The Year in Trademark Law
Midwest IP Institute
September 22, 2011

Paul Mussell
Senior Counsel
Wells Fargo & Company
paul.w.mussell@wellsfargo.com

Stephen R. Baird
Chair, Intellectual Property, Trademark & Brand Mgmt
Winthrop & Weinstine, P.A.
sbaird@winthrop.com

What We Will Cover

1) Post-*Bose* Trademark Fraud Update
2) The Cuban Connection
3) The Bona Fide Intent Requirement
4) Levi's Arcuate Design Mark and TDRA
5) Trademark Legal Malpractice Claims
6) Naked Licensing & Trademark Abandonment
7) Sovereign Immunity & Trademark Claims
8) Betty Boop
9) The Best of the Rest

Trademark Fraud Overview

- Every single paper filed with the Trademark Office carries the risk of a fraud challenge throughout the entire lifecycle of a trademark application and any resulting registration.
- In past years, trademark fraud had been one of the hottest, most rapidly developing and widely discussed legal issues facing virtually all trademark owners and their counsel.
- During this period, known as the Medinol era (2003-2009), the TTAB granted fraud-based oppositions and cancellations at a record pace, on what has been described as a "strict liability" standard.

In re *Bose*

- Then, in August 2009, the CAFC decided *In re Bose,* holding trademark fraud only occurs when an applicant or registrant *knowingly* makes a *false*, *material* representation of fact in connection with a trademark application or registration, with an actual *intent to deceive* or otherwise mislead the PTO. *Subjective intent to deceive*, however difficult it may be to prove, is an *indispensable element* in the fraud analysis.

- Not a single fraud claim has been sustained by the TTAB since the *Bose* decision in August 2009.

- There has been at least one successful fraud claim in federal district court since the *Bose* decision.

Post-*Bose*

- Non-Use of Mark on Listed Goods & Services
  - *M.C.I. Foods, Inc. v. Brady Bunte*, 96 USPQ2d 1544 (TTAB 2010) (precedential)
    - Bunte petitioned to cancel registration of the CABO PRIMO & Design mark which had been registered for numerous Mexican foods. MCI's president admitted the mark had only been used on one of the food items listed in the registration, stating that MCI anticipated to use the mark on the other foods in the future. The Board found this to be a false representation, but it fell short of constituting a fraudulent statement, since applicant consulted counsel before the filing, and there was no evidence indicating that MCI knew it should not receive registration of goods not yet in use.

Life After Bose Continued…

- *Factory Mutual Insurance Co. and FM Approvals LLC v. Fullco Industries, Inc.*, Cancellation No. 92050758 (December 17, 2010) (non precedential)
  - Petitioner's motion to add fraud claim granted, but summary judgment denied on intent and use issues.
- *Daniel Ryan Way and CMDW, Inc. v. Anthony R. Falwell*, Opposition No. 91184128 (May 3, 2011) (non precedential)
  - Evidence insufficient to prove intent to deceive by clear and convincing evidence, and to the hilt.

Life After *Bose* Continued…

- Falsified Specimen/ Specimen Not in Use
  - *Information Builders, Inc. v. Bristol Technologies, Inc.*, Opposition No. 91179897 (January 10, 2011) (non precedential)
    - After receiving a specimen refusal, Bristol Technologies fabricated a specimen and submitted a declaration stating that the substitute specimen was in use. In its opposition, Information Builders argued the false specimen constituted fraud; however, the Board ruled that the Opposer had not shown that the specimen was provided with a willful intent to deceive the PTO. The Board held that there must be clear and convincing evidence of fraud.
  - *Decho Corporation v. Brigitte Mueller, Opposition No. 91183001 (August 12, 2011) (non precedential)*

Life After *Bose* Continued…

- Use of Mark not by Applicant
  - *Atlas Flowers, Inc. d/b/a Golden Flowers v. Golden Vision Flower Inc.*, Cancellation No. 92050966 (June 28, 2011) (non precedential)
    - Golden Vision submitted a Statement of Use signed by an individual falsely claiming to be president of the company and claimed use of a mark that was actually only being used by a third party. The Board refused to grant summary judgment as to fraud, the cancellation proceeding is still pending with the TTAB.

