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Preface

This Update contains excerpts from, and notes about, cases and other materials that have been published in the time since the casebook was published.

The purpose of the Update is to keep the casebook materials current in an era when the volume of trademark law makes for a continually moving target. In compiling the Update, we have intentionally been more inclusive in some respects than in the main casebook. We have included as full excerpts only leading cases or cases that highlight an important developing aspect of trademark and unfair competition law. However, we have also included notes about other cases (including many district court cases from the last three years) that, when taken with the existing casebook, are more extensive than are necessary to understand or teach the subject matter of the Trademarks course. We have done so because we believe it helpful, as part of the updating process, to provide current examples of issues raised explicitly by notes and questions in the main casebook. We hope this enhances the pedagogical value of our casebook, and provides a currency that stimulates students and instructors alike. As a result, when we teach from the casebook, we do not add to our existing reading assignments every last page of the Update. Instead, we are more selective. We almost always assign the cases that are excerpted in full (where indicated, in lieu of cases excerpted in the casebook). But we use the notes and questions more selectively, as more up-to-date examples that provide the basis for vibrant class discussion.

We have discontinued our past practice of providing a separate set of statutory materials. All of these are readily available online at sites that are continually updated. Thus, we have provided links to the relevant materials at http://www.indiana.edu/~tmlaw.

As always, we welcome your comments on the wisdom of this editorial choice, as well as on any other aspect of the casebook or the Update.

G.B.D.
M.D.J.
FOUNDATIONS AND PURPOSES OF TRADEMARK AND UNFAIR COMPETITION LAW
INTRODUCTION TO TRADEMARK AND UNFAIR COMPETITION LAW

At p. 7 add the following to note 6:

The possibility that marks denied registration by virtue of statutory prohibitions might still have protection under the common law (enforced via Section 43(a)) is considered further in Chapter 5.
II

CREATION OF TRADEMARK RIGHTS
At p. 51 add the following to note 3:

The possibility that marks denied registration by virtue of statutory prohibitions might still have protection under the common law (enforced via Section 43(a)) is considered further in Chapter 5.

At p. 52 add the following to note 6:

See also In re Cordua Restaurants, Inc., 823 F.3d 594 (Fed. Cir. 2016) (determining whether CHURRASCOS was generic for restaurant services where “churrasco” is a word in Portuguese and Spanish for “barbeque”).

At p. 56 add the following to note 1:

How should the approach of trademark law to the relevance of generic top level domains in assessing distinctiveness change now that ICANN is in the process of rolling out domains based on brands (e.g., .CANON)? That process and the disputes that it has engendered are discussed in Chapter 8.

At p. 56 insert the following after note 4:

TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1215.02 (Oct. 2016)

1215.02 Use as a Mark

Generally, when a trademark, service mark, collective mark, or certification mark is composed, in whole or in part, of a domain name, neither the beginning of the URL (“http://www.”) nor the gTLD has any source-indicating significance. Instead, those designations are merely devices that every Internet site provider must use as part of its
address. Advertisements for all types of products and services routinely include a URL for the website of the advertiser, and the average person familiar with the Internet recognizes the format for a domain name and understands that “http,” “www,” and a gTLD are a part of every URL.

However, in 2011, the Internet Corporation for Assigned Names and Numbers (“ICANN”) authorized the launch of a program to introduce new gTLDs. Some of the gTLDs under consideration may have significance as source identifiers. To the extent that some of the new gTLDs under consideration comprise existing registered trademarks or service marks that are already strong source identifiers in other fields of use, some of the premises mentioned above may no longer hold true for such gTLDs (e.g., a gTLD consisting of a coined mark is not an abbreviation of an entity type or class of intended user of domain space). Where the wording following the “.” or “dot” is already used as a trademark or service mark, the appearance of such marks as a gTLD may not negate the consumer perception of them as source indicators. Accordingly, in some circumstances, a gTLD may have source-indicating significance. See TMEP §1215.02(d)(iv)(mark consisting of a gTLD for domain-name registry operator and registrar services, where the wording following the “.” or “dot” is already used as a trademark or service mark, may be registrable).

1215.02(d) Marks Comprised Solely of gTLDs for Domain-Name Registry Operator and Registrar Services

A “registry operator” maintains the master database of all domain names registered in each top-level domain, and also generates the “zone file,” which allows computers to route Internet traffic to and from top-level domains anywhere in the world, and a “registrar” is an entity through which domain names may be registered, and which is responsible for keeping website contact information records and submitting the technical information to a central directory (i.e., the “registry”). The terms “registry operator” and “registrar” refer to distinct services and are not interchangeable. Further, “registry operators” and “registrars” register particular Internet addresses on a given top-level domain. See Internet Corporation for Assigned Names and Numbers, Glossary, http://www.icann.org/en/about/learning/glossary (accessed March 19, 2014).

A mark composed solely of a gTLD for domain-name registry operator or registrar services fails to function as a trademark because consumers are predisposed to view gTLDs as merely a portion of a web address rather than as an indicator of the source of domain-name registry operator and registrar services. Therefore, registration of such marks must initially be refused under Trademark Act §§ 1, 2, 3, and 45, 15 U.S.C. §§ 1051, 1052, 1053, and 1127, on the ground that the gTLD would not be perceived as a mark. However, the applicant may, in some circumstances, avoid or overcome the refusal by providing evidence that the mark will be perceived as a source identifier. In addition, the applicant must show that: (1) it has entered into a currently valid Registry Agreement with the Internet Corporation for Assigned Names and Numbers (“ICANN”) designating the applicant as the Registry
Operator for the gTLD identified by the mark and (2) the identified services will be primarily for the benefit of others.

If the gTLD merely describes the subject or user of the domain space, registration must be refused under Trademark Act §2(e)(1) on the ground that the gTLD is merely descriptive of the registry services.

1215.02(d)(i) Prior Registration(s) of the Same Mark for Goods or Services in the Same Field of Use

The applicant must submit evidence that the gTLD shown in the mark is the subject of one or more prior U.S. registrations for goods/services that are related to the identified subject matter of the websites to be registered via the domain-name registry operator and registrar services . . .

The prior U.S. registration(s) must show the same mark as that shown in the relevant application. However, the lack of a “.” or “dot” in the prior U.S. registration(s) is not determinative as to whether the mark in the registration is the same as the mark in the application. In addition, the prior registration may be registered pursuant to §2(f) of the Trademark Act, 15 U.S.C. §1052(f).

Because a consumer’s ability to recognize a gTLD in an application as a source-identifying mark is based, in part, on the applicant’s prior registration(s) for the same mark, the applicant must limit the “field of use” for the identified domain-name registry operator and registrar services to fields that are related to the goods/services listed in the submitted prior registration(s). For example, if the applicant submits prior registrations identifying its goods as “automobiles” and its services as “automobile dealerships,” the services in the application may be identified as “domain-name registry operator and registrar services for websites featuring automobiles and information about automobiles.” However, the applicant may not identify its services as, for example, “domain-name registry operator and registrar services for websites featuring information about restaurants” or merely as “domain-name registry operator and registrar services.”

1215.02(d)(ii) Additional Proof that the Mark Used as a gTLD Will Be Perceived as a Mark

In addition to the prior registration(s), the applicant must also submit a significant amount of additional evidence relevant to the issue of whether the mark, with or without the “.” or “dot,” will immediately function to identify the source of the domain-name registry operator and registrar services rather than merely being perceived as a portion of an Internet domain name that can be acquired through applicant’s services. Because consumers are so highly conditioned, and may be predisposed, to view gTLDs as non-source-indicating, the applicant
must show that consumers already will be so familiar with the wording as a mark that they will transfer the source recognition even to the domain-name registry operator and registrar services . . .

1215.02(d)(iii) Registry Agreement/ICANN Contract

If the applicant has not entered into a Registry Agreement with ICANN designating the applicant as the Registry Operator for the gTLD identified by the mark, consumers may be deceived by use of a particular gTLD as a mark. Consumers generally would believe that the applicant’s domain-name registry operator and registrar services feature the gTLD in the proposed mark, and would consider that material in the purchase of these services. Therefore, to avoid a deceptiveness refusal under §2(a) of the Trademark Act, the applicant must: (1) submit evidence that it has entered into a currently valid Registry Agreement with ICANN, designating the applicant as the Registry Operator for the gTLD identified by the mark prior to registration and (2) indicate in the identification of services that the domain-name registry operator and registrar services feature the gTLD shown in the mark. . . .

1215.02(d)(iv) Legitimate Service for the Benefit of Others

To be considered a service within the parameters of the Trademark Act, an activity must, inter alia, be primarily for the benefit of someone other than the applicant. [cit]. Therefore, the examining attorney must issue an information request . . . to ascertain the following information to determine if the domain-name registry operator and registrar services will be primarily for the benefit of others:

- Does the applicant intend to use the applied-for mark as a gTLD?
- Does the applicant intend to operate a registry for the applied-for mark as a new gTLD and sign a Registry Agreement with ICANN for such gTLD?
- To what entities and industries will the applicant’s domain-name registry operator and registrar services be targeted?
- Does the applicant intend to register domain names for others using the gTLD identified by the applied-for mark and will there be any restrictions on to whom it will be available?

While operating a gTLD registry that is only available for the applicant’s employees or for the applicant’s marketing initiatives alone generally would not qualify as a service, registration for use by the applicant’s affiliated distributors typically would.

If the applicant fails to indicate for the record that the applicant’s domain-name registry operator and registrar services are, or will be, primarily for the benefit of others, the
examining attorney must refuse registration pursuant to §§1, 2, 3, and 45 of the Trademark Act.

At p. 67 add the following to note 11:

What weight would you give to the number of “likes” a product Facebook page had received?

At p. 69, add the following new note:

21. Order of analysis – genericness vs. descriptiveness. In In re Louisiana Fish Fry Prods., Ltd., 797 F.3d 1332 (Fed. Cir. 2015), the applicant sought to register LOUISIANA FISH FRY PRODUCTS BRING THE TASTE OF LOUISIANA HOME! (along with a design) for seafood sauce mixes. The PTO required the applicant to disclaim FISH FRY PRODUCTS on the ground that it was either generic or merely descriptive without secondary meaning. In a split decision, a panel of the Federal Circuit affirmed on the descriptiveness ground and declined to reach the genericness ground. Judge Newman dissented, arguing that the court should have addressed genericness first. Does it matter? Why? The court did not cite Zatarains – but this is not surprising. Why isn’t it?

At p. 83, insert the following cases before the Notes and Questions

PRINCETON VANGUARD, LLC v. FRITO–LAY NORTH AMERICA, INC.
786 F.3d 960 (Fed. Cir. 2015)

O’MALLEY, Circuit Judge:

Princeton Vanguard, LLC (“Princeton Vanguard”) appeals from the final decision of the Trademark Trial and Appeal Board (“the Board”) cancelling its registration of the mark PRETZEL CRISPS for pretzel crackers on the Supplemental Register and denying its application to register PRETZEL CRISPS on the Principal Register. Because the Board applied the incorrect legal standard in evaluating whether the mark is generic, we vacate and remand for further proceedings.

BACKGROUND

On April 21, 2004, Princeton Vanguard filed U.S. Trademark Application Serial No. 78/405,596, seeking to register PRETZEL CRISPS in standard character format for “pretzels” on an intent-to-use basis under § 1(b) of the Lanham Act, 15 U.S.C. § 1051. The trademark examining attorney refused registration on the Principal Register on grounds that the proposed mark was merely descriptive under 15 U.S.C. § 1052(e)(1). In response, Princeton Vanguard: (1) amended its identification of goods from “pretzels” to “pretzel
crackers;” (2) disclaimed the exclusive right to use the term “pretzel” apart from the mark as a whole; and (3) requested registration on the Supplemental Register. Princeton Vanguard subsequently obtained Registration No. 2,980,303 for the PRETZEL CRISPS mark on the Supplemental Register.

Several years later, Princeton Vanguard filed U.S. Trademark Application Serial No. 76/700,802, seeking to register PRETZEL CRISPS in standard character format for “pretzel crackers” on the Principal Register. In its application, Princeton Vanguard identified October 6, 2004 as its first use of the mark in commerce, disclaimed the exclusive right to use the term “pretzel” apart from the mark as shown, and claimed acquired distinctiveness in the mark as a whole.

On July 2, 2010, Frito–Lay North America, Inc. (“Frito–Lay”) filed a notice of opposition to Princeton Vanguard’s Application Serial No. 76/700,802 to register PRETZEL CRISPS on the Principal Register. In its opposition, Frito–Lay argued that the term PRETZEL CRISPS is generic for pretzel crackers and thus is not registrable. In the alternative, Frito–Lay asserted that PRETZEL CRISPS is highly descriptive of a type of cracker product and has not acquired distinctiveness. Frito–Lay subsequently filed a petition to cancel Supplemental Registration No. 2,980,303 on the same grounds. The petition for cancellation was consolidated with the opposition proceeding and both parties filed motions for summary judgment.

In denying Frito–Lay's motion for summary judgment that the mark is generic, the Board found that Princeton Vanguard's submissions, including survey evidence and news articles, “give[ ] rise to a genuine dispute regarding the element of whether the public understands 'pretzel crisps' as the generic wording for pretzel crackers, or as designating applicant as the source of pretzel cracker products bearing the mark.” The Board likewise denied Princeton Vanguard's later motion for summary judgment, finding a genuine dispute as to whether the mark is generic for pretzel crackers and whether it has acquired distinctiveness. The parties agreed to proceed to trial on the summary judgment record, as well as supplemental expert declarations . . .

On February 28, 2014, the Board sustained Frito–Lay's opposition to Princeton Vanguard's application and granted its petition for cancellation. At the outset, the Board found that “pretzel crisps” is a compound term, not a phrase, and analyzed the terms individually. . . . Specifically, the Board found that the term “pretzel” in PRETZEL CRISPS is generic for pretzels and pretzel snacks, and the term “crisps” is generic for crackers. In reaching this conclusion, the Board cited: (1) media references and third-party use of the term “crisps” to identify crackers; (2) registrations disclaiming the term “crisps”; (3) dictionary definitions of the word “crisp”; (4) Princeton Vanguard's admission that its packages for its PRETZEL CRISPS products provide nutritional facts for a serving size of a stated number of “crisps”; (5) a few generic references to the combined term “pretzel crisps;” and (6) the surveys of two of the parties' experts: Dr. Alex Simonson for Frito–Lay and Dr. E. Deborah Jay for Princeton Vanguard.
Dr. Simonson's survey found that 41% of respondents thought PRETZEL CRISPS was a brand name, 41% thought it was a category name, and 18% answered “don’t know” or “not sure.” Dr. Jay noted several problems with Dr. Simonson's methodology, including that “the universe of survey participants was underinclusive,” the two options of giving no opinion—“don’t know” and “not sure”—may have caused confusion, and Dr. Simonson failed to conduct a “mini-test” to determine whether participants understood the difference between brand names and category (generic) names. The Board agreed with Dr. Jay's criticisms of Dr. Simonson's survey, and thus gave Frito Lay's survey little probative weight. As to Dr. Jay's survey—which found that 55% of respondents thought that PRETZEL CRISPS was a brand name, while 36% thought it was a common or generic name—the Board noted Dr. Simonson's objection to the screening criteria, but did not adopt it.

The Board indicated that it considered the entire record, including the surveys, but gave “controlling weight to the dictionary definitions, evidence of use by the public, including use by the media and by third-parties in the food industry, and evidence of use by defendant itself.” On this record, the Board found “PRETZEL CRISPS” is generic for “pretzel crackers.” The Board explained that its conclusion would be the same if it had analyzed PRETZEL CRISPS as a phrase instead of a compound term, because “the words strung together as a unified phrase also create a meaning that we find to be understood by the relevant public as generic for ‘pretzel crackers.’” Given the Board's finding of genericness, it did not address whether the term PRETZEL CRISPS, when used in connection with pretzel crackers, has acquired distinctiveness.

Princeton Vanguard timely appealed to this court.

DISCUSSION

We review the Board's legal conclusions de novo and its factual findings for substantial evidence. Whether the Board applied the correct legal standard in assessing the mark is a question of law we review de novo. See In re Dial-A-Mattress Operating Corp., 240 F.3d 1341, 1345 (Fed.Cir.2001). Whether an asserted mark is generic is a question of fact. In re Hotels.com, LP, 573 F.3d 1300, 1301 (Fed.Cir.2009). Accordingly, “[o]n appellate review of the Board's factual finding of genericness, we determine whether, on the entirety of the record, there was substantial evidence to support the determination.” Id. at 1302.

On appeal, Princeton Vanguard argues that the Board erred in its genericness analysis when it assessed the PRETZEL CRISPS mark as a compound term instead of a phrase. Specifically, Princeton Vanguard contends that the Board “took the short-cut of analyzing whether the words ‘pretzel’ and ‘crisps’ are each generic for a pretzel and a cracker, and then it merely assumed the public would understand the combined mark PRETZEL CRISPS to be generic for ‘pretzel crackers’ without due consideration of the actual evidence of record.” According to Princeton Vanguard, by focusing solely on the mark’s constituent parts, the Board: (1) deviated from this court's precedent, which requires consideration of the mark it
its entirety; and (2) failed to consider the evidence of record, which shows that the purchasing public understands the term PRETZEL CRISPS to be a brand name.

For the reasons explained below, we agree with Princeton Vanguard that the Board applied the incorrect legal standard when it failed to consider the relevant public’s understanding of the PRETZEL CRISPS mark in its entirety.

A. The Board Applied the Incorrect Legal Standard

. . . . We have said that determining a mark's genericness requires “a two-step inquiry: First, what is the genus of goods or services at issue? Second, is the term sought to be registered or retained on the register understood by the relevant public primarily to refer to that genus of goods or services?” Id. at 990. Evidence of the public's understanding of the mark may be obtained from “any competent source, such as consumer surveys, dictionaries, newspapers and other publications.” In re Northland Aluminum Prods., Inc., 777 F.2d 1556, 1559 (Fed.Cir.1985). In an opposition or cancellation proceeding, the opposer or petitioner bears the burden of proving generic-ness by a preponderance of the evidence. See Magic Wand, Inc. v. RDB, Inc., 940 F.2d 638, 641–42 (Fed.Cir.1991).

Applying the first prong of the Marvin Ginn test, the Board defined the genus of goods at issue as “pretzel crackers.” Turning to the second prong, the Board identified the relevant public as “ordinary consumers who purchase and eat pretzel crackers.” Neither party disputes these findings on appeal.

The Board began its discussion of the public's perception of the mark by stating that it “first must decide how to analyze the term.” Although the Board acknowledged that the ultimate inquiry is whether the mark as a whole is generic, it then cited In re Gould Paper Corp., 834 F.2d 1017 (Fed.Cir.1987), for the proposition that, “in cases where the proposed mark is a compound term (in other words a combination of two or more terms in ordinary grammatical construction), genericness may be established with evidence of the meaning of the constituent words.” The Board indicated that, “[b]y contrast, where the proposed mark is a phrase ... the board cannot simply cite definitions and generic uses of the constituent terms of a mark; it must conduct an inquiry into the meaning of the disputed phrase as a whole.”” Id. (quoting Dial–A–Mattress, 240 F.3d at 1345) . . .

The Board appears to believe that there is a dichotomy in the standard applicable to a particular mark depending on whether it is a compound term or a phrase. According to the Board, if the mark is a compound term, then Gould applies, and it can focus on the individual words, but if it is a phrase, American Fertility requires that the Board consider the mark in its entirety. Because the Board found “no additional meaning added to ‘PRETZEL CRISPS’ in relation to ‘pretzel crackers,’ when the individual terms are combined,” the Board analyzed it as a compound term. The Board then considered the terms individually and concluded that “pretzel” is generic for pretzels and pretzel snacks, and “crisps” is generic for crackers.
The problem with the Board’s analysis is that there is only one legal standard for
genericness: the two-part test set forth in Marvin Ginn. . . . On appeal, Frito–Lay cites our
decisions in Gould and American Fertility to suggest that the Board can somehow short-cut its
analysis of the public’s perception where “the purported mark is a compound term consisting
merely of two generic words.” As discussed below, however, there is no such short-cut, and
the test for genericness is the same, regardless of whether the mark is a compound term or a
phrase. Neither Gould nor American Fertility hold otherwise.

The applicant in Gould sought to register the mark SCREENWIPE for goods identified
as “pre-moistened, anti-static cloth for cleaning computer and television screens.” While the
Board looked to the individual definitions of “screen” and “wipe,” we found that “Gould’s
own submissions provided the most damaging evidence that its alleged mark is generic and
would be perceived by the purchasing public as merely a common name for its goods rather
than a mark identifying the good’s source.” Indeed, Gould described its own product as “a
... wipe ... for ... screens.” Given this admission, we noted that the “compound immediately
and unequivocally describes the purpose, function and nature of the goods as Gould itself
tells us.” . . . In that context, where the mark in its entirety has exactly the same meaning
as the individual words, we stated that “the PTO has satisfied its evidentiary burden if, as it
did in this case, it produces evidence ... that the separate words joined to form a compound
have a meaning identical to the meaning common usage would ascribe to those words as a
compound.” Because “the terms remain as generic in the compound as individually,” we
concluded that the compound itself was generic.

In American Fertility, we explained that: (1) Gould did not alter the legal standard for
genericness; and (2) the correct legal test “is set forth in Marvin Ginn and is to be applied to
a mark ... as a whole, for the whole may be greater than the sum of its parts”. In that case,
the Board held that the proposed mark—SOCIETY FOR REPRODUCTIVE MEDICINE—
was generic based on evidence of record relating solely to the individual terms. . . . We
vacated the Board’s decision on appeal, finding that it applied the incorrect legal standard
when it “assumed the genericness of a phrase as a whole based solely on proof of the
genericness of its individual terms.”

In reaching this conclusion in American Fertility, we clarified that the Gould decision “did
not purport to modify Marvin Ginn ... and seemingly sought to follow” it by focusing on
Gould’s generic use in its entirety. We reiterated that Marvin Ginn requires evidence of the
“genus of goods or services at issue” and the “understanding by the general public that the
mark refers primarily to ‘that genus of goods or services.’” . . . “Properly interpreted, Gould
does not justify a short-cut around this test, but rather found that the evidence presented
met this burden.” We further indicated that the Board “cannot simply cite definitions and
generic uses of the constituent terms of a mark ... in lieu of conducting an inquiry into the
meaning of the disputed phrase as a whole to hold a mark ... generic.” Accordingly, we
remanded the case for the Board to apply the Marvin Ginn test to the mark as a whole.
In subsequent decisions, this court has reiterated that, “[a]n inquiry into the public's understanding of a mark requires consideration of the mark as a whole. Even if each of the constituent words in a combination mark is generic, the combination is not generic unless the entire formulation does not add any meaning to the otherwise generic mark.” In re Steelbuilding.com, 415 F.3d 1293, 1297 (Fed. Cir. 2005). . . .

On appeal, Frito–Lay argues that American Fertility is distinguishable from this case because it involved a phrase, not a compound term. According to Frito–Lay, the applicable legal standard depends on an initial “factual determination of whether the purported mark is a compound term or a phrase.” We disagree. Regardless of whether the mark is a compound term or a phrase, the applicable test is the same and the Board must consider the record evidence of the public's understanding of the mark as a whole. Our decision in Gould merely provides additional assistance in assessing the genericness of compound terms where it can be shown that “the public understands the individual terms to be generic,” and the joining of those terms into one compound word provides no additional meaning. It is not a short-cut and does not supplant the two-part test set forth in Marvin Ginn.

Even in cases where we have recognized that Gould provides an evidentiary standard applicable to compound terms, we have nonetheless emphasized that the Board must consider the mark in its entirety. See Hotels.com, 573 F.3d at 1304–06 (citing Gould and concluding that “the Board satisfied its evidentiary burden, by demonstrating that the separate terms ‘hotel’ and ‘.com’ in combination have a meaning identical to the common meaning of the separate components”). . . .

In 1800Mattress.com, for example, the Board initially considered the terms “mattress” and “.com” individually and determined that they were both generic. We explained that the Board “then considered the mark as a whole and determined that the combination added no new meaning, relying on the prevalence of the term ‘mattress.com’ in the website addresses of several online mattress retailers that provide the same services as Dial–A–Mattress.” In affirming the Board's decision, we indicated that the Board “properly determined” that “the correct inquiry is whether the relevant public would understand, when hearing the term ‘mattress.com,’ that it refers to online mattress stores.” Accordingly, even in circumstances where the Board finds it useful to consider the public’s understanding of the individual words in a compound term as a first step in its analysis, the Board must then consider available record evidence of the public's understanding of whether joining those individual words into one lends additional meaning to the mark as a whole. [cit.]

As noted, here, the Board determined that PRETZEL CRISPS is a compound term, not a phrase, and evaluated the terms individually under Gould. The Board concluded that the “commonly understood meaning of the words ‘pretzel’ and ‘crisps,’ demonstrates that purchasers understand that ‘PRETZEL CRISPS’ identifies ‘pretzel crackers.’” 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. In any event, as we have explained, the appropriate legal standard set forth in *Marvin Ginn* requires consideration of the mark as a whole.

At the end of its decision, the Board stated in passing that, although it analyzed the term PRETZEL CRISPS as a compound term, “were we to analyze it as a phrase, on this record, our conclusion would be the same, as the words strung together as a unified phrase also create a meaning that we find to be understood by the relevant public as generic for ‘pretzel crackers.’” But the Board's decision lacks any indicia that it actually engaged in such an analysis. Specifically, as explained below, there is no evidence that the Board conducted the necessary step of comparing its findings with respect to the individual words to the record evidence demonstrating the public's understanding of the combined term: PRETZEL CRISPS. By failing to do so, the Board took the type of short-cut analysis we have said is prohibited and ignored evidence that might compel a contrary conclusion. . . . We conclude, therefore, that the Board applied the incorrect legal standard in its genericness determination. On remand, the Board must consider evidence of the relevant public's understanding of the term PRETZEL CRISPS in its entirety.

B. Evidence of Record

As previously discussed, the relevant public's perception is the primary consideration in determining whether a term is generic. . . . And, as noted, evidence of the public's perception may be obtained from “any competent source, such as consumer surveys, dictionaries, newspapers and other publications.”

One of our sister circuits has indicated that “direct consumer evidence, e.g., consumer surveys and testimony is preferable to indirect forms of evidence.” [cit.] We likewise have recognized that “consumer surveys may be a preferred method of proving genericness.” [cit.]

On appeal, Princeton Vanguard argues that the Board cherry-picked the media references in the record and chose only those references that supported genericness. . .

Given our conclusion that the Board applied the incorrect standard for genericness and our decision to remand for application of the correct legal test, we need not analyze the parties' specific arguments with respect to the evidence of record. . . .

The record here contains significant evidence in the form of declarations, survey evidence, and evidence of use of PRETZEL CRISPS in the snack food industry and by the media and Frito-Lay does not dispute Princeton Vanguard's description of much of it. Though the Board is not required to discuss every piece of evidence, it cannot focus primarily on evidence of the word “crisps” in isolation, select a few pieces of evidence involving the combined term “pretzel crisps,” and conclude that the trademark is generic. Nor can it disregard the results of survey evidence without explanation. Just as it may not short-cut its
legal analysis, the Board may not short-cut its consideration of the factual record before it. . . .

CONCLUSION

Because we find that the Board applied the incorrect legal standard in assessing whether the term PRETZEL CRISPS is generic, we vacate the Board’s decision cancelling Registration No. 2,980,303 and its decision sustaining Frito-Lay’s opposition to Application Serial No. 76/700,802. We remand for application of the appropriate standard as set forth in Marvin Ginn and discussed herein.

[Vacated and remanded.]

IN RE CORDUA RESTAURANTS, INC.
823 F.3d 594 (Fed. Cir. 2016)

Dyk, Circuit Judge:

Cordua Restaurants, Inc. (“Cordua”) appeals from the final decision of the United States Patent and Trademark Office (“PTO”) Trademark Trial and Appeal Board (“TTAB” or “Board”) refusing registration of a stylized form of the mark CHURRASCOS. The Board’s decision contains no harmful legal error, and the Board’s finding that the mark is generic is supported by substantial evidence. We affirm.

BACKGROUND

Appellant Cordua owns and operates a chain of five restaurants branded as “Churrascos,” the first of which opened in 1988. The Churrascos restaurants serve a variety of South American dishes, including grilled meats; the Churrascos menu describes chargrilled “Churrasco Steak” as “our signature.” . . .

On January 10, 2011, Cordua filed U.S. Trademark Application Serial No. 85/214,191 (“the ‘191 Application”) . . . seeking protection of the stylized form of CHURRASCOS for use in connection with “Bar and restaurant services; Catering.” The trademark examiner rejected the ‘191 Application as merely descriptive and [generic]. With respect to genericness, the examiner concluded that the term “churrascos” “refer[s] to beef or grilled meat more generally” and that the term “identifies a key characteristic or feature of the restaurant services, namely, the type of restaurant.”

[The TTAB affirmed, and the applicant appealed].
DISCUSSION

III.

We next consider whether the Board properly determined that the stylized form of CHURRASCOS is generic.

A

Cordua argues that the Board failed to apply the Ginn test correctly. . . . Cordua complains, inter alia, that the Board (and the examiner) misapplied the Ginn test by concentrating on the wrong genus of services, focusing improperly on Cordua’s own services rather than on the wider genus identified in the ‘191 Application, restaurant services.

At a few points in its decision, the Board’s analysis of genericness addressed Cordua’s own restaurant services. The Board’s opinion noted, for example, that “Churrasco Steak” is advertised as the “signature” dish of Cordua’s Churrascos restaurants and is listed as the first entrée on its menu . . .

We agree with Cordua that “a proper genericness inquiry focuses on the description of services set forth in the certificate of registration.” Magic Wand, Inc. v. RDB, Inc., 940 F.2d 638, 640 (Fed.Cir.1991). “The authority is legion that the question of registrability of an applicant’s mark must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant’s goods, the particular channels of trade or the class of purchasers to which sales of the goods are directed.” Octocom Sys., Inc. v. Hous. Comput. Servs., Inc., 918 F.2d 937, 942 (Fed.Cir.1990) (citing cases); see also In re 1800Mattress.com IP, LLC, 586 F.3d 1359, 1361, 1363 (Fed.Cir.2009) (defining the genus of goods or services at issue as the genus of goods or services for which the applicant sought protection, as set forth in its trademark application); Can. Imperial Bank of Commerce v. Wells Fargo Bank, Nat’l Ass’n, 811 F.2d 1490, 1492–93 (Fed.Cir.1987).

Thus, the correct question is not whether “churrascos” is generic as applied to Cordua’s own restaurants but rather whether the term is understood by the restaurant-going public to refer to the wider genus of restaurant services. [cit]. The Board’s suggestion that “churrascos” is generic as applied to Cordua’s own restaurant services misses the point.

However, the Board’s apparent error in considering Cordua’s own restaurant services is harmless. At the first step of the Ginn test, the Board properly determined “[t]he genus of goods or services at issue” [as restaurant services].
We next address whether the term “churrascos” is generic for restaurant services generally, as identified in the ‘191 Application. The Board found, “[b]ased on the evidence that ‘churrascos’ is the generic term for a type of cooked meat,” that “‘churrascos’ is a generic term for a restaurant featuring churrasco steaks.” The Board’s decision in this respect is supported by substantial evidence.

Cordua concedes that the term “churrasco” is a word in Spanish and Portuguese referring to barbecue, and the ‘191 Application itself acknowledges that “[t]he English translation of churrascos in the mark is barbecue.” “Under the doctrine of foreign equivalents, foreign words from common languages are translated into English to determine genericness, descriptiveness, as well as similarity of connotation....” [cit]. Because “churrasco” is a common word in Spanish and Portuguese and because the ‘191 Application itself concedes that “churrascos” means “barbecue,” the PTO would have been justified in translating “churrascos” into “barbecue” and subsequently determining whether the term “barbecue” is generic when applied to restaurant services. Indeed, the examiner aptly remarked that “a foreign equivalent of a generic English word is no more registrable than the English word itself.”

But the examiner, and the Board, did not rely here on the doctrine of foreign equivalents. Instead, the examiner and the Board found that “churrasco” is used in the English language to refer to grilled meat. The evidence before the Board included, inter alia, three English-language dictionaries that define “churrasco” as grilled meat. Two of the dictionaries specify that the meat is steak or beef. The dictionaries constitute evidence that “churrasco” is a generic English-language term for grilled meat, especially grilled steak. . . .

However, Cordua contends that the addition of the “S” at the end of CHURRASCOS makes the term non-generic. That is, while Cordua concedes that “churrasco” describes a grilled steak, it argues that adding an “S” changes the term’s meaning because “churrascos” is not the proper pluralization of “churrasco” in Spanish. While each trademark must always be evaluated individually, pluralization commonly does not alter the meaning of a mark. [cit]. Since “churrascos” is an English-language term, there is nothing in the record to indicate that the addition of the “S” at the end alters its meaning (beyond making the word plural). . . . [There is] substantial evidence to support the Board’s conclusion that “‘churrascos’ is the generic term for a type of cooked meat.”

Cordua next argues that “churrascos” (or “churrasco”) refers specifically to a style of grilling meat and not to restaurant services. But a term can be generic for a genus of goods or services if the relevant public—here, the restaurant-going public—understands the term to refer to a key aspect of that genus—e.g., a key good that characterizes a particular genus of retail services. “A generic name of goods may also be a generic name of the service of selling or designing those goods.” [cit]. We have held that “[t]he test is not only whether the relevant public would itself use the term to describe the genus, but also whether the relevant public
would understand the term to be generic.” 1800Mattress.com, 586 F.3d at 1364. “[A]ny term that the relevant public understands to refer to the genus ... is generic.” Id.

In 1800Mattress.com, we affirmed the Board’s determination that MATTRESS.COM is generic for “online retail store services in the field of mattresses, beds, and bedding” because the term “mattress” identified a key aspect of such services. Id. at 1361, 1364. In Hotels.com, we affirmed the Board’s determination that HOTELS.COM is generic for “providing information for others about temporary lodging” and “travel agency services” because the term “hotels” “names a key aspect” of such services. 573 F.3d at 1301, 1304, 1306. . .

Thus, Cordua is wrong that “a dish, even a specialty dish, does not identify the genus of restaurant services.” If the relevant public would understand a term denoting a specialty dish to refer to a key aspect of restaurant services, then the term is generic for restaurant services. See Hunt Masters, Inc. v. Landry’s Seafood Rest., Inc., 240 F.3d 251, 254 (4th Cir.2001) (holding that “crab house” is a generic term referring to a class of restaurants that serve crabs).

There is substantial evidence in the record that “churrascos” refers to a key aspect of a class of restaurants because those restaurants are commonly referred to as “churrasco restaurants.” For example, the TTAB’s decision points to one newspaper article praising a “Brazilian churrasco restaurant” notable for its “sizzling food” served “on spits straight from the fire”; a second article that describes a “churrasco restaurant” as a restaurant distinguished by serving “[m]eat of all kinds”; and a third article that characterizes a “churrasco restaurant” as a kind of restaurant that serves “South American mixed grill.” Each of these articles constitutes evidence that the restaurant-going public understands the term “churrascos” to refer to a type of restaurant as well as a dish. Each article therefore supports the Board’s conclusion that “there is a class of restaurants that have churrascos as a central focus of their services, and that both competitors in the field and consumers use the term ‘Churrasco’ to refer to this type of restaurant.” We perceive no error in this part of the Board’s analysis.

C

Cordua argues that even if “churrascos” is generic as to “churrasco restaurants” (also known as “churrascarias”), it is not generic as to all restaurant services. But a term is generic if the relevant public understands the term to refer to part of the claimed genus of goods or services, even if the public does not understand the term to refer to the broad genus as a whole. Thus, the term “pizzeria” would be generic for restaurant services, even though the public understands the term to refer to a particular sub-group or type of restaurant rather than to all restaurants. [cit]. “A registration is properly refused if the word is the generic name of any of the goods or services for which registration is sought.” 2 McCarthy § 12:57. A “term need not refer to an entire broad species, like ‘cheese’ or ‘cake,’ in order to be found generic.” 1–2 Anne Gilson LaLonde, Gilson on Trademarks § 2.02[7][a] (2011).
We do not, of course, suggest that the term “churrascos” is necessarily generic as to any and all restaurant services. Had another applicant applied for registration of the mark CHURRASCOS in connection not with the entire broad genus of restaurant services but instead with a narrower sub-genre of restaurant at which grilled meat is not a key aspect of the service provided—for example, vegetarian or sushi restaurants—the result could well have been different. “[B]y expanding or contracting the definition of a ‘genus’ of products, a court can substantially affect the final determination of whether a term is ‘generic.’” 2 McCarthy § 12:23. It is up to the applicant to identify the genus of goods or services for which it seeks protection. See 15 U.S.C. § 1051(a)(2), (b)(2); 37 C.F.R. §§ 2.32(a)(6), 2.71(a); TMEP § 1402.01; see also Stone Lion Capital Partners, L.P. v. Lion Capital LLP, 746 F.3d 1317, 1324 (Fed.Cir.2014) (“Parties that choose to recite services in their trademark application that exceed their actual services will be held to the broader scope of the application.”); Octocom Sys., 918 F.2d at 942 (“[R]egistrability of an applicant’s mark must be decided on the basis of the identification of goods set forth in the application....”). The PTO will generally accept any identification of goods or services so long as it is “specific, definite, clear, accurate, and concise.” TMEP § 1402.01; see also In re Omega SA, 494 F.3d 1362, 1365 (Fed.Cir.2007) (holding that “[i]t is within the discretion of the PTO to require that one’s goods be identified with particularity” in a trademark application) (quoting In re Water Gremlin Co., 635 F.2d 841, 845 (CCPA 1980)).

Here, Cordua sought registration of the stylized form of CHURRASCOS in connection with the broad genus of all restaurant services, and the question of genericness must be evaluated accordingly. As the PTO points out, registration of the stylized form of CHURRASCOS on the Principal Register would give Cordua rights that it could enforce against all others providing restaurant services, including operators of traditional Latin American churrascarias (churrasco restaurants) that specialize in meat grilled in the churrasco style. See 15 U.S.C. §§ 1057(a)–(b), 1115 . . . By seeking broad protection for its mark, Cordua obliged the PTO to direct its genericness inquiry to the broad category of restaurants generally.

IV

Finally, we consider whether the stylization of CHURRASCOS in the ‘191 Application renders the mark eligible. As the Board has previously held, “[a] display of descriptive or otherwise unregistrable matter is not registrable on the Principal Register unless the design features of the asserted mark create an impression on the purchasers separate and apart from the impression made by the words themselves, or if it can be shown by evidence that the particular display which the applicant has adopted has acquired distinctiveness.” In re Sadoru Grp., Ltd., 105 U.S.P.Q.2d 1484, 1486, 2012 WL 3875730, at *2 (TTAB 2012) . . . The Board concluded that “the display of Applicant’s mark, consisting primarily of stylized letters, does not make the applied-for matter registrable, despite the genericness of the term CHURRASCOS, since it does not create a separate commercial impression over and above that made by the generic term.”
While Cordua now describes the stylized form of CHURRASCOS as “highly stylized,” “using a unique and arbitrary font,” Cordua did not argue before the Board and does not argue now that this stylization creates a separate impression. Cordua also did not argue that the stylization (i.e., the graphic quality) of the stylized form of CHURRASCOS has acquired distinctiveness; instead, it has argued only that the underlying word mark has acquired distinctiveness. The stylized nature of the mark cannot save it from ineligibility as generic.

CONCLUSION

We affirm the TTAB’s decision that the stylized form of CHURRASCOS applied for in the ’191 Application is generic as applied to restaurant services and therefore trademark-ineligible. Because we hold that the Board did not err in concluding that CHURRASCOS is generic, we do not reach the Board’s alternate ground of ineligibility, descriptiveness.

At p. 84, add the following to note 3:

If the Coca-Cola Company, manufacturers of COKE ZERO soft drinks with fewer than five calories, applied to register COKE ZERO for “beverages, namely soft drinks”, would you assess whether the term is generic for soft drinks by reference to “soft drinks” or “zero-calorie soft drinks”? Would it matter? See Royal Crown Co., Inc. v. The Coca-Cola Co., No. 91178927 (TTAB May 23, 2016).

At p. 89, add the following to Problem 2-2:

See Elliott v. Google, Inc., 860 F.3d 1151 (9th Cir. 2017).

At p. 90, add the following to Problem 2-4:

(19) #TACOTUESDAY for restaurant services. (As you proceed through Part II of the casebook, you might consider what other doctrines of trademark law might present obstacles to the registration of hashtag as marks. How are such marks used differently than conventional marks?). See generally Alexandra J. Roberts, Tagmarks, 105 CAL. L. REV. 599 (2017).
This case concerns the intersection between intellectual property rights and a Mardi Gras tradition. Haydel Enterprises appeals the district court's grant of summary judgment to Nola Spice Designs and Raquel Duarte on claims of trademark infringement, unfair competition, trademark dilution, copyright infringement, and unfair trade practices. We affirm.

FACTS AND PROCEEDINGS

During Mardi Gras parades in New Orleans, parade “krewes” throw strands of plastic beads to onlookers, who, in turn, have created “bead dogs” by twisting these strands into the shape of a dog. Haydel Enterprises (“Haydel”) owns Haydel's Bakery in New Orleans, which makes and sells pastries and cakes, including its popular king cake sold during the Mardi Gras season. In 2008, Haydel commissioned an artist to design a mascot, which was named “Mardi Gras Bead Dog.” On October 13, 2009, and December 1, 2009, the United States Patent and Trademark Office (“PTO”) issued two trademark registrations to Haydel for, respectively, the phrase “MARDI GRAS BEAD DOG” and its bead dog design. The design consists of a “stylized dog wearing a beaded necklace, with the dog being formed by a series of spheres designed to look like Mardi Gras style beads. The dog has two eyes and a nose, all formed by smaller beads.” Both registrations cover king cake pastries, jewelry, and clothing (shirts, hats, and baby jumpsuits). Haydel sells these items in its New Orleans store, online, and through its licensee Fleurty Girl, a New Orleans retailer. . . . Haydel has acknowledged that its mascot “brings to mind the traditional bead dog” made of Mardi Gras beads. Nevertheless, Haydel asserts that its mascot and its use of the phrase “Mardi Gras Bead Dog” differ from the Mardi Gras tradition in key respects, which we will discuss.

In May 2012, Raquel Duarte formed Nola Spice Designs, which sells jewelry and accessories, including necklaces and earrings featuring bead dog trinkets. Duarte twists each bead dog by hand from beads and wire, following the same general method that she used to make bead dogs as a child during Mardi Gras. By contrast, the bead dogs in Haydel's jewelry are made of sterling silver. Duarte sells her jewelry on the Internet under titles that include the phrase “bead dog,” but not “Mardi Gras bead dog.” . . .

Haydel learned of Duarte's bead dogs through Haydel's customers [and brought suit alleging inter alia trademark infringement. Both parties moved for summary judgment].

The district court granted in part and denied in part the motion for summary judgment filed by Nola Spice Designs and Duarte (collectively, “Nola Spice”) and denied Haydel's motion for summary judgment. Specifically, the district court granted summary judgment to
Nola Spice on its claim for a declaratory judgment that it was not infringing Haydel's trademarks, and the court cancelled those trademarks as unprotectable . . . The district court also granted summary judgment to Nola Spice on Haydel's claims of trademark infringement, unfair competition, trademark dilution . . .

DISCUSSION

I. Trademark Infringement

[The Court separately analyzed the distinctiveness of Haydel's word mark (“Mardi Gras Bead Dog”) and the distinctiveness of its design mark (the bead dog design).]

A. Word Mark

The district court found, and Nola Spice argues on appeal, that “Mardi Gras Bead Dog” is not entitled to trademark protection because it is generic, or alternatively, because it is descriptive and has not acquired secondary meaning. Haydel argues that “Mardi Gras Bead Dog” is suggestive as applied to its jewelry and arbitrary as applied to its clothing and king cakes . . . .

The record evidence, read in the light most favorable to Haydel, demonstrates that the term “Mardi Gras Bead Dog” refers to the figure of a dog made from Mardi Gras beads. David Haydel, Jr., testified that “[b]ead dog, beaded dog, a dog made of beads are all common terms for describing” a dog made from Mardi Gras-style beads. Dawn Turner, a Louisiana resident, submitted an affidavit stating that she has “childhood memories of making handmade bead dogs from broken Mardi Gras beads.” Similarly, Mary–Clare Manson stated in an affidavit that at Mardi Gras parades, her daughter learned from other children “how to twist the broken beads into the shape of a dog, which we have called bead dogs for many years.” Although these trinkets are sometimes described as “bead dogs” and not “Mardi Gras bead dogs,” Philip Weddle, the artist who created Haydel's bead dog design, agreed at his deposition that the terms “Mardi Gras” and “bead dog” “naturally go together:” “You know, it's a bead dog. It's kind of hard ... not [to] put them together, Mardi Gras.” Indeed, the Copyright Office, in response to Haydel's application for a copyright registration in its bead dog design, noted that “Mardi Gras bead dogs ... have apparently become well-known and traditional parts of Mardi Gras.” The record evidence thus makes clear that the relevant public—those familiar with Mardi Gras traditions—perceives the term “Mardi Gras bead dog” primarily to refer to a dog made of Mardi Gras beads. However, Haydel does not sell dogs made of Mardi Gras beads. Rather, Haydel sells silver jewelry in the shape of bead dogs, clothing with the image of a bead dog, and king cakes containing or accompanied by bead dog figurines. On this record, therefore, the term “Mardi Gras Bead Dog” describes a characteristic of Haydel's products, and not the products themselves. Nola Spice therefore has not carried its burden at summary judgment of demonstrating that “Mardi Gras Bead Dog” is generic as applied to Haydel's jewelry, clothing, and king cake.
The district court nevertheless properly classified Haydel's mark as descriptive. “A
descriptive term identifies a characteristic or quality of an article or service, such as its color,
odor, function, dimensions, or ingredients.” Amazing Spaces, 608 F.3d at 241 (citation
omitted). “Examples of descriptive marks would include Alo with reference to products
containing gel of the aloe vera plant and Vision Center in reference to a business offering
optical goods and services.” Id. We have noted that “the concept of descriptiveness must be
construed rather broadly.” Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786,
792 (5th Cir.1983) . . . A central inquiry to assess descriptiveness is the “imagination test,”
which “seeks to measure the relationship between the actual words of the mark and the
product to which they are applied.” Id. “If a word requires imagination to apply it to the
product or service in question, it tends to show that the term as used is suggestive. On the
other hand, if the word conveys information about the product, it is descriptive.” Union
Nat'l Bank of Tex., 909 F.2d at 848.

The record makes clear that the phrase “Mardi Gras Bead Dog” conveys information
about Haydel's clothing, jewelry, and king cake. The bead dog design embodied in each of
these products is, in Haydel's words, a “rendering of the old time bead dog.” In addition,
Haydel's own public statements closely link these products to the traditional Mardi Gras
bead dog. Haydel advertises its clothing on its website as “Mardi Gras Bead Dog parade gear,”
next to a description of the Mardi Gras tradition of twisting beads into the shape of a dog.
Likewise, Haydel advertises its jewelry as a way to “[s]how your Mardi Gras spirit year round.”
Fleurty Girl, which sells Haydel's jewelry pursuant to a license, published the following
advertisement: “In New Orleans, you can twist your Mardi Gras beads a certain number of
ways and make what we call a Bead Dog. Now available for the first time ever in sterling
silver.” These statements make clear that the bead dog image is a central aspect of Haydel's
clothing and jewelry. Similarly, the use of “Mardi Gras bead dog” in connection with king
cake, a popular Mardi Gras tradition, conveys information about the bead dog figurine inside
or accompanying the king cake. No reasonable juror could find that imagination is required
to link Haydel's clothing, jewelry, and king cake to the phrase “Mardi Gras bead dog,” as
Haydel uses that phrase.

A second test to determine descriptiveness is “whether competitors would be likely to
need the terms used in the trademark in describing their products.” Zatarains, 698 F.2d at
793 (internal quotation marks and citation omitted). An article in a magazine published by
Haydel describes the traditional bead dog as “a fond memory of Mardi Gras' past and symbol
of the City's youth.” Another magazine article refers to the traditional bead dog as “an iconic
Mardi Gras symbol.” Given the bead dog's popularity and its close connection to Mardi Gras,
common sense indicates that other vendors would need to use the term “Mardi Gras bead
dog” to describe their own Mardi Gras-themed clothing, accessories, and baked goods
containing the image of a bead dog. See id. (“Common sense indicates that in this case
merchants other than Zatarain's might find the term 'fish fry' useful in describing their own
particular batter mixes.”)
In response to compelling evidence of descriptiveness, Haydel fails to identify evidence raising a genuine factual issue as to the word mark's inherent distinctiveness. Haydel argues that its word mark must be suggestive as applied to jewelry because Nola Spice conceded in its motion for summary judgment that “Haydel does not make and sell bead dogs.” However, that statement at most reflects that the phrase “Mardi Gras bead dog” is not generic as applied to Haydel's merchandise. Indeed, other phrases conveying a product's shape have been found to be descriptive. See Vox Amplification Ltd. v. Meussdorfer, No. 13-4922, 2014 WL 558866, at *6 (E.D.N.Y. Feb. 11, 2014) (“‘Teardrop[,]’ ... used in conjunction with a teardrop-shaped instrument body, is clearly descriptive.”) . . . .

