Recent Developments in Trademark Law

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Trademarks at the Supreme Court

► Patent world has for years been buffeted by disruptive change arising from, among other things, Supreme Court attention to patent issues

► With increasing cert. grants within T-CAM areas, it appears to be our turn

► Some, like 2015’s *Hana Bank* decision on tacking for purposes of trademark priority and 2016’s *Kirtsaeng* decision on copyright fee shifting, seem unlikely to ever have significant impact on overall development of the law

► But almost any Supreme Court opinion can have wide-ranging results
Trademarks at the Supreme Court

**Lexmark Int’l, Inc. v. Static Control Components, Inc.**

*Cert. granted to resolve Circuit split on standing requirements suit for false advertising*

- Some Circuits limited to direct competitors; others had tests that allowed some non-competitors to sue

*Result: standing not limited to direct competitors, includes all that can plead (and ultimately prove) “an injury to a commercial interest in sales or business reputation proximately caused by defendant’s misrepresentations.”*

- Ordinarily, that requires a showing of “economic or reputational injury flowing directly from the deception wrought by the defendant’s advertising”; meaning that the deception causes consumers to “withhold trade from the plaintiff.”
But that “expansive” ruling now acting as a limit in both false advertising and common law trademark suits under § 43(a)

  - Non-comparative claim of “14 grams of protein” tested false
  - But, even though direct competitor, plaintiff failed to establish *Lexmark* injury/causation
  - Summary judgment for defendant
T-CAM at the Supreme Court

  - Claims of violation of rights both in registered trademark (§ 32) and false association/common law trademark (§ 43(a))
  - Summary judgment to defendant on § 43(a) claim for plaintiff’s failure of evidence on *Lexmark* injury/causation
  - But, claim for infringement of registered mark to proceed to trial
- Takeaway: registration “premium” has increased
Follow Up On A Decision From Last Year


► SCOTUS reversed 8th Circuit -- “so long as the other ordinary elements of issue preclusion are met, when issues adjudicated by the TTAB are materially the same as those before a district court, issue preclusion should apply.”

► To date:

  ► Courts have limited to *inter partes*, not appeals
  ► Most courts find no issue preclusion on question of likelihood of confusion, usually because TTAB doesn’t consider “marketplace evidence”
  ► But, issue preclusion is being found on other issues
    ► priority (*Ashe v. PNC Financial Services Group*)
    ► fraud on PTO (*Nationstar Mortgage v. Ahmad*)
    ► validity (*Vaad L’Hafotzas Sichos v. Kehot Publication Soc.*) (dicta.)
2017’s Lanham Act Case

► *Lee v. Tam* (was argued Jan. 18, 2017)
  ► Appeal from refusal to register THE SLANTS for a rock band
  ► Question presented: Does § 2(a)’s prohibition on registration of offensive marks violate the First Amendment?
  ► Fascinating First Amendment questions:
    ► Scrutiny level -- effective prohibition on speech or mere denial of government benefit?
    ► Is issue that prohibition content-based or that it is viewpoint-based?
      ► If viewpoint, whose viewpoint?
    ► Mark merely “commercial” or also expressive?
2017’s Lanham Act Case

► No day-to-day effect for most of us, but:

► Court’s ruling could fundamentally shift other aspects of trademark law
  ► Reasoning of Fed. Cir. opinion is that denial of registration also means
    can’t be enforced as common law trademark under state or federal law
  ► If disparagement bar in § 2(a) is unconstitutional, are other bases for
    denial under that section too? At least other “content based” (e.g.,
    flags)? Isn’t everything in the Lanham Act at least partially “content
    based”?
  ► If expressive content is the issue, how can Lanham Act preclude others
    from expressing themselves by using THE SLANTS?
  ► ETC. !!
2017’s Lanham Act Case

► Even putting collateral impact to one side, end of disparagement bar would:

► Likely result in a flood of filings at the USPTO

► Likely result in need for owners of famous brands to be vigilant as to marks that might dilute by tarnishment
  ► Disparaging marks not likely to be confusing, but that doesn’t mean we are going to like them
  ► Dilution by tarnishment is most obvious avenue to fighting back

► Takeaway: Burnish your “fame” file . . .
Fee Shifting Developments

- Circuits, including 9th Circuit, coalescing around acknowledgement that reasoning in Supreme Court’s ruling in *Octane Fitness*, a patent case, applies equally to fee awards in trademark cases
  - Exceptional cases are those that “stand[ ] out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”
  - Under *Octane Fitness*, courts focusing on whether parties’ positions remain reasonable through different stages of a case’s life
    - *Design Resources v. Leather Industries*, 2016 WL 5477611 (M.D.N.C. Sept. 2016) (case filing was reasonable, but continuing became unreasonable when discovery failed to turn up supporting evidence)
    - Courts may be harsh if, e.g., continuing after denial of PI motion
Fee Shifting Developments

PTO attorneys’ fees on appeals

Appellants of denial of trademark (and patent) registration to district court (rather than more streamlined appeal to Fed. Cir.) pay “all [PTO’s] expenses in the proceeding” -- regardless of who wins or loses

- District court sometimes advantageous because can broaden record

Long interpreted by PTO to mean PTO’s hard costs, e.g., travel

In 2013 PTO decided that “expenses” included fees

Question of whether that is an appropriate exception to the “American Rule” is now before the Federal Circuit in *NantKwest Inc. v. Lee*
Trademarks: Whither Territorial Limitations?

