offices. In addition, the need for a market to be graphically represented will be removed. Thus, the graphical representation requirement has become more accommodating to non-traditional trademarks, such as holograms or movement marks.

Opposition Period For International Registrations. The three-month opposition period for European Union designations of International Registrations will begin one month after the publication by the EUIPO, as opposed to the current six months. This change will allow International Registrations designating the European Union to proceed to grant much more quickly.

Certification Marks. European Union-wide certification marks will be introduced at some point after September 2017.

*. Eight Case Summaries

A. TRADEMARKS MUST BE ANALYZED IN THEIR ENTIRETIES.
Princeton Vanguard LLC v. Frito-Lay North America Inc., 786 F.3d 960 (Fed. Cir. 2015).

Princeton Vanguard applied to register the trademark PRETZEL CRISPS for "pretzels." The Trademark Examining Attorney refused registration on the Principal Register, finding the proposed mark merely descriptive. Princeton Vanguard amended its identification of goods to "pretzel crackers," disclaimed the exclusive right to use "pretzel" apart from the mark as a whole; and obtained registration on the Supplemental Register. Years later, Princeton Vanguard again sought to register PRETZEL CRISPS on the Principal Register, identifying October 6, 2004 as its first use of the mark in commerce, disclaiming the exclusive right to use the term "pretzel" apart from the mark as shown, and claiming acquired distinctiveness in the mark as a whole. PepsiCo.'s Frito-Lay opposed, arguing that the term PRETZEL CRISPS is generic for pretzel crackers or at least highly descriptive of a type of cracker product and has not acquired distinctiveness. Frito-Lay also moved to cancel the supplemental registration. The TTAB granted the petition for cancellation, finding that "pretzel crisps" was a compound term, not a phrase, and was generic. The Federal Circuit vacated that decision, holding that the TTAB overlooked or disregarded a genericness survey as to which it apparently found no flaw and applied the incorrect legal standard in assessing whether the term was generic. Specifically, the TTAB took "short cuts" in its analysis, namely by weighing each word rather than the mark as a whole. "Where, as here, the record is replete with evidence of the public's perception of the term PRETZEL CRISPS as a whole, it is unclear why the board would resort to analyzing the terms individually or why it would believe doing so would aid its analysis," the Federal Circuit reasoned.

B. TRADE DRESS OFFERS HOPE IN PROTECTING FASHION DESIGNS.
In the Matter of: Certain Footwear Products, Investigation No. 337-TA-936 (U.S. Int'l Trade Comm'n 2015).

All eyes in fashion intellectual property will still be on Converse in 2016, as the Nike Inc. subsidiary continues to litigate before the U.S. International Trade Commission (ITC) against Wal-Mart Stores Inc., Skechers USA Inc., and others. Converse initially sued more than thirty companies asserting trade dress infringement, claiming it owns exclusive trademark rights to several design elements of its Chuck Taylor All Star canvas sneaker: a rubber "bumper" at the front, a toe cap above the bumper, and stripes running around the sides. Most of the companies settled, but some have remained in the case, trying to prove that Converse cannot claim exclusive rights on what they allege are generic, functional design elements.

Administrative Law Judge Charles Bullock of the ITC issued an initial determination ruling that the importation of certain shoes had violated U.S. trade laws because the products infringed three of Converse's registered trademarks for the layout of its canvas sneaker. The case must now proceed to the full commission, which will choose whether to affirm or reverse the initial determination. After that, either side can appeal the final determination to the Federal Circuit ─ setting up a high-profile appellate ruling on the extent to which apparel designs can be protected by trademark law.

The case has been closely watched because of its potential impact on intellectual property protection for fashion designs, which is fairly limited under current American law. The U.S. does not have the kind of “design right” that protects clothing and footwear in other countries. Most apparel and footwear is ineligible for copyright protection, and utility patents are expensive, time-limited, and have stringent eligibility requirements. Some companies have turned to design patents, while other companies like Converse have turned to trade dress, to protect fashion designs.