Also unpersuasive is Haydel's argument that its word mark is arbitrary as applied to clothing and king cake. Arbitrary marks “bear no relationship to the products or services to which they are applied.” Amazing Spaces, 608 F.3d at 241 (citation omitted); see also Union Nat'l Bank of Tex., 909 F.2d at 845 (“[T]he term ‘arbitrary’ refers to ordinary words which do not suggest or describe the services involved.”). Haydel notes that “Apple” is commonly described as an arbitrary mark in connection with computers, even though an Apple computer displays the image of an apple. See Sport Supply Grp., Inc. v. Columbia Cas. Co., 335 F.3d 453, 460 n.7 (5th Cir.2003). However, a mark's categorization under the Abercrombie typology depends on the context in which it appears and on the nature of the products sold. See Union Nat'l Bank of Tex., 909 F.2d at 847. Apple Computer sells electronic products, which bear no relationship to the fruit. By contrast, Haydel's public statements make clear that it is marketing Mardi Gras-related merchandise; the bead dog image on its clothing and the bead dog figurine inside or accompanying its king cake are part of and describe the product being sold. No reasonable juror could therefore conclude that the phrase “Mardi Gras bead dog” “bear[s] no relationship” to Haydel's clothing and king cake. Amazing Spaces, 608 F.3d at 241 (citation omitted). Because the record compels the conclusion that Haydel's word mark is descriptive as applied to jewelry, clothing, and king cake, the mark is legally protectable as a source identifier only if it has acquired secondary meaning, which we discuss below.

B. Design Mark

We now analyze the distinctiveness of Haydel's design mark, which the PTO defined as “a stylized dog wearing a beaded necklace, with the dog being formed by a series of spheres designed to look like Mardi Gras style beads. The dog has two eyes and a nose, all formed by smaller beads.”

While the Abercrombie test determines the inherent distinctiveness of word marks, we recently embraced the Seabrook Foods test to determine the inherent distinctiveness of a design mark, although we did not “go so far as to hold that the Abercrombie test is eclipsed every time a mark other than a word is at issue.” Amazing Spaces, 608 F.3d at 243. . . .

We have noted that “[t]he first three of the Seabrook Foods ‘questions are merely different ways to ask whether the design, shape or combination of elements is so unique,
unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.”” Id. at 243–44 (internal quotation marks omitted) (quoting I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 40 (1st Cir.1998) (quoting 1 McCarthy on Trademarks § 8:13)). If not, then the mark is not inherently distinctive and is protectable only upon a showing of secondary meaning. Id. at 247. We have also found useful the following language from the Restatement: “The manner in which a symbol or design is used ... is relevant to the likelihood that it will be perceived as an indication of source. In some instances a design is likely to be viewed as mere ornamentation rather than as a symbol of identification.” Restatement (Third) of Unfair Competition § 13 cmt. d; Amazing Spaces, 608 F.3d at 246; see also 1 McCarthy on Trademarks § 3:3 (“Usually, if when viewed in context, it is not immediately obvious that a certain designation is being used as an indication of origin, then it probably is not. In that case, it is not a trademark.”).

We measure the distinctiveness of a design mark with reference to the market in which the mark is used, although uses beyond that market are also relevant. See Amazing Spaces, 608 F.3d at 245 n. 18 (framing the inquiry as whether the design mark “identifies and distinguishes Amazing Spaces’s self-storage services from others' self-storage services,” while noting that “[t]his does not mean ... that we must blind ourselves to uses beyond the self-storage services industry”). In evaluating distinctiveness, our circuit and other courts have considered evidence of third-party use of similar marks. See id. at 232 (noting that “the same or a similar five-pointed star was used in commerce in at least 63 different industries and businesses on buildings, property, and as part of logos and on the buildings of at least 28 other self-storage locations” (internal quotation marks and citation omitted)); see also Seabrook Foods, 568 F.2d at 1345 (noting “evidence of third-party uses and registrations of similar marks on frozen foods, indicating that Seabrook's 'oval' design is not unique in this field”); Wiley v. Am. Greetings Corp., 762 F.2d 139, 142 (1st Cir.1985) (applying Seabrook Foods and affirming a grant of summary judgment on a common law trademark claim on the ground that the mark—a red heart affixed to the left breast of a teddy bear—was not inherently distinctive, noting that “[t]he record contains pictures of, and references to, an abundance of plush animals, including many teddy bears, that sport heart designs on their chests or other parts of their anatomy”).

To prevail on summary judgment, Nola Spice must offer sufficient evidence both to overcome the presumption of inherent distinctiveness that accompanies Haydel's registration, and to compel the conclusion that Haydel's design mark is not inherently distinctive as a matter of law. See Amazing Spaces, 608 F.3d at 234. A first step is to define the relevant market. Haydel defines the relevant market as one for pastries, clothing, and jewelry, while Nola Spice argues that the market is one for “bead dogs.” We believe the market is appropriately defined as one for Mardi Gras-themed products. This definition is consistent with advertising of Haydel's products, which makes clear that Haydel is selling Mardi Gras-themed merchandise to an audience familiar with Mardi Gras traditions. See generally A.J. Canfield Co. v. Honickman, 808 F.2d 291, 303 (3d Cir.1986) (recognizing the importance of consumer understanding to determining the relevant product genus). Haydel
describes its clothing as “Mardi Gras Bead Dog parade gear.” Haydel's jewelry is advertised as a traditional bead dog cast in sterling silver, and as a way to “[s]how your Mardi Gras spirit year round.” As Haydel acknowledges, king cake is also a Mardi Gras tradition. We therefore must consider whether Haydel's bead dog design is “so unique, unusual or unexpected” in the market for Mardi Gras-themed merchandise that it “will automatically be perceived by customers as an indicator of origin.” Amazing Spaces, 608 F.3d at 243–44. We may also consider uses of bead dog designs beyond that market, given that a “[c]ommonplace ... design[s] ... appearance on numerous products makes it unlikely that consumers will view [it] as distinctive of the goods or services of a particular seller.” Restatement (Third) of Unfair Competition § 13 cmt. d; Amazing Spaces, 608 F.3d at 245 n. 18.

The record is replete with evidence that Haydel's design is substantially similar to the traditional bead dog that parade-goers have long crafted from Mardi Gras beads. Haydel describes its design mark as “a rendering of the old time bead dog, jazzed up for the 21st century.” In its application for a copyright registration for its bead dog design, Haydel acknowledged that the image “brings to mind the traditional bead dog.” Indeed, David Haydel, Jr. testified that every bead dog that could be made would “look like” Haydel's trademarked design. Ryan Haydel likewise testified that there was not “any other way to make a bead dog” besides Haydel's bead dog design. An article published in the magazine Rally to Rescue describes Haydel's design mark as taking “the form of an iconic Mardi Gras symbol: the bead dog.” In addition to these statements, the record contains various images of traditional bead dogs that are similar to Haydel's design. These include a photograph of a bead dog trinket on an artist's weblog; a photograph of a bead dog crafted by Duarte from Mardi Gras-style beads during her deposition, which Haydel acknowledges is a traditional bead dog trinket; and still shots from a YouTube.com video, titled Boudreaux the BeadDog, featuring a cartoon bead dog.

Haydel argues that its design is distinct from a traditional bead dog because its design has eyes, a nose, a tail, and a necklace. However, the cartoon in Boudreaux the BeadDog also has eyes, a nose and a tail. Other images in the record depict dog trinkets made of beads and wearing a “necklace,” which may be described as a collar. At most, the eyes, nose, tail, and collar on Haydel's design are a mere “refinement” of the traditional bead dog, which is a well-known image to those who celebrate Mardi Gras. See Wiley, 762 F.2d at 142 (“The fact that Wiley's alleged mark is a red heart, permanently affixed to the left breast of a teddy bear does not ... serve to distinguish [plaintiff's] use of the design from others' uses of hearts on other stuffed animals. These characteristics, even if they in combination could be deemed unique, are 'mere refinement[s] of a commonly-adopted and well-known form of ornamentation....'” (emphasis in original) (quoting Seabrook Foods, 568 F.2d at 1344)). Given the similarity between Haydel's design mark and a traditional Mardi Gras bead dog, no reasonable juror could conclude that Haydel's mark is “so unique, unusual or unexpected” when used in connection with Mardi Gras-themed merchandise that it would “automatically be perceived by customers as an indicator of origin.” Amazing Spaces, 608 F.3d at 243–44. Hence, Haydel's design mark, like its word mark, is not inherently distinctive and may be protected only if it has acquired secondary meaning.
[The Court agreed with the district court that Haydel failed to raise a fact issue as to whether its design and word marks acquired secondary meaning, concluding that “the overwhelming evidence demonstrates that Haydel's marks are not distinctive and therefore not protectable.”]

At. p. 105, after the Amazing Spaces and (new) Nola Spice case, insert the following note:

1. Separate Commercial Impression. In footnote 14 of the Amazing Spaces opinion, the Court explained why it did not consider the fourth Seabrook factor (“separate commercial impression”). This is not unusual. Likewise, in Forney Indus., Inc. v. Daco of Missouri, 835 F.3d 1238 (10th Cir. 2016), the Tenth Circuit explained in a footnote that “we do not consider this factor because it does not relate to whether the trade dress is inherently distinctive, but instead to a different question: is the design really a separately registerable mark apart from any nearby words.” Indeed, the Court pointedly cited to the fact that in Wal-Mart the Supreme Court listed only first three factors in describing the Seabrook test. Review the packaging in Seabrook (casebook, page 94). What is the precise mark which, if claimed by the plaintiff in that case, would require a court to consider the fourth factor? Likewise, consider the same question as regards this common branding:

![UNITED COLORS OF BENETTON.](image)

In concrete terms, what question does the fourth Seabook factor require you to ask? Is there an analogous consideration that should come into play in assessing the claimed secondary meaning of such marks? Cf. Société Des Produits Nestlé SA v Cadbury UK Ltd (KitKat shape) [2016] EWHC 50 (Ch) (UK) at [57] (“in order to demonstrate that a sign has acquired distinctive character, the applicant or trade mark proprietor must prove that, at the relevant date, a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking because of the sign in question (as opposed to any other trade mark which may also be present”), aff' d, [2017] EWCA Civ 358 (CA) (UK).
At p.128, add the following to note 7:

Under the Court’s reasoning in Qualitex and Wal-Mart, do you think that a mark consisting of the colour of packaging can be inherently distinctive? In *Forney Indus., Inc. v. Daco of Missouri*, 835 F.3d 1238 (10th Cir. 2016), the plaintiff brought an action under Section 43(a) claiming trade dress rights in the following mark that it used on packaging for metalwork accessories:

“The Forney Color Mark is a combination and arrangement of colors defined by a red into yellow background with a black banner/header that includes white letters. More specifically, the Forney Color Mark includes red and yellow as the dominate [sic] background colors. Red typically starts at the bottom of the packaging, continues up the packaging and may form borders. Red may also be used in accents including but not limited to lettering. Yellow typically begins higher than the red and continues up the packaging. Yellow may also provide borders and be used in accents including but not limited to lettering. A black banner is positioned toward the top of the package label or backer card. Black may also be used in accents including but not limited to lettering. White is used in lettering and accents.”

Could such a mark be inherently distinctive? The Tenth Circuit reviewed a number of cases where the colour of packaging was involved and concluded that “in light of the Supreme Court’s directive that a product’s color cannot be inherently distinctive and its concern that inherent distinctiveness not be the subject of excessive litigation, we hold that the use of color in product packaging can be inherently distinctive (so that it is unnecessary to show secondary meaning) only if specific colors are used in combination with a well-defined shape, pattern, or other distinctive design.” Do you agree? What concerns might you have with the mark claimed? Cf. Société Des Produits Nestlé SA v Cadbury UK Ltd [2013] EWCA Civ 1174 (UK) (denying trademark registration to “The colour purple (Pantone 2685C), as shown on the form of application, applied to the whole visible surface, or being the predominant colour applied to the whole visible surface, of the packaging of the [chocolate products].”

At p. 129, add the following to note 10:

See also In re Frankish Enters Ltd., 113 U.S.P.Q.2d 1964 (TTAB 2015) (applying Seabrook to find an image of a monster truck inherently distinctive of “entertainment services in the nature of monster truck exhibitions”).
At p. 137, before the Notes and Questions, add the following new case:

**FAIR WIND SAILING, INC. v. DEMPSTER**

764 F.3d 303 (3d Cir. 2014)

FUENTES, Circuit Judge:

I.

A.

The complaint alleges the following facts, which we assume to be true and construe in the light most favorable to the plaintiff. See *Ashcroft v. Iqbal*, 556 U.S. 662, 678–80 (2009).

Fair Wind is a Michigan corporation that owns sailing schools throughout the United States, including one in St. Thomas, Virgin Islands. The St. Thomas school exclusively uses catamarans.

In July 2007, Fair Wind hired Larry Bouffard as a captain and sailing instructor for its St. Thomas school. Bouffard entered into a contract with Fair Wind, which contained a provision precluding Bouffard from joining a Fair Wind competitor within 20 miles of the St. Thomas school for two years after the end of his employment with Fair Wind. A popular instructor, Bouffard stayed with Fair Wind for over three years.

In June 2010, Bouffard introduced Dempster to Fair Wind as a potential instructor and captain. Relying on Bouffard’s assurance that Dempster was qualified for the post, Fair Wind hired Dempster for a probationary two-week period. Fair Wind was dissatisfied with Dempster’s performance, and declined to retain Dempster at the end of those two weeks.

Shortly after Fair Wind terminated Dempster, Bouffard resigned. At or about this time, however, Dempster and Bouffard decided to open a sailing school together in St. Thomas. By the following winter, Dempster and Bouffard’s school, VISS, was up and running, in direct competition with Fair Wind. Opening VISS violated Bouffard’s two-year noncompete agreement with Fair Wind.

Since its inception, VISS has copied Fair Wind’s St. Thomas school in several respects. VISS employs 45-foot catamarans, the same boats used by Fair Wind. VISS also uses teaching curriculum and itineraries identical to those used by Fair Wind, and employs the same procedures for student feedback. The marketing on VISS’s website is identical to Fair Wind’s marketing. Additionally, the VISS website contains a picture of a catamaran belonging to Fair Wind, includes “student testimonials” from students who took classes with Dempster while he worked for Fair Wind, and mentions Bouffard’s experience teaching “over the last year,” presumably in reference to his time teaching at Fair Wind.
Fair Wind alleges that “since VISS began competing with Fair Wind, Fair Wind has lost considerable business and reputation.” It also alleges that “Dempster and VISS have been enriched by their improper and unjustified conduct.”

B.

Fair Wind filed an action against Dempster and VISS in the District Court of the Virgin Islands. The complaint, as amended shortly thereafter, alleged three claims against Dempster and Fair Wind: (1) a “trade dress” infringement claim under § 43(a) of the Lanham Act; (2) a common-law tortious interference claim; and (3) a common-law unjust enrichment claim. VISS filed a motion to partially dismiss the complaint under Rule 12(b)(6) of the Federal Rules of Civil Procedure, arguing that Fair Wind failed to state claims for trade dress infringement or unjust enrichment.

The District Court concluded that Fair Wind had failed to state claims for either trade dress infringement or unjust enrichment. As to the trade dress claim, the District Court concluded that the complaint had several dispositive flaws. First, the District Court explained that Fair Wind had failed to allege facts about its business that “amount[ed] to its trade dress.” Fair Wind Sailing, Inc. v. Dempster, No. 2011–55, 2013 WL 1091310, at *4 (D.V.I. Mar. 15, 2013). “Without knowing the precise product features that Fair Wind seeks to protect” as trade dress, the District Court “struggle[d] to undertake a productive Rule 12(b)(6) analysis.” Id. Second, assuming that the product features at issue amounted to a trade dress, the Court determined that the complaint was “devoid of any allegations that [these features were] inherently distinctive or ha[d] acquired any secondary meaning.” Id. at *4–5. Third, the District Court determined that the product features comprising Fair Wind’s alleged trade dress were “functional” and therefore fell beyond the protections of the Lanham Act. Id. at *5–6 . . . .

[The District Court awarded defendants their attorneys’ fees. Plaintiffs appealed both the dismissal order and the fees order.]

II.

We first consider Fair Wind’s trade dress claim. Like the District Court, we conclude that Fair Wind has failed to properly state a claim for trade dress infringement. We therefore affirm the District Court’s dismissal of the claim.

[After invoking Section 43(a) and some fundamentals of trade dress law, the court continued.] [I]t is the plaintiff’s duty to “articulate[e] the specific elements which comprise its distinct dress.” See Landscape Forms, Inc. v. Columbia Cascade Co., 113 F.3d 373, 381 (2d Cir.1997); see also 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 8:3 (4th ed.2014) (“[T]he discrete elements which make up the [trade dress claim] should be
separated out and identified in a list.

This allows the district court to ensure that the claim is not “pitched at an improper level of generality, i.e., the claimant [does not] seek[ ] protection for an unprotectable style, theme or idea.” Landscape Forms, 113 F.3d at 381. Even before it reaches the question of protectability, however, a district court should scrutinize a plaintiff’s description of its trade dress to ensure itself that the plaintiff seeks protection of visual elements of its business. As the Sixth Circuit has noted, “any ‘thing’ that dresses a good can constitute trade dress.” Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc., 280 F.3d 619, 630 (6th Cir.2002). However, the “thing” must “dress[] a good.” Id. That is, the alleged trade dress must create some visual impression on consumers. Otherwise, there is simply no “dress” to protect.

According to Fair Wind, its trade dress is “the combination of its choice to solely employ catamaran vessels” and its “unique teaching curriculum, student testimonials, and registered domain name,” which “all combine to identify Fair Wind’s uniquely configured business to the general public.” By its own terms, then, Fair Wind’s “trade dress” is simply a hodgepodge of unconnected pieces of its business, which together do not comprise any sort of composite visual effect. Fair Wind is not arguing that VISS stole Fair Wind’s “look” in order to lure away customers. In fact, several of the elements of Fair Wind’s trade dress—such as the teaching curriculum—are not clearly visual aspects of the business at all. Rather, Fair Wind asserts that Defendants have harmed Fair Wind “by copying every material element of Fair Wind’s business and presenting [it to] the public.” Id. at 15. This claim has little to do with trade dress.

For example, in Rose Art Industries v. Swanson, 235 F.3d 165, 171 (3d Cir.2000), the plaintiff claimed that the following elements comprised its trade dress:

(1) a prominent band that is either straight or wavy and often black in color that cuts across the middle of the front of the package, extending to the sides with the words “CRAYONS” or “WASHABLE MARKERS” or other descriptive term in white letters imprinted on the band (the “Band and Letter feature”); (2) a yellow background on the top of the package with a contrasting background color (either red, purple, pink, or a combination of purple fading to red) on the bottom of the package; and (3) a prominent display of the Rose Art logo in golden yellow (either foil or print) or red, either with or without a rainbow “swish” design behind the logo on the front of the package. In addition, in its presentation to the District Court, Rose Art included three other elements in its claim of infringement: (1) the statement “since 1923”; (2) the statement on the front of the package that the product is “Certified Non–Toxic;” and (3) the sentence inviting consumer comments, “Rose Art invites your comments and questions about this product. Please write to Rose Art Industries, Inc., Consumer Affairs, 6 Regent St., Livingston, NJ 07039 or call 1–800–CRAYONS.”

We do not suggest that the curriculum of a sailing school, if part of, for example, an overall look of a schoolhouse or a website, could not be part of a business’s trade dress. Cf. Fuddruckers, Inc. v. Doc’s B.R. Others, Inc., 826 F.2d 837, 841 (9th Cir.1987) (noting that a menu, in combination with other aspects of a restaurant’s decor, can constitute protectable trade dress). But the complaint does not in any way indicate that Fair Wind’s curriculum creates any kind of visual impression. It is not even clear from the complaint that Fair Wind’s curriculum is something that can be seen.
Because Fair Wind has failed to give Defendants adequate notice of what overall look it wishes to protect, its trade dress claim cannot survive Defendants’ motion to dismiss. See Twombly, 550 U.S. at 555.

In sum... Fair Wind’s claim does not hold water.

...

[Affirmed as to dismissal; remanded as to attorneys’ fees.]

At p. 139, add the following to the end of note 8:

In re Frankish Enters Ltd., 113 U.S.P.Q.2d 1964 (TTAB 2015), the Trademark Trial and Appeal Board held that “while trade dress in the nature of product design can never be inherently distinctive, product packaging trade dress and trade dress for services can be inherently distinctive”. For the proposition that service trade dress can be inherently distinctive the Board in Frankish cited Two Pesos (and Chippendales). Do you think that properly reads Wal-Mart?

The Board then applied Seabrook to find this image below of a monster truck inherently distinctive of “entertainment services in the nature of monster truck exhibitions”.

![Monster Truck Image]
The Board stressed that “applicant does not seek registration of its design for a product, it seeks registration of its ‘fanciful, prehistoric animal’ design for its monster truck exhibition services, and under Two Pesos, trade dress for services may be inherently distinctive.” Are you persuaded by this distinction? Does it present any dangers? If a competitor manufactured trucks bearing the same design, could the applicant bring an infringement claim? You should reconsider this question after reading the materials in Chapter 7.

At p. 139, add the following notes and questions:

9. **Functionality.** The *Fair Wind* court also ruled that even if the plaintiff had adequately defined the trade dress, it was functional in any event. According to the court, the alleged trade dress was functional because “[s]tudent feedback procedures, catamarans, teaching itineraries, and curriculum all affect the quality of Fair Wind’s business. They play a critical role in the consumer demand for Fair Wind’s services, rather than merely identifying Fair Wind as the source of the sailing instruction.” After you have studied the materials on functionality in Chapter 3, consider whether you agree with this analysis. Also consider whether the analysis of trade dress (for distinctiveness or for functionality) should rest on the qualities of individual elements of the trade dress, or on the trade dress taken as a whole.

10. **Attorneys’ fees.** The *Fair Wind* opinion also contains an important ruling on fee-shifting. Addressing the attorneys’ fees issue (to which we will return in Ch. 12), the Third Circuit adopted the standard enunciated in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S.Ct. 1749 (2014). There, the Supreme Court had ruled that under the attorneys’ fees provision in the patent statute, 35 U.S.C. § 285, “an ‘exceptional’ case is simply one that stands 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.” *Id.* at 1756. This standard eliminates the need to show that a party acted in subjective bad faith in addition to bringing an objectively baseless claim. *Id.* The *Octane* Court also had noted that Lanham Act Section 35(a) contained an identical exceptional case provision. The Third Circuit ruled that the *Octane* Court was sending a “clear message” that its standard for finding a patent case exceptional should also apply to trademark cases. *See also Baker v. DeShong*, 821 F.3d 620 (5th Cir. 2016) (incorporating lessons from *Octane*).
At p. 158, at the end of Chapter 2, add the following new cases:

**GENSLER JR. & ASSOCIATES, INC. v. STRABALA**
764 F.3d 735 (7th Cir. 2014)

EASTERBROOK, Circuit Judge:

After leaving Gensler, an architectural firm with projects throughout the world, where he had been a Design Director, Jay Marshall Strabala opened his own firm, 2Define Architecture. Strabala stated on its website (http://www.define-arch.com/en/featured), on his personal Flickr site, or both, that he had designed five projects for which Gensler is the architect of record: Shanghai Tower, Hess Tower, Three Eldridge Place, the Houston Ballet Center for Dance, and the headquarters of Tesoro Corporation. Gensler contends that Strabala’s statements, a form of “reverse passing off” in the argot of this field, violate § 43(a) of the Lanham Act. But the district judge dismissed the complaint, ruling that, because Strabala did not say that he built or sold these structures, he could not have violated § 43(a). The court then dismissed Gensler’s state-law claims, relying on its concession that the outcome of its federal-law claim controls the whole suit.

The district court read *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), to limit § 43(a) to false designations of goods’ origin—and since Gensler’s claim concerns services rather than goods, the court held that Gensler cannot invoke the Lanham Act. That conclusion misreads *Dastar*. True enough, it held that the absence of a false or misleading designation of goods’ origin nixed a Lanham Act claim, but that was because the suit involved only goods. The Supreme Court did not read “services” out of the Lanham Act. Nor did it hold that a false claim of origin is the only way to violate § 43(a). If it had done that, then *POM Wonderful LLC v. Coca-Cola Co.*, --- U.S. ----, 134 S.Ct. 2228 (2014), could not have come out as it did, for there was no dispute about who made what, as opposed to whether one seller was trying to deceive consumers about what its product contained.

*Dastar* held that a copyright can’t be extended by using the Lanham Act. . . . Gensler, by contrast [to Fox in *Dastar*], does assert there has been a false claim of origin—though of services rather than goods. Gensler maintains that Strabala falsely claims to have been the creator of intellectual property (the designs of the five buildings). Architects’ success in winning clients depends on what they have accomplished; Gensler has a strong interest in defending its reputation for creativity and preventing a false claim that someone else did the design work.

Section 43(a)(1) reads:

Any person who, on or in connection with any goods or services, ... uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person [shall be liable in a civil action.]

Gensler contends that Strabala made a “false or misleading representation of fact” (his role in designing the five buildings) that is “likely to ... deceive as to the ... connection[ ] or association of such person [Strabala] with another person [Gensler]” and to deceive clients about the “origin” of the designs. Nothing in Dastar forecloses such a claim. See Societe Des Hotels Meridien v. LaSalle Hotel Operating Partnership, LP, 380 F.3d 126 (2d Cir.2004). The district court thought that Gensler should have relied on copyright law rather than the Lanham Act, but Strabala did not make or sell copies of any plans or drawings in which Gensler claims a copyright. A false claim of authorship, without the making of copies (or some other act covered by 17 U.S.C. § 106), is outside the scope of copyright law. Gensler’s only plausible federal claim rests on § 43(a).

The question remains, however, whether Gensler has a tenable claim. It charges Strabala with a form of fraud, so we would expect its complaint to allege with particularity the nature of the grievance—what Strabala said and why it is false. See Fed.R.Civ.P. 9(b). Yet the complaint contains only a few quotations and does little to explain what part of each is false. For example, it quotes this from Strabala’s Flickr site: “Shanghai Tower was designed by American architect Marshall Strabala.” But it does not say why the statement that he “designed” the building is false.

We can think of three ways in which an architect’s assertion that he designed a building could be false:

• The architect did not have anything to do with the design, never having worked on the project.

• The architect worked on the project but overstated his role. For example, the architect may have designed some of a building’s details, but not its basic appearance or attributes.

• The architect worked on the project and contributed some or even all important features, but the project was so complex that no one person bore full responsibility.

The first of these would be like Strabala claiming to have directed the motion picture Casablanca. The second would be like a junior associate, who did some research but contributed only a few pages of text, claiming to have been the author of Arnold, Fortas & Porter’s brief in Gideon v. Wainwright. Frank Lloyd Wright was accused of overstating his role at Adler & Sullivan in this way, in order to get commissions after he set up his own practice in 1893.
Gensler’s complaint does not contend that Strabala’s statements are false or misleading in either of these ways. Instead Gensler appears to rely on the third possibility: that big buildings are team jobs that no one designs. The complaint alleges, for example: “The Gensler team that designed the Shanghai Tower included approximately one hundred people who devoted significant time to the project. [Strabala] was one of many members of that Gensler team. Gensler, not [Strabala], is the source of the architectural and design services rendered in designing the Shanghai Tower.” It is as if Warner Bros. wanted Michael Curtiz, who directed Casablanca, to keep silent about his role because the film could not have succeeded without Humphrey Bogart’s and Ingrid Bergman’s acting, Max Steiner’s music, Arthur Edeson’s cinematography, Murray Burnett’s and Joan Alison’s play, Julius and Philip Epstein’s screenplay, and the contributions of a hundred others—or at least to append to any claim of directorship something along the lines of “many persons in addition to directors bear credit for a film’s success or blame for its failure.” As Gensler sees it, the auteur approach to filmmaking is legally impermissible in the architectural business.

Yet if the gist of Gensler’s complaint is that big projects require big teams—and that Gensler insists on institutional rather than personal credit—where’s the falsity? If Strabala (like Frank Lloyd Wright during much of his career) designed houses for unsophisticated clients, then Gensler might have a point, though it would have trouble proving damages. (Gensler does not allege that it designs houses or other small projects, so it could not be injured by a stratagem that boosted Strabala in the eyes of naive clients.) But as far as we can see, from the parties’ web sites as well as the complaint, both Gensler and 2Define specialize in large projects, which have sophisticated clients—may indeed have in-house architects to oversee the hiring and work of firms such as Gensler and 2Define, just as large businesses have in-house counsel to oversee legal projects. Gensler’s complaint observes that 2Define describes itself as “specializ[ing] in complex high profile projects”, which is how Gensler describes its own business. People who pay millions for substantial projects (Shanghai Tower will cost more than $4 billion by the time it is finished in 2015) know full well that it takes an architectural team to design and execute the plans. They also know that teams have leaders—and Gensler has not alleged that Strabala said anything false by implying that he was the (or a) leader of the teams on these five projects.

If sophisticated clients would not be misled, then this suit represents an effort by Gensler to conceal the fact that a designer of Shanghai Tower (and other big projects) has flown the coop. That fact is known, to be sure, but if Gensler wins this case other architects who leave will be required to keep mum about their accomplishments—and then it will be Gensler, not the departing architect, that is in a position to make a misleading presentation to a future client. If only “Gensler” and not any real person designs a building, the firm can never suffer from the departure of talented designers, because Gensler the corporation remains. Alternatively the suit could be understood as an effort to impair competition by imposing costs on a departing architect, even though setting up a new firm does not violate any contract (and the old employer does not allege a theft of trade secrets). New competition by people who leave large firms to set up small rivals is beneficial for consumers.
These considerations make it tempting to affirm the district court’s judgment, though not for the district court’s reasons. Yet Strabala has not asked us to take that course. His brief defends the district court’s reasoning and does not ask us to affirm on a different ground. It does not invoke Rule 9(b) or contend that sophisticated clients understand that no single architect is the sole designer of a monster project such as Shanghai Tower. The district court dismissed the complaint under Rule 12(b)(6), and we do not think that Gensler has pleaded itself out of court just by alleging that Strabala tries to attract sophisticated customers for large projects. At least for now, Strabala is not arguing that any of Gensler’s allegations, or the suggestion that sophisticated clients might think Strabala the sole designer of a billion-dollar building, is implausible as Ashcroft v. Iqbal, 556 U.S. 662 (2009), and Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007), use that term. Nor does Gensler’s complaint rule out the possibility that it competes with Strabala to build some smaller projects with less sophisticated clients. We have explained why the complaint’s legal theory is tenable, and the possibility that it might fail on the facts does not authorize a court of appeals to dismiss a suit before the parties have joined issue on vital topics.

[Vacated and remanded.]

PHOENIX ENT. PARTNERS, LLC v RUMSEY
829 F.3d 817 (7th Cir. 2016)

ROVNER, Circuit Judge:

Slep–Tone Entertainment Corporation and its successor in interest, Phoenix Entertainment Partners, LLC1 (collectively, “Slep–Tone”) contend in this litigation that the defendants, a pub and its owner, committed trademark infringement by passing off unauthorized digital copies of Slep–Tone karaoke files as genuine Slep–Tone tracks. . . . Because we agree with the district court that Slep–Tone has not plausibly alleged that the defendants’ conduct results in consumer confusion as to the source of any tangible good sold in the marketplace, we affirm the dismissal of its complaint.

I.

This suit is one of more than 150 that Slep–Tone has filed throughout the country invoking the Lanham Act to challenge the unauthorized copying and performance of its commercial karaoke files as a form of trademark infringement. For the better part of three decades, Slep–Tone has produced and distributed karaoke accompaniment tracks under the trademark “Sound Choice.” These tracks are designed for professional karaoke systems and include both audio and graphic (visual) components. The audio component is a re-recorded version of a popular song that omits the lead vocals, as those will be performed by the karaoke singer or singers. The graphic component displays the lyrics to the song as well as a variety of visual cues (including color coding and various icons) that are synchronized with the music
in order to aid the singers. Slep–Tone has released over 16,500 karaoke versions of popular songs.

In addition to the Sound Choice trademark (which was registered in 1995 and thereafter renewed), Slep–Tone also claims ownership of a distinctive trade dress that distinguishes its tracks from those of its competitors. This trade dress includes the typeface, style, and visual arrangement of the song lyrics displayed in the graphic component of the accompaniment tracks; a display version of the Sound Choice mark (which has been separately registered since 1996) that is itself typically shown with the song lyrics; and the style of entry cues that are displayed for karaoke singers (including a series of vanishing rectangles) to signal when they should begin to sing. Slep–Tone alleges that it has used this trade dress for decades, and that it is sufficiently recognizable to karaoke customers to enable them to distinguish a track produced by Slep–Tone and a track produced by a competitor even if the Sound Choice mark itself were not displayed.

Slep–Tone sells its karaoke accompaniment tracks to customers on both CD+G compact discs (with the +G referring to the graphic component) and MP3+G media. Technology now enables these tracks to be copied onto the hard drives of karaoke equipment, such that one karaoke machine may host hundreds or thousands of accompaniment tracks. Karaoke singers and “jockeys”\(^2\) thus have many songs from which to make their selections, and the accompaniment track for the chosen song is immediately available without someone having to physically insert a disc into the karaoke machine and wait for the appropriate track to be “loaded” onto the system. The process of copying the purchased CD+G or MP3+G version of a track onto the hard drive of a karaoke system is known as “media-shifting,” because the content is being shifted from one medium to another, or “format-shifting,” because in the copying process the content is being converted into a different electronic format. Needless to say, the same technology that enables a karaoke operator to make an authorized copy of a track also makes possible the creation of unauthorized copies. An operator may copy a legitimately-purchased track from its original medium onto any number of hard drives; it may copy a patron’s tracks onto its own hard drive; it may “swap” tracks with other operators through file-sharing websites; it may purchase a hard drive that someone else has preloaded with tracks; and it may resell its original media to other operators after it has copied the tracks onto its own hard drives.

In 2009, Slep–Tone adopted a media-shifting policy that permits its customers to copy the tracks they have purchased, so long as they comply with four conditions. First, there must be a 1:1 correspondence between the tracks purchased and copies made. In other words, for every track copied onto a customer’s hard drive, the customer must own and maintain the track on its original medium. So, if an operator wants to have copies of a particular track on two different hard drives, it must purchase two discs with the original content. Second, once a copy has been made, the purchased track on its original medium must be kept “on the

\(^2\) Much like a disc jockey, a karaoke jockey is someone who manages, plays, and introduces karaoke music at a venue or event.
shelf” and not used for any purpose. Third, upon making a copy, the operator must notify Slep–Tone that it has media-shifted the track. And fourth, the operator must submit to an audit to certify its compliance with the media-shifting policy.

It should come as no surprise that not all operators comply with Slep–Tone’s media-shifting policy. Slep–Tone alleges that karaoke operators have engaged in widespread and unauthorized copying of its tracks. Whereas Slep–Tone pays royalties to the copyright owners of the original musical works incorporated into its derivative karaoke accompaniment tracks, it is repeatedly deprived of revenue when karaoke operators make multiple, unauthorized copies of Slep–Tone’s Sound Choice tracks.

The Basket Case Pub, Inc., one of the two defendants in this case, is an Illinois corporation that operates an eating and drinking establishment in Peoria, Illinois known as The Basket Case. Dannette Rumsey, the other defendant, is the president and sole owner of that corporation. Like most venues offering karaoke entertainment, The Basket Case provides karaoke services free of charge in order to attract patrons and encourage them to buy food and drinks. The defendants own one or more hard drives containing copies of Sound Choice tracks. However, those copies allegedly were made by or at the behest of the defendants in violation of Slep–Tone’s media-shifting policy. In other words, the defendants are allegedly playing illegitimate “bootleg” copies instead of authorized copies properly made from legitimately-acquired Slep–Tone media.

Slep–Tone’s second amended complaint asserts claims for both trademark infringement and unfair competition under the Lanham Act. Its theory, as we discuss in greater detail below, is that when the defendants play unauthorized copies of Slep–Tone karaoke tracks at the pub, customers see Slep–Tone’s Sound Choice mark and trade dress and believe they are seeing and hearing a legitimate, authentic Slep–Tone track, when in fact they are seeing an unauthorized copy. Slep–Tone characterizes the unauthorized copy of its track as a distinct good which the defendants are improperly “passing off” as a genuine Slep–Tone track.

Key to the district court’s decision to dismiss Slep–Tone’s claims of trademark infringement was its conclusion that the factual allegations of the complaint did not plausibly suggest that the defendants’ unauthorized use of Slep–Tone’s trademark and trade dress is likely to cause confusion among customers of The Basket Case as to the source of any tangible good containing the karaoke tracks they are seeing and hearing. Such confusion, the court noted, is a prerequisite to relief under either of the two sections of the Lanham Act on which Slep–Tone’s claims were based. And as is clear from the Supreme Court’s decision in Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 37 (2003), it is consumer confusion about the source of a tangible good that a defendant sells in the marketplace that matters for purposes of trademark infringement. The defendants do not sell any such tangible good. According to the complaint, the defendants simply play unauthorized copies of Slep–Tone’s karaoke tracks for their patrons. What pub patrons see and hear is the intangible content of the karaoke tracks. They will see Slep–Tone’s trademark
and trade dress and believe, rightly, that Slep–Tone is the source of that intangible content. But patrons will neither see nor care about the physical medium from which the karaoke tracks are played; consequently, any confusion is not about the source of the tangible good containing the karaoke tracks. Slep–Tone’s real complaint, then, is one about theft, piracy, and violation of Slep–Tone’s 1:1 media policy rather than trademark infringement.

II.

Slep–Tone is the owner of the Sound Choice trademark for “pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions” along with the display version of that mark. It is also the owner of distinctive and protectable trade dress associated with its graphical displays. This trade dress includes (1) the use of a particular typeface, style, and visual arrangement in displaying the lyrics to a song, (2) the Sound Choice marks themselves, and (3) the use of particular styles in displaying entry cues for karaoke performers, specifically a series of vanishing rectangles to indicate the cue. Slep–Tone has used this trade dress continually and exclusively for a period of decades, so much so that, as noted earlier, karaoke performers can readily recognize a graphical display as one produced by Slep–Tone wholly apart from the display of the Sound Choice mark itself.

Slep–Tone’s theory of the case proceeds as follows. When a person, without authorization from Slep–Tone, copies a Sound Choice karaoke track onto a different medium (a computer hard drive, for example) from the original CD+G or MP3+G medium distributed by Slep–Tone, that person creates a new good that is distinct from Slep–Tone’s product. But the copy, when played, will still display both the registered Sound Choice marks along with each of the other elements of the trade dress we have described. Thus, when an unauthorized copy is played at The Basket Case, patrons of the pub will think that the copy is a genuine Sound Choice track that was manufactured by Slep–Tone and purchased by or otherwise licensed to the defendants. In fact, however, it is not a Sound Choice product, but rather is being passed off as such by the defendants. This amounts to trademark infringement under section 32 and unfair competition under section 43(a) of the Lanham Act, in plaintiffs’ view. Plaintiffs allege that the unauthorized use of their trademark and trade dress is likely to cause confusion or mistake among customers and patrons who view the unauthorized copy, or to deceive such customers and patrons, by leading them to believe that the track is a bona fide Sound Choice track manufactured by Slep–Tone and sold or licensed to the defendants. Viewers may also be led to believe, mistakenly, that Slep–Tone has sponsored or otherwise approved the defendants’ services and commercial activities.

The pathway between the defendants’ alleged trademark infringement and Slep–Tone’s claimed injuries is indirect. Note that the defendants do not compete with Slep–Tone in the market for karaoke tracks, in that they do not sell karaoke products or services to karaoke jockeys or other establishments like The Basket Case. But Slep–Tone alleges that the defendants, by not paying for genuine Sound Choice tracks and instead using unauthorized copies, artificially lower their own costs of doing business and thereby exert illegitimate and
unfair pressure on legitimate operators in the same region who incur higher expenses for authorized karaoke tracks and therefore must charge more to their customers in order to recoup their expenses. For a comprehensive library of Slep–Tone tracks, for example, a legitimate karaoke jockey or other karaoke operator can expect to spend up to $40,000 on top of the $25,000 cost of the karaoke system itself. To the extent the unfair competition discourages legitimate operators from paying for genuine Slep–Tone tracks, Slep–Tone is ultimately deprived of sales.

Apart from that pecuniary injury, Slep–Tone suggests that unauthorized copying may result in inferior knock-offs that will injure its reputation for quality karaoke tracks. Typically, the complaint alleges, a karaoke singer or observer will be unable to discern whether the track being played resides on an original disc or a copy, despite the inevitable step-down in quality that occurs when a track is copied from its original medium. Nonetheless, if the data is compressed excessively in the duplication process, a bad copy may result, such that when the copy is played, the sound and/or the graphics may be inferior. A customer viewing such a copy may thus come to associate the Sound Choice mark with a sub-par product. In that way, unauthorized copying jeopardizes the reputation for high-quality karaoke tracks that Slep–Tone has cultivated for decades. Slep–Tone alleges that one of the goals of its 1:1 media-shifting policy, and the right to conduct an audit that the policy reserves to Slep–Tone, is to assess the integrity of the copies that its customers are making. Unauthorized copies, such as those attributed to the defendants here, evade that audit process.

We may assume for purposes of our analysis that the injuries as described are sufficiently connected with the defendants’ alleged violations of the Lanham Act to support Slep–Tone’s claims, notwithstanding the defendants’ arguments to the contrary. See Lexmark Int’l, Inc. v. Static Control Components, Inc., 134 S.Ct. 1377, 1390 (2014) (“we generally presume that a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute”). Although the connection between the defendants’ actions and Slep–Tone’s pocketbook is, as we have said, indirect, we may assume without deciding that it is not “too remote’ from the [defendants’] unlawful conduct” to support relief. Id.

It is significant, however, that what lies at the heart of the defendants’ alleged wrongdoing is the unauthorized copying of Slep–Tone’s karaoke tracks. It is undisputed that those tracks, the audio and visual components of which were arranged specifically for karaoke accompaniment, constitute derivative works that enjoy protection under the Copyright Act. See 17 U.S.C. §§ 102(a), 103 . . . The unauthorized copying of a creative work is typically the province of copyright law. See 17 U.S.C. § 106 (granting to copyright owner exclusive right to, inter alia, reproduce, distribute, perform and display copyrighted work, and to authorize such actions); [cit]; see also, e.g., Hobbs v. John, 722 F.3d 1089, 1094 (7th Cir. 2013) (citing unauthorized copying as an essential element of a claim for copyright infringement). And there is no doubt that, on the facts alleged, Slep–Tone would have a perfectly viable claim for copyright infringement against the defendants, if Slep–Tone owned the copyright on these tracks. We are told it does not. Slep–Tone does own the Sound
Choice trademarks and associated trade dress, which explains why Slep–Tone has cast its lot with trademark rather than copyright law. But the fit between Slep–Tone’s claims and trademark law is imperfect. As we have discussed, Slep–Tone theorizes that whenever someone copies one of its tracks onto a different medium, he or she is creating a distinct product that, when played, is being “passed off” as a genuine Slep–Tone product. Apart from the fact that the defendants are not in the business of selling karaoke tracks, one oddity of this theory is that it also describes what a legitimate customer would do within the constraints of Slep–Tone’s 1:1 policy. As we have already discussed, a typical karaoke operator would want to make and assemble copies of its karaoke tracks onto the hard drive of its equipment for easy access rather than using the original media it has purchased from vendors like Slep–Tone. So a Slep–Tone customer who makes an authorized copy of a Sound Choice track onto a computer hard drive would likewise be creating a distinct good, and when that copy was played and the Sound Choice mark is displayed among the graphics, viewers would be led to believe, mistakenly, that this copy is a genuine Sound Choice track, when in fact it is not. As Slep–Tone’s counsel acknowledged at oral argument, all that distinguishes the legitimate copy from the illegitimate copy is authorization to make the copy—and that sounds much more like a claim of copyright infringement than a claim of trademark infringement.

There are important distinctions between the two claims. The aim of copyright is to foster creative works of authorship, including literary, musical, cinematic, and architectural works. It achieves that end by granting to the author a legal monopoly over the performance and copying of the work for a substantial, but nonetheless finite, period of time. [cit]. Once the copyright expires, the work enters the public domain and is freely subject to copying and performance without the owner’s permission. See Dastar, 539 U.S. at 33; TrafFix Devices, Inc. v. Mkfg. Displays, Inc., 532 U.S. 23, 29 (2001). Patent law strikes a similar bargain in the field of scientific and mechanical invention . . .

Trademark, by contrast, is aimed not at promoting creativity and invention but rather at fostering fair competition. . . . And, unlike a copyright, a trademark can be renewed in perpetuity. Qualitex, 514 U.S. at 165.

Although the rights protected by trademark and copyright laws are distinct, it can in some cases be challenging to identify which right is truly at issue when a claim of infringement is asserted. Not infrequently, the owner of the trademark for a particular good may not own the copyright on the expressive content of that good, just as the owner of the mark on a good subject to patents may not own the patent rights. That is true of Slep–Tone, which controls the Sound Choice marks but does not control the copyright on the creative elements of the karaoke tracks. And where, as here, the protected mark (including the trade dress) is embedded in the good’s creative content, such that the mark is invariably displayed along with the content, it can be particularly difficult to decide whether the unauthorized copying of the good presents a claim of trademark infringement or one of copyright infringement.
The Supreme Court’s decision in Dastar nonetheless makes clear that the law of trademark cannot be invoked to assert what in fact is really a claim of copyright infringement, so our endeavor to decide into which camp Slep-Tone’s claim falls must begin with that decision. The facts of Dastar are sufficiently different from those at issue here that we do not regard its holding as controlling the result in this case. Nonetheless, Dastar informs our analysis and ultimately guides us to the conclusion that Slep-Tone’s claimed injuries are not the result of trademark infringement.

... Given the nature of Fox’s claim, the Dastar Court viewed the essential question as what the Lanham Act means by “origin” of “goods”. . . . “It could be argued, perhaps,” the Court acknowledged, that there should be a broader understanding of the “origin of goods” for communicative products like books or videos that are valued primarily for their intellectual content rather than for their physical qualities. Id. at 33. A more expansive understanding might include not only the producer of the physical good, but the creator of the content conveyed by the good, as the “origin.” Id.

But the Court saw that argument as creating a “conflict with the law of copyright, which addresses that subject specifically.” Id. . . . Trademark law was meant to protect a different set of interests and, in contrast to copyright, does not impose a sunset date on the rights it protects. Extending the “origin of goods” to include the producer of creative content conveyed by a book, video, or other physical good, so that a false representation of the origin of the creative content supports a claim of trademark infringement, would result in “a species of mutant copyright law that limits the public’s federal right to copy and use expired copyrights.” Id. at 34 (internal quotation marks and citation omitted). See Eastland Music Grp., LLC v. Lionsgate Entm’t, Inc., 707 F.3d 869, 872 (7th Cir. 2013) (“Dastar held that trademark law cannot be used to obtain rights over the content of an artistic work; that would amount to an indefinite extension of a copyright.”).

In short, considering the different scopes and ends of trademark and copyright law, the Court read the “origin of goods” as used in the Lanham Act to refer solely to “the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.” Dastar, 539 U.S. at 37 . . .

Dastar, as we have acknowledged, is not directly controlling of the result in this case. The defendants are not accused of putting their own mark on Slep-Tone’s product and presenting it to the public as their own product, as was the charge in Dastar. Instead, as we have discussed, the defendants are accused of passing off their own “good”—the unauthorized copy of Slep-Tone’s karaoke track—as Slep-Tone’s good. Rather than removing the Sound Choice display mark from the copied track, the defendants have allowed it to remain, so that when the copy is played, customers will see the mark and (erroneously) attribute the copy to Slep-Tone.
Despite the factual differences between Dastar and this case, Dastar’s rationale informs our analysis in two important respects. First, Dastar emphasizes the important distinctions between copyright and trademark law, and cautions against allowing a trademark claim to substitute for what in real terms is a claim for copyright infringement. See Eastland Music Grp., 707 F.3d at 872 (“Dastar tells us not to use trademark law to achieve what copyright law forbids.”); see also EMI Catalogue P’ship v. Hill, Holliday, Connors Cosmopulos Inc., 228 F.3d 56, 64 (2d Cir. 2000) (“cases involving trademark infringement should be those alleging the appropriation of symbols or devices that identify the composition or its source, not the appropriation or copying or imitation of the composition itself”). Second, Dastar considered and rejected a broader understanding of the “origin of goods” for communicative products that consumers will value more for the intellectual and creative content they convey than for their physical form. [cit]. That category of goods includes, in addition to the documentary videotapes at issue in Dastar, the karaoke tracks at issue in this case. Even as to these types of communicative goods, the Court made clear that the “good” whose “origin” is material for purposes of a trademark infringement claim is the “tangible product sold in the marketplace” rather than the creative content of that product. . .

In evaluating Slep–Tone’s claims of trademark infringement, we must therefore ask ourselves what the tangible good at issue is, and whether the unauthorized use of the plaintiffs’ marks (including trade dress) might cause consumers to be confused about who produced that good. Or is the real confusion, if any, about the source of the creative conduct contained within that good? If the latter, the confusion is not actionable under the Lanham Act.

Here, the good that Slep–Tone alleges the defendants are improperly passing off as a Slep–Tone product is the unauthorized digital copy of the Sound Choice karaoke track (duplicated from the original CD+G compact disc or MP3+G media supplied by Slep–Tone) made (or obtained from others) by the defendants. We shall assume, perhaps counter-intuitively, that a digital file counts as a tangible good for purposes of the trademark analysis. See Slep–Tone Entm’t Corp. v. Sellis Enters., Inc., 87 F.Supp.3d 897, 905 n. 4 (N.D. Ill. 2015) (citing Cvent, Inc. v. Eventbrite, Inc., 739 F.Supp.2d 927, 936 (E.D. Va. 2010), and 37 C.F.R. § 6.1(9)). Any number of communicative products—books, music, movies, computer software—are now bought and sold in digital form, many of them exclusively so. But the question for our purposes is what, if any, tangible “good” the consumer sees, and whether the use of the plaintiffs’ trademark leads to confusion about the source of that particular good.

