



Trademark, Copyright & False Advertising Newsletter

Federal Circuit Finds Trade Dress Not Protectable, but Upholds Infringement of Corresponding Design Patents

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A panel of the Federal Circuit recently rejected claims by Apple that Samsung infringed its unregistered and registered trade dress used in the iPhone, holding that the trade dress was functional and therefore non-protectable. The court nevertheless upheld a jury finding that Samsung infringed corresponding design patents, holding that the jury could find infringement based on the ornamental aspects of the patented design and could properly consider ornamental aspects of the functional elements of the design in assessing infringement.

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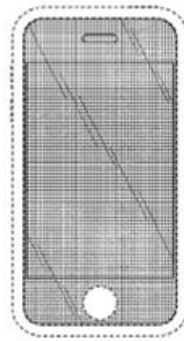


FIG. 3



FIG. 7



FIG. 8



FIG. 19



FIG. 23



FIG. 24

Background

As part of their long-running series of litigations, Apple brought suit against Samsung alleging that Samsung phones infringed several design patents, as well as registered and unregistered trade dress associated with the configuration of the iPhone. In 2011, a jury found that numerous Samsung smartphones infringed and diluted Apple's patents and trade dresses. The district court upheld the jury's infringement, dilution and validity rulings on post-trial motions, but ordered a partial retrial on some of the damages awarded. Following the second trial, the court again denied post-trial motions by Samsung, which then appealed.

The Trade Dress Claim

Apple asserted an infringement claim based on an unregistered trade dress, identifying particular elements from the iPhone 3 and 3GS products, specifically:

- a rectangular product with four evenly rounded corners;
- a flat, clear surface covering the front of the product;
- a display screen under the clear surface;
- substantial black borders above and below the display screen and narrower black borders on either side of the screen; and
- when the device is on, a row of small dots on the display screen, a matrix of colorful square icons with evenly rounded corners

within the display screen, and an unchanging bottom dock of colorful square icons with evenly rounded corners set off from the display's other icons.

In considering the functionality of the claimed trade dress, the court emphasized that the controlling Ninth Circuit law establishes a high bar for non-functionality. The court assessed the functionality of Apple's claimed trade dress under the four factors identified in *Disc Golf Ass'n v. Champion Discs, Inc.*, 158 F.3d 1006 (9th Cir. 1998): (1) utilitarian advantage, (2) availability of alternative design, (3) advertising of utilitarian advantages, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture. The court also recognized, however, that the Ninth Circuit had noted that subsequent Supreme Court precedent may "short circuit[]" some of these factors.

In considering the functionality of the claimed trade dress, the court emphasized that the controlling Ninth Circuit law establishes a high bar for functionality. The court assessed the functionality of Apple's claimed trade dress under the four factors identified in *Disc Golf Ass'n v. Champion Discs, Inc.*

The court found that Apple failed to carry its burden on the first factor as each element of the claimed trade dress served a usable function. For example, the shape served to increase "durability" and "pocketability," while the icon design and arrangement allowed users to differentiate applications and quickly access the most commonly used applications. The court acknowledged that Apple may have considered "beauty" in design, but ease of use

was also clearly considered as a factor. While Apple showed that there were other potential designs, it failed to show that they had *all* of the same features as the asserted trade dress. The court next determined that Apple's advertisements, which prominently featured the design of the product and its touch screen, weighed in favor of finding non-protectable functionality. Finally, the court rejected Apple's argument that manufacturing challenges weighed in favor of finding the design non-functional, as the elements giving rise to those challenges were outside the scope of the claimed trade dress.

The court similarly found that the registered trade dress was functional. The registered trade dress claimed design details of icons depicted on the iPhone home screen and framed by the iPhone's rounded rectangular shape with silver edges and a black background. The court found that it was clear that individual elements were functional as they promoted usability and that there was no "separate 'overall appearance' which is non-functional." The court found that this shifted the burden to Apple, which failed to demonstrate that the jury's finding of non-functionality was not supported by substantial evidence.

The Design Patent Claim

The court then turned to the three design patents at issue. Those patents focused on the design elements of the front face of the iPhone, design features that extend to the bezel around the front edge of the iPhone and elements of the graphical user interface. Samsung did not directly challenge the validity of these design patents on appeal, but rather argued that the jury was improperly instructed on how the functional elements should be considered and that basic or

functional elements should be disregarded in assessing infringement. In contrast with its ruling rejecting the trade dress claims, the court upheld the jury finding of design patent infringement. It found that the jury was properly instructed to limit the scope of the design patents to the ornamental aspects rather than the functional aspects, and that it was appropriate to consider ornamental aspects of functional elements in assessing infringement.