C. SELECT DESCRIPTIVE MARKS WITH CAUTION.
Pinterest, Inc. v. Pintrips, Inc., No. 13-cv-04608, 2015 WL 6167967 (N.D. Calif. 2015).

In *Pinterest*, Pinterest Inc., the operator of the popular image-sharing website, sued a website-based travel planning service named Pintrips Inc. The U.S. District Court for the Northern District of California rejected Pinterest’s claims of trademark infringement, dilution, and related state and federal causes of action based on Pinterest’s rights to its “Pinterest,” “Pin,” and “Pin It” marks. Specifically, the court found that Pintrips’ use of its “Pintrips” mark did not infringe Pinterest’s rights to its registered “Pinterest” mark. The court analyzed the eight factors relevant to a likelihood of confusion analysis in the Ninth Circuit and decided that the factors in Pintrips’ favor (the dissimilarity of the parties’ respective services and the absence of a likelihood that Pinterest would expand into the travel booking services market) outweighed the factors favoring Pinterest (the strength of the Pinterest mark and the similarity of the marks).

Separately, the court also found that Pintrips’ use of the word “pin” on the Pintrips website’s pin button (and related content) did not infringe Pinterest’s “Pin” and “Pin It” marks, and that such use by Pintrips was “fair use” under the Trademark Act. Pintrips used the word “pin” to describe a feature of its service, found the court, and not as a mark. The court also determined that Pintrips’ use of the word “pin” was in good faith. Finally, the court rejected Pinterest’s trademark dilution claim, determining that none of Pinterest’s marks were sufficiently famous at the time Pintrips first began use of its mark in commerce to substantiate such a claim.

One lesson to be learned from this case is that, when selecting potential marks, prospective trademark owners should always consider whether the proposed mark is descriptive of any characteristics of the goods or services to be offered under the mark. If so, the prospective owner should assess carefully the risks and benefits consequent upon the selection. As demonstrated by the *Pinterest* case, the potential downside of a descriptive mark can be substantial difficulty or inability to enforce that mark when it is used by others in descriptive ways.

D. WHAT IS THE INTERNATIONAL REACH OF THE TRADEMARK ACT?
Belmora LLC v. Bayer Consumer Care AG, No. 15-1335 (4th Cir. 2015).

In *Belmora LLC v. Bayer Consumer Care AG*, the U.S. Court of Appeals for the Fourth Circuit faced novel issues about the international reach of the Trademark Act. The case arose from Bayer’s filing of a petition to cancel Belmora’s registered trademark FLANAX on the ground that the mark deceives consumers into believing that its FLANAX pain relief product is from the same source as the FLANAX product that Bayer has sold in Mexico for over four decades. (Bayer sells a similar painkiller in the United States under the brand ALEVE.) In April 2014, the TTAB cancelled Belmora’s trademark registration pursuant to 15 U.S.C. § 1064(3), which permits cancellation of a registration if, among other reasons, “the registered mark is being used by . . . the registrant so as to misrepresent the source of the goods . . . [on] which the mark is being used.” *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 1632 (T.T.A.B. 2014). The TTAB rejected Belmora’s argument that Bayer lacked standing because it had never used the mark in the United States.

Belmora appealed the TTAB’s cancellation decision in a district court action in Virginia under 15 U.S.C. § 1071(b). In a related action, Bayer sued Belmora in California for false advertising and false association under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The California action was consolidated with the Virginia action.

In February 2015, the U.S. District Court for the Eastern District of Virginia reversed the TTAB’s decision, ordering that Belmora's FLANAX trademark registration be reinstated, and granted Belmora's motion to dismiss Bayer's Section 43(a) claim under Fed. R. Civ. P. 12(b)(6). The district court summarized the issue in a single question: "Does the Lanham [or Trademark] Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?" *Belmora LLC. v. Bayer Consumer Care AG*, 84 F. Supp. 3d 490, 495 (E.D. Va. 2015). According to the district court, the answer is no. The district court held that Bayer lacks ''standing'' to pursue claims under the Trademark Act because it does not own a U.S. trademark to FLANAX, notwithstanding the TTAB's findings that Belmora intended to trade on the goodwill and reputation of Bayer's FLANAX mark in Mexico and U.S. consumers are likely to be deceived by Belmora's "blatant misuse" of the FLANAX mark.