Recall that the defendants are not alleged to be in the business of selling copies of karaoke tracks, as they might be if their customers were other karaoke operators looking to assemble their own libraries of karaoke tracks, for example. The defendants instead are alleged to play the unauthorized copies for their bar patrons to encourage alcohol and food sales. So what the pub patrons see is the performance of the creative work contained on the copies: they hear the musical accompaniment and they see the corresponding lyrics and graphics.
It is not alleged, nor does the briefing suggest, that the patrons see the physical good in question—the digital file that presumably resides on the hard drive of the bar’s karaoke system. Even if a patron might be aware that there is such a file, she does not see that file or the medium on which it resides, as she might if she were purchasing a karaoke track on a compact disc from a dealer or as a download from an internet website, for example. The patron sees only the performance of the creative content of the digital file. So far as the patron is concerned, the content could be played from a compact disc, the pub’s karaoke hard drive, or from an internet streaming source. Whatever the source, the consumer sees and hears the same content and her perception of that content will be essentially the same.

It is true that the pub patron will see the Sound Choice mark and trade dress whenever the graphical component of the karaoke tracks is displayed. This, according to the plaintiffs, is what gives rise to confusion as to the source of the good containing those tracks: Patrons may assume it is a genuine, authorized Slep–Tone product when in fact it is a bootleg copy. But about what exactly is the patron confused? On seeing the Sound Choice mark, a patron may believe that she is seeing and hearing content that was created by Slep–Tone. And she is. Compare Harbour v. Farquhar, 245 Fed.Appx. 582 (9th Cir. 2007) (nonprecedential decision) (individual defendant and his production company falsely represented himself as author of digitalized musical compositions licensed to television and film producers). But what Dastar makes clear is that a consumer’s confusion must be confusion as to the source of the tangible good sold in the marketplace. Fortress Grand Corp. v. Warner Bros. Entm’t Inc., 763 F.3d 696, 701 (7th Cir. 2014); Eastland Music Grp., 707 F.3d at 872; . . . cf. Harbour, 245 Fed.Appx. 582 (for purposes of section 43(a) false-designation-of-origin claim, completed films and television programs were relevant goods as opposed to musical compositions embodied within those goods).

A consumer of karaoke services like a patron of The Basket Case never sees a disc that is wrapped in Slep–Tone or Sound Choice packaging. He never sees a website offering downloads of Sound Choice tracks. As we have said, the defendants’ patrons are not direct purchasers of karaoke tracks. They simply see and hear the karaoke tracks that The Basket Case plays for them. They have no interaction with the medium from which the tracks are played, in the way that a karaoke jockey might. Any confusion, in short, is not about the source of the tangible good sold in the marketplace, as Dastar requires.

That the Sound Choice mark is embedded in the creative content of the karaoke track and is visible to the public whenever the track is played does not falsely suggest that Slep–Tone is endorsing the performance, as the plaintiffs have alleged. The producers of communicative goods often embed their marks not only on the packaging of the good but in its content. Cinematic films, for example, typically display the mark of the studio that made the film in the opening and/or closing credits—think of Metro-Goldwyn-Mayer Studios’ roaring lion. When the copyright on such a creative work expires, enabling any member of the public to copy and use the work without license, it is not a trademark violation simply to display the work without first deleting the mark that was inserted into its
content. Thus, as the district court pointed out in Slep–Tone Entm’t Corp. v. Canton–Phoenix Inc., a movie theater may freely exhibit a copy of Universal Studios’ 1925 silent film, The Phantom of the Opera, which is now in the public domain, without fear of committing trademark infringement simply because Universal’s registered trademark will be displayed when the film is played. 2014 WL 5824787, at *11 (D. Ore. Sep. 4, 2014) (report & recommendation), adopted as modified, 2014 WL 5817903 (D. Ore. Nov. 7, 2014), appeal pending (9th Cir.) (No. 14-36018). So long as Universal’s mark is not overtly used to market the performance, there is no risk that a theater patron might think that Universal is sponsoring or endorsing the performance. Id. Likewise, another media company is free to make and sell copies of the film without deleting Universal’s mark from the credits (or obtaining a license from Universal), so long as the packaging and advertisement of the tangible good on which the copy is fixed and offered to the consumer (a DVD or Blu-ray disc, for example) does not use Universal’s mark and thereby suggest that it is a Universal-produced or -endorsed copy. Id.; see also Comedy III Prods., Inc. v. New Line Cinema, 200 F.3d 593, 596 (9th Cir. 2000) (unauthorized use of clip from The Three Stooges’ film in another motion picture did not constitute unfair competition under Lanham Act notwithstanding plaintiff’s contention that clip contained elements that amounted to trademark; in contrast, had defendant used a likeness of The Three Stooges on t-shirts it was selling, there might be arguable claim of trademark violation); cf. Societe Comptoir de L’Industrie Cotonniere Etablissements Boussac v. Alexander’s Dep’t Stores, Inc., 299 F.2d 33, 36 (2d Cir. 1962) (“The Lanham Act does not prohibit a commercial rival’s truthfully denominating his goods a copy of a design in the public domain, though he uses the name of the designer to do so. Indeed it is difficult to see any other means that might be employed to inform the consuming public of the true origin of the design. [By contrast,] [t]hose cases involving sponsorship, whether trademark infringement or unfair competition, protecting the owner of the mark, are based upon a finding that the defendant’s goods are likely to be thought to have originated with, or to have been sponsored by, the true owner of the mark.”) (citations omitted); Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 545-46 (5th Cir. 1998) (distinguishing permissible, nominative use of rival’s trademark as discussed in Societe Comptoir and similar cases from impermissible use that gives rise to confusion as to source, sponsorship, or approval of good), abrogated on other grounds by TrafFix Devices, supra, 532 U.S. 23. Because the creative content of the karaoke tracks at issue in this case presumably remains subject to copyright protection, the unauthorized display and performance of those tracks may well present an actionable claim of copyright violation, as we have said. But the routine display of Slep–Tone’s embedded trademark during the performance of the tracks does not, without more, support a claim of trademark infringement or unfair competition under the Lanham Act.

Here, there is no allegation nor suggestion in the briefing that The Basket Case promotes itself as offering Sound Choice karaoke products—in its advertising or in its karaoke menus, for example. There is, consequently, no reason to believe that its patrons will think that Slep–Tone is sponsoring the performance of the copied karaoke tracks. And because patrons see only the creative content of the tracks rather than the particular medium from which the
tracks are played, there is no reason to think that they believe that the digital file, wherever it resides, was itself produced or approved by Slep–Tone.⁶

We have considered Slep–Tone’s concern that if the data contained on one of its products is compressed excessively during the duplication process, the quality of an unauthorized copy may be poor and, when played, may lead viewers to think Slep–Tone products are of inferior quality. (Although the same danger may be present when a Slep–Tone customer makes an authorized copy, we shall assume that the auditing process referred to in the complaint takes care of this.) Quality is always a concern in passing-off cases: Not only is the trademark holder deprived of sales, but the counterfeit goods sold under its trademark place the holder’s goodwill at risk to the extent the goods are of inferior quality. See, e.g., Coca–Cola Co. v. Stewart, 621 F.2d 287, 291 (8th Cir. 1980). But the problem for Slep–Tone, apart from the fact that it does not affirmatively allege that the defendants’ copies are noticeably inferior to their patrons, is that the defendants are not passing off a tangible good sold in the marketplace as a Slep–Tone good. As we have discussed, the defendants are not selling compact discs with karaoke tracks and billing them as genuine Slep–Tone tracks, in the way that a street vendor might hawk knock-off Yves Saint Laurent bags or Rolex watches to passers-by. Whatever wrong the defendants may have committed by making (or causing to be made) unauthorized copies of Slep–Tone’s tracks, they are not alleged to have held out a tangible good sold in the marketplace as a Slep–Tone product. Consequently, the defendants’ alleged conduct is not actionable as trademark infringement.

For all of the reasons we have discussed, we affirm the dismissal of Slep–Tone’s complaint.

WARNER BROS. ENTERTAINMENT, INC. v. X ONE X PRODUCTIONS
840 F3d 971 (8th Cir. 2016)

GRUENDER, Circuit Judge:

X One X Productions, A.V.E.L.A., Inc., Art–Nostalgia.com, Inc., and Leo Valencia (collectively, “AVELA”) appeal a permanent injunction prohibiting them from licensing images from the films Gone with the Wind and The Wizard of Oz, as well as the animated short films featuring cat-and-mouse duo Tom and Jerry. The district court issued the permanent injunction after granting summary judgment in favor of Warner Bros. Entertainment, Inc., Warner Bros. Consumer Products, Inc., and Turner Entertainment Co. (collectively, “Warner”) on their claim that AVELA infringed their trademarks and engaged in unfair competition by licensing iconic pictures and phrases from the films. For the reasons discussed below, we affirm.

⁶ We have little doubt if The Basket Case removed the Sound Choice mark from its copies of the karaoke tracks before playing them for its patrons, the plaintiffs would be here on a different kind of complaint.
I. BACKGROUND

Warner holds registered copyrights in the films Gone with the Wind, The Wizard of Oz, and Tom and Jerry cartoons, and it has asserted both registered and common law trademarks in the images, characters, words, names, phrases, and symbols related to these films. AVELA obtained restored versions of movie posters and lobby cards for the films, and from these publicity materials it extracted images of famous characters, including Dorothy, Tin Man, Cowardly Lion, and Scarecrow from The Wizard of Oz, Scarlett O’Hara and Rhett Butler from Gone with the Wind, and Tom and Jerry. AVELA licenses these images for use on a wide variety of consumer products, from shirts, lunch boxes, and playing cards to three-dimensional figurines, water globes, and action figures. Warner filed suit against AVELA in 2006, asserting copyright and trademark infringement claims under the Copyright Act, Lanham Act, and state law. The case is now in its second appeal before this court.

The first appeal concerned Warner’s copyright claims. On March 20, 2009, the district court granted Warner summary judgment on its copyright infringement claims and entered a permanent injunction prohibiting AVELA from using any of the publicity material images in any way except for exact duplication of publicity materials in the public domain. AVELA appealed, and this court affirmed in part and reversed in part, upholding summary judgment and most of the injunction. In that decision, we divided Appellants’ products into three categories: (1) products reproducing “one image from an item of publicity material as an identical two-dimensional image”; (2) products “that each juxtapose an image extracted from an item of publicity material with another image extracted from elsewhere in the publicity materials, or with a printed phrase from the book underlying the subject film, to create a new composite work”; and (3) products “that each extend an image extracted from an item of publicity material into three dimensions.” We determined that while products in category one did not constitute copyright infringement, products falling into categories two and three did constitute copyright infringement. We vacated the permanent injunction with respect to products in the first category and remanded the case to the district court.

On remand, Warner [inter alia] moved for summary judgment on its trademark infringement and unfair competition claims. . . The district court . . . granted summary judgment on both the trademark infringement and unfair competition claims, finding that Warner holds registered trademarks in words and phrases from the films and common law trademarks in the film characters. It issued a permanent injunction prohibiting AVELA from licensing any images or phrases from the films or cartoons, with the exception of exact reproductions of publicity materials in the public domain. [AVELA appealed].
II. DISCUSSION

... 

AVELA next contends that Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003), prevents Warner’s trademark claims. In Dastar, the Supreme Court addressed a claim for trademark infringement under § 43(a) of the Lanham Act, which creates liability for the use of, inter alia, “any false designation of origin.” Id. at 25, 30, n.4 (quoting 15 U.S.C. § 1125(a)(1)). ... Denying [the plaintiff's] trademark claims, the Supreme Court determined that the term “origin” as used in § 43(a) “refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.... To hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright....” Dastar, 539 U.S. at 37.

Warner’s asserted trademarks in the characters from the films and cartoons do not run afoul of Dastar. The district court found and AVELA did not dispute that Warner holds registered trademarks in iconic phrases and names from the films and has used the character images for trademark purposes on a host of consumer goods for many years. Images of the film actors in character and signature phrases from the films are not communications, concepts, or ideas that the consumer goods embody as Dastar defines these terms. Products marketed under AVELA’s licenses employ iconic film characters’ pictures to associate the products with Warner's films, not to copy the film itself. Accordingly, these are trademark claims, not disguised copyright claims, and Dastar does not bar them.

[The court also rejected a number of other challenges to the district court’s judgment on the trademark and unfair competition law claims, but these likewise were rejected].

NOTES AND QUESTIONS

1. Cumulation of Trademark and Copyright Claims. The Rumsey court thinks it important to “decide into which camp [the plaintiff's] claim falls.” To what extent (if at all) is the court suggesting that a claim must be characterized as either a copyright or a trademark claim? Is the court articulating a rule against cumulation of copyright and trademark claims? If so, is it a different rule than announced (if one was) by the Dastar Court?

2. Trademark Law in the Creative Arena. The Rumsey court suggest that real confusion about the source of creative conduct contained within a good is not actionable under the Lanham Act. Would this mean that older cases such as Gilliam v. American Broadcasting Co., 538 F.2d 14 (2d Cir. 1976) were no longer good law after Dastar? In Gilliam, the defendant had acquired the rights to show an episode of the British television show Monty Python’s Flying Circus created by the plaintiffs. Before doing so, the defendant edited the recording to make the show more suitable for American audiences and to accommodate commercial
advertising. The plaintiffs sued under both copyright law and Section 43(a) of the Lanham Act (but in effect were seeking indirectly to vindicate their moral rights of integrity). The majority of the Second Circuit recognized that a claim could be stated under Section 43(a) if the edited version of the show was presented to American audiences; one judge on the appellate panel would have denied relief under Section 43(a) if an appropriate disclaimer were shown indicating that the edits had not been authorized by the plaintiffs.

3. Remaining Claims. To what extent, and in what circumstances, does the Seventh Circuit suggest that the plaintiffs in Rumsey could bring an action against those dealing in unauthorized copies of its goods bearing its mark?

4. “Trademark, not disguised-copyright, claims”. The Warner Bros court makes short work of the Dastar-based argument made by the defendant. What is it precisely about the plaintiff’s claims that take them outside Dastar? (Review casebook, p. 156 Note 1). Would there be an advantage to thinking of Dastar as articulating a rule against “disguised-copyright claims”? (You might review some of the Notes in the casebook at pp. 156-158 as you consider that question).
FUNCTIONALITY

At p. 169, add the following to end of note 3:


At p. 213, before Notes and Questions, add the following cases:

APPLE INC. v. SAMSUNG ELECTRONICS CO. LTD.
786 F.3d 983 (Fed. Cir. 2015)

Prost, Chief Judge:

BACKGROUND

Apple sued Samsung in April 2011. On August 24, 2012, the first jury reached a verdict that numerous Samsung smartphones infringed and diluted Apple's patents and trade dresses in various combinations and awarded over $1 billion in damages.

[T]he diluted trade dresses are Trademark Registration No. 3,470,983 (“'983 trade dress”) and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone. [The District Court upheld the jury determinations over Samsung’s post-trial motions].

DISCUSSION

....

I. Trade Dresses

The jury found Samsung liable for the likely dilution of Apple’s iPhone trade dresses under the Lanham Act. When reviewing Lanham Act claims, we look to the law of the regional circuit where the district court sits. [cit]. We therefore apply Ninth Circuit law.
It is necessary for us to determine first whether Apple's asserted trade dresses, claiming elements from its iPhone product, are nonfunctional and therefore protectable.

“[I]n general terms, a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 850 n.10 (1982). “A product feature need only have some utilitarian advantage to be considered functional.” Disc Golf Ass'n v. Champion Discs, Inc., 158 F.3d 1002, 1007 (9th Cir.1998). A trade dress, taken as a whole, is functional if it is “in its particular shape because it works better in this shape.” [Leatherman Tool Corp. v. Cooper Indus., 199 F.3d 1009 (9th Cir. 1999)].

“[C]ourts have noted that it is, and should be, more difficult to claim product configuration trade dress than other forms of trade dress.” Id. at 1012–13 (discussing cases). Accordingly, the Supreme Court and the Ninth Circuit have repeatedly found product configuration trade dresses functional and therefore non-protectable. . . .

Moreover, federal trademark registrations have been found insufficient to save product configuration trade dresses from conclusions of functionality. [cit]. The Ninth Circuit has even reversed a jury verdict of non-functionality of a product configuration trade dress. See Leatherman, 199 F.3d at 1013 (reversing jury verdict that a trade dress on the overall appearance of a pocket tool was non-functional). Apple conceded during oral argument that it had not cited a single Ninth Circuit case that found a product configuration trade dress to be non-functional. . . .

The Ninth Circuit's high bar for non-functionality frames our review of the two iPhone trade dresses on appeal. While the parties argue without distinguishing the two trade dresses, the unregistered trade dress and the registered '983 trade dress claim different details and are afforded different evidentiary presumptions under the Lanham Act. We analyze the two trade dresses separately below.

A. Unregistered Trade Dress

Apple claims elements from its iPhone 3G and 3GS products to define the asserted unregistered trade dress:

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.

As this trade dress is not registered on the principal federal trademark register, Apple “has the burden of proving that the claimed trade dress, taken as a whole, is not functional...” See 15 U.S.C. § 1125(c)(4)(A).

Apple argues that the unregistered trade dress is nonfunctional under each of the Disc Golf factors that the Ninth Circuit uses to analyze functionality: “(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.” See Disc Golf, 158 F.3d at 1006. However, the Supreme Court has more recently held that “a feature is also functional ... when it affects the cost or quality of the device.” See TrafFix, 532 U.S. at 32. The Supreme Court's holding was recognized by the Ninth Circuit as “short circuiting some of the Disc Golf factors.” Secalt, 668 F.3d at 686–87. Nevertheless, we explore Apple's contentions on each of the Disc Golf factors and conclude that there was insufficient evidence to support a jury finding in favor of non-functionality on any factor.

1. Utilitarian Advantage

Apple argues that “the iPhone's physical design did not ‘contribute unusually ... to the usability’ of the device.” Apple further contends that the unregistered trade dress was “developed ... not for ‘superior performance.” Neither “unusual usability” nor “superior performance,” however, is the standard used by the Ninth Circuit to determine whether there is any utilitarian advantage. The Ninth Circuit “has never held, as [plaintiff] suggests, that the product feature must provide superior utilitarian advantages. To the contrary, [the Ninth Circuit] has suggested that in order to establish nonfunctionality the party with the burden must demonstrate that the product feature serves no purpose other than identification.” Disc Golf, 158 F.3d at 1007 (internal quotation marks omitted).

The requirement that the unregistered trade dress “serves no purpose other than identification” cannot be reasonably inferred from the evidence. Apple emphasizes a single aspect of its design, beauty, to imply the lack of other advantages. But the evidence showed that the iPhone's design pursued more than just beauty. Specifically, Apple's executive testified that the theme for the design of the iPhone was:

to create a new breakthrough design for a phone that was beautiful and simple and easy to use and created a beautiful, smooth surface that had a touchscreen and went
right to the rim with the bezel around it and looking for a look that we found was beautiful and easy to use and appealing.

[Joint Appendix] 40722–23 (emphases added).

Moreover, Samsung cites extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress. For example, rounded corners improve “pocketability” and “durability” and rectangular shape maximizes the display that can be accommodated. A flat clear surface on the front of the phone facilitates touch operation by fingers over a large display. The bezel protects the glass from impact when the phone is dropped. The borders around the display are sized to accommodate other components while minimizing the overall product dimensions. The row of dots in the user interface indicates multiple pages of application screens that are available. The icons allow users to differentiate the applications available to the users and the bottom dock of unchanging icons allows for quick access to the most commonly used applications. Apple rebuts none of this evidence.

Apple conceded during oral argument that its trade dress “improved the quality [of the iPhone] in some respects.” It is thus clear that the unregistered trade dress has a utilitarian advantage. See Disc Golf, 158 F.3d at 1007.

2. Alternative Designs

The next factor requires that purported alternative designs “offer exactly the same features” as the asserted trade dress in order to show non-functionality. Tie Tech, 296 F.3d at 786 (quoting Leatherman, 199 F.3d at 1013–14). A manufacturer “does not have rights under trade dress law to compel its competitors to resort to alternative designs which have a different set of advantages and disadvantages.” Id.

Apple, while asserting that there were “numerous alternative designs,” fails to show that any of these alternatives offered exactly the same features as the asserted trade dress. Apple simply catalogs the mere existence of other design possibilities embodied in rejected iPhone prototypes and other manufacturers' smartphones. The “mere existence” of other designs, however, does not prove that the unregistered trade dress is non-functional. See Talking Rain, 349 F.3d at 604.

3. Advertising of Utilitarian Advantages

“If a seller advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of functionality.” Disc Golf, 158 F.3d at 1009. An “inference” of a product feature's utility in the plaintiff's advertisement is enough to weigh in favor of functionality of a trade dress encompassing that feature. Id.
Apple argues that its advertising was “[f]ar from touting any utilitarian advantage of the iPhone design....” Apple relies on its executive’s testimony that an iPhone advertisement, portraying “the distinctive design very clearly,” was based on Apple’s “product as hero” approach. The “product as hero” approach refers to Apple’s stylistic choice of making “the product the biggest, clearest, most obvious thing in [its] advertisements, often at the expense of anything else around it, to remove all the other elements of communication so [the viewer] see[s] the product most predominantly in the marketing.”

Apple’s arguments focusing on its stylistic choice, however, fail to address the substance of its advertisements. The substance of the iPhone advertisement relied upon by Apple gave viewers “the ability to see a bit about how it might work,” for example, “how flicking and scrolling and tapping and all these multitouch ideas simply [sic].” Another advertisement cited by Apple similarly displayed the message, “[t]ouching is believing,” under a picture showing a user’s hand interacting with the graphical user interface of an iPhone. Apple fails to show that, on the substance, these demonstrations of the user interface on iPhone’s touch screen involved the elements claimed in Apple’s unregistered trade dress and why they were not touting the utilitarian advantage of the unregistered trade dress.

4. Method of Manufacture

The fourth factor considers whether a functional benefit in the asserted trade dress arises from “economies in manufacture or use,” such as being “relatively simple or inexpensive to manufacture.” Disc Golf, 158 F.3d at 1009.

Apple contends that “[t]he iPhone design did not result from a ‘comparatively simple or inexpensive method of manufacture’” because Apple experienced manufacturing challenges. Apple’s manufacturing challenges, however, resulted from the durability considerations for the iPhone and not from the design of the unregistered trade dress. According to Apple’s witnesses, difficulties resulted from its choices of materials in using “hardened steel”; “very high, high grade of steel”; and, “glass that was not breakable enough, scratch resistant enough.” Id. These materials were chosen, for example, for the iPhone to survive a drop:

If you drop this, you don’t have to worry about the ground hitting the glass. You have to worry about the band of steel surrounding the glass hitting the glass.... In order to, to make it work, we had to use very high, high grade of steel because we couldn’t have it sort of deflecting into the glass.

The durability advantages that resulted from the manufacturing challenges, however, are outside the scope of what Apple defines as its unregistered trade dress. For the design elements that comprise Apple’s unregistered trade dress, Apple points to no evidence in the record to show they were not relatively simple or inexpensive to manufacture. [cit].

In sum, Apple has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the unregistered trade dress on any
of the Disc Golf factors. Apple fails to rebut the evidence that the elements in the unregistered trade dress serve the functional purpose of improving usability. Rather, Apple focuses on the “beauty” of its design, even though Apple pursued both “beauty” and functionality in the design of the iPhone. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the unregistered trade dress is functional and therefore not protectable.

B. The Registered ’983 Trade Dress

In contrast to the unregistered trade dress, the ’983 trade dress is a federally registered trademark. The federal trademark registration provides “prima facie evidence” of non-functionality. [cit]. This presumption “shift[s] the burden of production to the defendant ... to provide evidence of functionality.” Once this presumption is overcome, the registration loses its legal significance on the issue of functionality. Id. (“In the face of sufficient and undisputed facts demonstrating functionality, ... the registration loses its evidentiary significance.”).

The ’983 trade dress claims the design details in each of the sixteen icons on the iPhone’s home screen framed by the iPhone’s rounded-rectangular shape with silver edges and a black background:

The first icon depicts the letters “SMS” in green inside a white speech bubble on a green background;

... the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral “280” in white;

... the sixteenth icon depicts the distinctive configuration of applicant's media player device in white over an orange background.

’983 trade dress (omitting thirteen other icon design details for brevity).

It is clear that individual elements claimed by the ’983 trade dress are functional. For example, there is no dispute that the claimed details such as “the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral ’280’ in white” are functional. See id. Apple’s user interface expert testified on how icon designs promote usability. This expert agreed that “the whole point of an icon on a smartphone is to communicate to the consumer using that product, that if they hit that icon, certain functionality will occur on the phone.” The expert further explained that icons are
“[v]isual shorthand for something” and that “rectangular containers” for icons provide “more real estate” to accommodate the icon design. Apple rebuts none of this evidence.

Apple contends instead that Samsung improperly disaggregates the '983 trade dress into individual elements to argue functionality. But Apple fails to explain how the total combination of the sixteen icon designs in the context of iPhone's screen-dominated rounded-rectangular shape—all part of the iPhone's “easy to use” design theme—somehow negates the undisputed usability function of the individual elements. Apple's own brief even relies on its expert's testimony about the “instant recognizability due to highly intuitive icon usage” on “the home screen of the iPhone.” Apple's expert was discussing an analysis of the iPhone's overall combination of icon designs that allowed a user to recognize quickly particular applications to use. The iPhone's usability advantage from the combination of its icon designs shows that the '983 trade dress viewed as a whole “is nothing other than the assemblage of functional parts...” See Tie Tech, 296 F.3d at 786 (quoting Leatherman, 199 F.3d at 1013). There is no “separate ‘overall appearance’ which is non-functional.” Id. (quoting Leatherman, 199 F.3d at 1013). The undisputed facts thus demonstrate the functionality of the '983 trade dress. “In the face of sufficient and undisputed facts demonstrating functionality, as in our case, the registration loses its evidentiary significance.” See id. at 783.

The burden thus shifts back to Apple. But Apple offers no analysis of the icon designs claimed by the '983 trade dress. Rather, Apple argues generically for its two trade dresses without distinction under the Disc Golf factors. Among Apple's lengthy citations to the record, we can find only two pieces of information that involve icon designs. One is Apple's user interface expert discussing other possible icon designs. The other is a citation to a print iPhone advertisement that included the icon designs claimed in the '983 trade dress. These two citations, viewed in the most favorable light to Apple, would be relevant to only two of the Disc Golf factors: “alternative design” and “advertising.” But the cited evidence suffers from the same defects as discussed [above]. Specifically, the expert's discussion of other icon design possibilities does not show that the other design possibilities “offer[ed] exactly the same features” as the '983 trade dress. See Tie Tech, 296 F.3d at 786 (quoting Leatherman, 199 F.3d at 1013–14). The print iPhone advertisement also fails to establish that, on the substance, it was not touting the utilitarian advantage of the '983 trade dress. The evidence cited by Apple therefore does not show the non-functionality of the '983 trade dress.

In sum, the undisputed evidence shows the functionality of the registered '983 trade dress and shifts the burden of proving non-functionality back to Apple. Apple, however, has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the '983 trade dress on any of the Disc Golf factors. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the '983 trade dress is functional and therefore not protectable.

Because we conclude that the jury's findings of non-functionality of the asserted trade dresses were not supported by substantial evidence, we do not reach Samsung's arguments.
on the fame and likely dilution of the asserted trade dresses, the Patent Clause of the Constitution, or the dilution damages.

[The court affirmed the judgment on design and utility patent issues].

MILLENNIUM LABORATORIES, INC. v. AMERITOX, LTD.
817 F.3d 1123 (9th Cir. 2016)

GOULD, Circuit Judge:

[At the heart of this appeal, we consider whether a product’s visual layout is functional, defeating a claim for trade dress infringement. The Ninth Circuit has not previously addressed the functionality of any publication formats. But several other circuits have done so. Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc., 87 F.3d 654, 657–59 (4th Cir.1996) (concluding that the catalogue page format was not functional); Comput. Care v. Serv. Sys. Enters., Inc., 982 F.2d 1063, 1071 (7th Cir.1992) (holding that the computer-generated report format was not functional); Hartford House, Ltd. v. Hallmark Cards, Inc., 846 F.2d 1268, 1272–75 (10th Cir.1988) (concluding that a greeting card format was not functional). . . .

I

Millennium and Ameritox compete in the medication monitoring industry, and sell urine-testing services to healthcare providers who treat chronic pain patients with powerful pain medications. The testing services provided by these companies help the healthcare providers to evaluate whether patients are taking the pain medications as prescribed and to assess whether the patients are taking any non-prescribed drugs. Millennium gives these test results using its R.A.D.A.R.® Report. Ameritox gives its test results using its own RX Guardian™ Report.

A few years before this lawsuit was filed, both companies were revising the way they presented the urine-test results. In May 2011, Ameritox launched a new service known as “RXGuardian CD,” which included a single graph. Millennium also intensified its efforts in late 2010, and, recognizing that consumers could easily read comparative and historical results in graphical format, turned to its marketing team to “assist[] in the formatting on the report.” On June 2, 2011, Millennium released a sample R.A.D.A.R.® Report with its new design. Within the year, Ameritox began to reevaluate its report and the use of a single graph. Ameritox considered several designs, all of which used a design similar to Millennium’s new report, and introduced its new format in March 2012.

On April 30, 2012, Millennium sued Ameritox for trade dress infringement under the Lanham Act and for unfair competition under California Business and Professions Code section 17200, alleging that Ameritox had copied its report design. . . . Ameritox moved for
summary judgment on the Lanham Act claim, . . . arguing that Millennium’s trade dress was functional. The district court granted the motion, and also concluded that Millennium’s claim for unfair competition failed. Millennium appealed.

II

. . .

Here, the parties dispute whether the layout of Millennium’s R.A.D.A.R.® Report is functional. The parties also dispute the appropriate test to apply to determine functionality. Interpreting the Lanham Act, the Supreme Court has held that “a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 850 n. 10 (1982). Expanding on this test, the Court explained further that a functional feature is one the “exclusive use of [which] ... would put competitors at a significant non-reputation-related disadvantage.” Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 165 . . . The Court later clarified that the quoted passage in Qualitex was not meant to replace the test outlined in Inwood Laboratories, but instead was meant to be a secondary question. See TrafFix, 532 U.S. at 33 (“Where the design is functional under the Inwood formulation there is no need to proceed further to consider if there is a competitive necessity for the feature.”).

In 1998, three years before TrafFix clarified the relationship between Inwood Laboratories and Qualitex, we outlined a four-factor functionality test: “(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.” Disc Golf, 158 F.3d at 1006. This test has been applied most often in cases involving utilitarian, physical devices.

Because most of these cases have focused on physical devices, we have questioned whether the Disc Golf four-factor test is appropriate in cases involving aesthetic trade dress claims for designs or layouts. See Au–Tomotive Gold, Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1072 n. 8 (9th Cir.2006) (“Our longstanding test for functionality largely excluded aesthetic considerations....”); Clicks Billiards, 251 F.3d at 1260 (“[The Disc Golf] factors do not translate easily from application in the context of utilitarian product features ... to application in the context of services....” (citation omitted)). Instead, when assessing these aesthetic trade dress claims, we have focused our analysis on the Qualitex language—whether the protection of the design would put competitors at a disadvantage. Au–Tomotive Gold, 457 F.3d at 1072–73 (“In the case of a claim of aesthetic functionality, an alternative test inquires whether protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage.” (citing TrafFix, 532 U.S. at 33); Clicks Billiards, 251 F.3d at 1261 (“[The ultimate issue on functionality is whether Clicks’ ‘particular integration of elements leaves a multitude of alternatives to the’ pool hall ‘industry that would not prove confusingly similar to’ its trade dress.”).
But we have clarified that this divergence between physical and aesthetic products is not necessary. In Au–Tomotive Gold, we held that after Qualitex and TrafFix, “the test for functionality proceeds in two steps.” Au–Tomotive Gold, 457 F.3d at 1072. For the first step, “courts inquire whether the alleged ‘significant non-trademark function’ satisfies the Inwood Laboratories definition of functionality—‘essential to the use or purpose of the article [or] affects [its] cost or quality.’” Id. (alteration in original) (quoting TrafFix, 532 U.S. at 32–3) (“Step One”). We have since incorporated this part of Inwood Laboratories into the Disc Golf four-factor test. Id. at 1072 n. 8. If the claimed trade dress is determined to be functional under Step One, then “the inquiry is over.” Id. at 1072. If not, the court must proceed to the second step and address aesthetic functionality by “inquir[ing] whether protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage.” Id. (citing TrafFix, 532 U.S. at 33) (“Step Two”).

Millennium argues that Disc Golf is inapplicable and should be abandoned. First, Millennium argues that the Disc Golf test was used only in cases involving physical devices, not in cases involving aesthetic formats. That argument, however, overlooks that the Disc Golf factors reflect the Inwood Laboratories definition of functionality—“essential to the use or purpose of the article or if it affects the cost or quality of the article.” See Disc Golf, 158 F.3d at 1006 (quoting Qualitex, 514 U.S. at 165). Moreover, Disc Golf did not suggest that the four factors were applicable only to physical devices, but held that the four factors were “[t]o determine whether a product feature is functional.” Id. Here, Millennium’s R.A.D.A.R.® Report layout is a product feature.

Second, Millennium argues that the Disc Golf factors should be reconsidered because some of the factors were omitted from the Supreme Court’s analysis in TrafFix. This argument is unavailing. The Supreme Court did not discredit the Disc Golf four-factor test, see TrafFix, 532 U.S. at 32–35, and we have held already that the test still applies after TrafFix was decided, Au–Tomotive Gold, 457 F.3d at 1072, 1072 n. 8; [cit].

III

We review de novo a district court’s decision to grant summary judgment. [cit]. We must determine, viewing the evidence in the light most favorable to the nonmoving party and drawing all reasonable inferences in its favor, whether there are any genuine issues of material fact in dispute and whether the district court correctly applied the relevant substantive law. “[F]unctionality is generally viewed as an intensely factual issue.” [cit]. Under the Au–Tomotive Gold two-step test, the district court erred by granting summary judgment to Ameritox on Millennium’s trade dress claim.
A. Step One

Under Step One, we first address whether there are genuine issues of material fact regarding functionality. Millennium describes its alleged trade dress as follows: a “graphical format” which includes “side-by-side presentation of a bell curve on the left, and a historical plot graph on the right”; the format uses “a combination of bold and dashed lines on the bell curve graph and a combination of numbers and letters on the plot graph on the right”; the report uses “little verbiage to accent the graphical features of the combination of charts and place[s] the combination of graphical features within a solid border.” Millennium does not assert that it should have a trade dress on graphed results generally, but on the specific layout that it chose. For good reason: “[I]n evaluating functionality as well as the other elements of a trade dress claim, it is crucial that we focus not on the individual elements, but rather on the overall visual impression that the combination and arrangement of those elements create.” Clicks Billiards, 251 F.3d at 1259 (emphasis in original). Further, “functional elements that are separately unprotected can be protected together as part of a trade dress.” Fuddruckers, 826 F.2d at 842.

We conclude that, on the first [Disc Golf] factor, genuine issues of material fact remain regarding whether Millennium’s claimed trade dress has any utilitarian advantage. Here, Millennium used its marketing department and graphic designers to create a “presentable product,” and to “distinguish” Millennium “from its competitors.” In response to Ameritox’s motion for summary judgment, Millennium also offered the declaration of Jennifer Strickland, Millennium’s Director of Clinical Strategy, who said that the elements of the “graphical format are aesthetic and non-functional.” A jury could conclude that, although placing the graphs on the same page serves the function of allowing easy and facile review of the medical results, the alleged trade dress—the side-by-side placement of the graphs and other features, such as minimal text—is merely aesthetic, not functional. The first factor thus weighs against summary judgment for Ameritox.

As to the second factor, a jury could conclude that many alternative designs were available. To give a few examples: There could be side-by-side graphs arranged in opposite order. There could be one graph above the other. There could be pie charts instead of the charts used. One could fashion many such examples. The second factor, too, weighs against summary judgment for Ameritox.

Turning to the third factor, there is some question whether Millennium actually advertised the functionality of its report’s format. Though Millennium’s website promoted the R.A.D.A.R.® Report, a reasonable jury could find that the advertisements focused on the benefits of the “graphed results” rather than on the benefits of the specific layout. For that reason, the third factor weighs against summary judgment for Ameritox.
Finally, we conclude that the fourth factor is at most neutral. Jennifer Strickland’s declaration noted that “[t]he addition of the graphical format to Millennium’s R.A.D.A.R.® Report has not resulted in a costs savings,” but “has resulted in an increase in costs.”

Looking at the four Disc Golf factors together, and viewing the evidence in the light most favorable to Millennium, we conclude that the district court erred in granting summary judgment to Ameritox. The key point is that even if a comparison of results is functional, this could be presented in many ways, and the precise format used by company asserting trade dress is not necessarily functional. A reasonable jury could conclude that Millennium’s trade dress is not functional under Step One of the Au-Tomotive Gold two-step test.

B. Step Two

Because Millennium’s claimed trade dress is not functional as a matter of law under Step One, we next assess whether it is functional as a matter of law under Step Two—“whether protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage.” [cit]. Even assuming that a document describing the results of urine analysis could be considered aesthetically functional, “aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source identifying function.” Here, Millennium’s chosen design for its test results was, at least in part, crafted to distinguish the R.A.D.A.R.® Report from its competitors, and not simply to attract consumers. Because Millennium has presented evidence that the graphical format served in part a source-identifying function, we conclude that Millennium has presented enough evidence to allow a jury to assess the question of aesthetic functionality. . .

At p. 218 add at the end of note 7:

Compare Georgia-Pacific with McAirlaids, Inc. v. Kimberly-Clark Corp., 756 F.3d 307 (4th Cir. 2014). There, McAirlaids produced “airlaid,” a textile-like material composed of cellulose fiber. Airlaid is used in a wide variety of absorbent goods, including medical supplies, hygiene products, and food packages. To make airlaid, cellulose fiber is shredded into “fluff pulp,” which is arranged into loosely formed sheets. In contrast to most of its competitors, McAirlaids fuses these fluff pulp sheets through an embossing process that does not require glue or binders. McAirlaids patented its pressure-fusion process, and the resulting product. In this process, sheets of fluff pulp pass at very high pressures between steel rollers printed with a raised pattern. The rollers leave an embossing pattern on the resulting material, and the high-pressure areas bond the fiber layers into a textile-like product. In order for McAirlaids’s fusion process to adequately hold together the airlaid, the embossed design must fall within certain general size and spacing parameters. McAirlaids has chosen a “pixel” pattern for its absorbent products: the high-pressure areas form rows of pinpoint-like dots on the material. McAirlaids registered this pattern as trade dress with the U.S. Patent and Trademark Office with the following description: “the mark is a [three dimensional] repeating pattern of embossed dots” used in various types of absorbent pads. McAirlaids
sued Kimberly-Clark for trademark infringement after Kimberly-Clark began using a similar dot pattern on its GoodNites bed mats, an absorbent product manufactured in a manner different from McAirlaids’s pads. The parties disputed whether McAirlaids’s chosen embossing pattern was functional. The Court of Appeals for the Fourth Circuit distinguished TrafFix because:

the utility patents in TrafFix protected the dual-spring mechanism, which was the same feature for which MDI sought trade-dress protection. In contrast, McAirlaids’s utility patents cover a process and a material, but do not mention a particular embossing pattern as a protected element. The Court in TrafFix acknowledged that ‘a different result might obtain’ when ‘a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs.’ In such a case, the court must ‘examin[e] the patent and its prosecution history to see if the feature in question is shown as a useful part of the invention.’ Here, McAirlaids’s patents cover a production process and a material, while the trade dress claimed is a particular pattern on the material that results from the process. Unlike in TrafFix, therefore, the pattern is not the “central advance” of any utility patent. Neither of McAirlaids’s patents refer to a particular embossing pattern. Both patents reference line-shaped as well as point- or dot-shaped pressure areas, but the patents also directly acknowledge that embossing studs of different shapes can be used, including lines, pyramids, cubes, truncated cones, cylinders, and parallelepipeds. In fact, the diagrams of [the relevant patent] show hexagonal shapes rather than circles. Therefore, while McAirlaids’s patents do provide evidence of the dots’ functionality, they are not the same “strong evidence” as the patents in TrafFix.

The court also concluded that “because the facts of this case are different from those presented to the Supreme Court in TrafFix, TrafFix’s holding about alternative designs is inapplicable here.” Thus, in addressing the alleged factual disputes, the Court considered evidence of alternative designs. Did the Fourth Circuit properly apply TrafFix? In what ways might Kellogg be relevant to the case? What weight would you give to the fact that patents for other nonwoven products specify that dot-shaped patterns are preferred for embossed bonding, but such patents also indicate that many designs can also be used? What is the relevance of testimony from McAirlaids officials that the pattern was chosen “[b]ecause it looked nice” and “[w]e liked it.” What about the fact that McAirlaids formerly produced airlaid imprinted with an embossing design of intersecting diagonal lines?
At p. 220, add the following new note:


At p. 231, add the following to note 2:

The relationship between the TrafFix test and the Ninth Circuit Disc Golf factors, discussed in Apple and Millennium Labs, remains uncertain. In a non-precedential opinion in 2015, a split panel of the Ninth Circuit had recognized the lack of clarity. See Moldex-Metric, Inc. v. McKeon Prods., No. 13-554446 (March 6, 2015). Is the approach of the Ninth Circuit, as seen in Apple and Millennium Labs, consistent with TrafFix? Under the TrafFix test or applying the Disc Golf factors, would the eco-friendliness of a product wrapping design be relevant to functionality? If so, how? See Farmgirl Flowers, Inc. v. Bloom That, Inc., 2015 WL 1939424 (N.D. Cal. Apr. 28, 2015).

At p. 219 add to note 19:

See also McAirlaids, Inc. v. Kimberly-Clark Corp., 756 F.3d 307 (4th Cir. 2014).

At p. 242 add to note 10:

See also In re Bottega Veneta Int'l, S.a.r.l., 2013 WL 5655822 (TTAB 2013) (non-precedential) (finding basket-weave pattern used on leather products nonfunctional based in part on the very narrow description that the plaintiff had submitted with its mark, namely, “a configuration of slim, uniformly-sized strips of leather, ranging from 8 to 12 millimeters in width, interlaced to form a repeating plain or basket-weave pattern placed at a 45 degree angle over all or substantially all of the goods”). For a comparative treatment of the certainty (or lack thereof) that competitors might suffer from a mark described as covering predominantly all” of the surface of the goods, see Nestle v. Cadbury [2013] EWCA Civ. 1174 (UK) (color purple covering “whole or predominant” of surface of packaging for chocolate not registerable).

At p. 242 add as new notes:

11. A simplified test? In In re Florists' Transworld Delivery, Inc., 106 U.S.P.Q.2d (BNA) 1784 (TTAB 2013), the Trademark Trial and Appeal Board affirmed the denial of the registration of the color black for packaging for flower arrangements. The Board’s decision
turned in large part on its analysis of competitive need. In a concurring opinion, Judge Bucher indicated some impatience with the existing case law and complex doctrinal categories. Instead, he said he would simply apply “first principles” and ask whether “the public interest is best served by refusing to permit a particular feature to be taken from the ‘public domain’”, which would involve analysis of “whether the non-traditional indicator should remain permanently available for competitors to use freely”. Are you attracted to this approach?

12. The functionality of food flavors? A district court has held that the flavor of food is functional and thus unprotectable by trademark. See New York Pizzeria, Inc. v. Syal 56 F.Supp.3d 875(S.D. Tex. 2014) (“If the hurdle is high for trademarks when it comes to the flavor of medicine, it is far higher—and possibly insurmountable—in the case of food. People eat, of course, to prevent hunger. But the other main attribute of food is its flavor, especially restaurant food for which customers are paying a premium beyond what it would take to simply satisfy their basic hunger needs. The flavor of food undoubtedly affects its quality, and is therefore a functional element of the product”). Do you agree with this as a per se rule?
At p. 249, after the *Silenus* cite, add the following:

See also *Christian Faith Fellowship Church v. Adidas AG*, 841 F.3d 986 (Fed. Cir. 2016) (church’s sale of two hats bearing the mark to an out-of-state resident satisfied the “in commerce” requirement). The court refused to recognize a de minimis exception applicable to the sale of goods, just as the *Larry Harmon* court had done in a case involving services. Setting aside the “in commerce” issue, is the evidence of use sufficient to satisfy other aspects of the statutory requirement for actual use in connection with goods? What additional evidence of use (if any) would you look for?

At p. 256, after *Aycock*, add the following new case:

**COUTURE v. PLAYDOM, INC.**

778 F.3d 1379 (Fed. Cir. 2015)

DYK, Circuit Judge:

On May 30, 2008, appellant filed an application to register the service mark PLAYDOM pursuant to Lanham Act § 1(a), 15 U.S.C. § 1051(a). As a specimen showing use of the mark, appellant submitted a “[s]creen capture of [a] website offering Entertainment Services in commerce.” Also on May 30, 2008, appellant had created the website, which was hosted at www.playdominc.com. As of May 30, 2008, the website included only a single page, which stated: “[w]elcome to PlaydomInc.com. We are proud to offer writing and production services for motion picture film, television, and new media. Please feel free to contact us if you are interested:playdominc@gmail.com.” The webpage included the notice: “Website Under Construction.” No services under the mark were provided until 2010, well after the application was filed. The PLAYDOM mark was registered by the United States Patent and Trademark Office (“PTO”) on January 13, 2009, as registration no. 3,560,701.

On February 9, 2009, appellee filed an application to register the identical mark—PLAYDOM. Appellant’s registered mark was cited by the examining attorney as a ground for rejecting appellee’s application under Lanham Act § 2(d), 15 U.S.C. § 1052(d). On June 15, 2009, appellee filed a petition to cancel the registration of appellant’s mark, arguing,
inter alia, that appellant’s registration was void ab initio because appellant had not used the mark in commerce as of the date of the application. On February 3, 2014, the Board granted the cancellation petition, stating that appellant “had not rendered his services as of the filing date of his application” because he had “merely posted a website advertising his readiness, willingness and ability to render said services,” and the registration was therefore void ab initio.

DISCUSSION

... I

To apply for registration under Lanham Act § 1(a), a mark must be “used in commerce.” 15 U.S.C. § 1051(a)(1). A mark is used in commerce

on services when [1] it is used or displayed in the sale or advertising of services and [2] the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.


“The term ‘use in commerce’ means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” 15 U.S.C. § 1127; see Aycock, 560 F.3d at 1357. “[A]n applicant’s preparations to use a mark in commerce are insufficient to constitute use in commerce. Rather, the mark must be actually used in conjunction with the services described in the application for the mark.” Aycock, 560 F.3d at 1360. “Without question, advertising or publicizing a service that the applicant intends to perform in the future will not support registration”; the advertising must instead “relate to an existing service which has already been offered to the public.” Id. at 1358 (internal quotation marks and citations omitted) (emphasis added).

We have not previously had occasion to directly address whether the offering of a service, without the actual provision of a service, is sufficient to constitute use in commerce under Lanham Act § 45, 15 U.S.C. § 1127.1 In Aycock, we stated that, “[a]t the very least, in order for an applicant to meet the use requirement, there must be an open and notorious public offering of the services to those for whom the services are intended.” 560 F.3d at 1358 (internal quotation marks and citation omitted). The applicant in Aycock had not made such an “open and notorious public offering of his ... service to intended customers,” and the
registration was therefore void ab initio. Id. at 1361–62 (citation omitted). But we did not suggest in Aycock that an open and notorious public offering alone is sufficient to establish use in commerce. And appellant does not point to any decision by the Board which found mere offering of a service to be sufficient.

On its face, the statute is clear that a mark for services is used in commerce only when both [1] “it is used or displayed in the sale or advertising of services and [2] the services are rendered...” 15 U.S.C. § 1127 (emphasis added). This statutory language reflects the nature of trademark rights:

There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed.... [T]he right to a particular mark grows out of its use, not its mere adoption....


Other circuits have interpreted Lanham Act § 45 as requiring actual provision of services. For example, in International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 361–66 (4th Cir. 2003), the Fourth Circuit held that, absent evidence of actual bookings made by a New York office for the Monte Carlo casino in Monaco, the activities of the New York office, including trade shows, advertising campaigns, partnering with charities, mail and telephone marketing, and soliciting media coverage, were insufficient to establish use in commerce of the “Casino de Monte Carlo” service mark. However, apart from the activities of the New York office, evidence that United States citizens had gone to the casino in Monaco established trade with a foreign nation and thus use in commerce. Id. at 365–66; see Sensient Techs. Corp. v. SensoryEffects Flavor Co., 613 F.3d 754, 759–63 (8th Cir. 2010) (analogizing to service marks and holding no use in commerce where alleged infringer issued press release, made announcement, gave presentations, and constructed website with “under construction” notice where there was no evidence of any sale or transport of goods bearing the mark at issue); Buti v. Impresa Perosa, S.R.L., 139 F.3d 98, 100–03 (2d Cir. 1998) (promotion of Italian cafe in the United States, including distributing promotional materials offering free meals, did not constitute use in commerce where restaurant services were only provided in Italy and not in the United States and where it was conceded that “the food and drink services ... form[ed] no part of the trade between Italy and the United States”).