The consideration of the ornamental aspects of functional elements distinguishes the court's analysis of the design patent claims from that of the trade dress claims. The Federal Circuit interpreted Ninth Circuit precedent as requiring that the claimed elements of the "trade dress 'serve[] *no purpose* other than identification" in order to be protectable, while in assessing design patents, the court held that elements that have a function other than ornamentation may nevertheless be considered as part of the protected design. Elements like the rounded corners of the phone were found to serve the function of improving "pocketability," and, therefore, could not be protected as trade dress. Because they also have ornamental aspects, however, the court held that they may be considered in assessing infringement a design patent.

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Also of significance, in assessing damages, the court held that the language of 35 U.S.C. § 289 entitles a design patent owner to *all* of the

profits from the sale of the infringing products, regardless of whether the protected elements were a causative factor in giving rise to the infringing sales. This is in contrast with the general rule for damages in utility patent cases—which are governed by 35 U.S.C. § 284—under which courts consider the degree to which the protected elements, rather than other elements, contribute to sales of the infringing products. The court further upheld jury verdicts finding Apple's utility patents were valid.

The Federal Circuit's ruling makes clear that in certain circumstances the scope of protection afforded by a design patent may exceed that afforded by the Lanham Act's protection of the product's trade dress. In determining how best to protect product configurations that have both functional and ornamental aspects, those seeking to protect product configurations should seriously consider attempting to obtain design patent registrations rather than relying solely on trade dress rights.

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The case is *Apple Inc. v. Samsung Electronics Co.*, ___ F.3d ___, 2015 WL 2343543, 2015 U.S. App. LEXIS 8096 (Fed. Cir. May 18, 2015).

The Ninth Circuit Narrowly Applies the Copyright Authorship Requirement to Films to Resolve Politically Charged *Innocence of Muslims* Lawsuit

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The *Innocence of Muslims* film gained global notoriety when, after it was uploaded to YouTube and was translated into Arabic, it “fomented outrage across the Middle East and media reports linked it to numerous violent protests” and the September 11, 2012 terrorist attacks on the United States Consulate in Benghazi, Libya. In reversing entry of a preliminary injunction ordering YouTube to take down the video, the Ninth Circuit, sitting *en banc*, interpreted the authorship requirement of the Copyright Act narrowly in the context of movies, relying heavily on the day-to-day business concerns of the entertainment industry. The Court’s opinion leaves many questions unanswered as to who and how many people may own a copyright interest in a creative work that is the result of a collaboration of many people and what limits the First Amendment may place on copyright preliminary injunctions requiring the taking down of politically charged works from the Internet.

Background

In the words of the *en banc* Ninth Circuit, an actress “was bamboozled when a movie producer transformed her five-second acting performance into part of a blasphemous video proclamation against the Prophet Mohammed.” The plaintiff, Cindy Garcia, is an actress who was paid \$500 to appear in what she was told was an action-adventure thriller

set in ancient Arabia. During filming, she uttered a total of two sentences: “Is George crazy? Our daughter is but a child?” In the final version, she appeared on screen for five seconds out of the 13-minute film, and the lines she delivered were dubbed over with a voice asking a question about Mohammed that many found offensive. The producer of the film uploaded it to YouTube, sparking outrage in the Middle East, including the issuance of a fatwa by an Egyptian cleric calling for the death of anyone associated with the film. After Garcia received multiple death threats, she sued Google (the owner of YouTube) alleging, as the Ninth Circuit later put it, a “copyright interest in her fleeting performance,” and seeking a preliminary injunction ordering that the video be taken down. The district court denied her request.

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The Ninth Circuit's *En Banc* Ruling

A panel of the Ninth Circuit sided 2-1 with Garcia in an opinion by Chief Judge Kozinski, ruling that Garcia had a copyright interest in the film and was entitled to an injunction against Google. *Garcia v. Google, Inc.*, 766 F.3d 929 (9th Cir. 2014). On May 18, 2015, an *en banc* panel of the Ninth Circuit reversed 10-1, with only Judge Kozinski dissenting.

The “foundation” of the *en banc* panel’s opinion was *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000). In that case, a technical adviser to the film *Malcom X* claimed he was a joint author of the entire film, along with Spike Lee and Warner Brothers, because he made at least a minimal level of creative contribution to the work. The Ninth Circuit rejected this view of authorship, finding that, absent a contrary argument, copyright authorship—which is not expressly defined in the Copyright Act—is generally vested in those who had creative control of the work. The Court was motivated by the need to prevent every “costumer, hairstylist, and ‘best boy’” from claiming part-authorship of a whole film. *Id.* at 1233.

Unlike *Aalmuhammed*, Garcia did not claim ownership of the entire film. She only claimed ownership of her five-second performance. The court, however, found the same policy concerns controlling, noting, for example, that the *Lord of the Rings* trilogy employed 20,000 extras and that creating 20,000 separate copyright interests would turn filmmaking into “a logistical and financial nightmare.” For that reason, the Court found Garcia’s five-second performance could not meet the definition of a “work of authorship” protectable by copyright.