Trademark Fraud Takeaways

- No fraud claims sustained by Board since *Bose.*
- Still don't know if "reckless disregard" is enough.
- Proving trademark fraud at TTAB appears virtually impossible, at present.
- *Brady Bunte's* advice of counsel "defense" makes it hard on plaintiffs.
- Uniformed layperson "defense" makes it easy on defendants without counsel.
- Why do trademark attorneys still sign verified use statements on behalf of their clients?

The Cuban Connection

Empresa Cubana, d/b/a Cubaexport v. U.S. Dept. of the Treasury, No. 1:06-CV-01692 (D.C. Cir. Mar. 29, 2011)

Pernod Ricard USA, LLC v. Bacardi U.S.A., Inc., 2011 WL 3332604 (3rd Cir. Aug. 4, 2011)

Corporacion Habanos, S.A. v. Rodriguez, Cancellation No. 92052146 (TTAB August 1, 2011) (precedential)

Empresa Cubana, d/b/a Cubaexport v. U.S. Dept. of the Treasury, No. 1:06-CV-01692 (D.C. Cir. Mar. 29, 2011)

Background:

- In 1963, Cuban Assets Control Regulations trade embargo against Cuba.
  - Exception allowing Cuban-affiliated entities to register and renew trademarks.
- In 1976, CubaExport (owned by government of Cuba) registered HAVANA CLUB mark under exception.
- In 1998, Congress modified exception, barring registration and renewal of Cuban-owned trademarks.
- CubaExport was unable to renew in 2006 b/c legally barred from paying the renewal fee.

Empresa Cubana, d/b/a Cubaexport v. U.S. Dept. of the Treasury, No. 1:06-CV-01692 (D.C. Cir. Mar. 29, 2011)

- CubaExport argued that:
  - Act should be interpreted to bar only new trademark registrations, not renewals of previously registered marks; and
  - if Act bars renewal of previously registered marks, it violates substantive due process.

Empresa Cubana, d/b/a Cubaexport v. U.S. Dept. of the Treasury, No. 1:06-CV-01692 (D.C. Cir. Mar. 29, 2011)

- Circuit found 1998 Act bars both registration of new marks and renewals of previously registered marks.
- Act's language applies to "transactions" and "payments".
  - a renewal is a transaction and requires payment.
- Act stated exceptions were revocable, so Cubaexport had no vested right to perpetual renewal of the mark.
- Act is rationally related to legitimate goal of isolating a communist government.
  - does not infringe a fundamental right and does not violate substantive due process.

Corporacion Habanos, S.A. v. Rodriguez, Cancellation No. 92052146 (August 1, 2011) (precedential)

- Two Cuban entities sought cancellation of PINAR DEL RIO mark for cigars based on:
  - 2(a) deceptive
  - 2(e)(3) primarily geographically deceptively misdescriptive
  - Violation of Pan American Convention
  - Fraud
- Respondent moved to dismiss for lack of standing.

Corporacion Habanos, S.A. v. Rodriguez, Cancellation No. 92052146 (August 1, 2011) (precedential)

- Cuban Assets Control Regulation (31 CFR 515)
  - generally prohibits transactions in US involving property, including trademarks, unless licensed or exempt.
  - OFAC General and Specific licenses.
- Petitioner obtained specific license to petition to cancel.
  - Petitioners alleged "real interest".
  - world-wide business in exporting cigars (except to USA) and damage from use of deceptive and misdescriptive mark.
- Standing for claims under 2(a) or 2(e) do not require US application or registration, use as a mark, or use of the term at all.
- Motion to dismiss denied.

Pernod Ricard USA, LLC v. Bacardi U.S.A., Inc., 2011 WL 3332604 (3rd Cir. Aug. 4, 2011)

- Pernod licensed to sell HAVANA CLUB products internationally.
- Arechabala family sold rights to HAVANA CLUB to Bacardi, which applied for a U.S. trademark in 1994.
- Pernod asserted label of Bacardi's bottle misleads consumers into believing the product is from Cuba.
- Dis Ct found label true in identifying origin of goods as "Puerto Rican Rum" and ignored Pernod's survey evidence.
- 3rd Cir affirmed finding survey evidence was unnecessary and immaterial when label taken as a whole could not mislead any reasonable consumer.