The Board in this case and the leading treatise on trademarks also agree that rendering services requires actual provision of services. See McCarthy on Trademarks and Unfair Competition § 19:103 (4th ed. Supp.2013) (“To qualify for registration, the Lanham Act

2 Although these other circuit cases involve infringement, they address the same language in Lanham Act § 45.
requires that the mark be both used in the sale or advertising of services \textit{and} that the services themselves have been rendered in interstate or foreign commerce." (emphasis in original)).

Here, there is no evidence in the record showing that appellant rendered services to any customer before 2010, and the cancellation of appellant’s registration was appropriate.

II

Appellant also argues that the Board erred in failing to allow him to amend the basis of the application to Lanham Act § 1(b), which provides for requesting registration where "[a] person ... has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce...." 15 U.S.C. § 1051(b)(1).

37 C.F.R. § 2.35(b) provides procedures for substitution of a basis in an application either before or after publication. 37 C.F.R. § 2.35(b)(1)(2). But that provision contemplates substitution during the pendency of an application, not after registration. See TMEP § 806.03(j) (Jan.2015) (“Any petition to change the basis must be filed before issuance of the registration.”). Therefore, the Board did not err in not granting appellant’s request to amend the basis of the application.

[Affirmed.]

At p. 265, note 2, after the discussion of \textit{Rearden}, add the following:

For another example, see \textit{FN Herstal S.A. v. Clyde Armory Inc.}, 838 F.3d 1071 (11th Cir. 2016), in which the mark owner (FN Herstal) had made sales of semi-automatic weapons bearing the mark to the military, but only later had started making sales to law enforcement and civilians. Applying \textit{Planetary Motion}, the court found that the mark owner could rely on the date of the first military sales to establish priority. The sales were sufficiently public because the mark owner received widespread media attention. In addition, the mark owner engaged in extensive advertising and promotional activities in anticipation of the future release of the product to law enforcement personnel and civilians.

At p. 265, add the following to the end of note 2:

If a manufacturer includes a mark in a tweet, does that constitute use in commerce sufficient to confer rights? See \textit{Play Club by Cipriani}, Case No. D2013-1883 (WIPO 2014).
At p. 269, Problem 4-2, add the following:

(3) Professor Janis’s Cousin Clem, who recently relocated to Colorado, applies to register HERBAL ACCESS for “retail store services featuring herbs.” It turns out that one of the “herbs” sold in Cousin Clem’s store is marijuana. Assume that Cousin Clem’s marijuana sales are legal in Colorado, but not under federal law. Should the PTO reject Cousin Clem’s application on the ground that his use in commerce is not lawful? Would it matter if the specimen of use shows the mark in proximity to a graphic of a green cross, which (we’re informed) is associated with the organized medical marijuana industry? Does it make any difference that all of the other herbs sold in Cousin Clem’s store are sold legally under federal law? Is it significant that federal law enforcement authorities have indicated that they will limit federal enforcement to activities such as distribution to minors and diversion of marijuana to states where its possession remains illegal? See In re PharmaCann LLC, 2017 WL 2876812 (TTAB June 16, 2017); In re JJ206, LLC, 120 U.S.P.Q.2d (BNA) 1568 (TTAB 2016). See also FN Herstal S.A. v. Clyde Armory Inc., 838 F.3d 1071 (11th Cir. 2016) (discussing cases that have presented the unlawful use issue)

In Problem 4-3, at p. 270, add the following to the end of the background readings:

The commercial impression inquiry carried out in the course of the tacking analysis is to be decided by the fact-finder. In 2015, the U.S. Supreme Court in Hana Financial, Inc. v. Hana Bank, 135 S.Ct. 907, 911 (2015) held that “application of a test that relies upon an ordinary consumer’s understanding of the impression that a mark conveys falls comfortably within the ken of a jury.” The Court reasoned that while the commercial impression test might be characterized as a mixed question of law and fact, such questions were usually reserved for juries. In addition, tacking cases are likely to be fact-intensive; they are unlikely to place the jury in the position of making general statements about the overarching legal standard for tacking. Finally, the argument that juries would behave unpredictably was not persuasive, given that the same argument could be made about the use of the jury in any setting. See also Jack Wolfskin Ausrustung fur Draussen GmbH & Co. v. New Millenium Sports, S.L.U., 797 F.3d 1363 (Fed. Cir. 2015) (applying the “continuing commercial impression” test in the context of a claim of abandonment).

The Court’s ruling may have implications for a more significant question: whether the likelihood-of-confusion inquiry should be deemed a question of law or a question of fact, because the lower courts have treated tacking and likelihood of confusion as roughly analogous when considering the question of fact/question of law issue. Hana Financial, Inc. v. Hana Bank, 735 F.3d 1158, 1164 n.5 (9th Cir. 2014) (Ninth Circuit treats tacking as a question of fact, consistent with its treatment of likelihood of confusion); Van Dyne Crotty, Inc. v. Wear-Guard Corp., 926 F.2d 1156, 1159 (Fed. Cir. 1991) (Federal Circuit treats tacking as a question of law). However, the Court in Hana made no mention of these potential implications.
Which party should have the burden of showing whether the earlier mark presents the same commercial impression as the later—the mark owner or the mark challenger? Why? See Reynolds Consumer Prods., Inc. v. Handi-Foil Corp., 2014 WL 794277 (E.D. Va. Feb. 27, 2014) (involving the packaging of the REYNOLDS WRAP foil product).

At p. 275, before the Notes and Questions, add the following new case:

M.Z. BERGER & CO., INC. v. SWATCH AG
787 F.3d 1368 (Fed. Cir. 2015)

CHEN, Circuit Judge:

I. BACKGROUND

Berger is a business that manufactures, imports, and sells watches, clocks, and personal care products. On July 5, 2007, it filed an intent-to-use application at the Patent and Trademark Office (PTO), seeking to register the mark “iWatch” for over thirty different goods, each of which belongs to one of three general categories: watches, clocks, and goods related to watches and/or clocks (e.g., clock dials, watch bands, and watch straps).

The application included a declaration which states that Berger has “a bona fide intention to use or use through [Berger’s] related company or licensee the mark in commerce on or in connection with the identified goods and/or services.”

The PTO approved the application for publication on May 21, 2008. On October 22, 2008, Swatch AG (Swatch) filed a Notice of Opposition on the basis that “iWatch” is confusingly similar to its mark, “Swatch.” Swatch later added a claim opposing the mark on ground that Berger lacked a bona fide intent to use the mark in commerce at the time Berger filed the application.

The Board assessed whether Berger had the requisite intent to use the iWatch mark by separately considering each of the three general categories of goods. With respect to Berger’s intent to use the iWatch mark on two of the categories, clocks and goods related to watches/clocks, the Board considered the testimony of Berger’s owner and CEO, Bernard Mermelstein. Mr. Mermelstein not only created the iWatch mark and instructed that the trademark application be filed, but he was Berger’s sole witness designated under Federal Rule of Civil Procedure 30(b)(6). The Board thus treated Mr. Mermelstein’s testimony as representing the views of the company at the time the application was filed.

Although the trademark application recited watches, clocks, and goods related to clocks and watches as the goods Berger intended to sell with the proposed mark, Mr. Mermelstein testified that Berger never intended for the mark to be used for any goods other than watches:
Q. Are there other products other than watches that you anticipate for use with the iWatch mark?

A. No.

Mr. Mermelstein further testified:

Q. At the time you filed the application you didn’t expect the iWatch mark to be used for clocks and personal care products?

A. No. Correct.

Berger’s paralegal who filed the application, Monica Titera, testified that Mr. Mermelstein instructed her to register the mark only for watches and clocks. When asked why the other related goods were identified in the application, Ms. Titera claimed that the list was “standard” and used to “leave all doors open.” Based on Mr. Mermelstein’s and Ms. Titera’s testimonies, the Board concluded that Berger lacked a genuine intent to use the mark on clocks and related goods.

With respect to the third category of goods, watches, the Board also concluded that Berger lacked a genuine plan to commercialize the iWatch mark on such goods. The Board considered the documentary evidence of record but found that such evidence did not demonstrate intent because the documents related solely to prosecution of the trademark application. As for the testimonial evidence presented by Berger, the Board found that Berger’s employees failed to tell a consistent story about the company’s intent at the time the application was filed. The Board lastly considered the company’s long history in the watch business, but found that Berger’s inaction with respect to a potential iWatch product diminished the value of such evidence.

The only documents relating to the potential use of the mark consisted of: (i) a trademark search performed by the paralegal; (ii) an internal email describing the substance of a discussion between the paralegal with the trademark examining attorney concerning the application; and (iii) a series of internal emails forwarding images of watches and a clock bearing the iWatch mark.

The Board agreed with Swatch that the documentary evidence only related to the trademark application and thus did not evidence a genuine intent to commercialize certain watches using the iWatch mark. It found that the trademark search was performed only a few days prior to the filing of the application. The Board found that the forwarded images were also prosecution-driven because they appeared to have been created and submitted to the PTO in response to the examining attorney’s request for additional information on how Berger planned to use the mark.
Moreover, the Board found there was conflicting testimony among Berger employees regarding what the images actually depicted. Some employees testified that the images were pictures of actual mockup watches and clocks. On the other hand, Mr. Mermelstein testified that no such mockups were ever made and that the images were generated for purposes of advancing the trademark application. And although Berger employees claimed that creating physical models and renderings was a normal part of its product development process, Berger did not present any physical or documentary evidence relating to the iWatch mark beyond the images submitted to the PTO.

Based on Mr. Mermelstein’s admissions and the timing of the creation of the documents, the Board concluded that the documentary evidence did not establish that Berger had a bona fide intent to use the mark in commerce.

The Board then considered the remaining evidence, which consisted of Berger employee testimony, and likewise found that it failed to establish that Berger genuinely intended to use the mark in commerce. For example, Berger’s vice president of merchandising, Brenda Russo, generally recalled having discussed the iWatch mark for a few minutes with a buyer during a discussion in a Berger showroom. But this testimony conflicts with that of Mr. Mermelstein, who denied that Berger had discussions regarding the iWatch mark with anyone outside the company.

Ms. Russo’s testimony also appears to contradict representations Berger made to the PTO during prosecution of the trademark application. In particular, the examiner rejected the mark as descriptive because the “i” in iWatch could be interpreted as a well-established reference to “interactive.” In response to that rejection, Berger alleged:

The “i” does not refer to any particular feature of the watches or clocks. The “i” is purely arbitrary. The images we previously submitted were just mock-ups to show a buyer. However, the buyer decided that models which previously had interactive features were too expensive. Thus, there will be no interactive features on any models.

Ms. Russo, who was the only Berger witness who claimed to have met with a buyer, testified to the contrary. She recalled mentioning to the buyer that the watch would have certain technological features, and when asked at her deposition whether that buyer expressed concern about the cost of the iWatch watch, she answered “no.” Because the evidence relating to Ms. Russo’s discussion with the buyer conflicted with Berger’s statement during prosecution, the Board chose not to credit the alleged meeting as demonstrating bona fide intent.

The Board considered that some of Berger’s employees testified to having attended internal brainstorming sessions and merchandising meetings about the iWatch mark, none of which were documented in the record. But there was testimony from Mr. Mermelstein that suggested any alleged meetings would not have been particularly meaningful. For
example, he testified that, as of 2010, three years after the application was filed, Berger had yet to figure out what type of watch it intended to sell with the iWatch mark, or even whether such a watch would have any particular features. Mr. Mermelstein also stated that, at the time of the filing, Berger had little more than an aspiration to reserve rights in the mark in case it later decided to develop an associated watch:

Q. Okay. And how did you come up with that mark?

A. I think that I came up with the mark because of the advent of technology and information gathering around the globe over the last I guess few years, I thought that if we decided to do a—either a technology watch or information watch or something that would have that type of characteristics that would be a good mark for it.

(emphasis added).

Finally, the Board considered the fact that Berger had been in the business of making and selling watches and clocks for many years. It determined, however, that Berger’s history of making and selling watches was not particularly relevant to the instant dispute because Berger employees testified they had not previously made a watch with technological features, and admitted they never took any step toward developing any such features, either contemporaneous with the filing of the application or in the eighteen months thereafter. Though Berger represented to the PTO that the mark was not restricted to “interactive” watches, the Board found Berger’s inaction was significant in light of its contention that the idea was to use the mark with a “smart” watch. Berger argued that its intent to use the iWatch mark was corroborated by its use of a subsequent mark, i-Kidz and its efforts to develop the mark iMove for watches. The Board found this evidence unpersuasive, as these efforts were related to different marks and had occurred almost three years after the iWatch application was filed.

The Board ultimately concluded that some of Berger’s evidence, reviewed in isolation, may have been sufficient to establish intent. However, the circumstances as a whole—including the lack of documentary evidence and the conflicting testimony of Berger witnesses—demonstrated that Berger lacked a bona fide intent to use the mark in commerce as required, and sustained the opposition under Section 1(b) of the Lanham Act. Berger appealed the Board’s decision to sustain the opposition on this ground....
II. DISCUSSION

B

The Trademark Law Revision Act of 1988 (TLRA) contemplated the very scenario presented by this case. The TLRA changed the Lanham Act by permitting applicants to begin the registration process before actual use of the mark in commerce at the time of filing, so long as the applicant had a "bona fide intention... to use [the] mark in commerce" at a later date. 15 U.S.C. § 1051(b)(1) (emphasis added).

The prior version of the Lanham Act required that a trademark applicant already be using the mark in commerce at the time of the application’s filing to qualify for trademark registration. See Aycock Eng’g, Inc. v. Airflite, Inc., 560 F.3d 1350, 1357 (Fed. Cir. 2009). This requirement, however, led to the practice of some applicants engineering a “token use,” which refers to the most minimal use of a trademark, designed purely to secure rights in that mark before an applicant is truly prepared to commercialize a good or service in connection with a given mark. In the legislative record of the TLRA, Congress noted that token use was problematic for a number of reasons, including that such uses were not uniformly available across industries. S. Rep. No. 100–515 (“Senate Report”), at 6 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5582. For example, token use for large or expensive products, such as airplanes, or for service industries was “virtually impossible.” Id. Another problem was that the rules allowed registration based on minimal use, which led to an undesirable surplus of registered but virtually unused marks. Id. On the other hand, Congress also recognized that the use requirement placed “significant legal risks on the introduction of new products and services” and disadvantaged certain industries and smaller companies in the marketplace. Id. at 5. An applicant already using a mark in commerce risks, for example, potential infringement of a competitor’s pre-existing mark prior to being able to begin the process of securing its own rights.

Congress sought to address these problems in passing the TLRA. Id. To address the problem of “token use,” the TLRA heightened the burden for use applications by requiring that an applicant’s use be “bona fide use of [the] mark in the ordinary course of trade.” Trademark Law Revision Act of 1988, Pub. L. No. 100–667, 102 Stat. 3935 (effective November 16, 1989) (codified at 15 U.S.C. § 1127) (emphasis added). Concurrently, the TLRA lowered the bar to starting registration by allowing applicants to proceed on the basis that they have a “bona fide intention to use the mark in commerce” at a later date. 15 U.S.C. § 1051(b)(1); see H.R.Rep. No. 100–1028 (“House Report”), at 8–9 (1988) (“By permitting applicants to seek protection of their marks through an ‘intent to use’ system, there should be no need for ‘token use’ of a mark simply to provide a basis for an application. The use of the term ‘bona fide’ is meant to eliminate such ‘token use’ and to require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a

While applicants can begin the registration process having only a sincere intent, the TLRA also requires that applicants filing such intent-to-use applications must in due course either (i) file a verified statement of actual use of the mark, or (ii) convert the application into a use application. 15 U.S.C. §§ 1051(b)(3), (c), (d). In other words, such applicants are eventually required to show that the mark is being used in commerce before obtaining a registration on the mark.

C

Because this court has not previously done so, we first address the issue of whether lack of a bona fide intent is proper statutory grounds on which to challenge a trademark application. The PTO has long held that lack of such intent is a proper basis on which an opposer can challenge an applicant's registration. We agree...Because a bona fide intent to use the mark in commerce is a statutory requirement of a valid intent-to-use trademark application under Section 1(b), the lack of such intent is a basis on which an opposer may challenge an applicant's mark. We note that the one other circuit court to address this issue has likewise so held. Aktieselskabet AF 21.Nov.2001 v. Fame Jeans Inc., 525 F.3d 8, 21 (D.C.Cir.2008).

D

We turn now to the question of what “bona fide intention” means under Section 1(b) of the Lanham Act. In its entirety, Section 1(b)(1) specifies that:

A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director.


There is no statutory definition of the term “bona fide,” but the language is clear on its face that an applicant's intent must be “under circumstances showing the good faith of such person.” Id. The reference to “circumstances showing the good faith” strongly suggests that the applicant's intent must be demonstrable and more than a mere subjective belief. Both the PTO and the leading treatise on trademark law have arrived at this same understanding. See Lane, 33 U.S.P.Q.2d at 1355; 3 McCarthy on Trademarks § 19.14, at 19.48 (“Congress did not intend the issue to be resolved simply by an officer of the applicant later testifying, ‘Yes,
indeed, at the time we filed that application, I did truly intend to use the mark at some time in the future.”

This interpretation is confirmed by the legislative history, where Congress made clear that whether an applicant’s intent is “bona fide” should be assessed on an objective basis:

Although “bona fide” is an accepted legal term, it can be read broadly or narrowly, subjectively or objectively, by a court or the Patent and Trademark Office. In connection with this bill, “bona fide” should be read to mean a fair, objective determination of the applicant’s intent based on all the circumstances.

Senate Report at 24 (emphasis added); see also id. at 23 (“Bona fide intent is measured by objective factors.”); House Report at 8–9 (“The use of the term ‘bona fide’ is meant to ... require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a real and legitimate commercial sense.”). In addition, an applicant’s intent must reflect an intention to use the mark consistent with the Lanham Act’s definition of “use in commerce”:

[T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127; see also Senate Report at 24–25 (quoting the definition). The applicant’s intention to use the mark in commerce must have been “firm.” Senate Report at 24.

Neither the statute nor the legislative history indicates the specific quantum or type of objective evidence required to meet the bar. Indeed, Congress expressly rejected inclusion of a statutory definition for “bona fide” in order to preserve “the flexibility which is vital to the proper operation of the trademark registration system.” Id. 5

Accordingly, we hold that whether an applicant had a “bona fide intent” to use the mark in commerce at the time of the application requires objective evidence of intent. 15 U.S.C. § 1051(b)(1). Although the evidentiary bar is not high, the circumstances must indicate that the applicant’s intent to use the mark was firm and not merely intent to reserve a right in the mark. See id. § 1127; see also Senate Report at 24–25. The Board may make such determinations on a case-by-case basis considering the totality of the circumstances.

5 The PTO has promulgated a rule specifying that an applicant’s ongoing efforts to make use of a mark “may include product or service research or development, market research, manufacturing activities, promotional activities, steps to acquire distributors, steps to obtain governmental approval, or other similar activities.” 37 C.F.R. § 2.89(d). Although this rule relates to the required showing of “good cause” for an extension to file a statement of use, i.e., at a time after the initial filing, such evidence may also indicate sources of objective evidence of an applicant’s bona fide intent to use the mark in commerce.
III. M.Z. BERGER’S APPEAL

A

Berger argues that it satisfied the minimal standard for intent, and that the Board improperly discounted Berger’s evidence. Berger’s arguments hinge on its belief that the Board should have found the intent requirement satisfied because Berger offered some objective evidence in support of its position. Viewed in isolation, the evidence Berger prefers to focus on could perhaps lead a reasonable fact-finder to conclude there was bona fide intent. As discussed above, however, all circumstances regarding an applicant’s bona fide intent must be considered, including those facts that would tend to disprove that Berger had the requisite intent. 15 U.S.C. § 1051(b)(1); see also Lane, 33 U.S.P.Q.2d at 1353 (“[W]hether an applicant has a bona fide intention ... must be an objective determination based on all the circumstances.” (emphasis added)).

Here, viewing the evidence as a whole, we find that substantial evidence supports the Board’s conclusion. First, we agree with the Board that the documentary evidence offered by Berger appears to relate only to the prosecution of the trademark application. [The Board had cited Research In Motion Ltd. v. NBOR Corp., 92 U.S.P.Q.2d (BNA) 1926, 1931 (T.T.A.B.2009) (“If the filing and prosecution of a trademark application constituted a bona fide intent to use a mark, then in effect, lack of a bona fide intent to use would never be a ground for opposition or cancellation, since an inter partes proceeding can only be brought if the defendant has filed an application.”)]. The paralegal who performed the trademark search testified that such searches are routinely conducted before Berger files a trademark so that Berger does not waste time filing an application on an unavailable mark. It is undisputed that the internal email relaying the substance of a discussion with the trademark examining attorney also relates to the application. The other internal emails, which forwarded the images of two watches and a clock bearing the mark, were undisputedly submitted to the PTO in response to the trademark examining attorney’s request for documents showing how the mark would be used.

Faced with conflicting statements from Berger witnesses about whether the images were created for prosecution or for business reasons evidencing intent, the Board exercised its discretion in crediting the testimony of Mr. Mermelstein, Berger’s Rule 30(b)(6) witness, over that of other Berger employees... We defer to the Board’s determination of the weight and credibility of such evidence. See, e.g., Velander v. Garner, 348 F.3d 1359, 1371 (Fed.Cir.2003) (stating, in a PTO interference proceeding, that it is “within the discretion of the trier of fact to give each item of evidence such weight as it feels appropriate”). Having found that the documentary evidence was generated in relation to the trademark application, the Board reasonably determined that such images were likely created with an intention to advance the prosecution of the trademark application rather than an intention to move forward on an actual product in commerce.
Berger has offered no reason to disturb the Board’s findings based on the remaining testimonial evidence. The Board properly exercised its judgment in finding that Berger lacked a bona fide intent to use the mark on any of the goods identified in the application. Mr. Mermelstein admitted that there was no intent to use the iWatch mark for clocks, and Ms. Titera conceded that the other accessories and related goods were only designated to leave Berger’s options open.

With respect to watches, the Board considered conflicting testimony about Berger’s alleged meeting with a buyer, as well as whether the watch would be technological in nature. The Board was within its discretion to disagree with Berger’s bottom-line position that it possessed a bona fide intent, given the inability of the Berger witnesses to pull together a consistent story on a number of issues, e.g., would the watch be technological, did actual physical samples exist, were potential customers ever consulted. Critically, Mr. Mermelstein all but conceded that Berger had not yet made a firm decision to use the mark in commerce at the time of its application. (“[I]f [Berger] decided to do a—either a technology watch or information watch or something that would have that type of characteristics that [iWatch] would be a good mark for it.”). See, e.g., Research in Motion, 92 U.S.P.Q.2d at 1931 (applicant’s stated belief that the mark would be “a good mark for future use” does not establish a bona fide intent to use).

We also find unavailing Berger’s contention that the Board ignored Berger’s history in the watch industry. The Board did consider Berger’s past but noted that even though the iWatch mark was allegedly to be used with a “smart” watch, Berger had never made such a watch and took no steps following the application to develop such a watch. We find no error with the Board’s determination that there was no nexus between Berger’s general capacity to produce watches and the capacity required to produce a “smart” watch.

Ultimately, we find that the Board properly exercised its judgment as the trier of fact in assessing the evidence and concluding that Berger did not have a bona fide intent to use the mark at the time of its application. Berger’s contention that the Board “missed the forest for the trees” by systematically discrediting each piece of evidence is misplaced. Quite to the contrary, the Board’s opinion reflects that it carefully considered Berger’s evidence and understandably found that Berger lacked “bona fide” intent to use the iWatch mark on the recited goods at the time of the application was filed.

The bar for showing a bona fide intent is not high. But in our view, considering the inconsistent testimony offered by Berger employees and the general lack of documentary support, substantial evidence supports the Board’s conclusion that Berger’s intent at the time of the application was merely to reserve a right in the mark, and not a bona fide intent to use the mark in commerce.
Berger also argues that the Board applied the wrong legal standard for bona fide intent, “because it insisted upon evidence that [Berger] had taken steps to promote, develop and market the iWatch mark at the time that it filed its original application.” Berger argues that the Board’s emphasis on objective evidence conflicts with the application and registration steps outlined in the PTO’s administrative review process and regulations. In other words, Berger contends the Board erred by applying a more stringent threshold for bona fide intent than required by statute or by the PTO’s regulations and procedures.

We disagree. Nowhere did the Board state that the applicable standard requires an applicant to have actually promoted, developed, and marketed the mark at the time of the application. Nor did the Board state that it applied such a standard. To the contrary, the Board’s opinion reflects that it reached its conclusions by considering all the relevant facts and circumstances, including those that indicated Berger lacked intent. This is indeed the proper inquiry under the Lanham Act. 15 U.S.C. § 1051(b)(1) (intent to use must be “under circumstances showing the good faith of such person”).

We also find that the Board’s opinion is not inconsistent with PTO practice. The PTO is within its discretion to allow intent-to-use applications to proceed, at the time of filing, upon only a verified statement of bona fide intent to use. See id. § 1051(b)(3)(B). However, the agency has the statutory authority to seek further evidence of the applicant’s “bona fide” intent. See id. § 1051(b)(1). Indeed, not only did the agency contemplate that an applicant’s intent to use may be at issue in inter partes proceedings, but it reserved the right to make its own inquiry into the issue under appropriate circumstances:

Generally, the applicant’s sworn statement of a bona fide intention to use the mark in commerce will be sufficient evidence of good faith in the ex parte context. Consideration of issues related to good faith may arise in an inter partes proceeding, but the USPTO will not make an inquiry in an ex parte proceeding unless evidence of record clearly indicates that the applicant does not have a bona fide intention to use the mark in commerce.


We find that the Board did not err in its application of the standard for bona fide intent. As discussed supra, whether an applicant has a bona fide intent to use a mark in commerce is an objective inquiry based on the totality of the circumstances. The Board conducted such an inquiry.

[Affirmed.]
At p. 280, add the following new note:

6. *The rule against assigning ITU applications.* Review the anti-assignment rule in Lanham Act Section 10 and consider the following scenario. \( A \) was a wholly-owned subsidiary of \( B \). \( B \) was in turn a wholly-owned subsidiary of \( C \). \( A \) filed an ITU application. While the application was still pending and prior to the filing of the statement of use, \( A \) assigned the ITU application to \( C \). The assignment agreement left intact the parent/subsidiary relationship between \( C \) and \( A \). That is, \( C \) did not become a successor to \( A \) (or a portion of \( A \)) as a result of this assignment agreement. Is the transfer a violation of the anti-assignment rule of Lanham Act Section 10, such that the registration should be cancelled? Or should Section 10 be construed to prohibit assignments in cases where it appears that the assignor is attempting to traffic in ITU applications, but not in other cases? See *Central Garden & Pet Co. v. Doskocil Mfg. Co. Inc.*, 2013 WL 4635990 (T.T.A.B. Aug. 16, 2013).

At p. 293, before Problem 4-5, add:

See also *Southern California Darts Assoc. v. Zaffina*, 762 F.3d 921 (9th Cir. 2014) (holding that an unincorporated association that promoted competitive darts events could own rights in mark SOUTHERN CALIFORNIA DARTS ASSOCIATION).

At p. 295, before heading 2., add the following new case:

**LYONS v. AM. COLLEGE OF VETERINARY SPORTS MED. & REHAB.**  
859 F.3d 1023 (Fed. Cir. 2017)

LOURIE, Circuit Judge:

BACKGROUND

Lyons is an equine veterinarian. In 1999, Lyons met Dr. Robert Gillette (“Gillette”) at a conference where they discussed the prospect of forming a veterinary specialist organization (“VSO”) for treating athletic animals. Gillette had published a similar proposal for board certification in canine medicine the previous year. For a VSO to become accredited by the American Veterinary Medical Association (“AVMA”), a group of veterinarians wishing to create the VSO must form an organizing committee and submit a letter of intent to the AVMA. Thus, between 1999 and 2002, Lyons, Gillette, and four other veterinarians formed an organizing committee, of which Gillette served as the chair. By at least as early as 2002, the committee began using the mark as the name of the intended VSO. In the winter of 2002, Lyons participated in drafting a letter of intent, which was later submitted to the AVMA, and worked with the organizing committee to create a petition to seek accreditation.
for its VSO. In early 2004, Lyons drafted proposed bylaws and articles of incorporation for the VSO, which she presented to the organizing committee. In July 2004, Lyons was dismissed from the organizing committee for reasons not relevant to this appeal.

Almost a year after her dismissal from the committee, Lyons sought registration of the mark on the Principal Register for “veterinary education services namely conducting classes, seminars, clinical seminars, conferences, workshops and internships and externships in veterinary sports medicine and veterinary rehabilitation” in International Class 41, based on her assertion of a bona fide intention to use the mark in commerce under 15 U.S.C. § 1051(b). Decision, 2016 WL 1380739, at *1. The PTO denied her application on the ground that the mark was geographically descriptive. In March 2006, Lyons therefore amended the application to seek registration on the Supplemental Register, based on actual use under 15 U.S.C. § 1091(a), alleging first use anywhere as of December 20, 1995 and first use in commerce at least as early as June 18, 1996. In May 2006, the PTO registered the mark on the Supplemental Register, Registration No. 3,088,963.

Meanwhile, the organizing committee, led by Dr. Gillette, had continued to work on the VSO petition for AVMA accreditation and submitted a first draft to the AVMA in November 2008. In 2009, the AVMA published the petition to its members in the Journal of American Veterinary Medicine and in its electronic newsletter. In 2010, the AVMA granted provisional recognition to the VSO, which was entitled the “American College of Veterinary Sports Medicine and Rehabilitation” (“the College”) and incorporated as a Colorado nonprofit organization in June 2011. The College administered its first certification test in 2012 and subsequently certified over 115 veterinarians in the specialty, established 13 active residency programs at veterinary colleges, and conducted annual meetings, conferences, and continuing education programs in collaboration with other AVMA-certified VSOs.

On April 25, 2011, the College petitioned to cancel Lyons’s registration on the Supplemental Register on grounds of priority of use and likelihood of confusion under 15 U.S.C. § 1052(d), misrepresentation of source under 15 U.S.C. § 1064, and fraud. The cancellation proceeding was suspended for almost three years during the pendency of a civil action between the parties in the U.S. District Court for the District of Massachusetts, where Lyons alleged infringement of the mark by the College. See Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab., Inc., 997 F.Supp.2d 92, 98 (D. Mass. 2014). On February 19, 2014, the district court issued a final order dismissing Lyons’s claims because, inter alia, her claimed prior use did not cause the mark to acquire distinctiveness in the public mind. Id. at 105. The district court ordered the PTO to reject Lyons’s application for registration on the Principal Register, but declined to cancel her registration on the Supplemental Register. Id. at 116–17.

After the district court’s disposition, the Board refused Lyons’s application for registration on the Principal Register, and resumed the cancellation proceeding relating to the registration on the Supplemental Register. The Board concluded that Lyons was not the
owner of the mark, and that the underlying application for her registration on the Supplemental Register was void ab initio. See Decision, 2016 WL 1380739, at *19.

The Board explained that, although the cancellation proceeding was initially brought on grounds of likelihood of confusion, the “true issue [was] ownership of the mark” as between “a former organizing committee member and ... the veterinary specialty organization she helped found.” Id. at *8 (citing 15 U.S.C. § 1051(a)). The Board analyzed three factors to determine ownership of the mark: (1) the parties’ objective intentions or expectations; (2) who the public associates with the mark; and (3) to whom the public looks to stand behind the quality of goods or services offered under the mark. See id. at *9 (citing Wonderbread 5 v. Gilles, 115 U.S.P.Q.2d 1296, 1305 (T.T.A.B. 2015)). The Board found that all three factors favored the College.

First, the Board found that Lyons’s interactions with the organizing committee were in the nature of “proposing and planning the formation of a [VSO],” not “providing the services herself.” Id. at *10. The Board noted Lyons's behavior in helping to draft the letter of intent, and in drafting the proposed bylaws and articles of incorporation—all toward forming a VSO under the name the organizing committee had already begun to use for the VSO, the “American College of Veterinary Sports Medicine and Rehabilitation” (i.e., the mark). See id. at *10–12. The Board also pointed to the testimony of the other organizing committee members, who unanimously agreed that Lyons never indicated that she considered the mark to be her own or notified them that they were not to use the mark after her departure from the committee. See id. at *12–14. In fact, the Board observed, the organizing committee believed that they had conceived of the mark themselves. Id. at *13, *17. Thus, the Board found that the objectively manifested intent of the parties weighed in favor of ownership by the College. Id. at *14.

Second, the Board found that the relevant public associates the mark with the College, rather than with Lyons. See id. at *16. The Board observed that the College had certified veterinarians in its specialty, had established residency programs, conducted annual conferences and meetings, maintained a public website, and is recognized as a specialty on the AVMA’s website, accessible to the 80,000-plus veterinarian AVMA members. See id. at *18. The Board explained that, while Lyons used the mark in a non-published document called “The Equine Excellence Initiative” as early as 1995, such use was “not use in commerce”—rather, it was “at most[ ] de minimis use that never acquired distinctiveness.” Id. at *16–17. In fact, the Board found that The Equine Excellence Initiative was written in the future tense—detailing Lyons’s plans for the VSO she envisioned forming. Id. at *16. The Board noted that Lyons does not employ any teachers, has no students, has not yet acquired any physical premises for offering her educational services, and has not certified any veterinarians, and that her nonprofit organization (formed before 1999) has no employees, volunteers, real estate, or significant assets. Id. at *17. Furthermore, the Board reasoned, because of Lyons’s participation in the organizing committee between 1999 and 2004, any actions by Lyons “from that point on,” undertaken in the name of the “American College
of Veterinary Sports and Rehabilitation Medicine” and resulting in acquired distinctiveness of the mark, inured to the benefit of the College. Id. at *18.

Finally, the Board found that the relevant public looks to the College to stand behind the quality of the educational and certification services associated with the mark. The Board noted that veterinarians certified by the College “may hold themselves out as diplomats in an AVMA-approved specialty.” Id. at *19. Moreover, the Board continued, the College’s very name—the American College of Veterinary Sports Medicine and Rehabilitation—carries with it the AVMA’s “seal of approval” because almost all AVMA-certified specialties (and none that are not AVMA-certified) use the prefix “American College of Veterinary” in the VSO name. Id. Thus, the Board concluded that the public would look to the College to stand behind the quality of the services associated with the mark, rather than to Lyons, “who left the American Veterinary Medical Association in 2005, abandoned all thought of obtaining a certification from that Association, has no students enrolled in educational courses offered under the mark, and has no certification program.” Id.

In sum, the Board concluded that all “indicia of ownership” point to the College rather than to Lyons, and that the application underlying her registration on the Supplemental Register was void ab initio because she never owned the mark. Id.

Lyons timely appealed to this court. . .

DISCUSSION

I.

It is axiomatic in trademark law that ownership of a mark is predicated on priority of use in commerce. See, e.g., Holiday Inn v. Holiday Inns, Inc., 534 F.2d 312, 319 n.6 (C.C.P.A. 1976) (“It is fundamental that ownership of a mark is acquired by use, not by registration.”); Application of Deister Concentrator Co., 289 F.2d 496, 501 (C.C.P.A. 1961) (emphasizing that registration of a mark under the Lanham Act does not “create ownership,” but rather is “only evidence thereof”).

Thus, registration by one who did not own the mark at the time of filing renders the underlying application void ab initio. See, e.g., Holiday Inn, 534 F.2d at 319 n.6 (“One must be the owner of a mark before it can be registered.”); Aycock Eng’g, Inc. v. Airflite, Inc., 560 F.3d 1350, 1357 (Fed. Cir. 2009) (“The registration of a mark that does not meet the use requirement is void ab initio.”).

The statutory requirement for use in commerce applies to service marks as well as to trademarks. Aycock Eng’g, Inc., 560 F.3d at 1357. Under the Lanham Act, a service mark is any “word, name, symbol or device, or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce ... to identify and distinguish the
For service marks, the “use in commerce” requirement is met when: (1) a mark is “used or displayed in the sale or advertising of services”; and (2) either (i) the services are “rendered in commerce” or (ii) the services are “rendered in more than one State or in the United States and a foreign country and the person rendering those services is engaged in commerce in connection with the services.” 15 U.S.C. § 1127. Therefore, to meet the use requirement for a service mark, an applicant must use the mark in advertising or sale of a service, and show that the service was actually rendered in interstate commerce or in more than one state, or in this and a foreign country, by a person engaged in commerce.

A framework has developed in situations such as the present, where there has been a departure from or change of membership in a group, and both the departing member and the remnant group claim ownership of the mark. See, e.g., Wonderbread 5, 115 U.S.P.Q.2d at 1297; see generally, 2 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16:45 (4th ed. 2015).

For example, in Wonderbread 5 the Board resolved a dispute regarding ownership of a band’s name after the departure of one of its members. 115 U.S.P.Q.2d at 1297. Due to the absence of a formal agreement between the parties regarding ownership of the mark, the Board examined the “parties’ statements and actions at the time” of the member’s departure from the group. Id. at 1303. After finding that the evidence was inconsistent with the departing member’s claim that he “owned the mark as an individual,” the Board applied Professor McCarthy’s two-step test as a “useful adjunct” to its preliminary findings based on the parties’ objective manifestations. Id. at 1303, 1305. For ownership disputes arising out of changes of membership in musical groups, McCarthy frames the inquiry as whether the mark “identif[ies] the group regardless of its members.” 2 McCarthy § 16:45. To answer that question, McCarthy proposed a two-part analysis: first, one determines whether the mark is “personal to the individual members or not”; and second, if it is not, then it must be determined “for what quality or characteristic the group is known and who controls that quality.” Id. The Board rephrased McCarthy’s two-step inquiry in its findings to mean that “the consuming public did not associate” the mark with the departing member, and the group, rather than any individual member, “controlled the quality or characteristic of the band.” Wonderbread 5, 115 U.S.P.Q.2d at 1307. Thus, the Board determined that the band owned the mark, the departing member’s application for registration was void ab initio, and the resulting registration was invalid. Id.

This case presents a similar scenario, where Lyons was a member of a group (the organizing committee) and, after her departure from the group, both Lyons and the remnant committee (now the College) claim ownership of a mark used by the group while Lyons was still a member.
II.

Although the College initiated this cancellation proceeding based on a likelihood of confusion and other grounds, the dispute in the case, as the Board found, centers on ownership of the mark, *Decision*, 2016 WL 1380739, at *8, which in turn depends upon priority of use in commerce, *Holiday Inn*, 534 F.2d at 319.

In a priority dispute, the Board’s determination whether a trademark has been appropriated by first use in commerce is a fact question that we review for substantial evidence. See, e.g., *Aycock Eng’g, Inc.*, 560 F.3d at 1360 (upholding the Board’s determination that the Appellant was not the first to use the service mark in commerce because that finding was “supported by substantial evidence”).

On appeal, Lyons argues that the Board erred in finding that she did not own the mark at the time she filed her application because the evidence shows that she, not the College, was the first to use the mark in commerce. Lyons contends that she used the mark as early as 1995 in the fundraising document entitled “The Equine Excellence Initiative,” which was “widely disseminated to the veterinary community, sport-horse industry, philanthropic organizations and the public.” Appellant’s Br. 21. Lyons asserts that, since 1996, she has continuously used the mark in commerce to conduct classes, clinical seminars, educational conferences, and workshops; create internship and externships for veterinary students; create, present, publish, sell, and distribute education materials, including booklets, presentations, and student test materials; create advertising educational programs; maintain an interactive website for educational programs; publish scholarship guidelines and applications; certify veterinarians; and provide student scholarships. *Id.* at 22. Since 1996, Lyons maintains, she has raised over two million dollars in grant support from fundraising conducted using the mark. *Id.* at 27.

The College responds that the Board correctly determined that the three factors relevant to ownership all demonstrate that the College owns the mark. First, the College asserts that the objectively manifested intent of the parties was that the mark would be used to name the VSO, which is exactly what has transpired. Appellee’s Br. 23–24. Second, the College continues, the relevant public associates the mark with the College, not with Lyons, because the College has certified over 140 veterinarians in approximately 33 states and 14 countries, established 13 active residency programs, collaborated with other AVMA-accredited VSOs to organize conferences and professional meetings, and maintains an active website. *Id.* at 30. Finally, the College argues that the public looks to the AVMA-accredited College to stand behind the quality of the education and certification services associated with the mark because those certified by the College may hold themselves out as AVMA-recognized specialists, whereas Lyons, on the other hand, cancelled her membership with the AVMA after being dismissed from the committee, abandoned plans to seek accreditation, and has no educational programs and no students. *Id.* at 35–36.
We agree with the College that the Board correctly determined that Lyons does not own the mark.

First, we find no error in the legal framework the Board used to evaluate ownership. The Board noted that, although various sources delineate the relevant test using different language, they all substantively include three main factors to be considered in ownership disputes surrounding service marks as between a departing member and the remnant group: (1) the parties’ objective intentions or expectations; (2) who the public associates with the mark; and (3) to whom the public looks to stand behind the quality of goods or services offered under the mark. Decision, 2016 WL 1380739, at *9 (citing Wonderbread 5, 115 U.S.P.Q.2d at 1305). We agree with the Board’s articulation of the relevant factors and accept the legal framework it applied for resolving ownership disputes when there has been a departure from or change of membership in a group and, in the absence of a formal agreement governing ownership of the mark, both the departing member and the remnant group claim ownership of the mark.

Second, we conclude that the Board’s findings regarding each of the three prongs of its analysis were supported by substantial evidence. We discuss the findings in turn.

A. The Parties’ Collective Intent

The Board determined that the parties’ objective expectations were that Lyons and the rest of the organizing committee would form an AVMA-accredited VSO entitled “American College of Veterinary Sports Medicine and Rehabilitation,” not that Lyons would render her own personal services using the mark. Id. at *10. Substantial evidence supports that finding.

The record shows that, even before meeting Gillette, Lyons intended to form an AVMA-accredited VSO entitled “American College of Veterinary Sports Medicine and Rehabilitation.” J.A. 1114. Because the AVMA rules for accreditation require the formation of an organizing committee comprising a minimum of six members, some of them canine veterinarians, she reached out to Gillette and the other veterinarians to form the organizing committee. J.A. 504, 520, 525, 527. During her concerted action with the rest of the organizing committee, she held herself out to the AVMA as a member of the committee, acting on behalf of the intended VSO that she agreed to name the “American College of Veterinary Sports Medicine and Rehabilitation.” J.A. 520, 566. At no point did she communicate to any of the other committee members her belief that she owned the mark, any prior use of the mark, or any objection to the committee naming the VSO after the mark. J.A. 477, 480–81, 483–84, 1420. In fact, she testified of her expectation that, at the end of the AVMA recognition process, the VSO would be named The American College of Veterinary Sports Medicine and Rehabilitation. J.A. 514.

Although some evidence may indicate Lyons’s subjective belief that she owned the mark and would control the VSO once it was formed, J.A. 706–07, 1117, 1125, 1128, 1110–31, 1197, her objectively manifested expectations contradict that notion, J.A. 477, 480–81, 483–
As the Board found, “[w]hatever secret reservations [Lyons] may have harbored were not reflected in her interactions with the other committee members.” Decision, 2016 WL 1380739, at *12. Thus, the collective expectation of the parties, as objectively manifested, was that Lyons and the rest of the organizing committee would form an AVMA-accredited VSO with a name that became the mark. The Board’s determination to that effect was supported by substantial record evidence.

B. Who the Public Associates with the Mark

The Board next determined that the relevant public—the AVMA and veterinary community—associates the mark with the College, rather than with Lyons. See id. at *16. The Board found that Lyons engaged in at most “de minimis” use of the mark, and that her use never rose to the level of use in commerce sufficient to “create an association in the minds of the purchasing public” between Lyons and the mark. Id. at *16, *17. The Board relied upon substantial record evidence to support that finding.

First, the document Lyons cites as her first use of the mark, The Equine Excellence Initiative, was written in the future tense, indicating Lyons’s future plans to form a VSO with the name of the mark. J.A. 832–39. But we have held that mere preparation and publication of future plans do not constitute use in commerce. See, e.g., Aycock Eng’g, 560 F.3d at 1360 (“[M]ere preparations to use [the] mark sometime in the future will not do....”); id. at 1358 (“[T]he advertising or publicizing must relate to an existing service which has already been offered to the public.” (internal quotation marks omitted)); see also Intermed Commc’ns, Inc. v. Chaney, 197 U.S.P.Q. (BNA) ¶ 501, 507 (T.T.A.B. Dec. 23, 1977) (“Mere adoption (selection) of a mark accompanied by preparations to begin its use are insufficient ... for claiming ownership of ... the mark.”).

Second, the record shows that Lyons has never engaged in advertising or marketing expenditures for the mark and, prior to 2003, had never maintained a website for herself or her wholly-owned nonprofit organization, Homecoming Farms. J.A. 502, 1112. In fact, according to the record, the first time the mark appeared online was in December 2002, when Gillette put the name of the VSO on the website he used for coordinating efforts of the organizing committee. J.A. 1121. Furthermore, the evidence indicates that Lyons has no employees or volunteers, no students enrolled in educational courses offered under the mark, and no certification program. J.A. 497–98, 1102, 1132, 1162.

On the other hand, there is evidence that the College has certified at least 115 veterinarians, established 13 active residency programs in veterinary colleges, and conducted conferences and continuing education programs in collaboration with other AMVA-
accredited VSOs. J.A. 476–77. Furthermore, the AVMA published the committee’s VSO petition to its 80,000-plus veterinarian members in the Journal of American Veterinary Medicine and in its electronic newsletter for the purpose of allowing its members to comment on it. J.A. 476, 1133. Moreover, the College has obtained corporate sponsorships from companies in the veterinary industry and received considerable attention in the press. J.A. 476–77. Finally, the College, not Lyons, is listed on the AVMA’s website regarding the VSO bearing the mark. J.A. 477.

As we have explained, the statute, 15 U.S.C. § 1127, requires both advertisement and actual use of the mark to satisfy the “use in commerce” requirement. See Aycock Eng’g, 560 F.3d at 1360 (“[A]dvertisement and actual use of the mark in commerce are required.”); see also Intermed, 197 U.S.P.Q. at 507 (explaining that “at the very least,” in order to meet the use requirement, “there must be an open and notorious public offering of the services to those for whom the services are intended”); id. at 507–08 (“The statute requires not only the display of the mark in the sale or advertising of services but also the rendition of those services in order to constitute use of the service mark in commerce.”).

Thus, substantial evidence supports the Board’s finding that the relevant public looks to the College, not Lyons, for services in connection with the mark because Lyons’s use of the mark has not created distinctiveness inuring to Lyons.

C. To Whom the Public Looks for Quality Control

Finally, the Board found that the relevant public looks to the College to stand behind the quality of the educational and certification services associated with the mark. Decision, 2016 WL 1380739, at *18–19. Substantial evidence supports that finding.

Because the College has earned AVMA accreditation, the veterinarians it certifies may hold themselves out as AVMA-approved specialists. J.A. 476. Indeed, the AVMA maintains a publicly-available website containing information about all AVMA-recognized organizations, including the College, which allows users of the website to contact the College and to search for specialists by area of medicine and organization. J.A. 477, 1046–54. Furthermore, as the Board observed, the College’s very name carries the “AVMA’s seal of approval” because many AVMA-accredited VSOs, and none that are not AVMA-accredited, have names beginning with the words “American College of Veterinary.” J.A. 1181. Lyons has produced no evidence that she has obtained similar certifications from the AVMA, that she has students enrolled in educational services offered under the mark, or that she offers any certification programs at all. Therefore, substantial evidence supports the Board’s finding that members of the public who seek out veterinary sports medicine and rehabilitation services will rely upon the College’s certification as evidence of a particular veterinarian’s expertise. Decision, 2016 WL 1380739, at *19.

III.
In sum, we conclude that the Board’s findings were supported by substantial record evidence. One might even say that the lion’s share of the evidence supports the Board’s decision.

Although Lyons may have been the first to use the mark, the record shows that her use never rose to the level of use in commerce. Rather, she initiated efforts to form an AVMA-accredited VSO with the name of the mark, and that endeavor moved forward without her after she was dismissed from the organizing committee. Her involvement with the committee may have been the very reason that the committee adopted the mark; nevertheless, it is clear from the record that the College used the mark in commerce before Lyons, and Lyons cannot in effect appropriate it. The Board’s findings to that effect were supported by substantial evidence.

[Affirmed.]

NOTES AND QUESTIONS

1. The McCarthy Two-Part Test. Does the McCarthy two-part test provide a reliable mechanism for determining ownership in cases involving informal groups? Does it exemplify the tension between a “totality-of-the-circumstances” approach to the use requirement and a bright-line approach? Is it tilted too far towards the totality-of-the-circumstances approach?

2. Protecting unsophisticated actors. Do the rules on use and ownership create unnecessary complications for individuals who are not well-versed in trademark law? Or should the burden be on those individuals to seek out counsel to forestall future, inefficient ownership disputes (e.g., by appropriate contracts)?