Bayer appealed both aspects (reinstatement of registration and dismissal of Section 43(a) claim) of the district court's decision to the Fourth Circuit. The PTO intervened to argue that the owner of a well-known foreign trademark, even one that has not been registered or used in the United States, should be able to stop a clear knockoff targeted at Mexican-Americans. The Fourth Circuit decided the case on March 23, 2016.

The Fourth Circuit rejected the district court's conclusion that a Section 43(a) action may not be maintained over a mark that the plaintiff has never used in U.S. commerce, pointing out that no such use requirement appears in the plain language of the statute. Thus, the appellate court vacated and remanded the district court dismissal of the case for lack of standing. Unlike an infringement action, an unfair competition action under Section 43(a) has no requirement that plaintiffs use their marks in U.S. commerce, according to the Fourth Circuit, adding that it has no authority "to introduce a requirement into §43(a) that Congress plainly omitted." The Fourth Circuit also overturned the district court's reversal of the TTAB's cancellation decision, citing the same reason that Bayer's use of FLANAX was not required for a cancellation under Section 14(3) of the Lanham Act, 15 U.S.C. § 1064.

Per the Fourth Circuit, (1) Section 43(a) of the Lanham Act does not require the owner of a foreign mark to plead prior use of that mark in U.S. commerce in order to establish standing for an unfair competition claim against a defendant using the same mark in the United States; and (2) Section 14(3) of the Lanham Act does not require the owner of a foreign mark to plead prior use of that mark in U.S. commerce in order to establish standing for a cancellation action against a registrant of the same mark in the United States. This holding could give owners of trademarks in foreign countries new claims against their U.S. competitors.

E. THE SCOPE OF THE GENERICNESS DOCTRINE.
Tiffany & Co. v. Costco Wholesale Corp., No. 1:13-cv-01041 (S.D.N.Y. 2015).

In *Tiffany*, a September 2015 ruling by the U.S. District Court for the Southern District of New York found that Costco had committed trademark infringement by using Tiffany's famous name on diamond engagement rings. The court also found that Costco had committed acts of counterfeiting, rejected Costco's defense that it was merely using "Tiffany" to describe a generic type of pronged ring setting pioneered by Tiffany, and stated: "Despite Costco's arguments to the contrary . . . no rational finder of fact could conclude that Costco acted in good faith in adopting the Tiffany mark." The court held the retailer had "no affirmative evidence" to show that name was recognized by consumers as a generic descriptor, while Tiffany had plenty to show that consumers view it as a brand designator.

Costco sought an immediate appeal of the district court's decision, but the U.S. Court of Appeals for the Second Circuit ruled in November that the case was not yet ripe for an appeal. The next stage in the case will be a jury trial on potential damages against Costco. Once that trial concludes, Costco is likely to appeal once more, giving the Second Circuit a chance to provide guidance about genericness and how it is proven. For example, can a world-famous brand have certain portions carved out as generic?

F. WHO IS IN CHARGE HERE?
Board of Trustees of the University of Alabama v. Houndstooth Mafia Enterprises LLC, No.

7:13-cv-01736 (N.D. Alabama 2015)

In a 2013 precedential decision, the TTAB dismissed an opposition by the University of Alabama to registration by a small T-shirt company of the mark HOUNDSTOOTH MAFIA + Design for "shirts, hats" on the ground that the University did not have any trademark rights in the houndstooth pattern that was famously worn by former football coach Paul "Bear" Bryant. A civil action for review of that 2013 decision, filed in the U.S. District Court for the Northern District of Alabama, then resulted in a settlement and entry of a consent judgment, in part ordering that the TTAB's decision be vacated. In a June 23, 2015 ruling, the TTAB refused to do so. The TTAB stated that legal precedents belong to the public, and that they could not be vacated by a backroom deal and with little or no explanation as to how or why the decision is flawed. On February 23, 2016, the district court (Judge R. David Proctor) granted the University's motion to enforce the consent judgment, denied as untimely the PTO's motion to intervene, and issued an Order requiring the TTAB to vacate its decision within fourteen days. The PTO appealed that decision to the Eleventh Circuit on March 23, 2016.