The Bona Fide Intent Requirement

Bona Fide Intent

SmithKline Beecham Corp. v. Omnisource DDS, LLC, 97 USPQ2d 1300 (TTAB 2010) (precedential)

Opposer, owner of the AQUAFRESH mark, argued the applicant lacked a bona fide intent to use the AQUAJETT mark on oral irrigators. The evidentiary record produced no evidence relating to plans to manufacture, license, market or use the mark.

The applicant provided two patents for irrigators, but the Board found the patents insufficient to demonstrate an intent to use the mark on the goods.

Bona Fide Intent

Spirits International, B.V. v. S.S. Taris Zeytin Ve Zeytinyagi Tarim Satis Kooperatifleri Birligi, 99 USPQ2d 1545 (TTAB 2011) (precedential)

- Spirits filed an ITU application for MOSKOVSKAYA, and Taris later filed an ITU application for MOSKONISI. Spirits then opposed Taris' application arguing that there existed a likelihood of confusion and Taris lacked a bona fide intent to use the mark.

- Spirits was able to establish a prima facie case of lack of bona fide intent where Taris failed to produce any documents that might support an allegation of bona fide intent and failed to file a responsive brief.

- The TTAB sustained the opposition and entered judgment for Spirits.

Bona Fide Intent

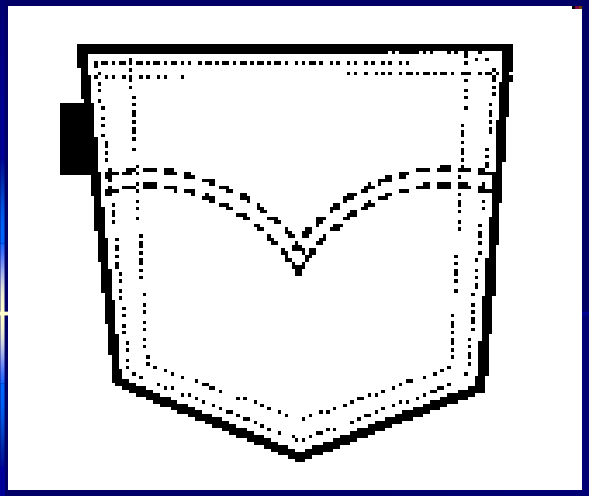
Societe Produits de Nestle S.A. v. Midwestern Pet Foods, Inc ., Opposition No. 91163853 (March 31, 2011) (not precedential)

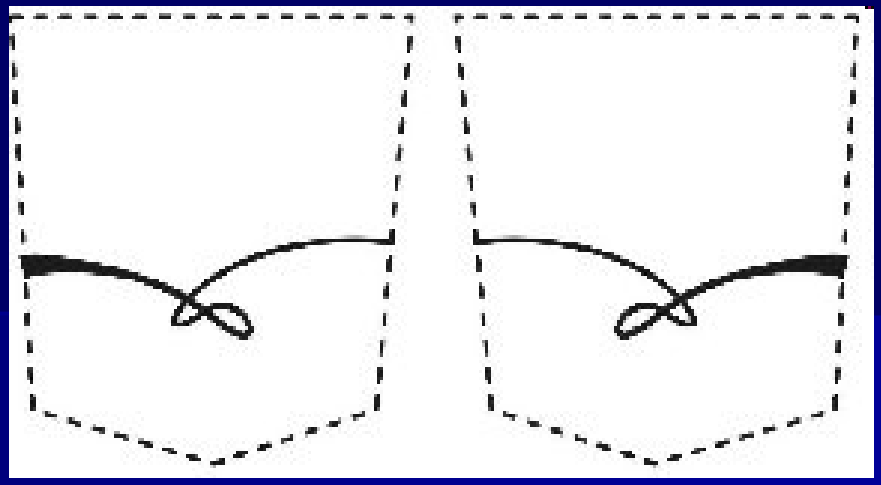
- Nestle, owner of the BEGGIN STRIPS mark for pet treats opposed Midwestern's application for WAGGIN' STRIPS for use on pet food treats. Nestle asserted likelihood of confusion, dilution, and a lack of bona fide intent claim.