At p. 306, add the following to the end of note 2:

Consider the following three cases. First, consider Herb Reed Enterprises, LLC v. Florida Entertainment Mgmt., Inc., 736 F.3d 1239 (9th Cir. 2013), one of many lawsuits involving rights to the mark THE PLATTERS for a musical group. Herb Reed, one of the original band members, had signed an employment agreement in 1956 with Five Platters, Inc. (FPI), in which he assigned to FPI any rights in the name THE PLATTERS in exchange for shares of FPI stock. Eventually, Reed left the group, and, in 1984, FPI sued Reed for trademark infringement over use of the name. In 1987, Reed and FPI settled. Under the terms of the settlement agreement, Reed retained the right to perform as “Herb Reed and the Platters” but agreed not to perform under the name “The Platters.” Apparently, the agreement did not address rights in any commercial recordings, and from 1987 forward, Reed continued to receive copyright royalties from previously-recorded PLATTERS songs. In 2012, Reed
(through his company) sued Florida Entertainment Management ("FEM," successor to FPI) for trademark infringement. Reed’s company apparently claimed trademark rights in HERB REED AND THE PLATTERS, and asserted that FEM’s use of THE PLATTERS infringed. FEM argued abandonment. The court analyzed the issue by addressing uses of THE PLATTERS mark. According to the court

> [t]he receipt of royalties is a genuine but limited usage of the mark that satisfies the “use” requirement, especially when viewed within the totality of the circumstances—namely, that Reed was constrained by the settlement. . . Receipt of royalties certainly qualifies as placement of “The Platters” mark on goods sold, and supports the finding that there was no abandonment.

_id._ at 1248. Does the court’s analysis reflect an appropriate use of the totality-of-the-circumstances test? Or does it suggest that the test could be largely pretextual? In any event, should the court have reframed its analysis, asking whether the mark HERB REED AND THE PLATTERS had been abandoned?

Second, consider the following. Assume that a firm called Action Ink held a registration for the mark ULTIMATE FAN for “promoting the goods and/or services of others by conducting a contest at sporting events.” Action Ink last held a contest in 1995. Thereafter, until the time of suit (2012), Action Ink had solicited clients, set out various infringement threat letters, but had held no contests. After initiating the suit, Action Ink had signed a licensing agreement with Tulane University under which Tulane took a license in exchange for donating 300 tickets (football tickets, we assume) to a charity of Tulane’s choice. Do Action Ink’s activities after 1995 constitute actual use? Establish evidence of an intent to resume use?

Third, consider how you might apply the totality of the circumstances test to the following facts. Specht, formed a start-up company in 1998 called Android Data Company (ADC) to distribute software and engage in various web-based services. ADC registered ANDROID DATA for these services in 2002, but by that time, ADC had stopped its major operations. Assume that ADC discontinued the use of the mark at that time, and consider whether the following activities establish an intent to resume use:

- ADC maintained its website for some time, but by 2005 had allowed the URL androiddata.com to lapse

- Specht passed out some business cards bearing the ANDROID DATA mark in 2005

- Specht delivered a mass mailing to potential customers in December 2007, but generated no sales for ADC

- ADC revived the website in 2009 under a new URL, android-data.com
See Specht v. Google Inc., 747 F.3d 929 (2014). How, if at all, is your analysis affected by the fact that another start-up (Android, Inc.) was formed in 2005 to develop an operating system for a smartphone; the start-up was subsequently bought out by Google; and, in November 2007, Google released a beta version of the ANDROID operating system software? See also S.C. Johnson & Son, Inc. v. Nutraceutical Corp., 835 F.3d 660 (7th Cir. 2016) (discussing whether evidence of sales through mark owner’s website, and testimony that mark owner’s products were sold at retail shops “around the country,” sufficed to show mark owner’s continued, national use, and also discussing whether the fact that the mark owner’s sales appeared to be declining should undermine the conclusion of continued use).

At p. 306, add the following to the end of note 5:

Suppose that in 2008, a firm stated that it plans to rebrand one of its subsidiaries. Suppose that the firm adopts the new mark in 2008 but continues to display the old mark in some customer presentations, maintains a website with a domain name corresponding to the old mark, and accepts customer payments made in reference to the old mark. Should the firm’s apparent prospective intent to abandon the old mark, articulated in 2008, affect the analysis as to whether the mark owner had discontinued use of the old mark? In particular, should it affect whether the firm’s post-2008 uses of the old mark are deemed to be bona fide uses that would negate a finding that the mark owner had discontinued use? See Wells Fargo & Co. v. ABD Ins. & Fin. Services, Inc., 758 F.3d 1069 (9th Cir. 2014).

At p. 312, add the following to the end of Problem 4-11(2):

For an arguably similar scenario occurring outside the context of sports franchises, consider the following. Suppose that a party registers the following mark for clothing:

Suppose that after some time, the party ceases using the mark in the form shown above, and instead uses the mark as shown below:

Assume that more than three years have passed since the party began using the newer mark. Has the party abandoned rights in the registered mark? Would it be appropriate to borrow the “same commercial impression” test from the tacking cases to determine whether
the party’s use of the newer mark should be treated as a continuation of the use of the older mark? See *Jack Wolfskin Ausrustung Fur Draussen GmbH & Co. KGAA v. New Millenium Sports, S.L.U.*, 797 F.3d 1363 (Fed. Cir. 2015).

At pp. 321-22, add the following at the end of note 4:


At p. 330, add the following to the end of note 1:

What are the practical implications of the TTAB’s ruling for competition among universities located in the same state? For example, suppose that an operator of for-profit colleges sought to start the “Wisconsin A&M University.” What is the risk that the scope of the University of Wisconsin’s marks would encompass Wisconsin A&M – that is, what is the likelihood that consumers would be confused between the two? You should be able to provide a more doctrinally detailed analysis after you have studied the likelihood-of-confusion cases in Chapter 7. See *Florida Int’l Univ. Bd. of Trustees v. Florida Nat’l Univ., Inc.*, 830 F.3d 1242, 1265 (11th Cir. 2016), which concludes, among other things, that “potential college students are relatively sophisticated consumers who are unlikely to be easily or meaningfully confused by similar-sounding university names.” We assume that you already knew that.
REGISTRATION

At p. 350, after the Bose cite at the end of the carry-over paragraph, add the following:

MPC Franchise, LLC v. Tamtino, 826 F.3d 653 (2d Cir. 2016) (clarifying that the Second Circuit standard for fraudulent procurement is consistent with Bose, and ruling that the mark owner knew that others had rights to use the mark and intended to mislead the PTO by attesting otherwise in his trademark application); cf. Lorenaza v. South Am. Rest. Corp., 799 F.3d 31 (1st Cir. 2015) (ruling that the proponent of the fraudulent procurement allegation failed to allege any false statement).

At p. 350, at the end of the Fraudulent Procurement discussion, add the following new paragraph:

Even under the stringent standard of the Bose case, fraud contentions may succeed, at least where the facts are extreme. In Nationstar Mortgage LLC v. Ahmad, 112 U.S.P.Q.2d (BNA) 1361 (TTAB 2014), Nationstar asserted that Ahmad had filed an application under Section 1(a) claiming use of NATIONSTAR in connection with various services, but knew that he had not used the mark for any of those services at the time of filing. The TTAB concluded that the opposition should be sustained on the fraud argument. The Board declined to credit Ahmad’s testimony purporting to show use. The Board expressed skepticism about Ahmad’s credibility, and noted that he was either unwilling or unable to provide information that would have helped authenticate the business cards, flyers, and letters that he offered in an attempt to corroborate his assertions of use. The Board inferred that Ahmad had made false representations with an intent to deceive the PTO. That Ahmad had filed the application pro se did not spare him from the fraud finding under these circumstances, the Board decided.

The Lanham Act establishes liability for applicants who procure registrations by fraud. Lanham Act Section 38 specifies that

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

At p. 351, before the heading “Cancellation,” add the following new paragraph:

A particular concern is whether the affidavit of continued use accurately reflects the registrant’s actual activities in the marketplace. A USPTO study released in July 2014 suggests that there is a reasonable basis for this concern. In nearly half of five hundred randomly-selected registrations, the registrant failed to meet the USPTO’s request to verify the previously claimed use on particular goods and/or services. USPTO, Post Registration Proof of Use Pilot Status Report, <www.uspto.gov/trademarks/notices/Post_Registration_Proof_of_Use.doc> (July 2014). In early 2017, the USPTO revised its regulations to authorize the Office to request information verifying the accuracy of claims that a mark is in use in connection with specified goods or services. Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases, 82 Fed. Reg. 6259 (Jan. 19, 2017), <https://www.gpo.gov/fdsys/pkg/FR-2017-01-19/pdf/2017-00317.pdf>. In May 2017, the USPTO sought public comments on a proposal for a streamlined cancellation proceeding limited to the grounds of either abandonment or nonuse. Improving the Accuracy of the Trademark Register: Request for Comments on Possible Streamlined Version of Cancellation Proceedings on Grounds of Abandonment and Nonuse, 82 Fed. Reg. 22517 (May 16, 2017), <https://www.gpo.gov/fdsys/pkg/FR-2017-05-16/html/2017-09856.htm>. Do you think that the proposed changes would improve the utility of the register as a form of public notice?

At p. 352, before heading B., insert the following:

**Appeals from the TTAB.** As we previously noted (Chapter 1, pp. 37-8), while TTAB determinations are usually appealed to the Court of Appeals for the Federal Circuit (as authorized by Lanham Act § 21(a)), the Lanham Act alternatively permits an applicant, or a party to an inter partes proceeding, to initiate a civil action in the place of an appeal to the Federal Circuit. 15 U.S.C. § 1071(b)(1). As the Fourth Circuit has explained:

In a § 1071(b) action, the district court reviews the record de novo and acts as the finder of fact. *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882, 883–84 (4th Cir. 1963). The district court has authority independent of the PTO to grant or cancel registrations and to decide any related matters such as infringement and unfair competition claims. 15 U.S.C. § 1071(b)(1). The district court must admit
the PTO record if a party so moves, and if admitted, the record “shall have the same effect as if originally taken and produced in the suit.” *Id.* at § 1071(b)(3). Whether or not the record is admitted, the parties have an unrestricted right to submit further evidence as long as it is admissible under the Federal Rules of Evidence and Civil Procedure. *Id.; see also Kappos v. Hyatt*, 132 S.Ct. 1690, 1700 (2012) (interpreting § 1071(b)'s patent parallel, 35 U.S.C. § 145).

*Kappos* is the primary case interpreting the patent and trademark civil action statutes. In *Kappos*, the PTO argued that in a § 145 proceeding where new evidence is admitted, the district court should defer to its findings, and “should overturn the PTO's factual findings only if the new evidence clearly establishes that the agency erred.” 132 S.Ct. 1690, 1695-96 (2012). The Supreme Court rejected the PTO's premise that a § 145 suit “creates a special proceeding that is distinct from a typical civil suit filed in federal district court,” *id.* at 1696, and adopted the Federal Circuit’s position that “where new evidence is presented to the district court on a disputed fact question, a de novo finding will be necessary to take such evidence into account together with the evidence before the board.” *Id.* at 1700 (quoting *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed.Cir.1985)). It held that the district court “does not act as the ‘reviewing court’ envisioned by the APA,” because the court must determine, among other things, “how the new evidence comports with the existing administrative record,” and “as a logical matter [it] can only make [this] determination[ ] de novo because it is the first tribunal to hear the evidence.” *Id.* at 1696, 1700.

*Kappos* also explicitly defines the only situation where consideration of the TTAB decision is permitted. The Court adopted the Federal Circuit’s rule that “the district court may, in its discretion, ‘consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant's newly-admitted evidence.’” *Id.* at 1700 (quoting *Hyatt v. Kappos*, 625 F.3d 1320, 1335 (Fed.Cir.2010)). In sum, where new evidence is submitted, de novo review of the entire record is required because the district court “cannot meaningfully defer to the PTO’s factual findings if the PTO considered a different set of facts.” *Id.*

*Swatch AG v. Beehive Wholesale*, LLC, 739 F.3d 150, 155-56 (4th Cir. 2014). Where the facts show that an applicant had failed to provide the newly-admitted evidence to the PTO, district courts are permitted to give less weight to that evidence. *Hyatt*, 625 F.3d at 1335.

In *Bd. of Trustees of the Univ. of Alabama v. Houndstooth Mafia Ent. LLC*, 2016 WL 706022 (N.D. Ala. Feb. 23, 2016), the court dealt with the question of the relationship between district courts and the TTAB in the context of actions under Lanham Act § 21(b). The University of Alabama had filed a Section 21(b) civil action challenging a TTAB decision dismissing the University’s opposition to Houndstooth’s registration of HOUNDSTOOTH MAFIA for various goods. The parties decided to settle the civil action. The terms of the
settlement agreement provided that Houndstooth would assign rights in the mark to the University, and that the TTAB decision would be vacated. The court approved the settlement and entered a consent judgment ordering that the TTAB decision be vacated. The PTO resisted, asserting that private parties should not have the ability to undo a precedential decision of the TTAB by agreeing to have it vacated. Does (or should) the PTO have authority to resist the court’s order? Is the district court in a Section 21(b) action acting, in effect, as a reviewing court akin to an appellate tribunal? Or is the relationship better characterized in some different way?

A legislative proposal is pending that would give the Court of Appeals for the Federal Circuit exclusive appellate jurisdiction over all appeals from Section 21(b) district court actions. H.R. 9, Innovation Act, 114th Cong. (2015-16) (proposed Section 9(h)(10), one of a set of so-called “technical corrections”).

Orders to cancel. Recall that Lanham Act Section 37 empowers courts to order that a registration be cancelled in whole or in part. (We previously discussed Section 37 in Chapter 2 (note 20, after Zatarains), and in Chapter 3 (where we saw the Second Circuit exercising that power in Louboutin). Section 37 does not create an independent basis for federal court jurisdiction. Rather, it may be asserted as a defense in a trademark infringement action. Airs Aromatics, LLS v. Opinion Victoria’s Secret Stores Brand Mgmt., Inc., 744 F.3d 595 (9th Cir. 2014).

Delete pp. 353-68 and substitute the following:

For several decades, the USPTO invoked Section 2(a)’s immoral/scandalous/disparaging prohibitions primarily against a narrow band of applications deemed to contain profane subject matter. In the 1990s, that practice expanded when a group of Native Americans petitioned to cancel various registrations owned by the Washington Redskins franchise of the National Football League, arguing that the marks had racial overtones that were disparaging to Native Americans. Harjo v. Pro-Football, Inc., 50 U.S.P.Q.2d (BNA) 1705 (TTAB 1999), rev’d, 284 F.Supp. 96 (D.D.C. 2003). Although the petition was eventually dismissed on the ground of laches, Pro-Football, Inc. v. Harjo, 565 F.3d 880 (D.C. Cir. 2009), a new group of petitioners prevailed in the TTAB, and a lower court upheld the TTAB’s ruling. Pro-Football, Inc. v. Blackhorse, 112 F.Supp.3d 439 (E.D. Va. 2015). The mark owner appealed to the Court of Appeals for the Fourth Circuit.

Meanwhile, an Asian-American band had sought to register the mark THE SLANTS, received a Section 2(a) rejection (on the ground that the subject matter was disparaging), and had appealed the rejection to the Court of Appeals for the Federal Circuit. There, the band successfully challenged the Section 2(a) disparagement bar as a facial violation of the First Amendment’s free speech clause. The Supreme Court granted certiorari, and rendered the following decision in Matal v. Tam upholding the Federal Circuit’s ruling. In view of Tam,
the Blackhorse petitioners conceded that they could not prevail in their case. Tam thus signaled the end of the use of Section 2(a)’s disparagement clause to challenge applications to register racially-insensitive marks.

**Matal v. Tam**

137 S.Ct. 1744 (2017)

Justice ALITO announced the judgment of the Court and delivered the opinion of the Court with respect to Parts I, II, and III–A, and an opinion with respect to Parts III–B, III–C, and IV, in which THE CHIEF JUSTICE, Justice THOMAS, and Justice BREYER join.

This case concerns a dance-rock band’s application for federal trademark registration of the band’s name, “The Slants.” “Slants” is a derogatory term for persons of Asian descent, and members of the band are Asian-Americans. But the band members believe that by taking that slur as the name of their group, they will help to “reclaim” the term and drain its denigrating force.

The Patent and Trademark Office (PTO) denied the application based on a provision of federal law prohibiting the registration of trademarks that may “disparage ... or bring ... into contempt or disrepute” any “persons, living or dead.” 15 U.S.C. § 1052(a). We now hold that this provision violates the Free Speech Clause of the First Amendment. It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend.

I

A

“[T]he principle underlying trademark protection is that distinctive marks—words, names, symbols, and the like—can help distinguish a particular artisan’s goods from those of others.” *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S.Ct. 1293, 1299 (2015); see also *Wal–Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 212, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000). A trademark “designate[s] the goods as the product of a particular trader” and “protect[s] his good will against the sale of another’s product as his.” *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97, 39 S.Ct. 48, 63 L.Ed. 141 (1918); see also *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412–413, 36 S.Ct. 357, 60 L.Ed. 713 (1916). It helps consumers identify goods and services that they wish to purchase, as well as those they want to avoid. See *Wal–Mart Stores, supra*, at 212–213, 120 S.Ct. 1339; *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985).

“[F]ederal law does not create trademarks.” *B & B Hardware, supra*, at 1299. Trademarks and their precursors have ancient origins, and trademarks were protected at

Under the Lanham Act, trademarks that are “used in commerce” may be placed on the “principal register,” that is, they may be federally registered. 15 U.S.C. § 1051(a)(1). And some marks “capable of distinguishing [an] applicant’s goods or services and not registrable on the principal register ... which are in lawful use in commerce by the owner thereof” may instead be placed on a different federal register: the supplemental register. § 1091(a). There are now more than two million marks that have active federal certificates of registration. PTO Performance and Accountability Report, Fiscal Year 2016, p. 192 (Table 15), https://www.uspto.gov/sites/default/files/documents/USPTO FY16PAR.pdf (all Internet materials as last visited June 16, 2017). This system of federal registration helps to ensure that trademarks are fully protected and supports the free flow of commerce. “[N]ational protection of trademarks is desirable,” we have explained, “because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.” San Francisco Arts & Athletics, Inc. v. United States Olympic Comm., 483 U.S. 522, 531, 107 S.Ct. 2971, 97 L.Ed.2d 427 (1987) (internal quotation marks omitted); see also Park ‘N Fly, Inc., supra, at 198, 105 S.Ct. 658 (“The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers”).

Without federal registration, a valid trademark may still be used in commerce. See 3 McCarthy § 19:8. And an unregistered trademark can be enforced against would-be infringers in several ways. Most important, even if a trademark is not federally registered, it may still be enforceable under § 43(a) of the Lanham Act, which creates a federal cause of action for trademark infringement. See Two Pesos, supra, at 768, 112 S.Ct. 2753 (“Section 43(a) prohibits a broader range of practices than does § 32, which applies to registered marks, but it is common ground that § 43(a) protects qualifying unregistered trademarks” (internal
Unregistered trademarks may also be entitled to protection under other federal statutes, such as the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d); [cit.]. And an unregistered trademark can be enforced under state common law, or if it has been registered in a State, under that State’s registration system. [cit.]

Federal registration, however, “confers important legal rights and benefits on trademark owners who register their marks.” B & B Hardware, 135 S.Ct., at 1317 (internal quotation marks omitted). Registration on the principal register (1) “serves as ‘constructive notice of the registrant’s claim of ownership’ of the mark,” ibid. (quoting 15 U.S.C. § 1072); (2) “is ‘prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner’s ownership of the mark, and of the owner’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate,’” B & B Hardware, 575 U.S. at ----, 135 S.Ct., at 1300 (quoting § 1057(b)); and (3) can make a mark “‘incontestable’ ” once a mark has been registered for five years,” ibid. (quoting §§ 1065, 1115(b)); see Park ‘N Fly, 469 U.S., at 193, 105 S.Ct. 658. Registration also enables the trademark holder “to stop the importation into the United States of articles bearing an infringing mark.” 3 McCarthy § 19:9, at 19–38; see 15 U.S.C. § 1124.

C

The Lanham Act contains provisions that bar certain trademarks from the principal register. For example, a trademark cannot be registered if it is “merely descriptive or deceptively misdescriptive” of goods, § 1052(e)(1), or if it is so similar to an already registered trademark or trade name that it is “likely ... to cause confusion, or to cause mistake, or to deceive,” § 1052(d).

At issue in this case is one such provision, which we will call “the disparagement clause.” This provision prohibits the registration of a trademark “which may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.” § 1052(a).2 This clause appeared in the original Lanham Act and has remained

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1 In the opinion below, the Federal Circuit opined that although “Section 43(a) allows for a federal suit to protect an unregistered trademark,” “it is not at all clear” that respondent could bring suit under § 43(a) because “there is no authority extending § 43(a) to marks denied under § 2(a)’s disparagement provision.” In re Tam, 808 F.3d 1321, 1344–1345, n. 11 (en banc), as corrected (Feb. 11, 2016). When drawing this conclusion, the Federal Circuit relied in part on our statement in Two Pesos that “the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a).” 505 U.S., at 768, 112 S.Ct. 2753. We need not decide today whether respondent could bring suit under § 43(a) if his application for federal registration had been lawfully denied under the disparagement clause.

2 The disparagement clause also prevents a trademark from being registered on the supplemental register. § 1091(a).
the same to this day. See § 2(a), 60 Stat. 428.

When deciding whether a trademark is disparaging, an examiner at the PTO generally applies a “two-part test.” The examiner first considers “the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services.” Trademark Manual of Examining Procedure § 1203.03(b)(i) (Apr. 2017), p. 1200–150, http://tmep.uspto.gov. “If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols,” the examiner moves to the second step, asking “whether that meaning may be disparaging to a substantial composite of the referenced group.” Ibid. If the examiner finds that a “substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark ... to be disparaging in the context of contemporary attitudes,” a prima facie case of disparagement is made out, and the burden shifts to the applicant to prove that the trademark is not disparaging. Ibid. What is more, the PTO has specified that “[t]he fact that an applicant may be a member of that group or has good intentions underlying its use of a term does not obviate the fact that a substantial composite of the referenced group would find the term objectionable.” Ibid.

D

Simon Tam is the lead singer of “The Slants.” In re Tam, 808 F.3d 1321, 1331 (C.A.Fed.2015) (en banc), as corrected (Feb. 11, 2016). He chose this moniker in order to “reclaim” and “take ownership” of stereotypes about people of Asian ethnicity. Ibid. (internal quotation marks omitted). The group “draws inspiration for its lyrics from childhood slurs and mocking nursery rhymes” and has given its albums names such as “The Yellow Album” and “Slanted Eyes, Slanted Hearts.” Ibid.

Tam sought federal registration of “THE SLANTS,” on the principal register, App. 17, but an examining attorney at the PTO rejected the request, applying the PTO’s two-part framework and finding that “there is ... a substantial composite of persons who find the term in the applied-for mark offensive.” Id., at 30. The examining attorney relied in part on the fact that “numerous dictionaries define ‘slants’ or ‘slant-eyes’ as a derogatory or offensive term.” Id., at 29. The examining attorney also relied on a finding that “the band’s name has been found offensive numerous times”—citing a performance that was canceled because of the band’s moniker and the fact that “several bloggers and commenters to articles on the band have indicated that they find the term and the applied-for mark offensive.” Id., at 29–30.

Tam contested the denial of registration before the examining attorney and before the PTO’s Trademark Trial and Appeal Board (TTAB) but to no avail. Eventually, he took the case to federal court, where the en banc Federal Circuit ultimately found the disparagement clause facially unconstitutional under the First Amendment’s Free Speech Clause. The
majority found that the clause engages in viewpoint-based discrimination, that the clause regulates the expressive component of trademarks and consequently cannot be treated as commercial speech, and that the clause is subject to and cannot satisfy strict scrutiny. See 808 F.3d, at 1334–1339. The majority also rejected the Government’s argument that registered trademarks constitute government speech, as well as the Government’s contention that federal registration is a form of government subsidy. See id., at 1339–1355. And the majority opined that even if the disparagement clause were analyzed under this Court’s commercial speech cases, the clause would fail the “intermediate scrutiny” that those cases prescribe. See id., at 1355–1357.

...  
The Government filed a petition for certiorari, which we granted in order to decide whether the disparagement clause “is facially invalid under the Free Speech Clause of the First Amendment.”

II  

[Tam first argued that the Section 2(a) rejection was improper independent of any First Amendment problem because Section 2(a) prohibits the registration of marks that disparage “persons,” whereas the PTO had extended bar to subject matter that disparaged racial and ethnic groups. Although deciding the case on this ground would have allowed the Court to avoid grappling with the difficult constitutional issue, the Court rejected the argument. A mark that disparaged a group necessarily disparaged many “persons,” the Court asserted. Moreover, while the PTO had previously accepted for registration marks that arguably denigrated African-Americans, for example, this did not indicate that the PTO had previously adopted a narrow definition of “persons.” Rather, it was more likely the product of a haphazard record of enforcement, the “regrettable attitudes and sensibilities” of a prior time, and the “admitted vagueness” of the disparagement test. Regarding vagueness, the Court expounded in a footnote (note 5) that:

The PTO has acknowledged that the guidelines “for determining whether a mark is scandalous or disparaging are somewhat vague and the determination of whether a mark is scandalous or disparaging is necessarily a highly subjective one.” In re In Over Our Heads, Inc., 16 USPQ 2d 1653, 1654 (T.T.A.B.1990) (brackets and internal quotation marks omitted). The PTO has similarly observed that whether a mark is disparaging “is highly subjective and, thus, general rules are difficult to postulate.” Harjo v. Pro–Football Inc., 50 USPQ 2d 1705, 1737 (T.T.A.B.1999), rev’d, 284 F.Supp.2d 96 (D.D.C.2003), rev’d and remanded in part, 415 F.3d 44 (C.A.D.C.2005) (per curiam).]

III

102
Because the disparagement clause applies to marks that disparage the members of a racial or ethnic group, we must decide whether the clause violates the Free Speech Clause of the First Amendment. And at the outset, we must consider three arguments that would either eliminate any First Amendment protection or result in highly permissive rational-basis review. Specifically, the Government contends (1) that trademarks are government speech, not private speech, (2) that trademarks are a form of government subsidy, and (3) that the constitutionality of the disparagement clause should be tested under a new “government-program” doctrine. We address each of these arguments below.

A

The First Amendment prohibits Congress and other government entities and actors from “abridging the freedom of speech”; the First Amendment does not say that Congress and other government entities must abridge their own ability to speak freely. And our cases recognize that “[t]he Free Speech Clause ... does not regulate government speech.” Pleasant Grove City v. Summum, 555 U.S. 460, 467, 129 S.Ct. 1125, 172 L.Ed.2d 853 (2009); see Johanns v. Livestock Marketing Assn., 544 U.S. 550, 553, 125 S.Ct. 2055, 161 L.Ed.2d 896 (2005) (“[T]he Government’s own speech ... is exempt from First Amendment scrutiny”); Board of Regents of Univ. of Wis. System v. Southworth, 529 U.S. 217, 235, 120 S.Ct. 1346, 146 L.Ed.2d 193 (2000).

As we have said, “it is not easy to imagine how government could function” if it were subject to the restrictions that the First Amendment imposes on private speech. Summum, supra, at 468, 129 S.Ct. 1125; see Walker v. Texas Div., Sons of Confederate Veterans, Inc., 135 S.Ct. 2239, 2245–2247, 192 L.Ed.2d 274 (2015). “ ‘[T]he First Amendment forbids the government to regulate speech in ways that favor some viewpoints or ideas at the expense of others,’ ” Lamb’s Chapel v. Center Moriches Union Free School Dist., 508 U.S. 384, 394, 113 S.Ct. 2141, 124 L.Ed.2d 352 (1993), but imposing a requirement of viewpoint-neutrality on government speech would be paralyzing. When a government entity embarks on a course of action, it necessarily takes a particular viewpoint and rejects others. The Free Speech Clause does not require government to maintain viewpoint neutrality when its officers and employees speak about that venture.

Here is a simple example. During the Second World War, the Federal Government produced and distributed millions of posters to promote the war effort. There were posters urging enlistment, the purchase of war bonds, and the conservation of scarce resources. These posters expressed a viewpoint, but the First Amendment did not demand that the Government balance the message of these posters by producing and distributing posters encouraging Americans to refrain from engaging in these activities.

But while the government-speech doctrine is important—indeed, essential—it is a doctrine that is susceptible to dangerous misuse. If private speech could be passed off as government speech by simply affixing a government seal of approval, government could
silence or muffle the expression of disfavored viewpoints. For this reason, we must exercise
great caution before extending our government-speech precedents.

At issue here is the content of trademarks that are registered by the PTO, an arm of the
Federal Government. The Federal Government does not dream up these marks, and it does
not edit marks submitted for registration. Except as required by the statute involved here, 15
U.S.C. § 1052(a), an examiner may not reject a mark based on the viewpoint that it appears
to express. Thus, unless that section is thought to apply, an examiner does not inquire
whether any viewpoint conveyed by a mark is consistent with Government policy or whether
any such viewpoint is consistent with that expressed by other marks already on the principal
register. Instead, if the mark meets the Lanham Act’s viewpoint-neutral requirements,
registration is mandatory. Ibid. (requiring that “[n]o trademark ... shall be refused registration
on the principal register on account of its nature unless” it falls within an enumerated
statutory exception). And if an examiner finds that a mark is eligible for placement on the
principal register, that decision is not reviewed by any higher official unless the registration
is challenged. See §§ 1062(a), 1071; 37 C.F.R. § 41.31(a) (2016). Moreover, once a mark is
registered, the PTO is not authorized to remove it from the register unless a party moves for
cancellation, the registration expires, or the Federal Trade Commission initiates proceedings
based on certain grounds. See 15 U.S.C. §§ 1058(a), 1059, 1064; 37 C.F.R. §§ 2.111(b),
2.160.

In light of all this, it is far-fetched to suggest that the content of a registered mark is
government speech. If the federal registration of a trademark makes the mark government
speech, the Federal Government is babbling prodigiously and incoherently. It is saying many
unseemly things. See App. to Brief for Pro–Football, Inc., as Amicus Curiae. It is expressing
contradictory views.9 It is unashamedly endorsing a vast array of commercial products and
services. And it is providing Delphic advice to the consuming public.

For example, if trademarks represent government speech, what does the Government
have in mind when it advises Americans to “make.believe” (Sony), “Think different” (Apple),
“Just do it” (Nike), or “Have it your way” (Burger King)? Was the Government warning about
a coming disaster when it registered the mark “EndTime Ministries”?

The PTO has made it clear that registration does not constitute approval of a mark. See
In re Old Glory Condom Corp., 26 USPQ 2d 1216, 1220, n. 3 (T.T.A.B.1993) (“[I]ssuance of a
trademark registration ... is not a government imprimatur”). And it is unlikely that more
than a tiny fraction of the public has any idea what federal registration of a trademark means.

9 Compare “Abolish Abortion,” Registration No. 4,935,774 (Apr. 12, 2016), with “I Stand With
Planned Parenthood,” Registration No. 5,073,573 (Nov. 1, 2016); compare “Capitalism Is Not Moral,
Not Fair, Not Freedom,” Registration No. 4,696,419 (Mar. 3, 2015), with “Capitalism Ensuring
Innovation,” Registration No. 3,966,092 (May 24, 2011); compare “Global Warming Is Good,”
Registration No. 4,776,235 (July 21, 2015), with “A Solution to Global Warming,” Registration No.
3,875,271 (Nov. 10, 2010).
None of our government speech cases even remotely supports the idea that registered trademarks are government speech. In Johanns, we considered advertisements promoting the sale of beef products. A federal statute called for the creation of a program of paid advertising “to advance the image and desirability of beef and beef products.” 544 U.S., at 561, 125 S.Ct. 2055 (quoting 7 U.S.C. § 2902(13)). Congress and the Secretary of Agriculture provided guidelines for the content of the ads, Department of Agriculture officials attended the meetings at which the content of specific ads was discussed, and the Secretary could edit or reject any proposed ad. 544 U.S., at 561, 125 S.Ct. 2055. Noting that “[t]he message set out in the beef promotions [was] from beginning to end the message established by the Federal Government,” we held that the ads were government speech. Id., at 560, 125 S.Ct. 2055. The Government’s involvement in the creation of these beef ads bears no resemblance to anything that occurs when a trademark is registered.

Our decision in Summum is similarly far afield. A small city park contained 15 monuments. 555 U.S., at 464, 129 S.Ct. 1125. Eleven had been donated by private groups, and one of these displayed the Ten Commandments. Id., at 464–465, 129 S.Ct. 1125. A religious group claimed that the city, by accepting donated monuments, had created a limited public forum for private speech and was therefore obligated to place in the park a monument expressing the group’s religious beliefs.

Holding that the monuments in the park represented government speech, we cited many factors. Governments have used monuments to speak to the public since ancient times; parks have traditionally been selective in accepting and displaying donated monuments; parks would be overrun if they were obligated to accept all monuments offered by private groups; “[p]ublic parks are often closely identified in the public mind with the government unit that owns the land”; and “[t]he monuments that are accepted ... are meant to convey and have the effect of conveying a government message.” Id., at 472, 129 S.Ct. 1125.

Trademarks share none of these characteristics. Trademarks have not traditionally been used to convey a Government message. With the exception of the enforcement of 15 U.S.C. § 1052(a), the viewpoint expressed by a mark has not played a role in the decision whether to place it on the principal register. And there is no evidence that the public associates the contents of trademarks with the Federal Government.

This brings us to the case on which the Government relies most heavily, Walker, which likely marks the outer bounds of the government-speech doctrine. Holding that the messages on Texas specialty license plates are government speech, the Walker Court cited three factors distilled from Summum. 135 S.Ct., at 2246–2247. First, license plates have long been used...
by the States to convey state messages. Id., at 135 S.Ct., at 2248–2249. Second, license plates “are often closely identified in the public mind” with the State, since they are manufactured and owned by the State, generally designed by the State, and serve as a form of “government ID.” Id., at 135 S.Ct., at 2249 (internal quotation marks omitted). Third, Texas “maintain[ed] direct control over the messages conveyed on its specialty plates.” Id., at 135 S.Ct., at 2249. As explained above, none of these factors are present in this case.

In sum, the federal registration of trademarks is vastly different from the beef ads in Johanns, the monuments in Summum, and even the specialty license plates in Walker. Holding that the registration of a trademark converts the mark into government speech would constitute a huge and dangerous extension of the government-speech doctrine. For if the registration of trademarks constituted government speech, other systems of government registration could easily be characterized in the same way.

Perhaps the most worrisome implication of the Government’s argument concerns the system of copyright registration. If federal registration makes a trademark government speech and thus eliminates all First Amendment protection, would the registration of the copyright for a book produce a similar transformation? See 808 F.3d, at 1346 (explaining that if trademark registration amounts to government speech, “then copyright registration” which “has identical accoutrements” would “likewise amount to government speech”).

The Government attempts to distinguish copyright on the ground that it is “‘the engine of free expression,’” Brief for Petitioner 47 (quoting Eldred v. Ashcroft, 537 U.S. 186, 219, 123 S.Ct. 769, 154 L.Ed.2d 683 (2003)), but as this case illustrates, trademarks often have an expressive content. Companies spend huge amounts to create and publicize trademarks that convey a message. It is true that the necessary brevity of trademarks limits what they can say. But powerful messages can sometimes be conveyed in just a few words.

Trademarks are private, not government, speech.

B

We next address the Government’s argument that this case is governed by cases in which this Court has upheld the constitutionality of government programs that subsidized speech expressing a particular viewpoint. These cases implicate a notoriously tricky question of constitutional law. “[W]e have held that the Government ‘may not deny a benefit to a person on a basis that infringes his constitutionally protected ... freedom of speech even if he has no entitlement to that benefit.’ ” Agency for Int’l Development v. Alliance for Open Society Int’l, Inc., 133 S.Ct. 2321, 2328, 186 L.Ed.2d 398 (2013) (some internal quotation marks omitted). But at the same time, government is not required to subsidize activities that it does not wish to promote. Ibid. Determining which of these principles applies in a particular case “is not always self-evident,” 133 S.Ct., at 2330, but no difficult question is presented here.

The federal registration of a trademark is nothing like the programs at issue in these cases. The PTO does not pay money to parties seeking registration of a mark. Quite the contrary is true: An applicant for registration must pay the PTO a filing fee of $225–$600. 37 C.F.R. § 2.6(a)(1). (Tam submitted a fee of $275 as part of his application to register THE SLANTS. App. 18.) And to maintain federal registration, the holder of a mark must pay a fee of $300–$500 every 10 years. § 2.6(a)(5); see also 15 U.S.C. § 1059(a). The Federal Circuit concluded that these fees have fully supported the registration system for the past 27 years. 808 F.3d, at 1353.

The Government responds that registration provides valuable non-monetary benefits that “are directly traceable to the resources devoted by the federal government to examining, publishing, and issuing certificates of registration for those marks.” Brief for Petitioner 27. But just about every government service requires the expenditure of government funds. This is true of services that benefit everyone, like police and fire protection, as well as services that are utilized by only some, e.g., the adjudication of private lawsuits and the use of public parks and highways.

Trademark registration is not the only government registration scheme. For example, the Federal Government registers copyrights and patents. State governments and their subdivisions register the title to real property and security interests; they issue driver’s licenses, motor vehicle registrations, and hunting, fishing, and boating licenses or permits.

Cases like *Rust* and *Finley* are not instructive in analyzing the constitutionality of restrictions on speech imposed in connection with such services.

C

Finally, the Government urges us to sustain the disparagement clause under a new doctrine that would apply to “government-program” cases. For the most part, this argument simply merges our government-speech cases and the previously discussed subsidy cases in an attempt to construct a broader doctrine that can be applied to the registration of trademarks. The only new element in this construct consists of two cases involving a public employer’s
collection of union dues from its employees. But those cases occupy a special area of First Amendment case law, and they are far removed from the registration of trademarks.

In *Davenport v. Washington Ed. Assn.*, 551 U.S. 177, 181–182, 127 S.Ct. 2372, 168 L.Ed.2d 71 (2007), a Washington law permitted a public employer automatically to deduct from the wages of employees who chose not to join the union the portion of union dues used for activities related to collective bargaining. But unless these employees affirmatively consented, the law did not allow the employer to collect the portion of union dues that would be used in election activities. *Id.*, at 180–182, 127 S.Ct. 2372. A public employee union argued that this law unconstitutionally restricted its speech based on its content; that is, the law permitted the employer to assist union speech on matters relating to collective bargaining but made it harder for the union to collect money to support its election activities. *Id.*, at 188, 127 S.Ct. 2372. Upholding this law, we characterized it as imposing a “modest limitation” on an “extraordinary benefit,” namely, taking money from the wages of non-union members and turning it over to the union free of charge. *Id.*, at 184, 127 S.Ct. 2372. Refusing to confer an even greater benefit, we held, did not upset the marketplace of ideas and did not abridge the union’s free speech rights. *Id.*, at 189–190, 127 S.Ct. 2372.

*Ysursa v. Pocatello Ed. Assn.*, 555 U.S. 353, 129 S.Ct. 1093, 172 L.Ed.2d 770 (2009), is similar. There, we considered an Idaho law that allowed public employees to elect to have union dues deducted from their wages but did not allow such a deduction for money remitted to the union’s political action committee. *Id.*, at 355, 129 S.Ct. 1093. We reasoned that the “government ... [was] not required to assist others in funding the expression of particular ideas.” *Id.*, at 358, 129 S.Ct. 1093; see also *id.*, at 355, 129 S.Ct. 1093 (“The First Amendment ... does not confer an affirmative right to use government payroll mechanisms for the purpose of obtaining funds for expression”).

*Davenport* and *Ysursa* are akin to our subsidy cases. Although the laws at issue in *Davenport* and *Ysursa* did not provide cash subsidies to the unions, they conferred a very valuable benefit—the right to negotiate a collective-bargaining agreement under which non-members would be obligated to pay an agency fee that the public employer would collect and turn over to the union free of charge. As in the cash subsidy cases, the laws conferred this benefit because it was thought that this arrangement served important government interests. See *Abood v. Detroit Bd. of Ed.*, 431 U.S. 209, 224–226, 97 S.Ct. 1782, 52 L.Ed.2d 261 (1977). But the challenged laws did not go further and provide convenient collection mechanisms for money to be used in political activities. In essence, the Washington and Idaho lawmakers chose to confer a substantial non-cash benefit for the purpose of furthering activities that they particularly desired to promote but not to provide a similar benefit for the purpose of furthering other activities. Thus, *Davenport* and *Ysursa* are no more relevant for present purposes than the subsidy cases previously discussed.

Potentially more analogous are cases in which a unit of government creates a limited public forum for private speech. See, e.g., *Good News Club v. Milford Central School*, 533 U.S.
98, 106–107, 121 S.Ct. 2093, 150 L.Ed.2d 151 (2001); Rosenberger v. Rector and Visitors of Univ. of Va., 515 U.S. 819, 831, 115 S.Ct. 2510, 132 L.Ed.2d 700 (1995); Lamb’s Chapel, 508 U.S., at 392–393, 113 S.Ct. 2141. See also Legal Services Corporation v. Velazquez, 531 U.S. 533, 541–544, 121 S.Ct. 1043, 149 L.Ed.2d 63 (2001). When government creates such a forum, in either a literal or “metaphysical” sense, see Rosenberger, 515 U.S., at 830–831, 115 S.Ct. 2510 some content- and speaker-based restrictions may be allowed, see id., at 830–831, 115 S.Ct. 2510. However, even in such cases, what we have termed “viewpoint discrimination” is forbidden. Id., at 831, 115 S.Ct. 2510.

Our cases use the term “viewpoint” discrimination in a broad sense, see ibid., and in that sense, the disparagement clause discriminates on the bases of “viewpoint.” To be sure, the clause evenhandedly prohibits disparagement of all groups. It applies equally to marks that damn Democrats and Republicans, capitalists and socialists, and those arrayed on both sides of every possible issue. It denies registration to any mark that is offensive to a substantial percentage of the members of any group. But in the sense relevant here, that is viewpoint discrimination: Giving offense is a viewpoint.

We have said time and again that “the public expression of ideas may not be prohibited merely because the ideas are themselves offensive to some of their hearers.” Street v. New York, 394 U.S. 576, 592, 89 S.Ct. 1354, 22 L.Ed.2d 572 (1969). [cit.]

For this reason, the disparagement clause cannot be saved by analyzing it as a type of government program in which some content- and speaker-based restrictions are permitted.16

IV

Having concluded that the disparagement clause cannot be sustained under our government-speech or subsidy cases or under the Government’s proposed “government-program” doctrine, we must confront a dispute between the parties on the question whether trademarks are commercial speech and are thus subject to the relaxed scrutiny outlined in Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n of N. Y., 447 U.S. 557, 100 S.Ct. 2343, 65 L.Ed.2d 341 (1980). The Government and amici supporting its position argue that all trademarks are commercial speech. They note that the central purposes of trademarks are commercial and that federal law regulates trademarks to promote fair and orderly interstate commerce. Tam and his amici, on the other hand, contend that many, if not all, trademarks have an expressive component. In other words, these trademarks do not simply identify the source of a product or service but go on to say something more, either about the product or service or some broader issue. The trademark in this case illustrates this point. The name “The Slants” not only identifies the band but expresses a view about social issues.

16 We leave open the question whether this is the appropriate framework for analyzing free speech challenges to provisions of the Lanham Act.
We need not resolve this debate between the parties because the disparagement clause cannot withstand even Central Hudson review. Under Central Hudson, a restriction of speech must serve “a substantial interest,” and it must be “narrowly drawn.” Id., at 564–565, 100 S.Ct. 2343 (internal quotation marks omitted). This means, among other things, that “[t]he regulatory technique may extend only as far as the interest it serves.” Id., at 565, 100 S.Ct. 2343. The disparagement clause fails this requirement.

It is claimed that the disparagement clause serves two interests. The first is phrased in a variety of ways in the briefs. Echoing language in one of the opinions below, the Government asserts an interest in preventing “underrepresented groups” from being “bombarded with demeaning messages in commercial advertising.” Brief for Petitioner 48 (quoting 808 F.3d, at 1364 (Dyk, J., concurring in part and dissenting in part)). An amicus supporting the Government refers to “encouraging racial tolerance and protecting the privacy and welfare of individuals.” Brief for Native American Organizations as Amici Curiae 21. But no matter how the point is phrased, its unmistakable thrust is this: The Government has an interest in preventing speech expressing ideas that offend. And, as we have explained, that idea strikes at the heart of the First Amendment. Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express “the thought that we hate.” United States v. Schwimmer, 279 U.S. 644, 655, 49 S.Ct. 448, 73 L.Ed. 889 (1929) (Holmes, J., dissenting).

The second interest asserted is protecting the orderly flow of commerce. See 808 F.3d, at 1379–1381 (Reyna, J., dissenting); Brief for Petitioner 49; Brief for Native American Organizations as Amici Curiae 18–21. Commerce, we are told, is disrupted by trademarks that “involv[e] disparagement of race, gender, ethnicity, national origin, religion, sexual orientation, and similar demographic classification.” 808 F.3d, at 1380–1381 (opinion of Reyna, J.). Such trademarks are analogized to discriminatory conduct, which has been recognized to have an adverse effect on commerce. See ibid.; Brief for Petitioner 49; Brief for Native American Organizations as Amici Curiae 18–20.

A simple answer to this argument is that the disparagement clause is not “narrowly drawn” to drive out trademarks that support invidious discrimination. The clause reaches any trademark that disparages any person, group, or institution. It applies to trademarks like the following: “Down with racists,” “Down with sexists,” “Down with homophobes.” It is not an anti-discrimination clause; it is a happy-talk clause. In this way, it goes much further than is necessary to serve the interest asserted.

17 As with the framework discussed in Part III–C of this opinion, we leave open the question whether Central Hudson provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act. And nothing in our decision should be read to speak to the validity of state unfair competition provisions or product libel laws that are not before us and differ from § 1052(d)’s disparagement clause.
The clause is far too broad in other ways as well. The clause protects every person living or dead as well as every institution. Is it conceivable that commerce would be disrupted by a trademark saying: “James Buchanan was a disastrous president” or “Slavery is an evil institution”?

There is also a deeper problem with the argument that commercial speech may be cleansed of any expression likely to cause offense. The commercial market is well stocked with merchandise that disparages prominent figures and groups, and the line between commercial and non-commercial speech is not always clear, as this case illustrates. If affixing the commercial label permits the suppression of any speech that may lead to political or social “volatility,” free speech would be endangered.

... [Affirmed.]

Justice KENNEDY, with whom Justice GINSBURG, Justice SOTOMAYOR, and Justice KAGAN join, concurring in part and concurring in the judgment.

... The Court is correct in its judgment, and I join Parts I, II, and III–A of its opinion. This separate writing explains in greater detail why the First Amendment’s protections against viewpoint discrimination apply to the trademark here. It submits further that the viewpoint discrimination rationale renders unnecessary any extended treatment of other questions raised by the parties.

I

Those few categories of speech that the government can regulate or punish—for instance, fraud, defamation, or incitement—are well established within our constitutional tradition. See United States v. Stevens, 559 U.S. 460, 468, 130 S.Ct. 1577, 176 L.Ed.2d 435 (2010). Aside from these and a few other narrow exceptions, it is a fundamental principle of the First Amendment that the government may not punish or suppress speech based on disapproval of the ideas or perspectives the speech conveys. See Rosenberger v. Rector and Visitors of Univ. of Va., 515 U.S. 819, 828–829, 115 S.Ct. 2510, 132 L.Ed.2d 700 (1995).

The First Amendment guards against laws “targeted at specific subject matter,” a form of speech suppression known as content based discrimination. Reed v. Town of Gilbert, 135 S.Ct. 2218, 2230, 192 L.Ed.2d 236 (2015). This category includes a subtype of laws that go further, aimed at the suppression of “particular views ... on a subject.” Rosenberger, 515 U.S., at 829, 115 S.Ct. 2510. A law found to discriminate based on viewpoint is an “egregious form of content discrimination,” which is “presumptively unconstitutional.” Id., at 829–830,
At its most basic, the test for viewpoint discrimination is whether—within the relevant subject category—the government has singled out a subset of messages for disfavor based on the views expressed. See Cornelius v. NAACP Legal Defense & Ed. Fund, Inc., 473 U.S. 788, 806, 105 S.Ct. 3439, 87 L.Ed.2d 567 (1985) (“[T]he government violates the First Amendment when it denies access to a speaker solely to suppress the point of view he espouses on an otherwise includible subject”). In the instant case, the disparagement clause the Government now seeks to implement and enforce identifies the relevant subject as “persons, living or dead, institutions, beliefs, or national symbols.” 15 U.S.C. § 1052(a). Within that category, an applicant may register a positive or benign mark but not a derogatory one. The law thus reflects the Government’s disapproval of a subset of messages it finds offensive. This is the essence of viewpoint discrimination.

The Government disputes this conclusion. It argues, to begin with, that the law is viewpoint neutral because it applies in equal measure to any trademark that demeans or offends. This misses the point. A subject that is first defined by content and then regulated or censored by mandating only one sort of comment is not viewpoint neutral. To prohibit all sides from criticizing their opponents makes a law more viewpoint based, not less so. Cf. Rosenberger, supra, at 831–832, 115 S.Ct. 2510 (“The ... declaration that debate is not skewed so long as multiple voices are silenced is simply wrong; the debate is skewed in multiple ways”). The logic of the Government’s rule is that a law would be viewpoint neutral even if it provided that public officials could be praised but not condemned. The First Amendment’s viewpoint neutrality principle protects more than the right to identify with a particular side. It protects the right to create and present arguments for particular positions in particular ways, as the speaker chooses. By mandating positivity, the law here might silence dissent and distort the marketplace of ideas.

The Government next suggests that the statute is viewpoint neutral because the disparagement clause applies to trademarks regardless of the applicant’s personal views or reasons for using the mark. Instead, registration is denied based on the expected reaction of the applicant’s audience. In this way, the argument goes, it cannot be said that Government is acting with hostility toward a particular point of view. For example, the Government does not dispute that respondent seeks to use his mark in a positive way. Indeed, respondent endeavors to use The Slants to supplant a racial epithet, using new insights, musical talents, and wry humor to make it a badge of pride. Respondent’s application was denied not because the Government thought his object was to demean or offend but because the Government thought his trademark would have that effect on at least some Asian–Americans.