The dispute in Alabama is important. Private parties, particularly deep-pocketed ones, would welcome the chance to vacate adverse case law. But precedential opinions are important to the wider trademark community, allowing both attorneys and the public to understand what can be protected under trademark law.

G. WHAT DOES "ZERO" MEAN, EXACTLY?
Royal Crown Company Inc. v. The Coca-Cola Co., No. 91178927 (T.T.A.B.).

Following oral arguments in December, the TTAB is set to decide whether Coca-Cola can obtain trademark registrations for several marks including the term "Zero." Apparently, there are twelve Coca-Cola products that use the term ZERO in the product name: Coca-Cola Zero, Coke Zero, Cherry Coke Zero, Vanilla Coke Zero, and others. The companies that own Dr. Pepper and 7-Up have opposed the registrations. They view the word "zero" as merely a generic or descriptive term for calorie-free soda, arguing that the vast majority of consumers view the word as product information — akin to "diet" or "light" — rather than as a brand designator. The respective parties have been battling for years over "Coke Zero" and many other "Zero" marks that Coca-Cola wants to register without disclaiming the "Zero" component. At arguments in December, Dr. Pepper pointed to numerous examples of "zero" that do not belong to Coke, like Pepsi's Propel Zero, Arizona's Arnold Palmer Zero, and Royal Crown's Diet Rite Pure Zero. The TTAB's eventual ruling, which will almost certainly be appealed, could shed helpful light on what it takes for a fairly descriptive word to become a protectable mark.

H. IS INITIAL INTEREST CONFUSION DEAD OR ONLY "MOSTLY DEAD"?
Multi Time Machine, Inc. v. Amazon.com, Inc., 792 F.3d 1070 (9th Cir. 2015).

In July of 2015, the U.S. Court of Appeals for the Ninth Circuit vacated the district court's grant of summary judgment on likelihood of confusion in favor of defendant Amazon on the plaintiff's initial interest confusion theory. The initial interest confusion doctrine made it trademark infringement for retailers to point customers looking for product X to product Y instead, particularly by using certain product placement practices. The appellate court held that factual issues precluded the grant of summary judgment. In an unusual action, however, the Ninth Circuit reversed itself on October 21, 2015, affirming the grant of summary judgment.

Multi-Time Machine (MTM) makes Special Ops watches. Amazon sells watches, but not MTM watches. This trademark case over Internet searches on watches addresses the previously discarded initial interest confusion doctrine. The Ninth Circuit essentially dropped the doctrine in 2011, after a series of inconsistent rulings created turmoil. In this particular case, Amazon customers entering "MTM watches" into the search field were presented with watches made by competitors, because Amazon does not carry MTM watches. In other words: "We don't carry that product, but we do carry these similar products that you might be interested in buying."

MTM alleged that Amazon's website infringed its trademark because of the manner in which the website responded to a shopper's search request for the watches. Affirming the district court's summary judgment in favor of Amazon, the appellate panel held that Amazon's search results page did not create a likelihood of confusion by displaying a list of several other brands of military style watches. The panel concluded that because the page clearly labeled the name and manufacturer of each product offered for sale and even included photographs of the items, no reasonably prudent shopper accustomed to shopping online would likely be confused as to the source of the products.

The decision is interesting because it may represent a further degradation of the initial interest confusion doctrine in the Internet context. The decision is of further interest because the Ninth Circuit's decision, as the strongly worded dissent states, means that when it comes to Internet commerce, "judges, not jurors, decide what labeling confuses consumers." Whether the decision has such far-reaching consequences remains to be seen.