The *en banc* panel also rejected Garcia’s copyright claim because her work was not “‘fixed’ in a tangible medium of expression . . . *by or under the authority of the author*” as required by the Copyright Act. 17 U.S.C. § 101 (emphasis added). The court found the work was fixed by or under the authority of the producers of the film, not Garcia.

Although the court reversed the injunction as a matter of law based on its interpretation of the Copyright Act, it stated that the district court “gave short shrift to the First Amendment values at stake” and that the “mandatory injunction censored and suppressed a politically significant film based upon a dubious and unprecedented theory of copyright.”

Although the court reversed the injunction as a matter of law based on its interpretation of the Copyright Act, it stated that the district court “gave short shrift to the First Amendment values at stake” and that the “mandatory injunction censored and suppressed a politically significant film based upon a dubious and unprecedented theory of copyright” and, “[i]n so doing, the panel deprived the public of the ability to view firsthand, and judge for themselves, a film at the center of an international uproar.” Noting that “[t]he panel’s takedown order of a film of substantial interest to the public is a classic prior restraint of speech,” the court stated that the plaintiff “cannot overcome the historical and heavy presumption against such restraints with a thin copyright claim in a five-second performance.”

Judge Kozinski’s dissent highlights the tensions between what he called “[t]he majority’s newfangled definition of ‘work’”

and existing case law. For example, in *Effects Associates, Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990), the Ninth Circuit found that a company that created special effects footage owned a separate copyright interest in the footage, even though the footage became part of the final film. The *en banc* majority distinguished the case on the ground that the plaintiff's copyright ownership there was not disputed and that the plaintiff had independently fixed the special effects footage. This distinction leaves an open question as to whether something more substantial than a five-second acting performance can qualify for copyright protection where the plaintiff's ownership is disputed and/or the plaintiff did independently fix the work.

Judge Kozinski also questioned what it means for a work to be fixed by or under a person's authority, asking: "Did Jimi Hendrix acquire no copyright in the recordings of his concerts because he didn't run the recorder in addition to playing the guitar?" The *en banc* majority waived away this hypothetical, calling it "speculative," "hyperbole," "sound[ing] a false alarm" and "substituting moral outrage and colorful language for legal analysis," but offered no guidance on how such a question would be answered. Notably, Judge Kozinski did not address the First Amendment issues raised in the case.

The *en banc* panel's opinion reaffirms the pragmatic approach in *Aalmuhammed* that values the ability to collaborate on large-scale creative projects without facing undue legal hurdles over giving a separate copyright interest to those with relatively minor contributions to the collaboration. However, as Judge Kozinski's dissent highlights, where the line will be drawn between a minor contribution and a contribution significant

enough to merit copyright protection remains unsettled and will likely be the basis of significant litigation to come.

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The decision is reported at *Garcia v. Google, Inc.*, ___ F.3d ___, 2015 WL 2343586, 2015 U.S. App. LEXIS 8105 (9th Cir. May 18, 2015) (*en banc*).

***En Banc* Federal Circuit to Rule on Whether Lanham Act’s Prohibition on Registration of Disparaging Marks Violates the First Amendment**

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A panel of the Federal Circuit affirmed the ruling of the Trademark Trial and Appeal Board refusing to register the mark THE SLANTS for “Entertainment, namely, live performances by a musical band” on the ground that it was disparaging to people of Asian descent and thus not registrable under Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a). That provision bars the registration of any mark that “[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.”

In affirming the Board, the court first acknowledged the testimony of the applicant—a “front man’ for [the] Asian-American dance rock band The Slants”—that the band members chose the name because they wanted “to take on . . . stereotypes that people have about us,” that “[w]e’re very proud of being Asian” and that the “reaction from the Asian community has been positive.” The court then held that “there is substantial evidence—even without a marketing survey or some other quantitative measure of the term’s offensiveness—supporting the Board’s finding that the mark is disparaging to a substantial composite of people of Asian descent.” The court rejected the applicant’s argument—which the Board had not addressed—that Section 2(a) violated the First Amendment, stating that it was bound by its predecessor

court’s earlier ruling upholding the constitutionality of the provision. *See In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981). The court also rejected the applicant’s contention that the term “disparaging” was unconstitutionally vague, reiterating its prior ruling that the test of *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014)—whether the likely meaning of the mark “refer[s] to identifiable persons, institutions, beliefs or national symbols” and, if so, “whether that meaning may be disparaging to a substantial composite of the referenced group”—was specific enough to pass constitutional muster.

The court rejected the applicant’s argument—which the Board had not addressed—that Section 2(a) violated the First Amendment, stating that it was bound by its predecessor court’s earlier ruling upholding the constitutionality of the provision.