- Here the Applicant's evidence consisted merely of mock-up packaging, and testimony that Applicant's general practice was to not fully develop packaging until a mark has been approved by the PTO. Because it appeared that Applicant's general practice was followed, and because Applicant did not have numerous ITU applications pending for the same goods, the Board held that Nestle failed to establish a prima facie case of lack of bona fide intent.

Levi's Arcuate Design Mark & TDRA

Levi Strauss & Company v. Abercrombie & Fitch Trading Company, No. 09-16322 (9th Cir. Feb. 8, 2011)





Levi "Arcuate"
(Since 1873)

Abercrombie "Ruehl"
(Since 2006)

Levi Strauss & Company v. Abercrombie & Fitch Trading Company, No. 09-16322 (9th Cir. Feb. 8, 2011)

- Reviewed history of "identical or nearly identical" standard.
- Noted terms "identical or nearly identical" appear nowhere in language of statute.
- Language had been part of the Federal Trademark Dilution Act, now replaced by TDRA.
- "Similarity" sets forth a less demanding standard.
- Court noted significance of Congress' decision to repeal FRDA and adopt TDRA.

Trademark Legal Malpractice Claims

Superior Seafoods, Inc. v. Hanft Fride, P.A., No. 05-170 (D. Minn. June 3, 2011)

Superior Seafoods, Inc. v. Hanft Fride, P.A., No. 05-170 (D. Minn. June 3, 2011)

- Superior Seafoods sued its former counsel for legal malpractice on the grounds that counsel "gave away" their trademark rights by executing a stipulation for a consent judgment in a prior case (the "Kemp v. Tyson action").

- In 1995, Kemp & Superior Seafoods sued Oscar Mayer & Tyson in California for breach of a 1987 Agreement when it assigned the LOUIS KEMP marks to Tyson. Meanwhile, Kemp formed Quality Finer Foods, which began using the LOUIS KEMP mark on the wild rice products.

- In March 1996, Tyson demanded that Quality cease use of the LOUIS KEMP mark. Kemp then instituted a DJ action in Minnesota stating it had the right to use the name "Louis Kemp" on all products other than surimi and certain related products.

Superior Seafoods, Inc. v. Hanft Fride, P.A., No. 05-170 (D. Minn. June 3, 2011)

- In 1999, Kemp entered into a settlement of the California litigation and the stay was lifted from the Minnesota litigation. The Minnesota court found that while Tyson acquired a limited right to use and register the LOUIS KEMP marks in connection with surimi-based seafood and related products, the 1987 Agreement was silent as to the plaintiffs' rights, such that Kemp was contractually barred from using LOUIS KEMP under the 1987 Agreement.

- The Court required the parties to execute a stipulation for a consent judgment to resolve the issue. After much negotiations, Tyson finally told Kemp that because the registrations were limited in scope to surimi products, and because the language in the stipulation did not include any expansion of Tyson's limited rights to use the marks, they were satisfied with the stipulation.

- In 2005 the plaintiffs alleged negligence and breach of fiduciary duty in negotiating and signing the stipulation. The court concluded there were no trademark rights to lose at the time the stipulation was signed in 2001.

Superior Seafoods, Inc. v. Hanft Fride, P.A., No. 05-170 (D. Minn. June 3, 2011)

- No rights in the LOUIS KEMP mark were obtained via the 1987 Agreement, which conveyed all trademark rights that existed in Kemp's business, but was silent on placing any restrictions on Oscar Mayer's future use or expansion of the marks.

- No rights in the LOUIS KEMP mark were obtained via the amendment to the 1987 Agreement, which showed that Kemp consented to Oscar Mayer's registration and use for "surimi-based seafood products and such other seafood and fish accessory products within the natural zone of product line expansion." (It did not mean that Kemp retained any rights in the LOUIS KEMP mark for non-surimi products)

- The 1987 oral agreement did not provide any of the alleged trademark rights, as the 1987 Agreement could only be modified by written agreement.

Therefore, the legal malpractice claims were properly dismissed.