The Government may not insulate a law from charges of viewpoint discrimination by tying censorship to the reaction of the speaker’s audience. The Court has suggested that viewpoint discrimination occurs when the government intends to suppress a speaker’s beliefs, Reed, supra, at 135 S.Ct., at 2229–2230, but viewpoint discrimination need not take that form in every instance. The danger of viewpoint discrimination is that the government
is attempting to remove certain ideas or perspectives from a broader debate. That danger is all the greater if the ideas or perspectives are ones a particular audience might think offensive, at least at first hearing. An initial reaction may prompt further reflection, leading to a more reasoned, more tolerant position.

Indeed, a speech burden based on audience reactions is simply government hostility and intervention in a different guise. The speech is targeted, after all, based on the government’s disapproval of the speaker’s choice of message. And it is the government itself that is attempting in this case to decide whether the relevant audience would find the speech offensive. For reasons like these, the Court’s cases have long prohibited the government from justifying a First Amendment burden by pointing to the offensiveness of the speech to be suppressed. See ante (collecting examples).

The Government’s argument in defense of the statute assumes that respondent’s mark is a negative comment. In addressing that argument on its own terms, this opinion is not intended to imply that the Government’s interpretation is accurate. From respondent’s submissions, it is evident he would disagree that his mark means what the Government says it does. The trademark will have the effect, respondent urges, of reclaiming an offensive term for the positive purpose of celebrating all that Asian–Americans can and do contribute to our diverse Nation. Brief for Respondent 1–4, 42–43. While thoughtful persons can agree or disagree with this approach, the dissonance between the trademark’s potential to teach and the Government’s insistence on its own, opposite, and negative interpretation confirms the constitutional vice of the statute.

II

The parties dispute whether trademarks are commercial speech and whether trademark registration should be considered a federal subsidy. The former issue may turn on whether certain commercial concerns for the protection of trademarks might, as a general matter, be the basis for regulation. However that issue is resolved, the viewpoint based discrimination at issue here necessarily invokes heightened scrutiny.

“Commercial speech is no exception,” the Court has explained, to the principle that the First Amendment “requires heightened scrutiny whenever the government creates a regulation of speech because of disagreement with the message it conveys.” Sorrel v. IMS Health Inc., 564 U.S. 552, 566, 131 S.Ct. 2653, 180 L.Ed.2d 544 (2011) (internal quotation marks omitted). Unlike content based discrimination, discrimination based on viewpoint, including a regulation that targets speech for its offensiveness, remains of serious concern in the commercial context. See Bolger v. Youngs Drug Products Corp., 463 U.S. 60, 65, 71–72, 103 S.Ct. 2875, 77 L.Ed.2d 469 (1983).

To the extent trademarks qualify as commercial speech, they are an example of why that term or category does not serve as a blanket exemption from the First Amendment’s requirement of viewpoint neutrality. Justice Holmes’ reference to the “free trade in ideas”
and the “power of ... thought to get itself accepted in the competition of the market,” Abrams v. United States, 250 U.S. 616, 630, 40 S.Ct. 17, 63 L.Ed. 1173 (1919) (dissenting opinion), was a metaphor. In the realm of trademarks, the metaphorical marketplace of ideas becomes a tangible, powerful reality. Here that real marketplace exists as a matter of state law and our common-law tradition, quite without regard to the Federal Government. See ante. These marks make up part of the expression of everyday life, as with the names of entertainment groups, broadcast networks, designer clothing, newspapers, automobiles, candy bars, toys, and so on. See Brief for Pro-Football, Inc., as Amicus Curiae 8 (collecting examples). Nonprofit organizations—ranging from medical-research charities and other humanitarian causes to political advocacy groups—also have trademarks, which they use to compete in a real economic sense for funding and other resources as they seek to persuade others to join their cause. See id., at 8–9 (collecting examples). To permit viewpoint discrimination in this context is to permit Government censorship.

This case does not present the question of how other provisions of the Lanham Act should be analyzed under the First Amendment. It is well settled, for instance, that to the extent a trademark is confusing or misleading the law can protect consumers and trademark owners. See, e.g., FTC v. Winsted Hosiery Co., 258 U.S. 483, 493, 42 S.Ct. 384, 66 L.Ed. 729 (1922) (“The labels in question are literally false, and ... palpably so. All are, as the Commission found, calculated to deceive and do in fact deceive a substantial portion of the purchasing public”). This case also does not involve laws related to product labeling or otherwise designed to protect consumers. See Sorrell, supra, at 579, 131 S.Ct. 2653 (“[T]he government’s legitimate interest in protecting consumers from commercial harms explains why commercial speech can be subject to greater governmental regulation than noncommercial speech” (internal quotation marks omitted)). These considerations, however, do not alter the speech principles that bar the viewpoint discrimination embodied in the statutory provision at issue here.

It is telling that the Court’s precedents have recognized just one narrow situation in which viewpoint discrimination is permissible: where the government itself is speaking or recruiting others to communicate a message on its behalf. See Legal Services Corporation v. Velazquez, 531 U.S. 533, 540–542, 121 S.Ct. 1043, 149 L.Ed.2d 63 (2001); Board of Regents of Univ. of Wis. System v. Southworth, 529 U.S. 217, 229, 235, 120 S.Ct. 1346, 146 L.Ed.2d 193 (2000); Rosenberger, 515 U.S., at 833, 115 S.Ct. 2510. The exception is necessary to allow the government to stake out positions and pursue policies. See Southworth, supra, at 235, 120 S.Ct. 1346; see also ante. But it is also narrow, to prevent the government from claiming that every government program is exempt from the First Amendment. These cases have identified a number of factors that, if present, suggest the government is speaking on its own behalf; but none are present here. See ante.

There may be situations where private speakers are selected for a government program to assist the government in advancing a particular message. That is not this case either. The central purpose of trademark registration is to facilitate source identification. To serve that
broad purpose, the Government has provided the benefits of federal registration to millions of marks identifying every type of product and cause. Registered trademarks do so by means of a wide diversity of words, symbols, and messages. Whether a mark is disparaging bears no plausible relation to that goal. While defining the purpose and scope of a federal program for these purposes can be complex, see, e.g., Agency for Int’l Development v. Alliance for Open Society Int’l, Inc., 133 S.Ct. 2321, 2328, 186 L.Ed.2d 398 (2013), our cases are clear that viewpoint discrimination is not permitted where, as here, the Government “expends funds to encourage a diversity of views from private speakers,” Velazquez, supra, at 542, 121 S.Ct. 1043 (internal quotation marks omitted).

A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all. The First Amendment does not entrust that power to the government’s benevolence. Instead, our reliance must be on the substantial safeguards of free and open discussion in a democratic society.

For these reasons, I join the Court’s opinion in part and concur in the judgment.

[Justice Thomas’s concurring opinion is omitted.]

NOTES AND QUESTIONS

1. Tam’s Effect on Other Section 2(a) Bars. Does Section 2(a)’s bar against registering “scandalous” marks survive First Amendment scrutiny after Tam? The issue was before the Federal Circuit in In re Brunetti, pending at the time of this writing. The PTO has traditionally invoked the scandalousness bar against marks demonstrated to be offensive to a substantial composite of the public – as it did in Brunetti, involving the mark FUCT for apparel. Is the scandalousness bar viewpoint-neutral, and thus distinguishable from the disparagement bar?

2. Tam’s Effect on Other Lanham Act Provisions. Are any of the other Section 2 bars arguably unconstitutional in view of Tam? What about other Lanham Act provisions? For example, Section 43(c) prohibits dilution by tarnishment, as we will discuss in Chapter 8. Does it comport with the First Amendment? The fair use doctrines discussed in Chapter 9 are often intertwined with First Amendment considerations. Is Tam therefore relevant to the scope of fair use doctrines, too?

3. Tam’s Effect on Unregistered Rights. Review footnote 1 of the Court’s opinion. If a mark owner’s application for registration is lawfully denied under a Section 2 bar, may the mark owner nonetheless enforce unregistered rights in the mark under Section 43(a)? The Court did not reach this question; it concluded that the denial of Tam’s registration was not lawful. A lower court ruled that the Section 2 bars does extend to actions to enforce
unregistered rights under Section 43(a). Renna v. County of Union, N.J., 88 F.Supp.3d 310 (D.N.J. 2014) (Section 2(b) bar against registering official seals should be extended to Section 43(a) action). Should this principle of extension apply to all of the Section 2 bars, or just some?

4. Tam from the Perspective of Trademark Policy. Would it be wise trademark policy to deny registrations for disparaging or scandalous matter (if it could be done constitutionally)? Is the PTO equipped to administer such prohibitions? Is the cost of administration worth the benefit? Does registration in fact amount to a government imprimatur?

At p. 367, Problem 5-4, add the following to the end of the first paragraph:

See also Empresa Cubana Del Tabaco v. General Cigar Co., Inc., 753 F.3d 1270 (Fed. Cir. 2014) (discussing these requirements).

At p. 372, delete Appalachian Log Homes and substitute the following new case:

IN RE THE NEWBRIDGE CUTLERY CO.
776 F.3d 854 (Fed. Cir. 2015)

LINN, Circuit Judge:

BACKGROUND

Applicant is an Irish company headquartered in Newbridge, Ireland, that designs, manufactures and sells housewares, kitchen ware and silverware in the United States and elsewhere around the world under the mark NEWBRIDGE HOME. Applicant designs its products in Newbridge, Ireland, and manufactures some, but not all, of its products there. In the United States, its products are available for sale through its website and through retail outlets that feature products from Ireland.

... 

The Trademark Examiner refused to register the mark as being primarily geographically descriptive when applied to applicant’s goods under 15 U.S.C. § 1052(e)(2) (2012). The Board affirmed, concluding that Newbridge, Ireland, is a generally known geographic place and the relevant American public would make an association between applicant’s goods and Newbridge, Ireland.

The Newbridge Cutlery Company appeals...

ANALYSIS
II. 15 U.S.C. § 1052(e)

There have been few decisions by this court dealing with primarily geographically descriptive marks. We last discussed such marks in detail nearly thirty years ago. See In re Societe Generale Des Eaux Minerales De Vittel S.A., 824 F.2d 957 (Fed.Cir.1987). To give context to our analysis, we begin with a discussion of the evolution of the current statutory framework.

A.

In various circumstances, geographical names have long been refused trademark protection in the United States. See, e.g., Delaware & Hudson Canal Co. v. Clark, 80 U.S. 311, 324, 13 Wall. 311, 20 L.Ed. 581 (1871). The Trademark Act enacted in 1905 prohibited registering any mark that was “merely a geographical name or term.” Act of Feb. 20, 1905, ch. 592, 33 Stat. 724, 726 (repealed 1946); 15 U.S.C. § 85 (1940).

In interpreting this phrase, the Patent Office (now the PTO), with the blessing of the courts, would reject applications upon a showing that a mark was a geographical name, independent of any consumer recognition of the name. For instance, in In re Kraft–Phenix Cheese Corp., the Court of Customs and Patent Appeals affirmed a rejection of CHANTELLE, a town in France, for cheese stating:

[T]he fact that the town is little known in this country does not change the situation. The statute, in prohibiting the registration of geographical terms made no exemption in favor of those which lacked importance or of those which were not well known by the people in this country. The Patent Office and the courts are not privileged to read unwarranted exemptions into the act.

28 CCPA 1153, 120 F.2d 391, 392 (1941) (citing cases); see also In re Nisley Shoe Co., 19 CCPA 1211, 58 F.2d 426, 427 (1932) (explaining that the analogous provision preventing registration of a mark “which consists merely in the name of an individual,” 15 U.S.C. § 85 (1940), “makes no exception in the case of uncommon or rare names”). See generally 2 J.T. McCarthy, Trademarks & Unfair Competition § 14:27 (4th ed. 2014) (“McCarthy”). The policy rationale for refusing to register such marks was that allowing such registration would preempt other merchants from the named location from identifying the origin of their own goods. See, e.g., In re Plymouth Motor Corp., 18 CCPA 838, 46 F.2d 211, 213 (1931) (“a geographical name or term, by which is meant a term denoting locality, cannot be exclusively appropriated as a trade-mark because such a term is generic or descriptive, and any one who can do so truthfully is entitled to use it” (internal quotations omitted)), overruled on other
In 1938, Congressman Lanham proposed major amendments to the Trademark Act. See H.R. 9041, 75th Cong. (3rd Sess.) (Jan. 19, 1938). With regard to geographical marks, he originally proposed prohibiting the registration of any mark that “has merely a descriptive or geographical meaning,” id. § 3(e), thus keeping the law of geographic marks essentially unchanged. In discussing this section, Mr. Edward S. Rogers, “who played a significant role in drafting the Lanham Act,” In re Nantucket, Inc., 677 F.2d 95, 107 (C.C.P.A.1982) (Nies, J., concurring) (citing S.P. Ladas, The Contribution of Edward S. Rogers in the Int’l Field of Industrial Property, 62 Trademark Rep. 197 (1972)), claimed that the 1905 statute, preventing registration on “merely geographical names,” was “very troublesome.” Hearings on H.R. 9041 Before the Subcomm. On Trade-marks of the House Comm. on Patents, 75th Cong., 3rd Sess. at 71 (1938). According to Mr. Rogers:

The present construction of the Patent Office of that language is that they take a word without reference to its connotation, and if it appears in the atlas anywhere as the name of a place, or if it appears in the Postal Guide they say that is a geographical name or term, and hence is not registrable.

Id. at 71–72.

The next year, Congressman Lanham proposed an amended bill that would prevent registration for “a mark which, when applied to the goods of the applicant, has merely a descriptive or geographical, and no other, meaning.” H.R. 4744, 76th Cong. (1st Sess.) § 2(e) (Mar. 3, 1939) (emphasis added). In discussing this language, Mr. Rogers reiterated the problem of where to draw the line on the registrability of geographical names, and suggested amending the statute to prevent registration of marks, which, “when applied to the goods of the applicant, [are] primarily geographically and descriptive of them.” Hearings on H.R. 4744 before the Subcomm. on Trade-Marks of the House Comm. on Patents, 76th Cong., 1st Sess. 19 (Mar. 28, 1939) (emphasis added). The next day, at the behest of Congressman Lanham, Mr. Rogers read into the record an amended version of this section, which, inter alia, would prevent registration of a mark which, “[w]hen applied to the goods of the applicant is primarily geographically descriptive of them.” See id. at 39 (Mar. 29, 1939). When Congressman Lanham reintroduced the bill later that year, he used this language, see H.R. 6618, 76th Cong. (1st Sess.) § 2(e) (June 1, 1939), and this language survived in the statute as enacted. In addition, the statute was subsequently amended to also refuse registration for primarily geographically deceptively misdescriptive marks. See Nantucket, 677 F.2d at 108–11 (Nies, J., concurring) (describing this legislative history).

Thus, in the Lanham Act, section 1052(e) instructed the PTO to refuse to register a mark if, “when applied to the goods of the applicant it is primarily geographically descriptive or deceptively misdescriptive of them.” § 1052(e)(2) (1946). Both primarily geographically
descriptive and deceptively misdescriptive marks could be registered, however, if they acquired distinctiveness. See id. § 1052(f). In sum:

“The 1946 Lanham Act steered away from the prior practice of looking a word up in an atlas or gazetteer and then refusing registration if there was any place on earth called by that word.”

In re Jacques Bernier, Inc., 894 F.2d 389, 391 (Fed.Cir.1990) (quoting 1 McCarthy § 14:10, at 647 (2d. ed.1984)) (internal ellipses removed). Thus, while the genesis of the refusal to register geographical names was to prevent a first registrant from preempting all other merchants from identifying the source of their goods, the focus of the 1946 Lanham Act moved to a more nuanced restriction that considered the primary significance of the mark when applied to the goods.

Congress later replaced the phrase “when applied to the goods of the applicant” with “when used on or in connection with the goods of the applicant.” 15 U.S.C. § 1052(e)(2) (1988). The legislative history of these revisions explains that these changes were “not substantive and [were] not intended to change the law.” S.Rep. No. 100–515, at 22, reprinted in 1988 U.S.C.C.A.N. 5577, 5584 (discussing the identical amendments in § 1051); id. at 27, 1988 U.S.C.C.A.N. at 5590 (analogizing the § 1051 and § 1052(e) amendments).

Finally, in 1993, following the United States’ entry into the North American Free Trade Agreement, Dec. 17, 1992, art. 1712, 32 I.L.M. 605 (hereinafter “NAFTA”), § 1052(e) was amended to essentially its current form, in which primarily geographically descriptive marks and primarily geographically deceptively misdescriptive marks are divided into two subsections, (e)(2) and (e)(3), respectively, with the latter now foreclosed from registration even if acquired distinctiveness is shown. See 15 U.S.C. § 1052(f) (2012). The legislative history of the 1993 NAFTA amendments explains that “[t]he law as it relates to ‘primarily geographically descriptive’ marks would remain unchanged.” 139 Cong. Rec. 30,237 (1993), quoted in Cal. Innovations, 329 F.3d at 1339–40.

While the 1993 amendments have now foreclosed registration of geographically deceptively misdescriptive marks, they made no distinction, in geographical significance, between geographically descriptive marks and geographically deceptively misdescriptive marks. Under the statute, it is clear that refusal to register extends under both subsections (e)(2) and (e)(3) only to those marks for which the geographical meaning is perceived by the relevant public as the primary meaning and that the geographical significance of the mark is to be assessed as it is used on or in connection with the goods.

B.

This court’s predecessor provided considerable guidance in interpreting the statutory language relating to primarily geographical marks in Nantucket, a pre-NAFTA case dealing
with primarily geographically deceptively misdescriptive marks. See 677 F.2d 95. The PTO rejected the mark NANTUCKET for shirts because it considered the mark primarily geographically deceptively misdescriptive, as the “term NANTUCKET has a readily recognizable geographic meaning, and no alternative non-geographic significance.” Id. at 97 (quoting In re Nantucket Inc., 209 U.S.P.Q. 868, 871 (T.T.A.B.1981)) (internal citations removed). The Court of Customs and Patent Appeals reversed, concluding that there was no showing of an association in the public’s mind between the place, i.e., Nantucket, and the marked goods, i.e., the shirts. See id. at 101. The court explained:

“The wording of § 1052(e) makes it plain that not all terms which are geographically suggestive are unregistrable. Indeed, the statutory language declares nonregistrable only those words which are ‘primarily geographically descriptive.’ The word ‘primarily’ should not be overlooked, for it is not the intent of the federal statute to refuse registration of a mark where the geographic meaning is minor, obscure, remote, or unconnected with the goods. Thus, if there be no connection of the geographical meaning of the mark with the goods in the public mind, that is, if the mark is arbitrary when applied to the goods, registration should not be refused under § 2(e)(2).”

Id. at 99 (quoting World Carpets, Inc. v. Dick Littrell’s New World Carpets, 438 F.2d 482, 486 (5th Cir.1971)) (emphasis and internal citations omitted).

Nantucket’s requirement that the mark be “connected” with the goods flowed, in part, from the statutory requirement that the mark has to be primarily geographically descriptive or deceptively misdescriptive “when applied to the goods of the applicant.” Id. at 98; In re Loew’s Theatres, Inc., 769 F.2d 764, 767 (Fed.Cir.1985). The rationale for allowing registration of marks that relevant consumers do not view as primarily geographic is that the consumer would consider such marks “arbitrary.” Nantucket, 677 F.2d at 100 n. 8 (quoting Restatement (First) of Torts § 720 cmt. d). See also Restatement (First) of Torts § 720 cmt. c (expounding on the rationale). [The fact that] the phrase “when applied to the goods of the applicant” was replaced, in 1988, with the phrase “when used on or in connection with,” did not change the law. Nantucket’s interpretation of § 1052(e) is bolstered by the legislative history, which indicates that this section was introduced to eliminate rejections of geographical trademarks made without reference to their connotations to consumers in association with the goods or services for which the marks are used.

Since Nantucket, this court has set out specific requirements for determining whether a mark is primarily geographically descriptive or primarily geographically deceptively misdescriptive. As the statute uses the phrase “primarily geographically” in both the descriptive and deceptively misdescriptive subsections, this court’s decisions relating to one subsection inform the meaning of the other and make clear that to refuse registration under either subsection the Trademark Examiner must show that: (1) “the mark sought to be registered is the name of a place known generally to the public,” Vittel, 824 F.2d at 959, and
(2) “the public would make a goods/place association, i.e., believe that the goods for which the mark is sought to be registered originate in that place.” *Id.* *Accord In re Miracle Tuesday, LLC,* 695 F.3d 1339, 1343 (Fed.Cir.2012) (describing analogous factors for primarily geographically deceptively misdescriptive marks) (citing *Cal. Innovations,* 329 F.3d at 1341).

To refuse registration of a mark as being primarily geographically descriptive, the PTO must also show that (3) “the source of the goods is the geographic region named in the mark.” *Bernier,* 894 F.2d at 391. *Accord* *Trademark Manual of Examining Procedure* (“*TMEP*”) § 1210.01(a). In applying prongs (1) and (2) of this test, our precedent establishes that the relevant public is the purchasing public in the United States of these types of goods. As we made clear in *Vittel,* “we are not concerned with the public in other countries.” *Vittel,* 824 F.2d at 960. *Accord Institut National Des Appellations D’Origine v. Vintners Int’l Co.,* 958 F.2d 1574, 1580–81 (Fed.Cir.1992).

Regarding the first prong of the test, that the population of the location is sizable and/or that members of the consuming public have ties to the location (to use the example in *Loew’s: that Durango, Mexico, would be recognized by “the Mexican population of this country”) is evidence that a location is generally known. See *Loew’s,* 769 F.2d at 766, 768. By contrast, that the geographic meaning of a location is “minor, obscure [or] remote” indicates that the location is not generally known. See *Nantucket,* 677 F.2d at 99 (internal quotations omitted). Of course, there are many probative factors to the question of whether a location is generally known, and these are just a few examples.

In establishing the goods/place association required by the second prong of the test, we have explained that the PTO only needs to show “a reasonable predicate for its conclusion that the public would be likely to make the particular goods/place association on which it relies.” *Miracle Tuesday,* 695 F.3d at 1344 (quoting *In re Pacer Tech.,* 338 F.3d 1348, 1351 (Fed.Cir.2003) (itself quoting *Loew’s,* 769 F.2d at 768)) (emphasis in *Pacer*). It need not show an “actual” association in consumers’ minds. *Id.* (citing *Pacer,* 338 F.3d at 1351). A goods/place association can be shown even where the location is not “well-known” or “noted” for the relevant goods. *Cal. Innovations,* 329 F.3d at 1338 (quoting *Loew’s,* 769 F.2d at 767). If the Trademark Examiner establishes such a *prima facie* case, an applicant may rebut this showing with evidence “that the public would not actually believe the goods derive from the geographic location identified by the mark.” *In re Save Venice New York, Inc.,* 259 F.3d 1346, 1354 (Fed.Cir.2001).

The PTO has long held that where: (1) a location is generally known; (2) the term’s geographic significance is its primary significance; and (3) the goods do, in fact, originate from the named location, a goods/place association can be presumed. See, e.g., *In re Handler Fenton Westens, Inc.,* 214 U.S.P.Q. 848, 849 (T.T.A.B.1982); *Board’s Decision* at *3 (citing cases)*; *TMEP* § 1210.04 (citing cases); *see also Nantucket,* 677 F.2d at 102 (Nies, J., concurring) (“*W*e must start with the concept that a geographic name of a place of business is a descriptive term when used on the goods of that business. There is a public goods/place
association, in effect, presumed." (internal footnote removed)). This presumption may well be proper, but, as this case can be decided on other grounds, we do not address its propriety and leave it for another day.

III. The Examiner’s Refusal

The Examiner found that the primary significance of the word “Newbridge” is a “generally known geographic place,” i.e., Newbridge, Ireland, and that the goods originated there. The Examiner then applied the TMEP’s presumption that a goods/place association existed. The word “home,” according to the Examiner, was “generic or highly descriptive” and, therefore, did not affect the geographic significance of the term. Accordingly, the Examiner rejected the mark under § 1052(e)(2).

There is no dispute that applicant’s goods are made in Newbridge, Ireland. Additionally, applicant does not contend that the presence of the term “home” in the mark affects whether the mark is primarily geographically descriptive. Accordingly, the question before us is whether “Newbridge” is primarily geographically descriptive when used on or in connection with applicant’s goods.

A. Primary Significance of NEWBRIDGE

The Board concluded that Newbridge, Ireland, is a place known generally to the public because it is (1) the second largest town in County Kildare and the seventeenth largest in the Republic of Ireland; (2) it is listed in the *Columbia Gazetteer of the World*; and (3) it appears on a number of websites including Wikipedia and tourism websites that advertise the location as “a large commercial town” with a “silverware visitor centre” in addition to museums, gardens, historical and battle sites, and a famous horse racing track.

Applicant argues that the relevant purchasing public would not be aware of the sources cited by the Board. Applicant also claims that Newbridge, Ireland, is not generally known to the relevant public as the name of a place based on the fact that the word “newbridge” has other, non-geographic meanings that would be more significant to an American consumer and that there are “several geographic locations called ‘Newbridge.’” Applicant also claims that Newbridge, Ireland, “is not found in commonly available political maps of Ireland on the internet” and that the PTO has registered other marks with the term “Newbridge.” The PTO responds that Newbridge is a town in Ireland from which applicant takes its name and from which applicant’s products actually originate. According to the PTO, this (1) distinguishes applicant’s situation from those in which others have registered the mark and (2) indicates the mark’s geographic significance irrespective of what other meanings and connotations the mark might have in the abstract. Finally, at oral argument, the solicitor implied that in this day and age, where the average American consumer has instant internet access, a location is generally known if the existence of the location can be reasonably found on the internet. See Oral Argument at 25:05–28:20, Newbridge, 2013–1535 (Fed.Cir. July 10, 2014), available at http://oralarguments.cafc.uscourts.gov/default.aspx?fl@2013-1535.mp3.
The conclusion that Newbridge, Ireland, a town of less than twenty thousand people, is a place known generally to the relevant American public is not supported by substantial evidence. That Newbridge is the second largest town in County Kildare and the seventeenth largest in the Republic of Ireland reveals nothing about what the relevant American purchaser might perceive the word “Newbridge” to mean and is too insignificant to show that Newbridge is a place known generally to the American purchasing public. Similarly, while the Board relied on the Columbia Gazetteer of the World listing, what is missing is any evidence to show the extent to which the relevant American consumer would be familiar with the locations listed in this gazetteer.

Likewise, the fact that Newbridge, Ireland, is mentioned on some internet websites does not show that it is a generally known location. The internet (and websites such as Wikipedia) contains enormous amounts of information: some of it is generally known, and some of it is not. Cf. In re Bavaria St. Pauli Brauerei AG, 222 U.S.P.Q. 926, 928 (T.T.A.B.1984) (“there are dozens of other place names on the same page of the gazetteer that are likewise devoid of significance as places which any substantial quantity of American purchasers would associate with any particular products”). There is simply no evidence that the relevant American consumer would have any meaningful knowledge of all of the locations mentioned in the websites cited by the PTO.

Further, it is simply untenable that any information available on the internet should be considered known to the relevant public. The fact that potential purchasers have enormous amounts of information instantly available through the internet does not evidence the extent to which consumers of certain goods or services in the United States might use this information to discern the primary significance of any particular term. Neither is a place necessarily “generally known” just because a purchaser is informed that the name of the mark is the name of the place. In Vittel, we approvingly cited a Board decision that allowed registration of the mark AYINGER BIER for beer, even though the mark was present on the label and “in picture and words, show [ed] the brewery to be located in Aying.” Vittel, 824 F.2d at 960 (citing In re Brauerei Aying Franz Inselkammer KG, 217 U.S.P.Q. 73 (T.T.A.B.1983)). Of course, a potential purchaser of this beer would, seeing the label, learn of the existence of Aying (and learn that this was the origin of the beer). Nevertheless, Aying, Germany, was considered obscure for the purposes of § 1052(e)(2).

To be clear, we do not foreclose the PTO from using gazetteer entries or internet websites to identify whether a location is generally known. See In re Bayer Aktiengesellschaft, 488 F.3d 960, 969 (Fed.Cir.2007). For example, we have credited gazetteer entries as part of the evidence used to establish that Durango, Mexico, was generally known. See Loew’s, 769 F.2d at 766 n. 3. But the gazetteer showing was just one piece of evidence that together with other evidence was sufficient to establish a prima facie case that Durango is known generally to the relevant public. See id. at 768. Gazetteer entries and internet websites are valuable for the information they provide. But the mere entry in a gazetteer or the fact that a location is
described on the internet does not necessarily evidence that a place is known generally to the relevant public. See Vittel, 824 F.2d at 959 (“In dealing with all of these questions of the public’s response to word symbols, we are dealing with the supposed reactions of a segment of the American public, in this case the mill-run of cosmetics purchasers, not with the unusually well-travelled, the aficionados of European watering places, or with computer operators checking out the meaning of strange words on NEXIS.”).

We have also considered the PTO’s evidence in toto and find that it likewise is not substantial evidence for the proposition that, to the relevant public, Newbridge, Ireland, is generally known. That Newbridge, Ireland, is not generally known is supported by the fact that certain maps and atlases do not include it. That “Newbridge” has other meanings, both geographical and non-geographical, also makes it less likely that Newbridge, Ireland, is generally known as the name of a place. On the other hand, the fact that the PTO has registered “newbridge” in contexts where the goods did not originate from Newbridge is not particularly probative since the PTO may have found no goods/place association in those contexts and, in any event, “decisions regarding other registrations do not bind either the agency or this court.” In re Boulevard Entm’t, Inc., 334 F.3d 1336, 1343 (Fed.Cir.2003) (citing In re Nett Designs, 236 F.3d 1339, 1342 (Fed.Cir.2001)).

In sum, the facts here are similar to those of the Board’s decision in Bavaria, which we cited approvingly in Vittel, which held that Jever, West Germany, a town of 10,342, was not generally known, despite being mentioned in a geographical index. Vittel, 824 F.2d at 960 (citing Bavaria, 222 U.S.P.Q. 926). Here, as in Bavaria, the evidence as a whole suggests that Newbridge, Ireland, is not generally known. Thus, to the relevant public the mark NEWBRIDGE is not primarily geographically descriptive of the goods, which is what matters. See, e.g., Nantucket, 677 F.2d at 100 n. 8 (“public association is determinative of arbitrariness”). Prong one of the test for primarily geographically descriptive marks is therefore not met. Accordingly, we need not and do not separately consider whether a goods/place association exists.

[Reversed and remanded.]

At p. 386, add the following new note:

8A. “Consists of” v. “consists of or comprises.” Section 2(a) bars registration if a mark “consists of or comprises” deceptive matter. Section 2(e)(3) bars registration if what the applicant seeks to register “consists of” a mark that is primarily geographically deceptively misdescriptive. Does the difference in the quoted language matter? Consider the mark below, used in connection with espresso sales:
Suppose that the 2(e)(3) argument rests on the inclusion of the term “Seattle.” For purposes of analyzing geographic significance, is it sufficient that the mark includes the allegedly geographic term, or must the mark be considered as a whole? In re Morinaga Nyugyo Kabushiki Kaisha, 2016 WL 5219811 (TTAB Sept. 8, 2016).

At p. 403, add the following to the end of note 3:

More recently, an Eleventh Circuit panel opined that Dieter was “almost certainly incorrect” because (1) the fact that a mark attained incontestable status at some point in the past is not probative of its current strength in the marketplace; and (2) because the 1988 amendments to the Lanham Act added the phrase “subject to proof of infringement” to Lanham Act § 15, thus decoupling incontestability from the infringement analysis. See Sovereign Military Hospitaller Order of St. John of Jerusalem of Rhodes and of Malta v. Florida Priory of the Knights Hospitallers of the Sovereign Order of St. John of Jerusalem, Knights of Malta, the Ecumenical Order, 809 F.3d 1171 (11th Cir. 2015) (noting that Dieter is probably incorrect, but reluctantly following it on the ground that it remains binding in the absence of a contrary en banc ruling).
SCOPE AND ENFORCEMENT OF TRADEMARK RIGHTS
GEOGRAPHIC LIMITS ON TRADEMARK RIGHTS

At p. 421 insert the following cases after National Ass’n for Healthcare Communications:

**DORPAN S.L. v. HOTEL MELIÁ, INC.**
728 F.3d 55 (1st Cir. 2013)

LIPEZ, Circuit Judge:

This trademark infringement case is a dispute between two hotels over the right to use the mark “Meliá” in Puerto Rico. Defendant-appellant Hotel Meliá, Inc. (“HMI”) has operated the Hotel Meliá in Ponce, Puerto Rico for more than a century, but has never registered that mark with the United States Patent and Trademark Office (“USPTO”). Plaintiff-appellee Dorpan has held several registered marks using the name “Meliá” since the late 1990s. In 2007, Dorpan’s parent company opened a hotel called “Gran Meliá” in Coco Beach, Puerto Rico, approximately eighty miles from Ponce. At the close of discovery, the district court entered summary judgment in favor of Dorpan, concluding that, with the exception of the city of Ponce, Dorpan was entitled to exclusive use of the Meliá mark throughout Puerto Rico.

After reviewing the record, we conclude that a reasonable factfinder could conclude that the Hotel Meliá and Gran Meliá marks cannot co-exist in Puerto Rico without creating an impermissible likelihood of confusion among reasonable consumers. The district court's decision to grant summary judgment in Dorpan's favor was erroneous. Thus, we vacate the district court's entry of summary judgment and remand for further proceedings consistent with this opinion.

I.

A. Facts

[H]MI is a family-owned corporation operating a single hotel called Hotel Meliá in Ponce, Puerto Rico. HMI has operated the Hotel Meliá at the same location at 75 Cristina Street in Ponce without interruption since at least the 1890s. All parties agree that Hotel
Melia has a long and storied history in Ponce, having attracted over the years many famous guests, including United States President Theodore Roosevelt. HMI has never expanded beyond this single hotel in Ponce, nor does it plan to. Though HMI has used the Melia mark in Ponce continuously for more than a century, HMI has never registered the Melia mark with either the Puerto Rico Department of State or the USPTO.

Since the late 1990s, Dorpan, S.L. has held several registered trademarks using the mark “Melia” in connection with the hotel industry in the United States. These marks have all become incontestible within the meaning of the Lanham Act. Dorpan’s principal business is to hold these marks on behalf of Sol Melia, a public Spanish company.

In 2004, Sol Melia opened an all-inclusive resort on Coco Beach in Coco Beach [which, in 2007 it renovated] and re-opened [] as a luxury beach resort called “Gran Melia.”

B. Proceedings Below

[H]MI filed a complaint in late 2008 against Sol Melia in the Superior Court of Puerto Rico, asserting that it was the senior user of the Melia mark, and that it had the sole right to use the Melia mark in connection with hotel and restaurant services throughout Puerto Rico. Shortly thereafter, Dorpan filed a complaint against HMI in the United States District Court for the District of Puerto Rico, seeking a declaration that under the Lanham Act, Dorpan had the right to use the mark Melia throughout Puerto Rico, and that to the extent that HMI had the right to use the Melia mark, such right existed only in the city of Ponce. Almost simultaneously, Dorpan removed HMI’s commonwealth court complaint to federal court, and the district court consolidated the two cases. At the close of discovery, Dorpan moved for summary judgment on its declaratory judgment claim. The district court granted that motion, concluding that no reasonable jury could find a likelihood of consumer confusion between Hotel Melia and Gran Melia.

II.

B. The Trademark Rights Held by the Parties

The crux of the dispute in this case is that both parties claim to hold the exclusive right to use the Melia mark in Puerto Rico. Dorpan claims that it has the exclusive right to use the Melia mark in Puerto Rico under federal law. HMI claims that it has the exclusive right to use the Melia mark in Puerto Rico under Puerto Rico law. We discuss the contours of the rights held by each party in turn.
1. Dorpan’s Rights Under the Lanham Act

... Dorpan is correct that incontestibility creates a presumption that the holder of the mark is entitled to exclusive use of the mark throughout the United States. [cit].

In this case, however, Dorpan’s reliance on the undisputed incontestibility of its marks is misplaced. HMI does not seek to cancel, contest, or otherwise challenge Dorpan’s registration. Rather, HMI claims that, as the undisputed senior user in Puerto Rico, the rights granted to Dorpan under federal law are limited by the rights HMI acquired under Puerto Rico law before Dorpan’s mark became incontestible.

HMI’s argument is often called a “Section 15 defense.” At the same time that Section 15 of the Lanham Act creates incontestibility, it explicitly limits the incontestible right of a federal trademark holder to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark.

15 U.S.C. § 1065; [cit]. In other words, “[t]he territorial rights of a holder of a federally registered trademark are always subject to any superior common law rights acquired by another party through actual use prior to the registrant’s constructive use.” Allard Enter., Inc. v. Advanced Programming Res., Inc., 249 F.3d 564, 572 (6th Cir.2001).

Because the parties agree that HMI is the senior user of the Meliá mark in Puerto Rico, the rights conveyed to Dorpan under the Lanham Act are limited by the extent of any rights HMI acquired under Puerto Rico law before Dorpan’s federal registration became incontestible. Hence, before we can determine the contours of Dorpan’s rights under federal law, we must determine the rights held by HMI under Puerto Rico law. See Advance Stores Co. v. Refinishing Specialties, Inc., 188 F.3d 408, 411–12 (6th Cir.1999) (extent of pre-existing common law trademark is determined by reference to state law).\(^\text{10}\)

\(^{10}\) There is some authority suggesting that the extent to which a pre-existing unregistered state law trademark limits rights conferred under the Lanham Act is a question that should be determined by federal common law rather than state law. See, e.g., Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1397-1400 (3d Cir.1985)(determining the rights of an unregistered senior user against registered junior user without reference to state law). We think that this approach cannot be reconciled with the plain language of Section 15 of the Lanham Act, which limits the rights conferred on a federal registrant insofar as the registrant’s use interferes with “a valid right acquired under the law of any State or Territory.” 15 U.S.C. § 1065 (emphasis added). At the same time, the common law of most jurisdictions, including Puerto Rico, seems to be essentially identical to federal common law. Thus, in practice, the choice of law in this context seems to be a distinction without a difference.
2. HMI's Rights Under Puerto Rico Law

HMI has never registered its mark with the Puerto Rico Department of State. Like most U.S. jurisdictions, however, Puerto Rico law protects both registered and unregistered marks. The senior unregistered user of a mark in Puerto Rico does not automatically acquire a Commonwealth-wide right to use the mark. Rather, the senior unregistered user is entitled to exclusive use of the mark in the area where “he currently do[es] business.”

Thus, in this case, HMI is entitled, under Commonwealth law, to the exclusive use of the Meliá mark in the area where HMI “does business” using the Meliá mark. In this context, the geographic area in which an unregistered trademark is “in use” is defined as the area in which the use of similar mark would create a likelihood of confusion. See 5 J. McCarthy, McCarthy on Trademarks & Unfair Competition § 26:27 (4th ed.2011) (“The touchstone of the determination of a trade area is likelihood of confusion.”) (internal quotation marks omitted); [cit]. Thus, in this case, the inquiry into the geographic scope of HMI's pre-existing common law trademark rights and the likelihood of confusion analysis are one and the same. In other words, if Dorpan's use of a similar mark in Coco Beach creates a likelihood of confusion with HMI's mark, then HMI's trade area extends at least as far as Coco Beach and Dorpan's use infringes on that right. Likewise, if Dorpan's mark does not create a likelihood of confusion with HMI's, then HMI's trade area is considerably smaller and Dorpan is entitled to a declaratory judgment of non-infringement. See 5 McCarthy, § 26:27 (“A trade area is the area in which people have associated a service mark with a particular business such that they would likely be confused by someone else's unauthorized use of the mark.” (internal quotation marks omitted)).

Consequently, both the extent of HMI's rights under Puerto Rico law and Dorpan's rights under federal law turn on the same question: Does Dorpan's use of the Meliá mark in Puerto Rico create an impermissible likelihood of consumer confusion?

C. Likelihood of Confusion and the Pignons Factors

. . . . In determining whether likelihood of confusion exists in a particular case, we consider the eight factors laid out in Pignons S.A. de Mecanique de Precision v. Polaroid Corp., 657 F.2d 482, 487 (1st Cir.1981) (“Pignons factors”).

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11 Because Dorpan's federal registration of the Meliá mark in the late 1990s “puts all would-be users of the mark (or a confusingly similar mark) on constructive notice of the mark,” Thrifty Rent-A-Car Sys., Inc. v. Thrift Cars, Inc., 831 F.2d 1177, 1180 (1st Cir.1987) (citing 15 U.S.C. § 1072), HMI's trade territory is technically frozen at the extent it had reached at the time of Dorpan's registration. Neither party, however, argues that HMI has changed its trade area since Dorpan registered the Meliá marks, so in this case this principle is irrelevant.

13 We consider the likelihood of confusion here in order to define the scope of HMI's unregistered trademark rights under Puerto Rico law. Thus, Puerto Rico law, not federal common law, technically governs our likelihood of confusion analysis. However, because Puerto Rico law uses the same...
We review the evidence pertinent to the Pignons factors de novo, considering the
evidence offered to support each factor individually before considering whether, taking the
factors together, no reasonable factfinder could conclude that Dorpan’s use of the Meliá
mark in Coco Beach creates a likelihood of confusion. . . .

[The court held that: the marks “Hotel Meliá” and “Gran Meliá” were essentially
identical; the hotels offer substantially similar services to substantially similar customers)
overnight, upscale lodgings to tourists and short-term visitors to Puerto Rico); the two hotels
advertise and solicit customers in substantially similar manners; there was evidence of some
level of actual confusion; there was no evidence from which a reasonable factfinder could
infer that Dorpan decided to use the mark Meliá in order to cause market confusion or with
an intent to exploit Hotel Meliá’s reputation and goodwill; and there were genuine issues of
material fact on the respective strength of the competing marks (both marks had certain
strengths, and the relevant question at trial would be whether their relative strengths
contribute to consumer confusion.

Although these conclusions differed only marginally from those reached by the District
Court, the Court of Appeals faulted the balancing of the factors by the District Court; it gave
too little weight to evidence of actual confusion, and even without evidence of actual
confusion, the other factors might be sufficient in itself to create at least a reasonable
inference of a substantial likelihood of confusion between the two hotels. The court noted
that “the situation in this case involves an even greater likelihood of confusion. Two hotels
are using a nearly identical mark to sell nearly identical services in a relatively small
geographic area.” Moreover, the district court gave far too much weight to its conclusion
that Dorpan had not acted in bad faith.]

[The district court’s emphasis on the physical locale of the marks is largely beside the
point. While the district court is correct that “HMI’s use of the Meliá mark is frozen” at its
1997 extent, the district court was incorrect to equate the use of the mark with the location
of the hotel. The relevant inquiry here is the area in which the mark is in use in commerce.
For hotels, that area is usually a much larger area than the city in which the hotel operates.
Unlike many companies, such as retail outlets and professional services, that rely on service
marks and have a local customer base, hotels seek to attract customers physically distant from
the point of service. See 5 McCarthy, § 26:30 (“The trade area for services such as hotels,
motels, and restaurants may be very large since purchasers are ambulatory and on the move.
They may carry the reputation of the mark thousands of miles away from the actual outlet.”).
Customers of upscale hotels typically do not live in the area where the hotel is located. The
reputation of an upscale hotel that has been attracting guests for more than a century is
unlikely to be limited only to the city where it is located.

standard for likelihood of confusion as that developed under federal common law, we use the case
law developed under both bodies of law interchangeably. [cit].

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Given these errors in the district court’s analysis of the likelihood of confusion, we must vacate its summary judgment ruling and remand for further proceedings. On this record, there are genuine issues of material fact on the likelihood of confusion. . . .

GUTHRIE HEALTHCARE SYSTEM v. CONTEXTMEDIA, INC.
826 F.3d 27 (2d Cir. 2016)

LEVAL, Circuit Judge:

Plaintiff and Defendant each appeal from the judgment of the United States District Court for the Southern District of New York (Forrest, J.), which, following a bench trial, imposed on Defendant a limited injunction. Defendant contests the finding of liability, and Plaintiff contests the limited scope of the injunction. The complaint alleged trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114, unfair competition, and a number of related claims, on the basis that Defendant’s trademark logo was confusingly similar to Plaintiff’s trademark. The court ruled in Plaintiff’s favor, finding that a likelihood of confusion resulted from Defendant’s use of trademarks similar to Plaintiff’s. The court accordingly granted permanent injunctive relief, prohibiting Defendant from using its marks within Plaintiff’s geographic service area (“Guthrie Service Area”) (covering the “Twin Tiers” region of Northern Pennsylvania and Southern New York), but held that Defendant may continue to use its marks everywhere outside the Guthrie Service Area, as well as without restriction in Internet transmissions, on Defendant’s websites and on social media.

We agree with the district court’s liability determination that there is a likelihood of confusion between Plaintiff’s and Defendant’s trademarks. We conclude, however, that, in restricting the scope of the injunction, the court misapplied the law, and failed to adequately protect the interests of Plaintiff and the public from likely confusion. We therefore affirm the judgment in part, vacate in part, expand the scope of the injunction, and remand for further consideration of the scope of the injunction.

BACKGROUND

I. Plaintiff

Plaintiff Guthrie Healthcare System is a Pennsylvania non-profit corporation composed of Guthrie Healthcare, the Guthrie Clinic, and the Guthrie Foundation. Operating primarily in the Twin Tiers region of New York and Pennsylvania, Plaintiff has 32 medical facilities, including three hospitals and 29 clinics, as well as a number of specialized healthcare facilities such as a cardiology center and a cancer center. Plaintiff also operates home healthcare services, hospice services, and a durable medical equipment company. It has a multi-disciplinary medical group practice that includes more than 280 physicians and 130 mid-level providers (physician assistants and nurse practitioners) who practice in New York and Pennsylvania.
York and Pennsylvania. It also operates a pharmacy, and several medical supply stores, which sell directly to the public.

Plaintiff recruits doctors and residents nationwide. It provides educational programs for its physicians, nurses, and medical technicians. Additionally, it operates the Guthrie School of Nursing, which recruits students nationwide. The Guthrie Foundation conducts medical research and fundraising beyond the Guthrie Service Area, and disseminates medical information over the Internet, as well as in symposia and seminars. It requires that such information meet evidence-based medicine guidelines.

Plaintiff refuses to endorse third-party products or services or to host advertisements, in order to accommodate research funders’ sensitivities, preserve its eligibility for clinical trials, and avoid the fact or appearance of conflict of interest, bias, or partiality.

Plaintiff derives a substantial portion of its patient-care revenue from referrals from physicians and medical professionals. Around 20% of the approximately $300 million annually paid to Plaintiff for specialized medical care comes from referrals by other doctors and medical professionals who are not affiliated with Plaintiff. Plaintiff focuses considerable marketing efforts on these referring doctors and medical professionals, inviting them to classes, seminars, and symposia, and assuring them that Guthrie will not seek to provide medical services to the referred patients beyond those for which they were referred.

II. Defendant CMI

Defendant ContextMedia (“CMI”), founded in 2006, has offices in Chicago and New York City, and employs 42 people. Rishi Shah is CMI’s president and one of its directors. Defendant serves approximately 2,600 physician practices, and operates in all 50 states.

Defendant’s business is to deliver health-related content to physician practices. Defendant installs digital screens in waiting areas, examination rooms, and infusion rooms in physician practices which play short videos and clips about health and wellness to patients at those facilities. In the vast majority of instances, Defendant’s revenue comes from advertising displayed with its content; a small number of physicians who subscribe to its service pay a fee in order to avoid advertisements. The advertisers whose ads appear together with Defendant’s content, its “sponsors,” are mostly large pharmaceutical companies; their ads are displayed in between the segments of educational health-related programming.

The material Defendant displays on its screens is primarily educational digital content related to health and wellness, such as short segments on nutrition and exercise tips. Much of this material is created by organizations such as the American Heart Association, the American Dietetic Association, the Academy of Nutrition and Dietetics, the Juvenile Diabetes Research Foundation, Health Day TV, and D Life, among others, from which Defendant obtains licenses to broadcast their materials.
Medical offices that wish to display CMI’s programming in their practices enroll as Defendant’s “members.” Defendant then installs flat panel display units, media players, and necessary hardware in their waiting rooms. Defendant recruits new members by placing cold calls to physician practices.

Defendant has two websites: www.contextmediahealth.com, which serves primarily members, and www.contextmediainc.com, which is directed primarily to potential sponsors, prospective employees, and media.

The CMI screen is divided into three sections. A sidebar on the left side of the screen displays CMI’s marks. There is also a main content window, and a news ticker at the bottom of the screen. The main content window also occasionally displays the CMI marks.

III. The Trademarks

a. Plaintiff’s Trademark

Plaintiff launched the Guthrie Trademark and a new brand identity in September 2001. The mark was developed by Monigle Associates, a consulting firm that works in corporate branding and identity. Soon after, every aspect of Plaintiff’s business bore the Guthrie Trademark. Plaintiff applied to register the Guthrie Trademark with the United States Patent and Trademark Office (“PTO”) in 2006, and the mark became a Registered Trademark on January 22, 2008. Plaintiff’s mark is pictured below:

![Guthrie Trademark](image)

The Guthrie Trademark has two elements—a logo on the left and the Guthrie name, which appears in bold, capital letters to the right of the logo. This litigation concerns primarily the logo. . . . The word “Guthrie” is always presented in large, bold, capital letters to the right of the logo.