Judge Moore, who wrote the panel decision, also provided “additional views”—twice as long as the four-page decision—stating that it “is time for this Court to revisit *McGinley*.” Reviewing Supreme Court case law over the intervening 30 years, Judge Moore set forth his view that (i) trademarks are protected private speech, and that the federal trademark registration program is not “government speech,” which is exempt from First Amendment scrutiny; (ii) although the refusal

to register a mark does not bar the applicant from using it, the benefits of registration are significant and denying them “severely burdens use” of the mark; (iii) the “unconstitutional conditions doctrine”—“that the government cannot deny access to a [government] benefit because of the recipient’s exercise of constitutionally protected speech”—applies to Section 2(a); (iv) Section 2(a) is a content based prohibition—i.e., it bars registration of disparaging marks—and thus is presumptively invalid; and (v) the government’s interests in discouraging use of disparaging marks—e.g., that they are “offensive to persons, institutions, beliefs, or national symbols”—are neither “legitimate government interest[s]” nor “substantial.” Seven days after the panel rendered its decision, the Federal Circuit, without dissent, *sua sponte* vacated it and ordered that the case be reheard *en banc*.

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The upcoming *en banc* ruling is likely to be the first ruling by a circuit court in the two pending cases involving application of the First Amendment to Section 2(a)’s ban on registration of disparaging marks. The other case is the pending district court review of the Board’s cancellation of the Washington Redskins trademark on the ground that it was disparaging to Native Americans. *See Blackhorse v. Pro-Football, Inc.*, 2014 WL 2757516, 2014 TTAB LEXIS 231 (TTAB June 18, 2014), *appeal pending, Pro-Football, Inc. v. Blackhorse*, No. 1:14-cv-01043-GBL-IDD (D.D.C.). Awaiting oral argument in that case are cross-motions for summary judgment,

with the United States, an intervenor in the action, supporting the constitutionality of the ban on registering disparaging trademarks, and the American Civil Liberties Union arguing as *amicus curiae* that the ban violates the First Amendment.

Also potentially impacting the expected Federal Circuit *en banc* ruling is the impending Supreme Court decision as to whether Texas’ refusal to issue a specialty license plate bearing the Confederate battle flag is protected by the government speech doctrine and whether it is viewpoint discrimination in violation of the First Amendment. *See Walker v. Texas Division, Sons of Confederate Veterans, Inc.*, No. 14-144 (U.S.), *on petition of writ of cert. from Texas Division, Sons of Confederate Veterans, Inc. v. Vandergriff*, 759 F.3d 388 (5th Cir. 2014).

The case is *In re Tam*, ___ F.3d ____, 2015 WL 1768940, 2015 U.S. App. LEXIS 6430 (Fed. Cir. Apr. 20, 2015), *vacated and en banc rehearing granted*, 600 F. App’x 775, 2015 WL 1883279, 2015 U.S. App. LEXIS 6840 (Fed. Cir. Apr. 27, 2015).

Federal Circuit Vacates TTAB Decision Regarding Genericism of a Compound-Word Mark, Reiterating Longtime Genericism Test

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In a significant decision clarifying the standard for determining whether a compound-word mark is generic, the Federal Circuit recently vacated a precedential decision of the Trademark Trial and Appeal Board.

Princeton Vanguard owned a registration for PRETZEL CRISPS for “pretzel crackers” on the Supplemental Register and applied to register the same mark on the Principal Register. Frito–Lay opposed the application and sought to cancel Princeton Vanguard’s existing registration on the grounds that the mark is generic for pretzel crackers.

Each party conducted its own consumer survey. Frito–Lay’s survey showed that 41 percent thought that PRETZEL CRISPS was a brand and 41 percent thought it wasn’t (18 percent didn’t know or weren’t sure). Meanwhile, Princeton Vanguard’s survey showed that 55 percent thought that PRETZEL CRISPS was a brand and 36 percent thought it wasn’t (9 percent didn’t know). Each side’s survey expert criticized the other’s methodology. In addition to the survey evidence, the parties also submitted evidence of dictionary definitions, third-party usage, unsolicited media coverage and declarations of industry participants.

As explained by the Board, the legal test for genericism depends on whether the putative mark is a “compound term” or a “phrase.” If it is a compound term, then genericism can be

established by showing that each of the constituent words is itself generic. But if the putative mark is a phrase, the Board must look to the meaning of the mark as a whole. Applying that framework, the Board sustained the opposition, holding that PRETZEL CRISPS was a generic compound term because each element was generic.

The Board’s treatment of the survey evidence was seemingly inconsistent. The Board’s decision set out at length the details of the parties’ surveys. The Board agreed with Princeton Vanguard that Frito–Lay’s survey was methodologically unsound because, among other things, it failed to “mini-test” consumers on their understanding of the difference between a brand name and a common term. (Testing is a standard element in a *Teflon*-style genericism survey.) For that reason, the Board said it gave “little probative weight” to Frito–Lay’s survey. By implication, the Board appeared to accept Princeton Vanguard’s survey. But in the final analysis, the Board ruled against Princeton Vanguard without explaining why its decision went against the only probative survey evidence. Instead, the Board merely stated that while the Board “consider[ed] the entire record, including the surveys (which in any event arrive at different conclusions),” it gave “controlling weight” to the non-survey evidence.