Naked Licensing & Trademark Abandonment

Eva's Bridal Ltd . v. Halanick Enterprises, Inc., No. 10–2863 (7th Cir. May 10, 2011)

Eva's Bridal Ltd . v. Halanick Enterprises, Inc., No. 10–2863 (7th Cir. May 10, 2011)

- A cautionary tale regarding rigid manner in which naked licensing rule is often applied.
- 7th Circuit affirmed finding of trademark abandonment due to naked licensing.
  - invalidating EVA'S BRIDAL mark which had been in continuous use by the trademark owner and its predecessors in interest for nearly 50 years.

Eva's Bridal Ltd . v. Halanick Enterprises, Inc., No. 10–2863 (7th Cir. May 10, 2011)

- Argued there was no doubt as to high standards of business operations.
- Showed buyer maintained business practices consistent with those practiced by Eva's Bridal.
  - selling dresses from the same designers that the shop carried when it opened in 1988 and when ownership changed in 1991.
- Argued 3rd party designers – rather than the shop owner – determine quality of dresses.
- No need for any form of regulation over services in selling the dresses.

Eva's Bridal Ltd . v. Halanick Enterprises, Inc., No. 10–2863 (7th Cir. May 10, 2011)

- Consumers care about services provided by the shop owner:
  - quality of service, cleanliness, whether alterations are performed accurately and on time.

- No rule that sale of "high quality" goods or services permits trademark owners to forego monitoring quality of goods and services sold by licensee.

Eva's Bridal Ltd . v. Halanick Enterprises, Inc., No. 10–2863 (7th Cir. May 10, 2011)

- "[T]he sort of supervision required for a trademark license is the sort that produces consistent quality [not necessarily high quality]."
- A "trademark's function is to tell shoppers what to expect - and whom to blame if a given outlet falls short."

Sovereign Immunity & Trademark Claims

Board of Regents of the Univ. of Wisconsin System v. Phoenix Int'l Software, Inc., 2010 WL 5295853 (7th Cir. Dec. 28, 2010)

Board of Regents of the Univ. of Wisconsin System v. Phoenix Int'l Software, Inc., 2010 WL 5295853 (7th Cir. Dec. 28, 2010)

Both the Univ. of Wisconsin and Phoenix applied for the trademark CONDOR:

- Phoenix registered CONDOR in 1997 for software that runs on mainframe computers and provides online programming development, library management, and systems development.

- Univ. of Wisconsin applied for CONDOR in 1999 for software that takes advantage of unused processing power across a network of computers.

Phoenix filed a petition to cancel Wisconsin's mark, and the TTAB granted the petition. Wisconsin then challenged the decision in federal district court. Phoenix counterclaimed for infringement and false designation of origin, and the counterclaims were dismissed on the ground that they were barred by the state's sovereign immunity. On summary judgment the court granted Wisconsin's motion reversing the TTAB's decision, Phoenix appealed.

Board of Regents of the Univ. of Wisconsin System v. Phoenix Int'l Software, Inc., 2010 WL 5295853 (7th Cir. Dec. 28, 2010)

On appeal, the court held that Phoenix was entitled to a trial on the issue of likelihood of confusion. The district court had erred in limiting the likelihood of confusion analysis to the description of goods in the parties' registrations. The court found this limitation too "formalistic" determining that the proper consideration was whether the goods are the kind that the public might attribute to a single source. The court found that Phoenix had offered sufficient evidence to survive summary judgment on likelihood of confusion.

The court also found that Wisconsin had waived its sovereign immunity by filing suit in federal district court. Wisconsin could have decided to directly appeal to the Federal Circuit which would have restricted the record to those matters considered by the TTAB.

Wisconsin's decision to institute a new action in district court allowed for the expansion of the record and entering of new evidence. The court held that Wisconsin's decision to start a new lawsuit was inconsistent with a finding that the court could not decide related aspects of the case. Thus, the court found that Wisconsin waived its immunity by bringing the appeal in federal district court.