The Guthrie Trademark is prominently featured on both the primary Guthrie website (www.guthrie.org) and the website focused on personnel recruitment and business development (www.ichoseguthrie.org). The Trademark appears on Guthrie facilities, personnel badges, business cards, stationery, brochures, reports, publications, billboards, buses, and in print and television advertisements.

Beginning in 2001, Plaintiff ran television advertising that prominently displayed the Guthrie Trademark in New York and Pennsylvania. Plaintiff has also partnered with
television stations to produce health-related features that have been broadcast to wide
audiences, also featuring the Guthrie Trademark. From July 1, 2008 to June 30, 2013,
Plaintiff spent $7.25 million promoting the Guthrie Mark and brand.

Starting in 2010, Plaintiff began a new program called digital signage, designed to “push”
health-related content out to video screens at Guthrie facilities. Only two such screens are
now in place, but according to Joseph Scopelliti, the President and CEO of Guthrie, “many
more” are planned. The project was included in the 2013 and 2014 Fiscal Year budgets.
However, the two screens that are in place have been there since 2011 (or 2010), and no
more have gone up. There has been no development or implementation of content for the
screens.

b. Defendant’s Trademarks

In late 2007, Defendant hired Anthony Bonilla, a graphic designer, to develop a logo.
Defendant began using Bonilla’s designs as its logos in March 2008.

Defendant’s eight marks at issue in this litigation contain the same graphic element,
although the colors of the background elements differ. Defendant’s Mark 1 is pictured
below:

Like the Guthrie logo, Defendant’s logo consists of a shield containing a stylized human
figure composed of crescent moon segments, topped by a detached oval head. . . .

[The defendant] uses the logo in eight different marks, the differences lying primarily in
the different text and in the varying colors of the background shield. . . .

The PTO originally refused to register three of Defendant’s marks because of likelihood
of confusion with Plaintiff’s mark. Defendant responded to the PTO and made many of the
same arguments it made in this case. The PTO ultimately approved the marks for
registration, and registered Defendant’s first seven marks between 2009 and 2013. . .

Defendant has rebranded itself as ContextMedia Health . . .
V. Proceedings Below


Defendants moved for summary judgment on all counts, and the district court granted it in part. The court found that there was no triable issue of material fact as to actual consumer confusion, bad faith, or willful deception for Marks 1-7; as a result, monetary relief was not available under the Lanham Act. The court also granted summary judgment to Defendants on the state-law unfair competition claim, which requires bad faith as an element. Plaintiff abandoned its claim for dilution prior to the grant of summary judgment. Before trial, the court granted Defendant’s motion for reconsideration and dismissed Plaintiff’s unjust enrichment claim . . .

[The district court held a bench trial and found] that there was a “likelihood of confusion” as between Plaintiff’s and Defendant’s trademarks in the Guthrie Service Area. However, the court ruled that there was no such likelihood of confusion outside of the Guthrie Service Area.

The court enjoined Defendant from using its marks within the Guthrie Service Area, but expressly authorized Defendant to “continue to use its marks on its websites, in social media, and in other online content that is made available to the public at large through the Internet.” The court also denied an injunction for local use by Defendant in two New York counties (Tompkins and Schuyler) where Plaintiff maintains patient treatment facilities.

Plaintiff appeals from the limited scope of the injunction, and Defendant appeals from the finding of infringement.

DISCUSSION

. . .

B. Applying the Polaroid Factors

It is undisputed that Plaintiff’s mark is registered and entitled to protection. The principal questions in dispute are whether Defendant’s use of its marks is likely to cause confusion in the marketplace, and, if so, the appropriate scope of relief. [The court had noted that “in addressing likelihood of confusion and the appropriate remedy, we generally examine the non-exclusive list of eight factors suggested by Judge Friendly in his landmark
opinion in Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961) [see Casebook Chapter 7].

In this case, as is often true, the factors that have the greatest pertinence are the degree of similarity between the two marks, and the proximity of Defendant’s area of commerce to Plaintiff’s. The strength of Plaintiff’s mark and the sophistication of the buyers also play significant roles. Because of their predominance in this case, we discuss these four factors first.

a. Similarity of the Marks

The logos employed in Plaintiff’s and Defendant’s marks are jaw-droppingly similar—nearly identical not only in conception but also, as described above, in the great majority of the fine details of execution. . . [The court’s conclusion that there was a likelihood of confusion was not altered by the presence of wording in either party’s marks, including the Defendant’s new ContextMedia brand].

In short, given the degree of similarity between Plaintiff’s and Defendant’s marks, together with the distinctiveness of the logos and the proximity of Plaintiff’s and Defendant’s areas of commerce, which we discuss below, it would be surprising if ordinary viewers familiar with Plaintiff’s mark did not draw the mistaken inference, on seeing Defendant’s mark and message, that the message they were seeing came from Plaintiff or its affiliate. Confusion resulting from the similarity is not only likely, it is highly probable; indeed in our view it is virtually unavoidable. . .

b. Proximity of Areas of Commerce

The proximity factor can apply to both the subject matter of the commerce in which the two parties engage and the geographic areas in which they operate. Its pertinence depends on the logical proposition that the public is less likely to draw an inference of relatedness from similar marks when the marks’ users are in dissimilar areas of commerce, or, depending on circumstances, are involved in localized commerce in geographic areas widely distant from one another. A consumer who is familiar with the trademark of her oft-frequented coffee shop, who then observes that a designer/distributer of antivirus computer software does business under a trademark logo that is very similar to the coffee shop’s trademark, is unlikely to believe that the two enterprises are related. On the other hand, if the patron of a Grand Concourse coffee shop sees a second coffee shop in a nearby neighborhood using what appears to be the same trademark, she is far more likely to believe that the two coffee shops are affiliated than if the second coffee shop is in San Antonio, Texas. The more likely it appears that an enterprise in one party’s area of commerce might also engage in the other party’s area of commerce, the greater the likelihood that the public will infer an affiliation from the similarity of the marks.
[The court concluded that the Plaintiff and Defendant operate in closely related fields, a factor discussed below at length in Chapter 7, making confusion likely. The court continued:]

Proximity in a geographic sense also supports a likelihood of confusion. In the first place, Defendant’s communications reach into the Guthrie Service Area. Defendant places screens in doctor’s offices in the areas of New York and Pennsylvania where Plaintiff’s care facilities are located; its Internet communications reach medical professionals operating in Plaintiff’s area of operations; furthermore, its communications seeking sponsorship from pharmaceutical companies that operate nationwide are affecting business entities that operate in Plaintiff’s area of commerce. Those who see Defendant’s trademark-identified communications in Plaintiff’s geographic area have every reason to believe they are affiliated with Plaintiff. The fact that Defendant’s communications focus on such subjects as cardiology, rheumatology, diabetes, and dermatology, increases the likelihood that persons familiar with Plaintiff’s health care network would infer affiliation from the similarity of the marks.

Furthermore, Plaintiff’s activities are not confined to the Guthrie Service Area where most of its care facilities are located. Plaintiff recruits doctors, nurses, and other personnel throughout the country; it receives referrals from doctors who may be anywhere in the United States; and it distributes medical content through the Internet. While the number of instances of confusion occurring outside the Guthrie Service Area is likely to be smaller than within, reasonable persons outside that area will encounter the two marks in connection with medicine-related commerce and will predictably mistakenly assume a relationship.

The district court found that the proximity factor favored Plaintiff as to Defendant’s activity within Plaintiff’s area of commerce. Defendant contests this finding. In our view there can be little doubt the district court was correct.

[The court also found that the strength of the mark and the buyer sophistication factors favored the Plaintiff and the other factors did not bear on the ultimate conclusion. In considering the so-called “bridging the gap” factor, see Casebook Chapter 7, the court noted that this factor, which focuses on “the likelihood that the prior owner will bridge the gap,” Polaroid Corp., 287 F.2d at 495, becomes pertinent primarily when the junior user makes a credible case that there is little or no likelihood of consumer confusion because the senior user operates in a different field of enterprise or a different geographic area. In such circumstances, the senior user can undercut the force of the junior user’s argument by showing a likelihood that it will expand geographically or into other areas of commerce so that the likelihood of confusion will increase. The senior user of the mark is the entitled user and should not be confined within the present scope of its commerce by the risk of confusion that will result from a reasonably plausible expansion of its business. In our case, because Defendant is already using its marks in both the subject matter area and the geographic area}
Thus, the court concluded that “the extraordinary similarity of the marks, the proximity of commerce both as to subject matter and geographic area, the strength of Plaintiff’s mark, and the absence among consumers of sufficient sophistication to protect against confusion, all work together to make a powerful showing of likelihood of confusion... On the other hand, the district court appeared to conclude that, because under present circumstances it found no probability of confusion resulting from Defendant’s use of its marks outside Guthrie’s Service Area, Plaintiff was not entitled to an injunction outside that area. This was a misunderstanding of the law. We discuss this issue further in the next section dealing with the scope of the injunction.”

C. Scope of the Injunction

Plaintiff contends the district court misapplied the governing law in fashioning a narrowly limited injunction, which failed to give Plaintiff adequate protection from Defendant’s use of virtually identical marks. We agree.

It appears the district court reasoned that, because a senior user must show not only a possibility but a probability of confusion in order to win entitlement to an injunction, a senior user that shows such a probability of confusion in one geographic area and thus wins an injunction, is not entitled to have the injunction apply to additional areas, unless the senior user proves a probability of confusion in those additional areas as well. The court credited Plaintiff with having proven a probability of confusion in the Guthrie Service Area and accordingly awarded an injunction covering that area. But as for additional areas, the court found that Plaintiff had failed to satisfy the probability standard, and accordingly concluded it was not entitled to an injunction going beyond the Service Area.

This misinterpreted the law. It is correct that a senior user must prove a probability of confusion in order to win an injunction. But it does not follow that the injunction may extend only into areas for which the senior user has shown probability of confusion. It is not as if the senior user must prove a new claim of infringement for each geographic area in which it seeks injunctive relief. Once the senior user has proven entitlement to an injunction, the scope of the injunction should be governed by a variety of equitable factors—the principal concern ordinarily being providing the injured senior user with reasonable protection from the junior user’s infringement. Of course, if the junior user demonstrates that in a particular geographic area there is no likelihood of confusion, ordinarily no useful purpose would be served by extending the injunction into that area, potentially inflicting great harm on the junior user without meaningful justification. See Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F.2d 358, 364–65 (2d Cir. 1959) (upholding the district court’s finding that, “in view of the plaintiff’s inactivity for about thirty years in exploiting its trademarks in defendant’s trading area at the retail level ... there was no reasonable expectation that plaintiff would extend its retail operations into defendant’s trading area”).
Plaintiff complains particularly that the court’s order (i) expressly allows Defendant to use what is essentially Plaintiff’s logo on the Internet, notwithstanding that these uses unquestionably enter the Guthrie Service Area and will predictably cause confusion there, (ii) does not even prohibit Defendant from making local use of the infringing marks in two counties where Plaintiff operates facilities, and (iii) leaves Defendant free to use what is essentially Plaintiff’s mark throughout the nation, beyond the counties where Plaintiff operates facilities, despite Plaintiff’s showing of some likelihood of confusion beyond its Service Area.

All three of these arguments have merit. The first problem with the injunction is that it allows Defendant to make substantial use of the marks within the Guthrie Service Area. The court’s ruling leaves Defendant free to use the marks on the Internet, notwithstanding that Defendant’s webpages are accessible in Plaintiff’s Service Area, and are likely to cause confusion there. Secondly, the district court also expressly allowed Defendant unrestricted use of the marks in two counties (Tompkins and Schuyler) where Plaintiff maintained healthcare facilities, explaining that Plaintiff had “presented no evidence regarding the setup of these locations, in particular the patient waiting-room experience there ... [and] [a]ccordingly ... ha[d] not proven that any patient exposure to [Defendant’s] content in waiting rooms in those counties would occur or would be similar to exposure in the 11 counties discussed at trial.” The court’s explanation for excluding these counties where Plaintiff maintains patient care facilities from the scope of the injunction seems to us unpersuasive.

Regarding Plaintiff’s argument that the district court erred by allowing Defendant to continue to use its marks throughout the nation, Defendant responds by citing and misreading circuit precedent, in particular Dawn Donut Co., 267 F.2d 358; Starter Corp. v. Converse, Inc., 170 F.3d 286 (2d Cir. 1999); and Brennan’s, Inc. v. Brennan’s Restaurant, LLC, 360 F.3d 125 (2d Cir. 2004). We agree with Plaintiff that the district court did not correctly apply the law and the equities in so limiting the injunction.

The district court relied primarily on the proposition asserted in Starter Corp. that a permanent injunction must be “narrowly tailored to fit specific legal violations” and that a court “should not impose unnecessary burdens on lawful activity.” Starter Corp., 170 F.3d at 299. This proposition is without question a correct statement of the law. However, it does not follow from it that a senior user who has proven entitlement to an injunction affecting one geographic area by reason of the junior user’s infringement must show the same high degree of probability of harm in every further area into which the injunction might extend, thus allowing the infringer free use of the infringing mark in all areas as to which the senior user has not shown a substantial probability of confusion. “[A] party who has once infringed a trademark may be required to suffer a position less advantageous than that of an innocent party ... and a court can frame an injunction which will keep a proven infringer safely away from the perimeter of future infringement.” Patsy’s Brand, Inc., 317 F.3d at 220 (internal citations and quotation marks omitted).
Defendant’s reliance on *Dawn Donut* is misplaced for several reasons. In that case, the absence of likelihood of confusion was proven by the defendant by showing that in 30 years of operation the plaintiff had never sought to use its mark in the defendant’s area. The court noted that there was “ample evidence” supporting the absence of likelihood of confusion. *Dawn Donut Co.*, 267 F.2d at 365. Furthermore, the court ruled that, if the plaintiff later made a showing of intent to use the mark in the defendant’s market area, then the plaintiff “may later ... be entitled to enjoin defendant’s use of the mark.” *Id.* Finally, *Dawn Donuts*, did not present the problem, like this case, of a plaintiff who has shown entitlement to an injunction in one geographic area and seeks to have the injunction extend beyond as well. It therefore has no pertinence to the question at issue here.

*Brennan’s* is also inapposite. In *Brennan’s*, the court had found no showing of likelihood of confusion, and therefore no infringement. It did not involve our question of the propriety of extending the scope of an injunction against a proven infringer beyond the geographic area where the likelihood of confusion is most intense.

Nor does *Starter Corp.*, support the district court’s approach. While that case did involve the scope of the injunction awarded against a proven infringer, the reasons that justified the Court of Appeals in concluding that the injunction was too broad were very different. At the trial, the plaintiff’s own witnesses had testified that the particular use by the defendant that was ultimately found to have been wrongly enjoined “was not at issue in [the] litigation and its attorneys so agreed.” *Starter Corp.*, 170 F.3d at 300. Furthermore, the plaintiff had “virtually conceded that there would be no ‘likelihood that purchasers of the product may be misled in the future.’” *Id.* (citation omitted).

In our case, in addition to proving that Defendant was infringing Plaintiff’s mark, subjecting Plaintiff to a high probability of confusion in its main Service Area, Plaintiff has also shown that its activities and commercial relationships extended beyond that area, rendering it vulnerable to plausibly foreseeable confusions and harms resulting from Defendant’s use of the marks outside the Guthrie Service Area.

Plaintiff recruits doctors, residents, and nursing students nationwide; it disseminates medical information over the Internet; it receives referrals from other physicians and medical professionals, who may be anywhere in the country; and, with respect to its medical research and clinical trials, it solicits funding beyond its Service Area. In all of these activities, Plaintiff is exposed to the risk of confusion and harm resulting from Defendant’s use of the marks outside that area. For example, in order to avoid the fact or appearance of conflict of interest, which might harm its reputation with funders of its medical research or cause it to be disqualified by U.S. Government agencies from clinical trials, Plaintiff takes care not to endorse products or host advertisements for third-party products or services. If Defendant’s transmissions were to display advertising of pharmaceutical products or endorsements, and this were observed outside the Guthrie Service Area by Plaintiff’s potential funders or by government agencies, who would predictably believe that what they saw came from Plaintiff,
Plaintiff could suffer serious harm to its reputation, impacting its receipt of funding grants or its eligibility to conduct clinical trials. Furthermore, potential doctors and nurses around the country whom Plaintiff seeks to recruit might well be affected in their employment decisions by what they see on Defendant’s screens or transmissions. The same might apply to referrals of patients.

The district court’s limitation on the geographic scope of the injunction also could cause Plaintiff substantial harm in another manner. Because the district court authorized Defendant to use what is in effect Plaintiff’s mark as Defendant’s mark outside the Service Area, Plaintiff, which now operates over 100 facilities in the Twin Tiers region, cannot expand beyond those borders without subjecting itself to a high risk of consumer confusion. This cloud affecting Plaintiff’s mark beyond the counties where it presently maintains facilities might substantially impair its opportunity for growth and its eligibility as a prospective merger partner with entities operating outside its Service Area, diminishing its value as a commercial entity. See Savin Corp., 391 F.3d at 459–60 (discussing the need to “protect the senior user’s interest in being able to enter a related field at some future time”).

No doubt, an injured senior user must show evidence of plausibly foreseeable confusion beyond its main area of injury before the trial court is required even to consider extending the injunction into such additional areas. In the evidence summarized above Plaintiff easily satisfied that requirement.

In so ruling, we do not imply that senior users who prove likely confusion and infringement by a junior user’s use of their marks in their area of operation are necessarily entitled to injunctions extending beyond their geographic area of operation. Every case turns on its particular facts, and in many instances it will be clear, for a variety of reasons, that an injunction of narrow geographic scope will grant the senior user completely adequate protection, and that an injunction going further would be not only unnecessary but unjust. Trademark cases vary enormously depending on highly specific factual differences, so that it is perilous to generalize in asserting rules. Plaintiff in our case made a showing of plausibly foreseeable confusion and harm resulting from Defendant’s use of its marks beyond the area where confusion was probable. Even assuming it failed to show probability of confusion beyond its Service Area, that is not the governing standard in such circumstances. Plaintiff was entitled to have the district court consider extending the injunction beyond the area where confusion was probable upon proper consideration of all the equities.10

10 Nor do we imply that a prevailing plaintiff operating within a narrow service area is necessarily entitled to an injunction barring the infringing defendant from using its mark on the Internet because of the availability of material on the Internet within the plaintiff’s service area. The proper scope of the injunction depends on likelihood of confusion, which in turn depends on innumerable variable factors. The particular facts of this case lead us to conclude that Defendant’s use of the logo on the Internet will cause sufficient likelihood of confusion to justify barring Defendant from Internet use. In other infringing circumstances, whether because of differences in the marks, geographic separation,
We recognize further that the competing equities do not always favor a senior user that has shown infringement. Cases frequently arise in which imposition of a broad injunction on an innocent infringer, which had no realistic way of knowing that its mark was subject to a prior claim, would cause the junior user a catastrophic loss of goodwill acquired through investment of years of toil and large amounts of money. In such cases, notwithstanding that the legal right unquestionably belongs to the senior user, competing equities can complicate the issue of the breadth of injunctive relief. In our case, in contrast, a number of equitable considerations appear to favor Plaintiff.

Although Defendant did not act with bad faith in the sense of deliberately sowing confusion between its marks and Plaintiff’s, Defendant could easily have avoided the problem that arose from its adoption of marks already reserved by another user. Precisely for the purpose of giving notice of its mark to the world, Plaintiff had registered its mark with the PTO. Had Defendant exercised the precaution of running a trademark search before launching its marks, it would have learned that they were unavailable and would surely have had the good sense not to proceed with a logo so nearly identical to one for which trademark rights were already established. Defendant did not conduct a trademark search until it sought to register its marks and was notified by the PTO on February 28, 2012, that the marks it sought to register were “striking [ly] similar” to Plaintiff’s already registered mark. Accordingly, while Defendant is not a “bad faith” infringer, nor is it an entirely innocent infringer. The government had placed a convenient tool at its disposition, which it could have used to avoid this infringement, and it failed to utilize that tool.

Furthermore, this is not a case in which an injunction would have catastrophic effects on the infringer’s business. In some cases, an innocently infringing junior user has invested many years of toil and large sums of money in the development of goodwill in its mark before learning of the prior reservation of rights. Defendant here had only recently begun using the logo. Nor is this a case in which the junior user is compelled to give up the name of its business. What is at stake is only the use of a decorative logo. No reason appears why Defendant cannot change its logo to one that is not confusingly similar to Plaintiff’s without suffering major harm to its business.\[11\] Finally, Plaintiff is the injured party, and so far as we can see was without fault in the matter.

Finally, the equitable interests to be considered in fashioning an injunction are not only those of the parties to the litigation. An important beneficiary of the trademark system is the public. The public has a great interest in administration of the trademark law in a manner

\[11\] The district court might contemplate diminishing any harm to Defendant caused by a mandatory logo change by allowing the change to be made in stages, perhaps beginning with the addition of a reasonably prominent disclaimer of connection to Plaintiff.
that protects against confusion. By perpetuating a highly confusing circumstance, the court’s injunctive order harmed that public interest. The public interest would undoubtedly be better served by the elimination of this confusion.

For the reasons explained above, we affirm the district court’s finding of liability to the extent it found that Defendant infringes Plaintiff’s mark. However, to the extent the court ruled that Defendant has not infringed Plaintiff’s mark by using its marks outside Plaintiff’s main Service Area, its judgment is vacated. The injunction ordered by the district court is affirmed to the extent that it enjoined Defendant from use of its marks. The scope of the injunction is hereby expanded to include Tompkins and Schuyler counties. We vacate the district court’s order to the extent it leaves Defendant free to use its marks outside Plaintiff’s Service Area, and in online applications. We leave it to the district court to determine whether the injunction can be tailored to allow Defendant some limited use of its marks outside Plaintiff’s Service Area (expanded to include Tompkins and Schuyler counties) and on the Internet, giving due weight to Plaintiff’s interest in protection from the risk of confusion in the marketplace and to all other appropriate equitable considerations. The matter is remanded for further proceedings in accordance with this ruling.

At p. 422 add the following to note 5:

The TTAB has stressed that the advent of the internet has not undermined the vitality of the concurrent use principle. See America’s Best Franchising, Inc. v. Abbott, 2013 WL 3168104 (TTAB 2013). Should it? Or does it make it even more important? What does Guthrie Healthcare suggest (if anything) on the relevance of the internet?

In Southwestern Mgm’t, Inc. v. Ocinomled, Ltd., 115 U.S.P.Q.2d (BNA) 1007 (TTAB 2015), the Board declined to issue a concurrent use registration for the mark DELMONICO’S for restaurant services where the applicant had used the mark in upstate New York and sought a federal registration for the entire United States other than within 40 miles of each of a Manhattan restaurant by the same name and two restaurants of the same name opened by the celebrity chef Emeril Lagasse in New Orleans and Las Vegas. Each of the restaurants opened around the same time as the applicant’s restaurant; the applicant started using its mark prior to any filing for the mark by the rival restaurants. The Board held that the applicant had the rights to use the mark DELMONICO’S in upstate New York but that its goodwill was confined to that area. In contrast, the Manhattan restaurant had national fame by virtue of sharing the same address with a previous restaurant of that name (even though it held no legal rights through that prior institution) and the New Orleans and Las Vegas locations had national fame by virtue of Emeril Lagasse (whose television shows had featured the restaurants). As a result, the Board concluded that concurrent use would give rise to confusion even within upstate New York and thus refused the application for a concurrent use registration applying the term of Section 2(d). If either of the opponents sought a federal registration, should a registration issues for something less than the entire United States?
At p. 444, add the following case before the Notes and Questions:

**BELMORA LLC v. BAYER CONSUMER CARE AG**

819 F.3d 697 (4th Cir. 2016)

AGEE, Circuit Judge:

In this unfair competition case, we consider whether the Lanham Act permits the owner of a foreign trademark and its sister company to pursue false association, false advertising, and trademark cancellation claims against the owner of the same mark in the United States. Bayer Consumer Care AG (“BCC”) owns the trademark “FLANAX” in Mexico and has sold naproxen sodium pain relievers under that mark in Mexico (and other parts of Latin America) since the 1970s. Belmora LLC owns the FLANAX trademark in the United States and has used it here since 2004 in the sale of its naproxen sodium pain relievers. BCC and its U.S. sister company Bayer Healthcare LLC (“BHC,” and collectively with BCC, “Bayer”) contend that Belmora used the FLANAX mark to deliberately deceive Mexican-American consumers into thinking they were purchasing BCC’s product.

BCC successfully petitioned the U.S. Trademark Trial and Appeal Board (“TTAB”) to cancel Belmora’s registration for the FLANAX mark based on deceptive use. Belmora appealed the TTAB’s decision to the district court. In the meantime, BCC filed a separate complaint for false association against Belmora under § 43 of the Lanham Act, 15 U.S.C. § 1125, and in conjunction with BHC, a claim for false advertising. After the two cases were consolidated, the district court reversed the TTAB’s cancellation order and dismissed the false association and false advertising claims.

Bayer appeals those decisions. For the reasons outlined below, we vacate the judgment of the district court and remand this case for further proceedings consistent with this opinion.

I. Background

...  

A. The FLANAX Mark

BCC registered the trademark FLANAX in Mexico for pharmaceutical products, analgesics, and anti-inflammatories. It has sold naproxen sodium tablets under the FLANAX brand in Mexico since 1976. FLANAX sales by BCC have totaled hundreds of millions of dollars, with a portion of the sales occurring in Mexican cities near the United States border. BCC’s FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican-Americans and other Hispanics in the United States, but BCC has never
marketed or sold its FLANAX in the United States. Instead, BCC’s sister company, BHC, sells naproxen sodium pain relievers under the brand ALEVE in the United States market.

Belmora LLC began selling naproxen sodium tablets in the United States as FLANAX in 2004. The following year, Belmora registered the FLANAX mark in the United States. Belmora’s early FLANAX packaging (below, left) closely mimicked BCC’s Mexican FLANAX packaging (right), displaying a similar color scheme, font size, and typeface.

Belmora later modified its packaging (below), but the color scheme, font size, and typeface remain similar to that of BCC’s FLANAX packaging.

In addition to using similar packaging, Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by BCC in Mexico. For example, Belmora circulated a brochure to prospective distributors that stated,
For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized topselling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold. Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer.

Belmora also employed telemarketers and provided them with a script containing similar statements. This sales script stated that Belmora was “the direct producers of FLANAX in the US” and that “FLANAX is a very well known medical product in the Latino American market, for FLANAX is sold successfully in Mexico.” Belmora’s “sell sheet,” used to solicit orders from retailers, likewise claimed that “Flanax products have been used [for] many, many years in Mexico” and are “now being produced in the United States by Belmora LLC.”

Bayer points to evidence that these and similar materials resulted in Belmora’s distributors, vendors, and marketers believing that its FLANAX was the same as or affiliated with BCC’s FLANAX. For instance, Belmora received questions regarding whether it was legal for FLANAX to have been imported from Mexico. And an investigation of stores selling Belmora’s FLANAX “identified at least 30 [purchasers] who believed that the Flanax products ... were the same as, or affiliated with, the Flanax products they knew from Mexico.”

B. Proceedings Below

1. In 2007, BCC petitioned the TTAB to cancel Belmora’s registration for the FLANAX mark, arguing that Belmora’s use and registration of the FLANAX mark violated Article 6bis of the Paris Convention “as made applicable by Sections 44(b) and (h) of the Lanham Act.” BCC also sought cancellation of Belmora’s registration under § 14(3) of the Lanham Act because Belmora had used the FLANAX mark “to misrepresent the source of the goods ... [on] which the mark is used.” Id.; see also Lanham Act § 14(3), 15 U.S.C. § 1064(3).

The TTAB dismissed BCC’s Article 6bis claim, concluding that Article 6bis “is not self-executing” and that § 44 of the Lanham Act did not provide “an independent basis for cancellation.” However, the TTAB allowed Bayer’s § 14(3) claim to proceed. In 2014, after discovery and a hearing, the TTAB ordered cancellation of Belmora’s FLANAX registration, concluding that Belmora had misrepresented the source of the FLANAX goods and that the facts “[i]d [not present a close case.” The TTAB noted that Belmora 1) knew the favorable reputation of Bayer’s FLANAX product, 2) “copied” Bayer’s packaging, and 3) “repeatedly invoked” that reputation when marketing its product in the United States.
Shortly after the TTAB’s ruling, Bayer filed suit in the Southern District of California, alleging that 1) BCC was injured by Belmora’s false association with its FLANAX product in violation of Lanham Act § 43(a)(1)(A), and 2) BCC and BHC were both injured by Belmora’s false advertising of FLANAX under § 43(a)(1)(B). The complaint also alleged three claims under California state law.

Belmora meanwhile appealed the TTAB’s cancellation order and elected to proceed with the appeal as a civil action in the Eastern District of Virginia. It argued that the TTAB erred in concluding that Bayer “had standing and/or a cause of action” under § 14(3) and in finding that Belmora had misrepresented the source of its goods. Belmora also sought a declaration that its actions had not violated the false association and false advertising provisions of Lanham Act § 43(a), as Bayer had alleged in the California district court proceeding. Bayer filed a counterclaim challenging the TTAB’s dismissal of its Paris Convention treaty claims.

The California case was transferred to the Eastern District of Virginia and consolidated with Belmora’s pending action. Belmora then moved the district court to dismiss Bayer’s § 43(a) claims under Rule 12(b)(6) and for judgment on the pleadings under Rule 12(c) on the § 14(3) claim. On February 6, 2015, after two hearings, the district court issued a memorandum opinion and order ruling in favor of Belmora across the board.

The district court acknowledged that “Belmora’s FLANAX ... has a similar trade dress to Bayer’s FLANAX and is marketed in such a way that capitalizes on the goodwill of Bayer’s FLANAX.” J.A. 475. It nonetheless “distilled” the case “into one single question”:

Does the Lanham 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?

The district court concluded that “[t]he answer is no” based on its reading of the Supreme Court’s decision in Lexmark International, Inc. v. Static Control Components, Inc., 134 S.Ct. 1377. Accordingly, the district court dismissed Bayer’s false association and false advertising claims for lack of standing. At the same time, it reversed the TTAB’s § 14(3) cancellation order.

Bayer filed a timely notice of appeal, and we have jurisdiction under 28 U.S.C. § 1291. The U.S. Patent and Trademark Office (“USPTO”) intervened to defend the TTAB’s
decision to cancel Belmora’s registration and to argue that the Lanham Act conforms to the United States’ commitments in Article 6bis of the Paris Convention.3

II. Discussion

. . .

A. False Association and False Advertising Under Section 43(a)

The district court dismissed Bayer’s false association4 and false advertising claims because, in its view, the claims failed to satisfy the standards set forth by the Supreme Court in Lexmark. At the core of the district court’s decision was its conclusion that 1) Bayer’s claims fell outside the Lanham Act’s “zone of interests”—and are not cognizable—“because Bayer does not possess a protectable interest in the FLANAX mark in the United States,” and 2) that a “cognizable economic loss under the Lanham Act” cannot exist as to a “mark that was not used in United States commerce.”

On appeal, Bayer contends these conclusions are erroneous as a matter of law because they conflict with the plain language of § 43(a) and misread Lexmark.

1.

“While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a) ... goes beyond trademark protection.” Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28–29 (2003). . . .

Subsection A, which creates liability for statements as to “affiliation, connection, or association” of goods, describes the cause of action known as “false association.” Subsection B, which creates liability for “misrepresen[t]ing] the nature, characteristics, qualities, or geographic origin” of goods, defines the cause of action for “false advertising.”

Significantly, the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses

3 The district court had agreed with the TTAB that Article does not create an independent cause of action for the cancellation of Belmora’s FLANAX registration. Because Bayer appears to have abandoned its treaty claims on appeal and their resolution is not necessary to our decision, we do not address any issue regarding the Paris Convention arguments.

4 As the district court pointed out, we have sometimes denominated Lanham Act § 43(a)(1)(A) claims as “false designation” claims. We think it preferable to follow the Supreme Court’s terminology in Lexmark and instead refer to such claims as those of “false association,” although the terms can often be used interchangeably.
“infringement.” 15 U.S.C. § 1114 (requiring for liability the “use in commerce” of “any reproduction, counterfeit, copy, or colorable imitation of a registered mark” (emphasis added)). Under § 43(a), it is the defendant’s use in commerce—whether of an offending “word, term, name, symbol, or device” or of a “false or misleading description [or representation] of fact”—that creates the injury under the terms of the statute. And here the alleged offending “word, term, name, symbol, or device” is Belmora’s FLANAX mark.

What § 43(a) does require is that Bayer was “likely to be damaged” by Belmora’s “use[] in commerce” of its FLANAX mark and related advertisements. The Supreme Court recently considered the breadth of this “likely to be damaged” language in *Lexmark*, a false advertising case arising from a dispute in the used-printer-cartridge market. 134 S.Ct. at 1383, 1388. The lower courts in *Lexmark* had analyzed the case in terms of “prudential standing”—that is, on grounds that are “prudential” rather than constitutional. Id. at 1386. The Supreme Court, however, observed that the real question in *Lexmark* was “whether Static Control has a cause of action under the statute.” Id. at 1387. This query, in turn, hinged on “a straightforward question of statutory interpretation” to which it applied “traditional principles” of interpretation. Id. at 1388. As a threshold matter, the Supreme Court noted that courts must be careful not to import requirements into this analysis that Congress has not included in the statute:

We do not ask whether in our judgment Congress should have authorized Static Control’s suit, but whether Congress in fact did so. Just as a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied, it cannot limit a cause of action that Congress has created merely because ‘prudence’ dictates. Id.

The Court concluded that § 43(a)’s broad authorization—permitting suit by “any person who believes that he or she is or is likely to be damaged”—should not be taken “literally” to reach the limits of Article III standing, but is framed by two “background principles,” which may overlap. Id.

First, a plaintiff’s claim must fall within the “zone of interests” protected by the statute. Id. The scope of the zone of interests is not “especially demanding,” and the plaintiff receives the “benefit of any doubt.” Id. at 1389. Because the Lanham Act contains an “unusual, and extraordinarily helpful” purpose statement in § 45, identifying the statute’s zone of interests “requires no guesswork.” Id. Section 45 provides:

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and
to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.


The Supreme Court observed that “[m]ost of the enumerated purposes are relevant to a false-association case,” while “a typical false-advertising case will implicate only the Act’s goal of ‘protecting persons engaged in commerce within the control of Congress against unfair competition.’” *Lexmark*, 134 S.Ct. at 1389. The Court concluded “that to come within the zone of interests in a suit for false advertising under § 43(a), a plaintiff must allege an injury to a commercial interest in reputation or sales.” Id. at 1390.

The second *Lexmark* background principle is that “a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute.” Id. The injury must have a “sufficiently close connection to the conduct the statute prohibits.” Id. In the § 43(a) context, this means “show[ing] economic or reputational injury flowing directly from the deception wrought by the defendant’s advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff.” Id. at 1391.

The primary lesson from *Lexmark* is clear; courts must interpret the Lanham Act according to what the statute says. To determine whether a plaintiff, “falls within the class of plaintiffs whom Congress has authorized to sue,” we “apply traditional principles of statutory interpretation.” Id. at 1387. The outcome will rise and fall on the “meaning of the congressionally enacted provision creating a cause of action.” Id. at 1388.

We now turn to apply these principles to the case before us.

2.

a.

We first address the position, pressed by Belmora and adopted by the district court, that a plaintiff must have initially used its own mark in commerce within the United States as a condition precedent to a § 43(a) claim. In dismissing BCC’s § 43(a) claims, the district court

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5 In the same section, the Lanham Act defines “commerce” as “all commerce which may lawfully be regulated by Congress.” Lanham Act § 45, 15 U.S.C. § 1127. We have previously construed this phrase to mean that the term is “coterminous with that commerce that Congress may regulate under the Commerce Clause of the United States Constitution.” *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 363–64 (4th Cir.2003). “Commerce” in Lanham Act context is therefore an expansive concept that “necessarily includes all the explicitly identified variants of interstate commerce, foreign trade, and Indian commerce.” Id. at 364 (citing U.S. Const. art. 1, § 8, cl. 3); see also infra n. 6.
found dispositive that “Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States.” Upon that ground, the district court held “that Bayer does not possess a protectable interest in the [FLANAX] mark.”

As noted earlier, such a requirement is absent from § 43(a)’s plain language and its application in Lexmark. Under the statute, the defendant must have “use[d] in commerce” the offending “word, term, name, [or] symbol,” but the plaintiff need only “believe[s]” that he or she is or is likely to be damaged by such act.” Lanham Act § 43(a), 15 U.S.C. § 1125(a).

It is important to emphasize that this is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act’s infringement provision in § 32 (which authorizes suit only “by the registrant,” and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a). See Russello v. United States, 464 U.S. 16, 23 (1983) (“Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”).

Given that Lexmark advises courts to adhere to the statutory language, “applying] traditional principles of statutory interpretation,” Lexmark, 134 S.Ct. at 1388, we lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in Lexmark can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

The district court thus erred in requiring Bayer, as the plaintiff, to have pled its prior use of its own mark in U.S. commerce when it is the defendant’s use of a mark or misrepresentation that underlies the § 43(a) unfair competition cause of action. Having made this foundational error, the district court’s resolution of the issues requires reversal.6

6 Even though the district court’s error in transposing § 43(a)’s requirements for a defendant’s actions upon the plaintiff skews the entire analysis, the district court also confused the issues by ill-defining the economic location of the requisite unfair competition acts. As noted earlier, supra n. 5, a defendant’s false association or false advertising conduct under § 43(a) must occur in “commerce within the control of Congress.” Such commerce is not limited to purchases and sales within the territorial limits of the United States as the district court seems to imply at times with regard to § 43(a) and § 14(3) claims. . . . Instead, as we explained in International Bancorp, Lanham Act “commerce” includes, among other things, “foreign trade” and is not limited to transactions solely within the borders of the United States. Int’l Bancorp, 329 F.3d at 364. Of course, any such “foreign trade” must satisfy the Lexmark “zone of interests” and “proximate cause” requirements to be cognizable for Lanham Act purposes.
Admittedly, some of our prior cases appear to have treated a plaintiff’s use of a mark in United States commerce as a prerequisite for a false association claim. See Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir.2005) (“Both infringement [under § 32] and false designation of origin [under § 43(a)] have [the same] five elements.”); [cit]. However, none of these cases made that consideration the ratio decidendi of its holding or analyzed whether the statute in fact contains such a requirement. [cit]. Moreover, all of these cases predate Lexmark, which provides the applicable Supreme Court precedent interpreting § 43(a). [cit].

Although the plaintiffs’ use of a mark in U.S. commerce was a fact in common in Lamparello and other cases cited by the court, substantial precedent reflects that § 43(a) unfair competition claims come within the statute’s protectable zone of interests without the preconditions adopted by the district court and advanced by Belmora. As the Supreme Court has pointed out, § 43(a) “goes beyond trademark protection.” Dastar Corp., 539 U.S. at 29. For example, a plaintiff whose mark has become generic—and therefore not protectable—may plead an unfair competition claim against a competitor that uses that generic name and “fail[s] adequately to identify itself as distinct from the first organization” such that the name causes “confusion or a likelihood of confusion.” Blinded Veterans Ass’n v. Blinded Am. Veterans Found., 872 F.2d 1035, 1043 (D.C.Cir.1989); see also Kellogg Co. v. Nat’l Biscuit Co., 305 U.S. 111, 118–19 (1938) (requiring the defendant to “use reasonable care to inform the public of the source of its product” even though the plaintiff’s “shredded wheat” mark was generic and therefore unprotectable); Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 203–04 (1896) (same, for “Singer” sewing machines).

Likewise, in a “reverse passing off” case, the plaintiff need not have used a mark in commerce to bring a § 43(a) action. A reverse-passing-off plaintiff must prove four elements: “(1) that the work at issue originated with the plaintiff; (2) that origin of the work was falsely designated by the defendant; (3) that the false designation of origin was likely to cause consumer confusion; and (4) that the plaintiff was harmed by the defendant’s false designation of origin.” Universal Furniture Int’l, Inc. v. Collezione Europa USA, Inc., 618 F.3d 417, 438 (4th Cir.2010). Thus, the plaintiff in a reverse passing off case must plead and prove only that the work “originated with” him—not that he used the work (which may or may not be associated with a mark) in U.S. commerce. Id.

The generic mark and reverse passing off cases illustrate that § 43(a) actions do not require, implicitly or otherwise, that a plaintiff have first used its own mark in United States commerce. If such a use were a condition precedent to bringing a § 43(a) action, the generic mark and reverse passing off cases could not exist.

In sum, the Lanham Act’s plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim. The Supreme Court’s guidance in Lexmark does not allude to one, and
our prior cases either only assumed or articulated as dicta that such a requirement existed. Thus, the district court erred in imposing such a condition precedent upon Bayer’s claims.8

As Bayer is not barred from making a § 43(a) claim, the proper Lexmark inquiry is twofold. Did the alleged acts of unfair competition fall within the Lanham Act’s protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury? We examine the false association and false advertising claims in turn.

b.

i.

As to the zone of interests, Lexmark advises that “[m]ost of the [Lanham Act’s] enumerated purposes are relevant to false-association cases.” One such enumerated purpose is “making actionable the deceptive and misleading use of marks” in “commerce within the control of Congress.” Lanham Act § 45, 15 U.S.C. § 1127 . . . As pled, BCC’s false association claim advances that purpose.

The complaint alleges Belmora’s misleading association with BCC’s FLANAX has caused BCC customers to buy the Belmora FLANAX in the United States instead of purchasing BCC’s FLANAX in Mexico. For example, the complaint alleges that BCC invested heavily in promoting its FLANAX to Mexican citizens or Mexican-Americans in border areas. Those consumers cross into the United States and may purchase Belmora FLANAX here before returning to Mexico. And Mexican-Americans may forego purchasing the FLANAX they know when they cross the border to visit Mexico because Belmora’s alleged deception led them to purchase the Belmora product in the United States.

In either circumstance, BCC loses sales revenue because Belmora’s deceptive and misleading use of FLANAX conveys to consumers a false association with BCC’s product. Further, by also deceiving distributors and vendors, Belmora makes its FLANAX more available to consumers, which would exacerbate BCC’s losses. . . . In each scenario, the

8 A plaintiff who relies only on foreign commercial activity may face difficulty proving a cognizable false association injury under § 43(a). A few isolated consumers who confuse a mark with one seen abroad, based only on the presence of the mark on a product in this country and not other misleading conduct by the mark holder, would rarely seem to have a viable § 43(a) claim. The story is different when a defendant, as alleged here, has—as a cornerstone of its business—intentionally passed off its goods in the United States as the same product commercially available in foreign markets in order to influence purchases by American consumers. See M. Kramer Mfg. Co. v. Andrews, 783 F.2d 421, 448 (4th Cir.1986) (“Evidence of intentional, direct copying establishes a prima facie case of secondary meaning sufficient to shift the burden of persuasion to the defendant on that issue.”). Such an intentional deception can go a long way toward establishing likelihood of confusion. See Blinded Veterans, 872 F.2d at 1045 (“Intent to deceive ... retains potency; when present, it is probative evidence of a likelihood of confusion.”).

We thus conclude that BCC has adequately pled a § 43(a) false association claim for purposes of the zone of interests prong. Its allegations reflect the claim furthers the § 45 purpose of preventing “the deceptive and misleading use of marks” in “commerce within the control of Congress.”

ii.

Turning to Lexmark’s second prong, proximate cause, BCC has also alleged injuries that “are proximately caused by [Belmora’s] violations of the [false association] statute.” 134 S.Ct. at 1390. The complaint can fairly be read to allege “economic or reputational injury flowing directly from the deception wrought by the defendant’s” conduct. Id. at 1391. As previously noted, BCC alleges “substantial sales in major cities near the U.S.-Mexico border” and “millions of dollars promoting and advertising” its FLANAX brand in that region. Thus, BCC may plausibly have been damaged by Belmora’s alleged deceptive use of the FLANAX mark in at least two ways. As reflected in the zone of interests discussion, BCC FLANAX customers in Mexico near the border may be deceived into foregoing a FLANAX purchase in Mexico as they cross the border to shop and buy the Belmora product in the United States. Second, Belmora is alleged to have targeted Mexican-Americans in the United States who were already familiar with the FLANAX mark from their purchases from BCC in Mexico. We can reasonably infer that some subset of those customers would buy BCC’s FLANAX upon their return travels to Mexico if not for the alleged deception by Belmora. Consequently, BCC meets the Lexmark pleading requirement as to proximate cause.

BCC may ultimately be unable to prove that Belmora’s deception “cause[d] [these consumers] to withhold trade from [BCC]” in either circumstance, Lexmark, 134 S.Ct. at 1391, but at the initial pleading stage we must draw all reasonable factual inferences in BCC’s favor. Priority Auto Grp., 757 F.3d at 139. Having done so, we hold BCC has sufficiently pled a § 43(a) false association claim to survive Belmora’s Rule 12(b)(6) motion. The district court erred in holding otherwise.

[The court was also satisfied that BCC and BCH’s false advertising claim satisfied Lexmark].

d.

We thus conclude that the Lanham Act permits Bayer to proceed with its claims under § 43(a)—BCC with its false association claim and both BCC and BHC with false advertising claims. It is worth noting, as the Supreme Court did in Lexmark, that “[a]lthough we conclude that [Bayer] has alleged an adequate basis to proceed under [§ 43(a)], it cannot obtain relief
without evidence of injury proximately caused by [Belmora’s alleged misconduct]. We hold only that [Bayer] is entitled to a chance to prove its case.”

In granting Bayer that chance, we are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark. But trademark rights do not include using the mark to deceive customers as a form of unfair competition, as is alleged here. Should Bayer prevail and prove its § 43(a) claims, an appropriate remedy might include directing Belmora to use the mark in a way that does not sow confusion. See Lanham Act § 34(a), 15 U.S.C. § 1116(a) (authorizing injunctions based on “principles of equity”). Of course, the precise remedy would be a determination to be made by the district court in the first instance upon proper evidence. 11 We leave any potential remedy to the district court’s discretion should this case reach that point. We only note that any remedy should take into account traditional trademark principles relating to Belmora’s ownership of the mark.

B. Cancellation Under Section 14(3)

The TTAB ordered the cancellation of Belmora’s FLANAX trademark under § 14(3), finding that the preponderance of the evidence “readily establish[ed] blatant misuse of the FLANAX mark in a manner calculated to trade in the United States on the reputation and goodwill of petitioner’s mark created by its use in Mexico.” In reversing that decision and granting Belmora’s motion for judgment on the pleadings, the district court found that BCC, as the § 14(3) complainant, “lack[ed] standing to sue pursuant to Lexmark” under both the zone of interests and the proximate cause prongs. The district court also reversed the TTAB’s holding that Belmora was using FLANAX to misrepresent the source of its goods “because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States.”

On appeal, Bayer argues that the district court erred in overturning the TTAB’s § 14(3) decision because it “read a use requirement into the section that is simply not there.” For reasons that largely overlap with the preceding § 43(a) analysis, we agree with Bayer.

1.

Section 14(3) of the Lanham Act creates a procedure for petitioning to cancel the federal registration of a mark that the owner has used to misrepresent the source of goods . . . . The

11 For example, a remedy might include altering the font and color of the packaging or the “ready remedy” of attaching the manufacturer’s name to the brand name. Blinded Veterans, 872 F.2d at 1047. Another option could be for the packaging to display a disclaimer—to correct for any deliberately created actual confusion. See id. (“The district court could, however, require [Blinded American Veterans Foundation] to attach a prominent disclaimer to its name alerting the public that it is not the same organization as, and is not associated with, the Blinded Veterans Association.”).
petitioner must establish that the “registrant deliberately sought to pass off its goods as those of petitioner.” See 3 McCarthy, § 20:30 (4th ed.2002).

If successful, the result of a § 14(3) petition “is the cancellation of a registration, not the cancellation of a trademark.” Id. § 20:40. Cancellation of registration strips an owner of “important legal rights and benefits” that accompany federal registration, but it “does not invalidate underlying common law rights in the trademark.” Id. § 20:68; see also B & B Hardware Inc. v. Hargis Indus., Inc., --- U.S. ----, 135 S.Ct. 1293, 1300 (2015).

To determine what parties § 14(3) authorizes to petition for cancellation, we again apply the Lexmark framework. The relevant language in § 14(3) closely tracks similar language from § 43(a) that the Supreme Court considered in Lexmark: “[A]ny person who believes that he is or will be damaged” by the mark’s registration may petition for cancellation under § 14(3), just as “any person who believes that he or she is or is likely to be damaged” may bring an unfair competition action under § 43(a). The same two-prong inquiry from Lexmark provides the mode of analysis.

To determine if a petitioner falls within the protected zone of interests, we note that § 14(3) pertains to the same conduct targeted by § 43(a) false association actions—using marks so as to misrepresent the source of goods. Therefore, “[m]ost of the [Lanham Act’s] enumerated purposes are relevant” to § 14(3) claims as well. See Lexmark, 134 S.Ct. at 1389. As for proximate cause, we once again consider whether the plaintiff has “show[n] economic or reputational injury flowing directly from the deception wrought by the defendant’s [conduct].” See Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1278 (Fed.Cir.2014) (“In the proceedings before the Board, however, Cubatabaco need not own the mark to cancel the Registrations under Section 14(3).”).