The court explained that there is only one test for genericism, which has remained unchanged since it was set out in *H. Marvin Ginn Corp. v. Int'l Ass'n of Fire Chiefs, Inc.*

On appeal, the Federal Circuit held that the Board had applied an incorrect legal standard. The court explained that there is only one test for genericism, which has remained unchanged since it was set out in *H. Marvin Ginn Corp. v. Int'l Ass'n of Fire Chiefs, Inc.*, 782 F.2d 987 (Fed. Cir. 1986). First, the court must determine what genus of goods or services is at issue. Second, the court must determine whether the term at issue is “understood by the relevant public primarily to refer to that genus of goods or services.” This same test applies regardless of whether the term is characterized as a compound mark or a phrase. The Federal Circuit held that the Board cannot—as it did here—“short-cut its analysis” by analyzing each word separately. The court remanded the matter back to the Board for further proceedings in light of the clarified legal standard. In doing so, the court emphasized that the Board must take into account all evidence in the record. In particular, the court criticized the Board for accepting one survey and rejecting another, only to then imply that the two surveys somehow cancelled each other out. In a similar vein, the court criticized the Board for focusing on the limited parts of the record that support its conclusion. Although the Board “is not required to address every piece of evidence,” the court urged the Board on remand to give a fuller explanation regarding its analysis of the record evidence.

The Federal Circuit’s decision is significant for several reasons. It clarifies the proper test for

genericism, which focuses on public perception of the mark as a whole instead of a dissection of a compound mark. In addition, the court’s decision highlights the importance of consumer surveys, which often are the best evidence of how the public perceives a mark. If a properly designed survey supports a litigant’s position, the Board must grapple with the results of that survey. More generally, the court’s decision—which accused the Board of taking “short-cuts” in both its legal and factual analysis—may influence the Board to provide a more rigorous written analysis of the evidence before it.

The Federal Circuit held that the Board cannot—as it did here—“short-cut its analysis” by analyzing each word separately.

The case is *Princeton Vanguard, LLC v. Frito-Lay N. Am., Inc.*, ___ F.3d ___, 2015 WL 2337417, 2015 U.S. App. LEXIS 8002 (Fed. Cir. May 15, 2015), *vacating* Opposition No. 91195552, Cancellation No. 92053001, 109 U.S.P.Q.2d 1949, 2014 WL 976887, 2014 TTAB LEXIS 38 (TTAB 2014).

Fourth Circuit Holds That Trademark Applicant Who Files *De Novo* District Court Action Challenging Denial of Registration Must Pay PTO's Legal Fees Even if He Succeeds

Paul C. Llewellyn Partner and Richard A. De Sevo Of Counsel

In a decision that could have a significant practical impact on unsuccessful trademark applicants deciding whether to file a district court action against the Patent and Trademark Office (PTO) challenging the denial of registration or to appeal directly to the Federal Circuit, the Fourth Circuit held that the Lanham Act requires that the applicant must pay all of the PTO's legal fees and expenses in a district court action—even if the applicant succeeds and the PTO is ordered to issue a trademark registration.

The PTO's trademark examining attorney denied Milo Shammass' trademark application and the Trademark Trial and Appeal Board affirmed. In seeking to challenge this ruling, Shammass had two choices: (1) pursuant to Section 21(a)(1) of the Lanham Act, 15 U.S.C. § 1071(a)(1), he could appeal directly to the Federal Circuit, where a deferential standard of review would apply (as it would to any administrative agency decision), or (2) pursuant to Section 21(b)(1) of the Lanham Act, 15 U.S.C. § 1071(b)(1), he could commence a civil action against the PTO in the district court. Shammass chose to sue in the Eastern District of Virginia, where the PTO is located.

After the district court granted the PTO summary judgment, the PTO filed a motion for its "expenses" pursuant to Section 21(b)(3) of the Lanham Act, 15 U.S.C. § 1071(b)(3). That section provides, in relevant part, that in

an action against the PTO to register a mark, unless the court finds the expenses to be "unreasonable," all 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. The "expenses" the PTO sought included \$35,926.59 as the prorated salaries of two attorneys and one paralegal. The district court granted the full amount and Shammass appealed to the Fourth Circuit, which affirmed in a 2–1 ruling.

The majority first held that Section 21(b)(3) "does not implicate the presumption of the American Rule" that each side bear its own attorneys' fees because it is not a fee shifting statute.