Board of Regents of the Univ. of Wisconsin System v. Phoenix Int'l Software, Inc., 2010 WL 5295853 (7th Cir. Dec. 28, 2010)

The court identified the following options that had been available to Wisconsin:

(1) Do nothing and let TTAB decision stand - maintain sovereign immunity;

(1) Refuse to acquiesce to TTAB decision/proceeding - maintain sovereign immunity;

(1) File lawsuit in State Court;

(2) Appeal to Federal Circuit – Phoenix would not have been able to enter counterclaims (appeal is limited to those matters considered by the TTAB); or

(1) File in District Court – waives immunity.

Betty Boop
Boop-Oop-A-Doop!

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Feb. 23, 2011)

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Aug. 19, 2011)


BETTY BOOP
HENRY
Betty Boop Red Satin Dress 16"
EXHIBIT
FOR IDENTIFICATION


HENRY
EXHIBIT
FOR IDENTIFICATIO
WITNESS
DATE
NIKKI ROY, CSR #30

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Feb. 23, 2011)

- A divided panel held that "aesthetic functionality" doctrine of *Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) applied:
  - trademark law is concerned only with source identifiers.
  - does not prevent copying of ornamental features of a product that comprise the benefit the consumer wishes to purchase.
- "A.V.E.L.A. is not using Betty Boop as a trademark, but instead as a functional product. . . . The name and [Betty Boop image] were functional aesthetic components of the product, not trademarks. There could be, therefore, no infringement."

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Feb. 23, 2011)

- *Dastar* and Dictum:
  - Where copyright falls into public domain, a party may not assert trademark infringement if substitute for a copyright infringement action.
  - If depictions of Betty Boop infringed, Betty Boop character would essentially never enter the public domain – a result directly contrary to *Dastar.*

Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 09-56317 (9th Cir. Feb. 23, 2011)

- The Response:
  - Aesthetic functionality doctrine had been sharply criticized by commentators, rejected by many courts, and severely limited by 9th Cir itself.
    - in direct conflict with *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062 (9th Cir. 2006
  - *Dastar* misapplied
    - trademark protection is not precluded for images that are also protected by copyright

Ninth Circuit Issues Amended Opinion – *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317 (9th Cir. Aug. 19, 2011)

- Eliminated all reference to the Betty Boop image as a "functional aesthetic component of the product."
- Directly addressed district court opinion:
  - whether Fleischer had valid trademark rights (in view of "fractured ownership") and whether the marks could acquire "secondary meaning."
- Made no mention of status of trademark rights with respect to copyrighted works that have fallen into public domain.

Ninth Circuit Issues Amended Opinion – *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317 (9th Cir. Aug. 19, 2011)

- Because Fleischer did not offer sufficient evidence of secondary meaning in Betty Boop image, dismissal was proper.
- Because of fact questions as to uses of BETTY BOOP word mark by others, summary judgment on that claim was improper.
- Case remanded to lower court for further proceedings.

The Best of the Rest…

The Best of the Rest

Nike, Inc. v. Peter Maher, Opposition No. 91188789 (August 9, 2011) (precedential)

- TTAB sustained dilution claim brought by Nike, making it only the third dilution claim ever to be sustained since 1999, when dilution became available as a ground for opposition and cancellation.

In re Kysela Pere et Fils, Ltd., 98 USPQ2d 1261 (TTAB 2011) (precedential)

- TTAB affirmed Section 2(d) refusal to register HB mark for wine, finding it confusingly similar to two registered design marks for beer.

The Best of the Rest

In re Lorillard Licensing Company, LLC, 99 USPQ2d 1312 (TTAB 2011) (precedential)

- Orange/green color combination for Newport-brand cigarettes packaging failed to function as a trademark, despite thousands of customer and dealer statements.

Stephen Slesinger, Inc. v. Disney Enterprises, Inc., 98 USPQ2d 1890 (TTAB 2011) (precedential)

- Collateral estoppel barred SSI from re-litigating issue of ownership, so likelihood of confusion, dilution, and fraud claims necessarily fail.

.

The Best of the Rest

In re Richard M. Hoefflin, 97 USPQ2d 1174 (TTAB 2010) (precedential)

- Affirmed Section 2(c) refusal to register OBAMA BAHAMA PAJAMAS, OBAMA PAJAMA, and BARACK'S JOCKS DRESS TO THE LEFT for pajamas because written consent of President Barack Obama not of record.