► *Trader Joe’s Co. v. Hallatt*, 2016 WL 4488009 (9th Cir. Aug. 2016)

► Hallatt, a lawful U.S. resident, buys Trader Joe’s products in the U.S., takes them to Canada, and sells at store he calls “Pirate Joe’s”

► District Court said no cause of action because all activity is in Canada

► 9th Circuit reverses: activity in Canada has sufficient impact on U.S. commerce to justify extraterritorial application of Lanham Act

► Useful precedent for some U.S. brand owners
Trademarks: Whither Territorial Limitations?

  ► Bayer has long established trademark rights for FLANAX in Mexico, but no use or registration in the U.S.
  ► Belmora adopts and registers for essentially identical goods in the U.S.
  ► Bayer sues for false association and false advertising under § 43(a)
  ► District court dismisses: improper attempt at extraterritorial assertion of rights
  ► 4th Cir. reverses:
    ► § 43(a) doesn’t require U.S. trademark rights
    ► No discussion of impact on territoriality
  ► Takeaway: implications for search?
In litigating the strength of mark factor, brand owners have long been able to deflect long lists of similar names with established law that third-party evidence is only relevant if it is evidence of actual marketplace use with impact on consumers.

Recent Fed. Cir. and TTAB precedent seemingly overturns that established law, calling mere lists “powerful on their face” and finding brands weak without evidence of actual third-party use.

- Primrose Retirement Communities v. Edward Rose Senior Living, TTAB 91217095 (Dec. 2016) (precedential)
- Jack Wolfskin v. New Millennium Sports, 797 F.3d 1363 (Fed. Cir. 2015)

Takeaway: Increased need to act against “nuisance” listings in business records, “ghost” websites, etc.
Trademarks: Nominative Fair Use Standards

► Broadening split on how to assess nominative fair use in trademark cases – different tests, different placement of burden of proof, etc.
  ► *New Kids on the Block* v. *News America Publishing*, 971 F.2d 302 (9th Cir. 1992)

► For nationwide use, little ability to predict whether nominative fair use will act as a shield
Trademarks: “Compare To . . .” Continues to Win


► Motion to dismiss granted on trademark and false advertising claims
► Motion granted where only “shakeology” appeared on cash register receipts
Trademarks: Quick Hits

► Take Care With Privilege In Clearance Work
  ► *Variety Stores v. Wal-Mart* (E.D.N.C. Nov. 2016)
    ► $32.5 million disgorgement award; damages trial coming
    ► Turned on finding that Wal-Mart adopted after lawyers twice said “no”

► Take Care With Intra-Company Ownership and Use
  ► *Noble House Home Furnishings v. Floorco*, 118 USPQ2d 1413 (TTAB 2016) (precedential)
    ► Use by parent company does not save subsidiary’s registered mark from abandonment

► Consent Agreements: Only As Good As Their Substantive Provisions
  ► *In re Bay State Brewing Co.*, 117 USPQ2d 1958 (TTAB 2016) (precedential)
    ► No weight given to one-sided agreement with problematic provisions
International: Progress in China?

► New specialized IP courts appear to be improving outlook for foreign rights holders
  ► Beijing IP court most used by trademark holders
    ► Takes all appeals from TRAB decisions
    ► 8,000 cases first year
    ► 39% of caseload involved foreign party
    ► Better overall foreign win rates
    ► Better damages; $470,000 win to Moncler
    ► Better results for bad-faith registration and well-known mark claims
    ► More transparency
  ► Michael Jordan finally won case in Supreme People’s Court
    ► Losing party adopted transliteration of JORDAN and something close to jumping man for athletic shoes, etc.
International: Progress in China?

► New copyright regulation for “notice and takedown” similar to DMCA

► *Focker Security v. Ya Huan Lock* (Supreme People’s Court)
  ► clarifies that manufacture for export doesn’t infringe local rights
  ► Here, manufacture of locker for export to Peru to Peruvian rights holder did not infringe rights of owner of Chinese registration of the same mark
International: Madrid Update

- Membership
  - Only three small countries joined in 2016
  - No additions expected in 2017
  - Brazil and Canada expected 2018

- US now largest user
  - Across Madrid countries, 60% of inbound foreign
Brexit: No clarification yet on how EUTMs will transfer to U.K.
- Seems very likely that there will be some transition provisions
- But, conservative course is to begin filing additional U.K. applications

Middle East: another round of fee increases
- U.A.E. fees now $3,500 per mark for one class
Questions

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