The majority first held that Section 21(b)(3) "does not implicate the presumption of the American Rule" that each side bear its own attorneys' fees because it is not a fee shifting statute. Rather, it "imposes the expenses of the proceeding on the *ex parte* plaintiff, 'whether the final decision is in favor of such party or not.'" The court then held that the plain meaning of "expenses" includes attorneys' fees and rejected Shammass' argument that, in context, the term "expenses" should be read as synonymous with "costs of the proceeding." In doing so, the court referred to a 1931 Fourth Circuit decision in

which, interpreting “nearly identical statutory language” in the Patent Act, the court held that “expenses” included a government attorney’s expenses in attending a deposition. Those expenses, however, were the lawyer’s “traveling expenses,” not attorneys’ fees. *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931). The *Shammas* court further stated that requiring even a winning applicant to pay the PTO’s legal fees makes sense because administrative agencies “tasked with defending their actions in federal court are ordinarily able to limit the record in court to the agency record”—whereas *de novo* review of the PTO’s decision to reject a trademark application involves a “more fulsome and expensive procedure”—and, thus, Congress “obviously intended to reduce the financial burden on the PTO in defending such a proceeding” and to “incentivize[] trademark applicants to appeal routine trademark denials to the Federal Circuit.”

The dissent argued that the American Rule applies and that if Congress had intended to include attorneys’ fees as a recoverable expense, it would have said so as it did in other provisions of the Lanham Act that explicitly provide for recovery of attorneys’ fees (15 U.S.C. §§ 1114(2)(D)(iv), 1116(d)(11); 1117(a)-(b), 1122(c)) and in other statutes that provide for the recovery of fees separately from “expenses” (11 U.S.C. § 363(n); 12 U.S.C. §§ 1464(d)(1)(B)(vii), 5009(a)(1)(B); 26 U.S.C. § 6673(a)(2)(A); 31 U.S.C. § 3730(d)(4)). The dissent also pointed out that it was undisputed “that, prior to 2013, the PTO had never sought an attorney’s fee award under the patent and trademark laws,” and went on to remark that “[i]f such awards had been generally available, the PTO’s silence in the face of such authority is more than passing strange.”

Given that the PTO is located in Virginia and that Shammas did not file a petition for rehearing, the Fourth Circuit’s ruling is likely to govern many *de novo* actions filed by losing trademark (or patent) applicants. In deciding whether to seek *de novo* review in district court or to appeal directly to the Federal Circuit, an unsuccessful applicant will have to balance the cost of an attorneys’ fee award against the benefit of expanding the record with discovery and additional factual submissions and *de novo* review. To keep its options open, an applicant should consider making a more fulsome record in the Board instead of waiting for a district court action where it would be liable for a fee award.

An unsuccessful applicant will have to balance the cost of an attorneys’ fee award against the benefit of expanding the record with discovery and additional factual submissions and *de novo* review.

Finally, it should be noted that the statute does not apply to a *de novo* action challenging a Board ruling in an opposition proceeding (where the PTO is only a party if it intervenes). Compare 15 U.S.C. § 1071(b)(3) with 15 U.S.C. § 1071(b)(4). Accordingly, the Fourth Circuit’s holding is not a factor to consider in deciding whether to institute a *de novo* action or to appeal directly to the Federal Circuit in light of the Supreme Court’s recent holding in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015), that issue preclusion could apply to Board rulings in opposition proceedings in some circumstances.

The case is *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015).

Market-Specific Analysis Is Required in Contempt Proceeding for Violation of Trademark Injunction, Second Circuit Holds

Paul C. Llewellyn Partner, Richard A. De Sevo Of Counsel and Kyle D. Gooch Associate



The United States Polo Association, the governing body of the sport of polo, is in a long-running trademark dispute with PRL, the owner of the Polo Ralph Lauren brand. One particular point of dispute has been the Association's use of a "Double Horsemen Mark" (shown above left), which depicts "two mounted polo players vying for a ball." PRL has long contended that the mark is a colorable imitation of its own Polo Player Logo (shown above right), which depicts a single mounted polo player.

The parties' dispute has resulted in several previous court rulings:

- In 1984, following a bench trial, a district court enjoined the Association from using any mark that was "confusingly similar" to any of PRL's marks in connection with any goods. The injunction's lack of specificity

led to more litigation regarding whether the Association's use of particular marks on particular goods was confusingly similar.

- In 2006, a jury found that the Association's use of the Double Horsemen mark was not likely to cause confusion with PRL's marks when used in connection with apparel, leather goods and watches.
- In 2012, a court found that the Double Horsemen Mark was likely to cause confusion when used in connection with fragrances, and enjoined its use on "fragrances and related products." The 2012 injunction also repeated the 1984 injunction's general prohibition on the Association's use of *any* mark on *any* goods or services that would be confusingly similar to PRL's marks.