Coach Services, Inc. v. Triumph Learning LLC, 96 USPQ2d 1600 (TTAB 2010) (precedential)

- In 57 pages, dismissed three-pronged opposition against Triumph's COACH for educational test preparation services.
- Coach alleged confusion, dilution, and mere descriptiveness.

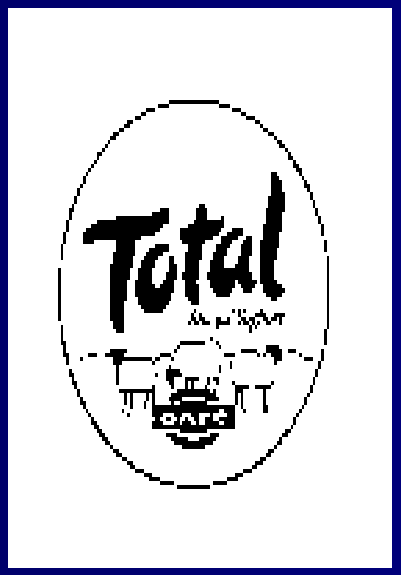
The Best of the Rest

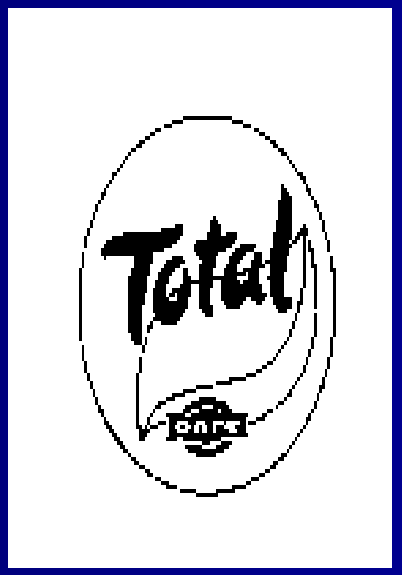
Hunt Control Systems, Inc. v. Koninklijke Philips Electronics N.V., 98 USPQ2d 1558 (TTAB 2011) (precedential)

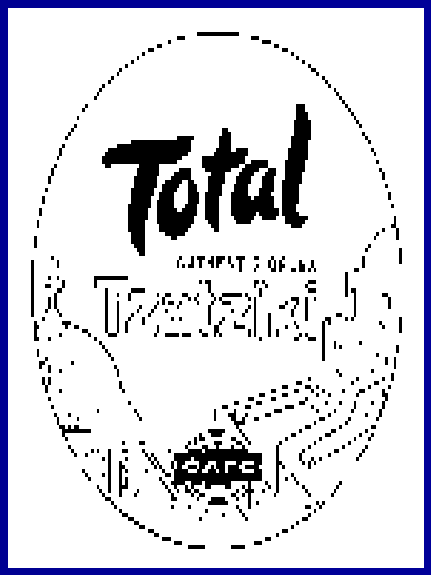
- Resolved how to oppose a Section 66(a) Madrid Protocol request for extension of protection.
- Sustained opposition to the mark SENSE AND SIMPLICITY.

The Best of the Rest

General Mills, Inc. and General Mills IP Holdings II, LLC v. Fage Dairy Processing Industry S.A., Opposition Nos. 91118482, 91118950, 91155075, and 91182937 (TTAB September 14, 2011) (Precedential)







General Mills Continued…

- General Mills Largely prevails in series of Oppositions dating back to 1998.
- TOTAL mark for cereal is famous for purposes of likelihood of confusion.
- Consumers regularly exposed to yogurt and cereal combined as food product.
- No adverse inference for General Mills decision to not conduct or rely on survey.
- Board chose not to rule on the dilution claim.
- General Mills just filed suit in Minnesota federal district court.

Until Next Year!!

Thank You!!

Paul Mussell
Senior Counsel
Wells Fargo & Company
paul.w.mussell@wellsfargo.com

Stephen R. Baird
Chair, Intellectual Property, Trademark & Brand Mgmt
Winthrop & Weinstine, P.A.
sbaird@winthrop.com