The parties' latest dispute stems from the Association's use of the Double Horsemen Mark on sunglasses. In 2013, PRL asked the court to hold the Association in contempt, arguing that this latest use "violated both the original 1984 injunction and the 2012 fragrance injunction." The Association argued that the 2012 injunction only limited its ability to use the Double Horsemen Mark on fragrance and related products, not on unrelated products such as eyewear.

The district court granted the motion, holding the Association in contempt for violating the 2012 injunction's general prohibition on using a confusingly similar mark. The court held that the 2012 injunction clearly prohibited use of the Double Horsemen Mark on any goods other than the goods found non-confusing in the 2005 apparel litigation. The court refused to engage in a market-specific analysis to determine if the use of the mark on eyewear was confusing, holding that such an analysis was not required in contempt proceedings, citing the Second Circuit's decision in *Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46 (2d Cir. 1994).

The Second Circuit reversed, holding that the district court erred in interpreting the 2012 injunction to apply to all goods except apparel. The specific prohibition on the use of the Double Horsemen Mark on fragrances did not cover the eyewear market. And the general language prohibiting the use of a confusingly similar mark in any market could not support a finding of contempt without an additional market-specific finding that the Double Horsemen Mark was likely to cause confusion on eyewear. This was particularly true because the use of the mark had previously been held to be confusing in some markets (fragrance

and cosmetics) but non-confusing in others (apparel).

The Second Circuit limited its prior holding in *Wella*, stating that it applies only where "a clearly confusingly similar mark is governed by an injunction that applies to all markets." In such cases, no market-by-market analysis is required. But where a mark has been held confusingly similar in certain markets but not others, the market-specific analysis is required. The court vacated and remanded for additional proceedings in the district court.

Where a mark has been held confusingly similar in certain markets but not others, the market-specific analysis is required.

The Second Circuit also added "a word of caution" about contempt proceedings in trademark cases. Because a party bound by an injunction must be given clear notice of the specific conduct enjoined, the Second Circuit suggested that contempt proceedings based on the application of a multi-factor test—like the likelihood-of-confusion test applied in trademark cases—would not always provide the requisite notice. Thus, an order of contempt is warranted only "when reasonably obvious infringement is shown by clear and convincing evidence."

Trademark injunctions and settlement agreements often must anticipate that future use of a disputed mark may take any number of forms. Thus, parties and courts often draft injunctions and agreements using terms that echo the underlying legal standard, like "confusingly similar." The Second Circuit's decision shows the limitations of those injunctions and agreements when it comes time to enforce them. In particular, a party

cannot be held in contempt merely because it could not anticipate how a court would resolve a multi-factor likelihood-of-confusion balancing test in a particular situation. Thus, to the extent feasible, parties should strive to make injunctions and settlement agreements as specific as possible, both with regard to the uses and markets at issue.

A party cannot be held in contempt merely because it could not anticipate how a court would resolve a multi-factor likelihood-of-confusion balancing test in a particular situation.

The case is *U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc.*, ___ F.3d ____, 2015 WL 2214893, 2015 U.S. App. LEXIS 7862 (2d Cir. May 13, 2015), *vacating* No. 09-cv-9476, 2013 WL 837565, 2013 U.S. Dist. LEXIS 31174 (S.D.N.Y. Mar. 6, 2013).

Applicant Strikes Out in Attempt to Register Alleged Parody of THE HOUSE THAT RUTH BUILT

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Applicant sought to register the word mark THE HOUSE THAT JUICE BUILT and the design mark shown above left, for t-shirts, baseball caps, hats, jackets and sweatshirts. The New York Yankees, owners of the registered word mark THE HOUSE THAT RUTH BUILT and the registered design mark shown above right, opposed the application, arguing that the applied-for marks would likely dilute the Yankees' famous marks. In a precedential decision, the Trademark Trial and Appeal Board held in favor of the Yankees and denied registration.



First, the Board held that the Yankees' marks were famous. In its written discovery responses, applicant admitted that the marks were famous in certain contexts—though neither the questions nor the responses distinguished between fame for purposes of likelihood of confusion as opposed to fame for purposes of dilution. Nevertheless, the Board held that the combination of the applicant's admission, combined with evidence of long, exclusive use and significant sales and advertising expenditures, was sufficient to show fame both of the word mark and the design mark without the need for survey evidence.

Applicant argued that its marks were parodies that fell within the statutory fair use exception to trademark dilution. The Board rejected that defense, noting that while Section 43(c) of the Lanham Act excludes liability for fair use, it does so only if the use is “other than as a designation of source for the party’s own goods or services.” 15 U.S.C.

§ 1125(c)(3)(A)(ii). By applying to register its mark—thus admitting that it is being used or is intended to be used as a source designator—an applicant cannot rely on that statutory fair use safe harbor.

The Board had previously held that, even if a parody was not fair use under the statute, the Board would nonetheless weigh the parody as part of the balancing of the likelihood-of-dilution factors. *See Research in Motion Ltd. v. Defining Presence Mktg. Grp., Inc.*, 102 U.S.P.Q.2d 1187 (TTAB 2012). Here, the Board reversed that position, holding that it would give no weight to an alleged parody that fell outside the statutory safe harbor because it is being used as a source designator. Thus, the Board found it “virtually impossible to conceive of a situation where a parody defense to a dilution claim can succeed in a case before the Board.”

In weighing the likelihood of dilution factors, the Board found that all of them either weighed in the Yankees’ favor or were neutral. Notably, the Yankees did not submit any consumer survey evidence, even though the Board has said that survey evidence is the best evidence of association. However, another significant factor that weighed against the applicant may explain why the Yankees did not need a dilution survey: By asserting a parody defense, applicant had admitted that it was intending to cause an association between

its applied-for marks and the Yankees’ famous marks.

By asserting a parody defense, applicant had admitted that it was intending to cause an association between its applied-for marks and the Yankees’ famous marks.

In short, this case teaches the following lessons:

- Be careful about responding to a request for admission regarding the fame of your opponent’s mark. If the case involves both dilution and confusion, distinguish between the two if necessary.
- You can’t defend an opposition or cancellation proceeding by claiming your mark is a parody. By asserting (by way of your application) that your mark is registrable, you are pleading yourself out of the statutory fair use exception. Worse, by claiming parody you are admitting intent to cause an association, which will weigh in favor of a finding of dilution.

The case is *N.Y. Yankees P’ship v. IET Prods. & Servs., Inc.*, Opposition No. 91189692, 2015 WL 91189692, 2015 TTAB LEXIS 96 (TTAB May 8, 2015).

David Yurman and Sam's Club Battle Over the First-Sale Doctrine

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A recent case featuring two high-profile retailers highlights that the trademark first-sale doctrine is not absolute. David Yurman, the luxury jewelry designer and manufacturer, sued Sam's Club for trademark infringement, alleging that Sam's Club purchased Yurman brand jewelry from authorized Yurman retailers and, without permission, displayed the jewelry to drive traffic to its stores. Yurman argued that by displaying the products in this manner, Sam's Club created a "false impression that Sam's Club is among Yurman's network of authorized retailers and has caused consumer confusion." Sam's Club argued that the first-sale doctrine barred Yurman's trademark infringement claims and that Yurman's claim should be dismissed on the pleadings.

Under the first-sale doctrine, "a distributor who resells trademarked goods without change is not liable for trademark infringement." Sam's Club contended that because it was reselling genuine goods under the Yurman mark, there was no potential for consumers to be confused as to the source of the goods. Yurman, however, argued that, under the first-sale doctrine, an unauthorized dealer only "may use a mark to advertise or promote truthfully that it sells a certain trademarked product, so long as the advertisement or promotion does not suggest affiliation or endorsement by the mark holder." In denying Sam's Club's motion to dismiss, the court focused on whether Yurman had "pled sufficient facts to show that the use of the trademark creates a likelihood of

confusion about an affiliation between Sam's Club and Yurman." Yurman alleged that Sam's Club prominently displayed the products in its stores and on its website in a manner that suggested that Sam's Club was highlighting those products more than others. Because "prominent and pervasive use of a mark will suggest affiliation," the court concluded that Yurman satisfied its burden of pleading "sufficient facts to state a plausible claim for relief" that consumers are likely to be confused into believing that there is an affiliation between Sam's Club and Yurman. The court distinguished a case relied on by Sam's Club, *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc., of Lafayette*, 988 F.2d 587 (5th Cir. 1993), on the ground that, in granting the defendant summary judgment, the court there had simply held that the mere unauthorized stocking and sale of trademarked products is not a trademark violation and that the case "anticipates that if more action is taken beyond mere unauthorized stocking and sale . . . a claim might survive."

Because "prominent and pervasive use of a mark will suggest affiliation," the court concluded that Yurman satisfied its burden of pleading "sufficient facts to state a plausible claim for relief" that consumers are likely to be confused into believing that there is an affiliation between Sam's Club and Yurman.

Yurman's victory only moves the case past the motion to dismiss phase. To succeed in defeating the first-sale defense, Yurman will have to submit evidence that consumers are likely to believe that Sam's Club is associated with or endorsed by Yurman, either through direct consumer testimony or survey evidence, and will likely not be able to rely solely on the simple fact that Sam's Club prominently displayed the products in its stores and on its website. The case should act as a caution to retailers and others to take care as to how they resell products to avoid creating a litigable issue as the application of the first-sale doctrine.

The case is *David Yurman Enters., LLC v. Sam's E., Inc.*, No. H-14-2553, 2015 WL 1602136, 2015 U.S. Dist. LEXIS 46178 (S.D. Tex. Apr. 9, 2015).

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