Applying the framework from Lexmark, we conclude that the Lanham Act authorizes BCC to bring its § 14(3) action against Belmora. BCC’s cancellation claim falls within the Lanham Act’s zone of interests because it confronts the “deceptive and misleading use of marks.” Lanham Act § 45, 15 U.S.C. § 1127. And BCC has also adequately pled a proximately caused injury to survive Belmora’s Rule 12(c) motion for the same reasons previously discussed for the false association and false advertising claims. The district court

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12 The USPTO suggests that § 14(3) might require a lesser showing of causation because it sets forth an administrative remedy, whereas the Supreme Court based its Lexmark analysis on common law requirements for judicial remedies. See Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1275 (Fed.Cir.2014) (“A petitioner is authorized by statute to seek cancellation of a mark where it has both a real interest in the proceedings as well as a reasonable basis for its belief of damage.”). We need not resolve this issue for purposes of the current decision.
thus erred in reversing the TTAB’s decision cancelling the registration of Belmora’s FLANAX mark.

Vacated and Remanded

At p. 445, add to the end of note 4:

In Bayer, the applicant (Belmora) filed an appeal of the Board’s decision to cancel the registration. But Bayer (the petitioner) filed a notice of election to have review by civil action by a district court in the Fourth Circuit under Section 21 of the Lanham Act. Assume that the Fourth Circuit and the Federal Circuit disagree on the existence of a well-known mark doctrine; which case law should the court apply?

At p. 445, at the end of note 5, add the following:


Insert the following case at p. 479 after McBee:

TRADER JOE’S CO. v. HALLATT
835 F.3d 690 (9th Cir. 2016)

CHRISTEN, Circuit Judge:

This trademark infringement case turns on the extraterritorial reach of the Lanham Act. It is uncontested that Defendant Michael Norman Hallatt purchases Trader Joe’s-branded goods in Washington state, transports them to Canada, and resells them there in a store he designed to mimic a Trader Joe’s store. Trader Joe’s sued for trademark infringement and unfair competition under the Lanham Act and Washington state law. The district court recognized that the Lanham Act can apply to conduct that occurs abroad, but it dismissed the Lanham Act claims for lack of subject-matter jurisdiction after concluding that Hallatt’s allegedly infringing activity takes place in Canada, and that Trader Joe’s did not adequately explain how Hallatt’s activity impacts American commerce. The district court dismissed Trader Joe’s’ state law claims for similar reasons.

We affirm in part and reverse in part. Consistent with recent case law from the Supreme Court and our court, we hold that the extraterritorial reach of the Lanham Act raises a question relating to the merits of a trademark claim, not to federal courts’ subject-matter
jurisdiction. On the merits, we conclude that Trader Joe’s alleges a nexus between Hallatt’s conduct and American commerce sufficient to warrant extraterritorial application of the Lanham Act. We therefore reverse in part. But because Trader Joe’s does not allege trademark dilution in Washington or harm to a Washington resident or business, we affirm the court’s dismissal of the state law claims.

BACKGROUND

The complaint alleges that Trader Joe’s is a well-known American grocery store that sells specialty goods at reasonable prices from its distinctive, South Pacific-themed stores. It is headquartered in Monrovia, California, but it operates hundreds of stores throughout the United States, including more than a dozen stores in Washington. About eighty percent of the goods Trader Joe’s sells in its stores are Trader Joe’s-branded products that are available only at Trader Joe’s. Trader Joe’s does not franchise its intellectual property or license others to sell its products. Trader Joe’s maintains strict quality control standards when transporting and storing perishable goods to protect the safety of its customers and to ensure that Trader Joe’s stores sell only fresh, high-quality goods. Trader Joe’s has rejected offers from third parties to enter into franchise agreements, in part because of the difficulty of “ensuring that these third parties will ship, handle, and store food products pursuant to Trader Joe’s exacting standards.” Trader Joe’s does not operate outside of the United States, but Canadian consumers regularly travel across the border to shop at Trader Joe’s stores located in northern Washington.

Trader Joe’s owns several federally registered and common-law trademarks associated with its stores and products. Its family of marks includes a trademark for the red, stylized “Trader Joe’s” text, see Fig. 1, and numerous trademarks for Trader Joe’s-branded products. Trader Joe’s also alleges that it has trade dress protection for its South Pacific-themed store design. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 775–76 (1992). . . Trader Joe’s carefully cultivates its brand through advertising, promotion, and word-of-mouth referrals, and, according to the complaint, its trademarks and trade dress “have come to symbolize extraordinary goodwill and have achieved great fame both within and outside the United States” due to these efforts. This fame and popularity has generated substantial domestic and international demand for Trader Joe’s products.

Fig. 1:

TRADER JOE’S

In October 2011, staff members at the Bellingham Trader Joe’s store noticed something odd about one of their customers: Canadian resident Michael Norman Hallatt visited the store several times per week to buy large quantities of Trader Joe’s products. When questioned, Hallatt admitted that he drives the goods he purchases across the Canadian border where he distributes them to Canadian customers. Trader Joe’s later learned from one of its Canadian customers that Hallatt opened a store in Canada named Transilvania
Trading (which he later renamed “Pirate Joe’s”) where he resells, at substantially inflated prices, Trader Joe’s goods purchased in Washington. Trader Joe’s alleges that Hallatt uses its intellectual property to solicit business for Pirate Joe’s: He advertises his wares with Trader Joe’s trademarks, operates a website accessible from the United States, displays an exterior sign at Pirate Joe’s that uses a font similar to the trademarked “Trader Joe’s” insignia, Fig. 2, and designed the Pirate Joe’s store to mimic Trader Joe’s trade dress. Hallatt sells perishable goods at Pirate Joe’s that he does not transport or store in a manner consistent with the strict quality control standards used by Trader Joe’s. Trader Joe’s has received at least one complaint from a consumer who became sick after eating a Trader Joe’s-branded product she purchased from Pirate Joe’s.

Fig. 2:

Trader Joe’s told Hallatt that it does not sanction his activity and demanded that he stop reselling Trader Joe’s products from Pirate Joe’s. Hallatt refused. Trader Joe’s declined to serve Hallatt as a customer, but Hallatt, undeterred, began donning “disguises to shop at Trader Joe’s without detection” and driving “to Seattle, Portland, and even California to purchase TRADER JOE’S-branded products and evade Trader Joe’s refusal to sell to them.” The complaint also alleges that Hallatt pays third parties in Washington to buy Trader Joe’s goods on his behalf. On appeal, Trader Joe’s contends that Hallatt accomplishes his scheme in part because he is a United States Lawful Permanent Resident (LPR), an immigration status that enables him to live and work legally in the United States. All told, Hallatt has spent more than $350,000 purchasing Trader Joe’s products to resell in Canada.

Trader Joe’s sued Hallatt (doing business as Pirate Joe’s) for trademark infringement in the Western District of Washington, invoking that court’s federal question and supplemental jurisdiction. Trader Joe’s alleged that Hallatt violated federal and state trademark and unfair competition laws by misleading consumers “into falsely believing that Pirate Joe’s and/or Transilvania Trading have been authorized or approved by Trader Joe’s,” displaying Trader Joe’s trademarks and mimicking Trader Joe’s trade dress, and reselling Trader Joe’s goods without authorization and without adhering to Trader Joe’s strict quality control practices. According to Trader Joe’s, this conduct dilutes its trademarks, confuses consumers, and damages Trader Joe’s reputation by associating it with high-cost, reduced-quality goods. The complaint includes six claims for relief, four of which arise under the Lanham Act and two of which arise under Washington law: (1) federal trademark infringement, 15 U.S.C. § 1114(1); (2) unfair competition, false endorsement, and false designation of origin, 15 U.S.C. § 1125(a)(1)(A); (3) false advertising, 15 U.S.C. §
The district court granted Hallatt’s motion to dismiss Trader Joe’s’ federal claims for lack of subject-matter jurisdiction, concluding that the Lanham Act did not apply to Hallatt’s conduct in Canada. The court denied Trader Joe’s leave to amend its federal claims, but granted Trader Joe’s the opportunity to assert an independent jurisdictional basis for its state law claims. Trader Joe’s filed a motion for reconsideration in which it argued that the extraterritorial scope of the Lanham Act is a merits question that does not implicate the district court’s subject-matter jurisdiction. The district court denied the motion. Trader Joe’s then filed an amended complaint reasserting its state law claims and invoking the district court’s diversity jurisdiction. Hallatt filed a motion to dismiss for failure to state a claim, which the district court granted.

The district court entered final judgment on December 18, 2013, and Trader Joe’s timely appealed. We have jurisdiction under 28 U.S.C. § 1291.

DISCUSSION

A. Lanham Act claims

We determine whether any statute, including the Lanham Act, reaches foreign conduct by applying a two-step framework. See RJR Nabisco, Inc. v. European Cmty., --- U.S. ----, 136 S.Ct. 2090, 2101 (2016). At step one we ask “whether the statute gives a clear, affirmative indication that it applies extraterritorially.” Id. The Supreme Court settled this question with regard to the Lanham Act when it held that the Act’s “use in commerce” element and broad definition of “commerce” clearly indicate Congress’s intent that the Act should apply extraterritorially. See Steele v. Bulova Watch Co., 344 U.S. 280, 286, 73 S.Ct. 252, 97 L.Ed. 319 (1952). Where, as here, Congress intended a statute to apply extraterritorially, we proceed to step two and consider “the limits Congress has (or has not) imposed on the statute’s foreign application.” RJR Nabisco, 136 S.Ct. at 2101.

We resolve two questions to decide whether the Lanham Act reaches Hallatt’s allegedly infringing conduct, much of which occurred in Canada: First, is the extraterritorial application of the Lanham Act an issue that implicates federal courts’ subject-matter jurisdiction? Second, did Trader Joe’s allege that Hallatt’s conduct impacted American commerce in a manner sufficient to invoke the Lanham Act’s protections? Because we answer “no” to the first question but “yes” to the second, we reverse the district court’s dismissal of the federal claims and remand for further proceedings.
1. Subject-matter jurisdiction

Trader Joe’s argues on appeal that the extraterritorial reach of the Lanham Act is a non-jurisdictional merits question... We agree with Trader Joe’s.

When the district court dismissed the federal claims for lack of subject-matter jurisdiction, it did not have the benefit of our recent decision in La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V., 762 F.3d 867 (9th Cir. 2014). There, we held that the Lanham Act’s “use in commerce” element (the element that gives the Act extraterritorial reach) is not jurisdictional. In La Quinta, an American hotel chain, La Quinta Worldwide, sued a Mexican competitor, Quinta Real, for trademark infringement after Quinta Real expressed an intent to expand its business into the United States. The district court held a bench trial and found in La Quinta’s favor. On appeal, Quinta Real asserted for the first time “that there is no federal subject-matter jurisdiction over this case.” Quinta Real argued that the Lanham Act’s “use in commerce” requirement is jurisdictional; its expressions of intent to open a hotel were not sufficient to show a “use in commerce” under the Lanham Act; and that the Ninth Circuit was required to dismiss the appeal for lack of subject-matter jurisdiction.

Our court rejected those arguments. Citing [Arbaugh v. Y&H Corp., 546 U.S. 500 (2006)], we reasoned that “federal courts have subject-matter jurisdiction over all suits pleading ‘a colorable claim “arising under” the Constitution or laws of the United States,’ so long as Congress does not clearly indicate otherwise.” La Quinta, 762 F.3d at 873. Because “the ‘use in commerce’ element of Lanham Act claims under sections 32 and 43(a) is not connected to the Lanham Act’s jurisdictional grant in 15 U.S.C. § 1121(a),” the element “is not a jurisdictional requirement, and we have subject-matter jurisdiction under 15 U.S.C. § 1121(a).” Id. at 872–73 . . .

Hallatt correctly argues that La Quinta is not on all fours with this case because La Quinta did not consider the Lanham Act’s extraterritorial reach. The parties in La Quinta disputed whether Quinta Real’s intent to expand its business to the United States constituted “use” within the meaning of the Lanham Act. See 762 F.3d at 872; see also Sensient Techs. Corp. v. SensoryEffects Flavor Co., 613 F.3d 754, 762–63 (8th Cir. 2010) (explaining that the Lanham Act imposes liability for trademark infringement only if there is use of another’s mark in commerce). La Quinta did not need to address the Lanham Act’s extraterritorial scope because Quinta Real’s contemplated infringing activity was to occur in the United States.

Nevertheless, La Quinta’s jurisdictional analysis still dictates the outcome here. As noted, it is the Lanham Act’s “use in commerce” element and its broad definition of “commerce” that give the statute extraterritorial reach. See Steele, 344 U.S. at 283–84, 73 S.Ct. 252. These are the same elements that the panel considered in La Quinta, see 762 F.3d at 872–73; they derive from Congress’s power to regulate interstate and foreign commerce
under the Commerce Clause, U.S. Const. art. I, § 8, cl. 3. See 15 U.S.C. § 1114 (applying to marks “use[d] in commerce”); id. § 1125 (same); id. § 1127 (“The word ‘commerce’ means all commerce which may lawfully be regulated by Congress.”). The constitutional source of this authority is the same whether or not the alleged infringement implicates the extraterritorial scope of the Lanham Act: Congress can no more regulate intrastate, non-commercial possession of another’s mark (the issue raised in La Quinta) than trademark infringement that occurs entirely outside of the country’s borders. See Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 427-28 (9th Cir. 1977) (analogizing the Lanham Act’s application to purely intrastate activities to the Act’s application to purely foreign activities). Thus, La Quinta’s conclusion that the Lanham Act’s “use in commerce” element is not jurisdictional applies here even though La Quinta considered the scope of the word “use,” rather than the Act’s extraterritorial reach.

[The court also noted that its conclusion was consistent with recent Supreme Court case law outside the context of trademark law.]

But this conclusion does not end our work. The district court dismissed Trader Joe’s case at the pleadings stage, but as in Morrison, “nothing in [its analysis] turned on” the fact that it dismissed the case under Rule 12(b)(1), rather than under Rule 12(b)(6). . . . [O]ur longstanding Timberlane test for the Lanham Act’s extraterritorial application applies whether the extraterritorial scope of the statute is a jurisdictional or merits question, so remand to the district court would only “require [it to put] a new Rule 12(b)(6) label [on] the same Rule 12(b)(1) conclusion.” [cit]. Rather than asking the district court to engage in this exercise, we consider whether the Lanham Act reaches Hallatt’s allegedly infringing conduct under the standards set by Rule 12(b)(6).

2. The merits of the Lanham Act

[We next consider the limits, if any, Congress imposed on the Act’s extraterritorial application. See RJR Nabisco, 136 S.Ct. at 2101 (discussing “step two”). In 15 U.S.C. § 1127, Congress directed that the Lanham Act applies to “all commerce which may lawfully be regulated by Congress.” Whether this provision sweeps foreign activities into the Act’s proscriptive reach depends on a three-part test we originally applied to the Sherman Act in Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass’n, 549 F.2d 597 (9th Cir. 1976). See Wells Fargo, 556 F.2d at 427 (extending Timberlane test to the Lanham Act). Under Timberlane, the Lanham Act applies extraterritorially if:

(1) the alleged violations ... create some effect on American foreign commerce;
(2) the effect [is] sufficiently great to present a cognizable injury to the plaintiffs under the Lanham Act; and (3) the interests of and links to American foreign
commerce [are] sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority.

_Love_, 611 F.3d at 613.⁵

a. Timberlane prongs one and two

Timberlane’s first two prongs require Trader Joe’s to allege that Hallatt infringes its trademarks (1) in a way that affects American foreign commerce, and (2) causes Trader Joe’s a cognizable injury under the Lanham Act. A defendant’s foreign activities need not have a substantial or even significant effect on American commerce, rather, “some effect” may be sufficient. Compare _Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass’n_, 701 F.2d 408, 414 n.8 (5th Cir. 1983) (joining the Ninth Circuit in requiring “some effect”), with _Vanity Fair Mills v. T. Eaton Co._, 234 F.2d 633, 642 (2d Cir. 1956) (requiring effect to be substantial); see also J. Thomas McCarthy, 5 McCarthy on Trademarks & Unfair Competition § 29:58 (4th ed. 2016) (discussing different tests).

Plaintiffs usually satisfy Timberlane’s first and second prongs by alleging that infringing goods, though sold initially in a foreign country, flowed into American domestic markets. See _Reebok Int’l, Ltd. v. Marnatech Enters., Inc._, 970 F.2d 552, 556 (9th Cir. 1992) (prongs one and two met when defendants “knew that their counterfeit shoes went back into the United States with regular frequency”); _McBee v. Delica Co., Ltd._, 417 F.3d 107, 125 (1st Cir. 2005) (“Quite commonly, plaintiffs ... meet their burden by presenting evidence that while the initial sales of infringing goods may occur in foreign countries, the goods subsequently tend to enter the United States in some way and in substantial quantities.”).⁶ Trader Joe’s does not allege that the Trader Joe’s-brand products Hallatt resells from his Canadian store trickle back into American commerce in a manner likely to confuse American consumers. This fact distinguishes _Steele_, where the Court applied the Lanham Act to a defendant’s foreign conduct (his sale of counterfeit watches in Mexico) largely because “spurious ‘Bulovas’ filtered through the Mexican border into this country.” 344 U.S. 286.

⁵ Trader Joe’s argues that Timberlane does not apply here because Hallatt executed part of his infringing scheme in the United States. We have applied Timberlane in cases where some of the defendant’s conduct was domestic, so long as the entire scheme culminated in infringing activity abroad. See, e.g., _Reebok_, 970 F.2d at 557 (applying Timberlane where “Reebok’s trademark infringement claim [was] based both on actions that occurred in the United States as well as in Mexico”); _Wells Fargo_, 556 F.2d at 429 (“We note, however, that, when faced with both Mexican and United States activities of an American citizen that were part of one infringing scheme, this court adopted an analysis which at least in part was premised on the need to deal with the extraterritorial nature of defendant’s activities.”). We follow that same tack here.

⁶ Timberlane refers to defendant’s impact on “American foreign” commerce, _Love_, 611 F.3d at 613, but, as these cases show, we regularly apply the Lanham Act to foreign conduct that impacts domestic commerce because infringing goods flow into American domestic commerce streams. See, e.g., _Steele_, 344 U.S. at 286.
at 286. It also undermines Trader Joe’s argument that Steele controls the outcome here. But, as Trader Joe’s alternatively argues, whether infringing goods flow into the United States is not dispositive; plaintiffs may show “some effect” on American commerce in myriad ways. See, e.g., Am. Rice, 701 F.2d at 414–15 (applying the Lanham Act to defendant’s sale of rice in Saudi Arabia, though the goods did not flow back into United States markets, because defendant’s business was located in the United States).

Trader Joe’s alleges that Hallatt’s foreign conduct has “some effect” on American commerce because his activities harm its reputation and decrease the value of its American-held trademarks. It argues that Hallatt violates 15 U.S.C. § 1114(1)(a), the Lanham Act’s general prohibition on trademark infringement, by transporting and selling Trader Joe’s goods without using proper quality control measures or established product recall practices. By framing its allegation this way, Trader Joe’s seeks to circumvent the first sale doctrine, which establishes that “resale by the first purchaser of the original article under the producer’s trademark is generally neither trademark infringement nor unfair competition.” See Enesco Corp. v. Price/Costco Inc., 146 F.3d 1083, 1085 (9th Cir. 1998). The quality control theory of infringement is cognizable under the Lanham Act notwithstanding the first sale doctrine: “[d]istribution of a product that does not meet the trademark holder’s quality control standards may result in the devaluation of the mark by tarnishing its image.” . . .

According to Trader Joe’s, Hallatt’s poor quality control practices could impact American commerce if consumers who purchase Trader Joe’s-brand products that have been transported to Canada become ill, and news of such illness travels across the border. Trader Joe’s alleges this may harm its reputation, reduce the value of its trademarks, and cause lost sales. Trader Joe’s argues its risk of harm is particularly high because Pirate Joe’s displays Trader Joe’s trademarks, which leads consumers to believe that it is an authorized Trader Joe’s retailer. There is nothing implausible about the concern that Trader Joe’s will suffer a tarnished reputation and resultant monetary harm in the United States from contaminated goods sold in Canada. Incidents of food-born illness regularly make international news, and Trader Joe’s alleges that it is aware of at least one customer who became sick after consuming food sold by Pirate Joe’s. Courts have held that reputational harm to an American plaintiff may constitute “some effect” on American commerce. Steele, 344 U.S. at 286 (applying Lanham Act extraterritorially where “competing goods could well reflect adversely on Bulova Watch Company’s trade reputation in markets cultivated by advertising here as well as abroad”); Gucci Am., Inc. v. Guess?, Inc., 790 F.Supp.2d 136, 143 (S.D.N.Y. 2011) (“It is well-settled that a showing of ... harm to plaintiff’s goodwill in the United States is sufficient to demonstrate a ‘substantial effect on United States commerce.’” (quoting Steele, 344 U.S. at 28))); see also 15 U.S.C. §§ 1114, 1125 (making actionable conduct that is likely to cause future harm).

Hallatt’s alleged attempt to pass as an authorized Trader Joe’s retailer could similarly harm Trader Joe’s domestic reputation and diminish the value of its American-held marks. The complaint alleges that Hallatt sells Trader Joe’s goods at inflated prices, so customers who shop at Pirate Joe’s may come to mistakenly associate Trader Joe’s with overpriced

Hallatt’s domestic activity also distinguishes this case from Love, the case the district court found dispositive. The plaintiff in Love (Mike Love, a former member of the Beach Boys) sued several British defendants after they distributed compact discs featuring Love’s trademark as cover art. In Love, it was undisputed “that all relevant acts occurred abroad” (defendants designed, manufactured, and disseminated the infringing CDs entirely in Europe). Love failed to show that the defendants’ conduct directly caused Love “monetary injury in the United States,” and we affirmed summary judgment in favor of defendants. Here, unlike in Love, Hallatt executes a key part of his allegedly infringing scheme in the United States, so the causal showing found lacking in Love is satisfied.9

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9 Love also involved a summary judgment motion; we dismissed plaintiff’s Lanham Act claim because Love’s evidence did not raise a triable issue of fact about whether CD sales in England impacted attendance at Love’s concerts in the United States. 611 F.3d at 613. Here, we consider an appeal following a motion to dismiss, and so we accept—without requiring Trader Joe’s to prove—that the domestic components of Hallatt’s operation impact American commerce. See Lee v. City of Los
F.3d at 118 ("the domestic effect of the international activities may be of lesser importance and a lesser showing of domestic effects may be all that is needed" when defendant engages a scheme involving domestic and foreign conduct (discussing Steele)).

For these reasons, Trader Joe’s satisfied its burden under Timberlane prongs one and two, at least at this early stage of the proceeding.

b. Timberlane prong three

The third Timberlane prong considers international comity, see Hartford Fire Ins. Co. v. California, 509 U.S. 764, 797–98 & n.24 (1993), and gives effect to the "rule that we construe statutes to avoid unreasonable interference with other nations’ sovereign authority where possible," RJR Nabisco, 136 S.Ct. at 2106–07 & n.9. This prong involves weighing seven factors:

[1] the degree of conflict with foreign law or policy, [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations, [3] the extent to which enforcement by either state can be expected to achieve compliance, [4] the relative significance of effects on the United States as compared with those elsewhere, [5] the extent to which there is explicit purpose to harm or affect American commerce, [6] the foreseeability of such effect, and [7] the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.

Star–Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1395 (9th Cir. 1985) (citing Timberlane). No one factor is dispositive; each factor “is just one consideration to be balanced.” Wells Fargo, 556 F.2d at 428. Having considered these factors, we conclude that it is appropriate to apply the Lanham Act to Hallatt and Pirate Joe’s.

Degree of conflict with foreign laws. Courts typically find a conflict with foreign law or policy when there is an ongoing trademark dispute or other proceeding abroad. Compare Star–Kist, 769 F.2d at 1396 (finding conflict when defendant’s petition to cancel plaintiffs’ Philippine trademark registration was pending in the Philippine Patent Office), with Am. Rice, 701 F.2d at 415–16 (finding no conflict when defendant’s conduct was lawful under Saudi Arabian trademark law). In 2012, Trader Joe’s applied for, and was granted, Canadian recognition for its Trader Joe’s trademarks, but there is no pending or ongoing adversarial proceeding between Trader Joe’s and Hallatt in Canada. Nor is Trader Joe’s engaged in any proceeding (so far as we are aware) relating to its Canadian trademarks. This factor therefore weighs in favor of extraterritorial application.

Angeles, 250 F.3d 668, 679 (9th Cir. 2001) (on a Rule 12(b)(6) motion, we accept as true the facts alleged in the complaint).
Nationality of parties & location of businesses. This factor typically weighs in favor of extraterritoriality when both parties are United States citizens, or the parties are foreign citizens who operate domestic businesses. See Reebok, 970 F.2d at 556 (defendant operated his business from the United States); Ocean Garden, 953 F.2d at 504 (both parties were Californian corporations). Trader Joe’s is an American corporation with its principal place of business in Monrovia, California. Although Trader Joe’s operates no stores in Canada, its trademarks are well-known there. The complaint alleges that Transilvania Trading and Pirate Joe’s are (or were) Canadian entities, and that both have (or had) their principal places of business in Vancouver, Canada. As far as we can tell, Hallatt is a Canadian citizen, but because he maintains LPR status in the United States, he subjects himself to the laws of this country. Hallatt is also the driving force behind Pirate Joe’s. This is not, as Trader Joe’s argues, simply a dispute between an American plaintiff and an American defendant, because the complaint alleges that Hallatt is a Canadian citizen who domiciles in Vancouver. But Hallatt’s admission that he holds LPR status edges this factor into Trader Joe’s’ column. See A.V. by Versace, 126 F.Supp.2d at 337 (applying Lanham Act to foreign conduct when defendant was permanent resident alien, had “resided in and done business in the United States for over forty years,” and was the driving force behind the corporate defendant), at least at this stage in the proceedings.

Remedy & enforcement. The third factor requires us to consider the remedy sought and the extent to which the trial court will be able to enforce its order. See Ocean Garden, 953 F.2d at 504. Trader Joe’s seeks damages, including disgorgement to compensate for losses incurred as a result of the infringement, and a permanent injunction to prevent Hallatt from using Trader Joe’s trademarks, offering Trader Joe’s goods for resale, or mimicking Trader Joe’s trade dress. There is nothing to suggest that the district court would have difficulty enforcing a damages award against Hallatt: Hallatt is an LPR and Trader Joe’s argues he holds assets here. See Reebok, 970 F.2d at 557 (finding American court to be in a superior enforcement position vis-à-vis its Mexican counterparts because “[e]ach of the defendants, their principal places of business, and the vast majority of their assets are located in the United States”). And there is no doubt that the district court could stop Hallatt’s operation with a domestic injunction because Hallatt sources his goods entirely from the United States. See Ocean Garden, 953 F.2d at 504 (“The injunction would be effective against Marktrade because it is a U.S. corporation which ‘orchestrated [its] infringing activities’ here (alteration in original) (citation omitted)). The district court could likewise enforce an injunction against Hallatt’s foreign conduct if that conduct is found to violate the Lanham Act. See Steele, 344 U.S. at 289 (“[T]he District Court in exercising its equity powers may command persons properly before it to cease or perform acts outside its territorial jurisdiction.”); Ramirez & Feraud Chili Co. v. Las Palmas Food Co., 146 F.Supp. 594 (S.D. Cal. 1956) (same), aff’d, 245 F.2d 874 (9th Cir. 1957) (per curiam). Neither the remedies sought nor the district court’s ability to enforce its orders weigh against applying the Lanham Act here.

the value of Trader Joe’s’ trademarks in the United States because Trader Joe’s holds most of its intellectual property here. On the other hand, Canadian consumers are the most likely to be deceived by Hallatt’s conduct because he displays Trader Joe’s marks and sells Trader Joe’s goods only in Canada. Federal courts ordinarily do not have an interest in protecting foreign consumers from confusion. See McBee, 417 F.3d at 126. But Trader Joe’s also alleges that its trademarks are well-known in Canada, and that more than forty percent of the credit card transactions at its Bellingham, Washington store are with non-United States residents. Hallatt’s sale of Trader Joe’s goods in Canada has the potential to mislead these consumers, so this factor weighs in favor of extraterritorial application.

Purpose to harm American commerce & foreseeability. The pleadings, taken in the light most favorable to Trader Joe’s, tend to support the conclusion that Hallatt intended to harm Trader Joe’s, or, at a minimum, that such harm was foreseeable. Hallatt chose to name his store “Pirate Joe’s,” suggesting that he knowingly treads on Trader Joe’s’ goodwill and pirates Trader Joe’s’ intellectual property. Indeed, one of Hallatt’s employees allegedly admitted that “we’re pirating Trader Joe’s, sort of.” The complaint further alleges that Trader Joe’s disapproved of Hallatt’s conduct, and Hallatt began engaging in subterfuge (such as donning costumes) to purchase goods at Trader Joe’s stores without being identified. These factors therefore weigh in favor of extraterritorial application.

Relative importance of conduct within the United States as compared to conduct abroad. Trader Joe’s alleges, and Hallatt admits, that an essential part of his commercial venture takes place in the United States: Hallatt purchases Trader Joe’s products in Washington with the purpose of reselling them in Canada. That Hallatt uses American commerce streams to accomplish his allegedly infringing scheme weighs in favor of applying the Lanham Act to his conduct. But arguably the conduct most important to Hallatt’s operation happens in Canada: According to Trader Joe’s, Hallatt displays Trader Joe’s trademarks on his Canadian store in a way that confuses Canadian consumers, and Hallatt resells Trader Joe’s goods—including perishable goods not transported according to Trader Joe’s quality control standards—in Canada. Because most of Hallatt’s infringing activity occurs abroad, this factor weighs against extraterritorial application to some extent. See Reebok, 970 F.2d at 557 (reasoning that the factor would weigh against extraterritorial application when “actual consumer sales of [the infringing] products may have occurred only” abroad); Star–Kist, 769 F.2d at 1396 (“The effect on United States commerce from the alleged illegal use of the trademarks in trade between the Philippines and other foreign countries is relatively insignificant compared to the effect on Philippine commerce.”).

* * *

In sum, Timberlane’s three prongs favor extraterritorial application of the Lanham Act here. On prongs one and two, Trader Joe’s alleges a nexus between Hallatt’s foreign conduct and American commerce sufficient to state a Lanham Act claim: Hallatt’s conduct may cause Trader Joe’s reputational harm that could decrease the value of its American-held trademarks, and Hallatt operates in American commerce streams when he buys Trader Joe’s
goods in Washington and hires locals to assist him. On prong three, the seven subfactors we use to evaluate potential “interference with other nations’ sovereign authority”, taken together, do not counsel against applying the Lanham Act here. We therefore conclude that the Lanham Act reaches Hallatt’s allegedly infringing activity, and we reverse the district court’s dismissal of Trader Joe’s’ four Lanham Act claims.

B. State Law Claims

Trader Joe’s next contends the district court erred when it granted Hallatt’s motion to dismiss its state trademark dilution and Washington Consumer Protection Act (CPA) claims. We agree with the district court that Trader Joe’s failed to state a claim under either statute, and we affirm its order dismissing those claims. [The court held that Trader Joe’s failed to state a claim for relief under state dilution law because Trader Joe’s did not allege that Hallatt used Trader Joe’s trademarks in Washington, and dismissed the claim under the CPA because the deception allegedly occurs only in Canada and therefore harms only Canadian consumers.]
CONFUSION-BASED TRADEMARK LIABILITY THEORIES

At p. 492, add the following to the end of note 4:

For a useful discussion of the issue, see Arrowpoint Capital Corp. v. Arrowpoint Asset Mgmt., LLC, 793 F.3d 313 (3d Cir. 2015) (analyzing whether confusion among brokers or dealers sufficed even if there was no evidence as to confusion among end consumers of investment services).

At pp. 512-13, add the following at the end of note 9:


At p. 516, note 14, add the following:

The U.K. trial court’s decision in Interflora was reversed on appeal and the case was remanded for retrial. Interflora v. Marks & Spencer PLC [2014] EWCA Civ. 1403 (CA Eng.).

At p. 524, after the McCarthy cite in paragraph (3), add the following:

Should the clearly erroneous standard apply only to the ultimate conclusion as to likelihood of confusion, or should it also apply to each of the individual factors? See Pom Wonderful LLC v. Hubbard, 775 F.3d 1118 (9th Cir. 2014) (addressing the issue).
At p. 524, after Rearden cite in the last paragraph, add the following:

See also JL Bev. Co. v. Jim Beam Brands Co., 828 F.3d 1098 (9th Cir. 2016) (reversing grant of summary judgment of no likelihood of confusion).

At p. 525, after the Eastland Music citation at the top of the page, add the following:

See also Kibler v. Hall, -F.3d- (7th Cir. Dec. 13, 2016) (upholding a grant of summary judgment of no infringement); Hornady Mfg. Co., Inc. v. Doubletap, Inc., 746 F.3d 995 (10th Cir. 2014) (same). In Kibler, the plaintiff was a disc jockey who performed under the name DJ LOGIC; the defendant was a rapper whose stage name was LOGIC.

At the end of p. 525, add the following to the discussion of question (5):

To what extent (if at all) should judges formulate conclusions about consumer perception based on judicial notice? For example, suppose that a judge perceives that a certain term in a composite word mark is likely to be ignored by the consuming public. May the court simply take that perception as an established fact based on judicial notice? Given that virtually every dispute over likelihood of confusion involves consumer perceptions to some degree, should courts be particularly cautious about taking such facts on judicial notice? Or should they widely embrace judicial notice, so long as they are explicit about doing so? See Oriental Financial Group, Inc. v. Cooperativa de Ahorro y Crédito Oriental, 832 F.3d 15, 27 (1st Cir. 2016) (discussing the issue); see also Rule 201(b), Federal Rules of Evidence (permitting courts to take judicial notice of any facts that are “not subject to reasonable dispute” because they are “generally known within the trial court’s territorial jurisdiction.”)

At p. 531, after the Virgin case, insert the following new case:

Both the Virgin case and the following case are interesting examples of the modern likelihood-of-confusion analysis and should help you formulate your views about how well that analysis is working in the current trademark litigation climate.

KRAFT FOODS GROUP BRANDS LLC v. CRACKER BARREL OLD COUNTRY STORE, INC.
735 F.3d 735 (7th Cir. 2013)

POSNER, Circuit Judge:

This is a trademark infringement suit brought by Kraft against Cracker Barrel Old Country Store . . . The district judge granted Kraft a preliminary injunction against the sale
by Cracker Barrel Old Country Store of food products to grocery stores under the name Cracker Barrel, which is a registered trademark of Kraft. To prevent confusion (an especially apt goal in a trademark case), we'll call Cracker Barrel Old Country Store “CBOCS,” as do the parties.

Kraft is a well-known manufacturer of food products sold in grocery stores. Its products include a wide variety of packaged cheeses, a number of them sold under the trademarked “Cracker Barrel” label. Kraft has been selling cheese in grocery stores under that name for more than half a century. Thousands of grocery stores carry Kraft cheeses bearing that label. Kraft does not sell any non-cheese products under the name Cracker Barrel.

CBOCS is a well-known chain of low-price restaurants (it opened its first restaurant in 1969), 620 in number at last count, many of them just off major highways. Upon learning recently that CBOCS planned to sell a variety of food products (not including cheese, however), such as packaged hams, in grocery stores under its logo, “Cracker Barrel Old Country Store” (the last three words are in smaller type in the logo), Kraft filed this suit. It claims that many consumers will be confused by the similarity of the logos and think that food products so labeled are Kraft products, with the result that if they are dissatisfied with a CBOCS product they will blame Kraft.

Kraft acknowledges that a trademark does not entitle its owner to prevent all other uses of similar or even identical marks. “It would be hard, for example, for the seller of a steam shovel to find ground for complaint in the use of his trade-mark on a lipstick.” L.E. Waterman Co. v. Gordon, 72 F.2d 272, 273 (2d Cir.1934)(L. Hand, J.). And likewise identical marks used on similar products sold through different types of sales outlet might cause no confusion—indeed Kraft does not question CBOCS's right to sell the food products at issue under the name Cracker Barrel in CBOCS's restaurants, in CBOCS's small “country stores” that adjoin the restaurants, or by mail order or on the Web. It objects only to their sale in grocery stores. The district judge found the likelihood of confusion, and of resulting harm to Kraft, from CBOCS's selling through such outlets sufficient to warrant the grant of a preliminary injunction. These are factual determinations, which bind us unless clearly erroneous, [cit.] —a reinforcing consideration being the need for expeditious determination of whether to order preliminary relief. The district judge must act with a certain haste, and we must hesitate to nitpick his findings and casually remand for further proceedings bound to cause additional delay. Kraft moved for a preliminary injunction on March 8 of this year; it was granted on July 1; it is now November. The grant of the preliminary injunction followed extensive discovery, the presentation of expert evidence, and some live testimony. Of the allegedly infringing CBOCS products, only the spiral hams had been shipped to grocery stores before the preliminary injunction was issued; and by then the stores had sold them all.

Below, copied from CBOCS's website, is a picture of the logo that appeared on CBOCS food products shipped to grocery stores.
Up close at least, it looks different from the label “Cracker Barrel” that appears on Kraft’s cheeses. Yet even if a Cracker Barrel cheese and a CBOCS ham (or other food products) were displayed side by side in a grocery store, which would make a shopper likely to notice the difference between the labels, the words “Cracker Barrel” on both labels—and in much larger type than “Old Country Store” on CBOCS’s label—might lead the shopper to think them both Kraft products.

Most consumers of Cracker Barrel cheese must know that it’s a Kraft product, for the name “Kraft” typically though not invariably appears on the label, as in the following picture:

Kraft is concerned with the potential for confusion of shoppers at the 16,000 or so grocery stores (or similar retail entities) that sell Cracker Barrel cheeses, if the stores also carry CBOCS food products under the CBOCS logo (not only ham but also delicatessen meats, bacon, sausages, jerky, meat glazes, baking mixes, coating mixes, oatmeal, grits, and gravies—all are sold by CBOCS). Were Cracker Barrel cheeses and Cracker Barrel meats exhibited side by side on the shelf, the difference in the appearance of the logos of the two brands
might as we said lead some consumers to think they were made by different companies—but might lead others to think the opposite, since different products of the same manufacturer are often exhibited together. If on the other hand the Kraft cheeses and CBOCS food products are at different locations in the store, some consumers might forget the difference between the logos and think all the products Kraft products. [cit.] Even savvy consumers might be fooled, because they know that producers often vary the appearance of their trademarks.

It’s not the fact that the parties' trade names are so similar that is decisive, nor even the fact that the products are similar (low-cost packaged food items). It is those similarities coupled with the fact that, if CBOCS prevails in this suit, similar products with confusingly similar trade names will be sold through the same distribution channel—grocery stores, and often the same grocery stores—and advertised together. (In the brief period before the preliminary injunction was issued, in which CBOCS hams were sold in grocery stores, an online ad for Cracker Barrel Sliced Spiral Ham by a coupons firm provided a link to a coupon for Kraft's Cracker Barrel cheeses.) The competing products would also be likely to appear in the same store circulars. Such similarities and overlap would increase the likelihood of consumer confusion detrimental to Kraft. [cit.]

Still another reason to expect confusion is that both Cracker Barrel cheeses and most meat products that CBOCS has licensed for sale to grocery stores are inexpensive—under $5. Generally only very cost-conscious consumers are apt to scrutinize carefully the labels of the less expensive items sold in a grocery store. Familiarity is likely to have made the name Cracker Barrel salient to grocery shoppers, and so any product bearing that name might be attributed to Kraft even if close scrutiny of the label would suggest that the product might well have a different origin.

If a significant number of consumers confused the names and thought CBOCS's products were made by Kraft, Kraft could be badly hurt. A trademark's value is the saving in search costs made possible by the information that the trademark conveys about the quality of the trademark owner's brand. The brand's reputation for quality depends on the owner's expenditures on product quality and quality control, service, advertising, and so on. Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth endorsements will add to sales and because consumers will be willing to pay a higher price in exchange for a savings in search costs and an assurance of consistent quality. These benefits depend on the firm's ability to maintain that consistent quality. When a brand's quality is inconsistent, consumers learn that the trademark does not enable them to predict their future consumption experiences from their past ones. The trademark does not then reduce their search costs. They become unwilling to pay more for the branded than for the unbranded good, and so the firm no longer earns a sufficient return on its expenditures on promoting the trademark to justify them.

The particular danger for Kraft of CBOCS's being allowed to sell food products through the same outlets under a trade name confusingly similar to Kraft's “Cracker Barrel” trade
name is that if CBOCS's products are inferior in any respect to what the consumer expects—
if a consumer has a bad experience with a CBOCS product and blames Kraft, thinking it the 
producer—Kraft's sales of Cracker Barrel cheeses are likely to decline; for a consumer who 
thinks Kraft makes bad hams may decide it probably makes bad cheeses as well. [cit.]

Granted, there is a consumer interest that is in tension with the interest in avoiding 
confusion. Consumers benefit from having a variety of products to choose among. CBOCS 
wants to offer grocery shoppers products that it sells in its restaurants. Think Starbucks—a 
notable example of a chain of restaurants (coffee houses) that sells its major food product 
(coffee) in grocery stores as well. The preliminary injunction prevents CBOCS from doing 
that pending resolution of the case. But CBOCS has and utilizes an alternative channel to 
its consumers, outside the restaurant channel—an alternative channel of ever greater 
significance in the electronic age: the Web. CBOCS's 620 restaurants invite their legions of 
customers to visit the CBOCS website, which displays pictures of the hams and other food 
products that it sells and links for buying the food from CBOCS online. Some of the foods 
are also sold in CBOCS's "country stores" adjoining the restaurants. Yet doubtless CBOCS 
thinks it can reach additional consumers by placing its food products in grocery stores—else 
it wouldn't have issued the licenses that invited this suit (which it anticipated).

So competition in food products will be harmed if CBOCS prevails in this suit, to the 
extent that the sale of CBOCS food products in grocery stores confuses consumers and as a 
result impairs sales of Kraft products for reasons having nothing to do with any product-
quality problems with Kraft. But competition will be helped to the extent that grocery stores 
are able to offer their customers an additional product line. The weighing and balancing of 
these competing interests with any precision are not feasible undertakings in a preliminary-
injunction proceeding, and probably not in a full trial either. Imponderables are likely to 
dominate.

About all that is feasible at the preliminary-injunction stage is for the judge to estimate 
the likelihood that the plaintiff will prevail in a full trial and which of the parties is likely to 
be harmed more by a ruling, granting or denying a preliminary injunction, in favor of the 
other party, and combine these findings in the manner suggested in such cases as Abbott 
Laboratories v. Mead Johnson & Co., 971 F.2d 6, 12 (7th Cir.1992): “the more likely it is the 
plaintiff will succeed on the merits, the less the balance of irreparable harms need weigh 
towards its side; the less likely it is the plaintiff will succeed, the more the balance need weigh 
towards its side.” See also Grocery Outlet Inc. v. Alberton's Inc., 497 F.3d 949, 951 (9th 
Cir.2007) (per curiam).

But for the grant of a preliminary injunction to be proper, the harm to the plaintiff also 
must be judged irreparable—meaning not fully compensable or avoidable by the issuance of 
a final judgment (whether a damages judgment or a permanent injunction, or both) in the 
plaintiff's favor. [cit.] For if the harm can be fully repaired in the final judgment, there is no 
reason to hurry the adjudicative process.
Consistent with this analysis, if the plaintiff has a strong likelihood of prevailing in the full trial, and the costs to him if the preliminary injunction is denied are at least as great as the costs to the defendant if it is granted, and the plaintiff's costs could not be fully recouped by him in a final judgment in his favor, the injunction should be issued. That seems the situation here, given the district judge's findings. The likelihood of confusion seems substantial and the risk to Kraft of the loss of valuable goodwill and control therefore palpable. And as emphasized in the Abbott Laboratories [opinion] cited earlier, irreparable harm is especially likely in a trademark case because of the difficulty of quantifying the likely effect on a brand of a nontrivial period of consumer confusion (and the interval between the filing of a trademark infringement complaint and final judgment is sure not to be trivial). And on the other side of the ledger, there is no information on how many new customers CBOCS can expect to obtain by selling through grocery stores, given that it already sells its food products at its country stores and on its website. So there is no basis for concluding that it is losing heavily as a result of not being able to sell through grocery stores until and unless it obtains a final judgment in its favor.

So the grant of the preliminary injunction must be affirmed. But mainly for future reference we want to say something about the consumer survey that Kraft presented in support of its claim of confusion. Consumer surveys conducted by party-hired expert witnesses are prone to bias. There is such a wide choice of survey designs, none foolproof, involving such issues as sample selection and size, presentation of the allegedly confusing products to the consumers involved in the survey, and phrasing of questions in a way that is intended to elicit the surveyor's desired response—confusion or lack thereof—from the survey respondents. See Robert H. Thornburg, “Trademark Surveys: Development of Computer-Based Survey Methods,” 4 John Marshall Rev. Intellectual Property L.91, 97 (2005); Michael Rappeport, “Litigation Surveys—Social ‘Science’ as Evidence,” 92 Trademark Rep. 957, 960–61 (2002); Jacob Jacoby, “Experimental Design and the Selection of Controls in Trademark and Deceptive Advertising Surveys,” 92 Trademark Rep. 890, 890 (2002); see also Joseph Sanders, “Science, Law, and the Expert Witness,” 72 Law & Contemp. Probs., Winter 2009, pp. 63, 73–75. Among the problems identified by the academic literature are the following: when a consumer is a survey respondent, this changes the normal environment in which he or she encounters, compares, and reacts to trademarks; a survey that produces results contrary to the interest of the party that sponsored the survey may be suppressed and thus never become a part of the trial record; and the expert witnesses who conduct surveys in aid of litigation are likely to be biased in favor of the party that hired and is paying them, usually generously. All too often “experts abandon objectivity and become advocates for the side that hired them.” Id. at 75.

Of course, judges and jurors have their own biases and blind spots. As Judge Jerome Frank noted many years ago, dissenting in a pair of trademark cases that Seventeen magazine had brought against the makers of “Miss Seventeen” girdles, “as neither the trial judge nor any member of this court is (or resembles) a teen-age girl or the mother or sister of such a girl, our judicial notice apparatus will not work well unless we feed it with information
directly obtained from ‘teen-agers’ or from their female relatives accustomed to shop for
them.” Triangle Publications, Inc. v. Rohrlich, 167 F.2d 969, 976 (2d Cir.1948). And so a judge’s
finding that confusion was likely was “nothing but a surmise, a conjecture, a guess.” Id.

Nevertheless it’s clear that caution is required in the screening of proposed experts on
consumer surveys. Kraft’s expert in this case was Hal Poret, an experienced survey researcher,
and we won’t hold it against him that he appears to be basically a professional expert witness.
See www.pli.edu/Content/Faculty/Hal_Poret/N-40Z1381h0?ID=PE830174 (visited Nov. 13, 2013).
Poret was able to obtain a random or at least representative sample of 300 American consumers of whole-ham products, email them photographs of the CBOCS sliced spiral ham, and ask them in the email whether the company that makes the ham also
makes other products—and if so what products. About a quarter of the respondents said
cheese. It’s difficult to know what to make of this. The respondents may have assumed that
a company with a logo that does not specify a particular food product doesn’t make just sliced
spiral ham. So now they have to guess what else such a company would make. Well, maybe
cheese.

Poret showed a control group of 100 respondents essentially the same ham, but made by
Smithfield—and none of these respondents said that Smithfield also makes cheese. Poret
inferred from this that the name “Cracker Barrel” on the ham shown the 300 respondents
had triggered their recollection of Cracker Barrel cheese, rather than the word “ham” being
the trigger. That is plausible, but its relevance is obscure. Kraft’s concern is not that people
will think that Cracker Barrel cheeses are made by CBOCS but that they will think that
CBOCS ham is made by Kraft, in which event if they have a bad experience with the ham
they’ll blame Kraft.

Also it’s very difficult to compare people’s reactions to photographs shown to them online
by a survey company to their reactions to products they are looking at in a grocery store and
trying to decide whether to buy. The contexts are radically different, and the stakes much
higher when actual shopping decisions have to be made (because that means parting with
money), which may influence responses.

In some cases an attractive alternative to a survey might be the use of statistical data to
determine the effect of the allegedly infringing logo. Suppose that before this suit was filed,
CBOCS products had been sold for a time in a number of grocery stores. Probably in some
of them Kraft Cracker Barrel cheese would have been displayed side by side with CBOCS
hams plus similar meat products sold at comparable prices, while in other stores the cheeses
and the hams would have been displayed in different areas of the store, and still other grocery
stores would have carried CBOCS hams but not Kraft Cracker Barrel cheese. By examining
the “lift” (greater sales) if any that CBOCS hams obtain by proximity to the Kraft Cracker
Barrel label, an expert witness might be able to estimate the extent of consumer confusion.
The greater the lift (and hence the greater the confusion) the greater the likelihood of a
consumer’s blaming Kraft as the supposed maker of the CBOCS hams if the consumer has
a bad experience with the hams. Such a study would not have been feasible in this case,
however, given the grant of the preliminary injunction, which has kept CBOCS hams with its Cracker Barrel logo out of grocery stores for now. Nor have we such confidence in the reliability of such a study that we would think it an adequate basis for refusing to grant preliminary injunctions in trademark cases.

We can imagine other types of expert testimony that might be illuminating in a case such as this—testimony by experts on retail food products about the buying habits and psychology of consumers of inexpensive food products. “Although the ordinary consumer's mindset is central to trademark law and policy, neither courts nor commentators have made any serious attempt to develop a framework for understanding the conditions that may affect the attention that can be expected to be given to a particular purchase. Some of the classic judicial descriptions cast the ordinary consumer as ‘ignorant ... unthinking and ... credulous' or ‘hasty, heedless and easily deceived.’ In other cases, the courts have bristled at the ‘claimed asininity’ of the buying public, suggesting instead that the average buyer is ‘neither savant nor dolt,’ but is one who ‘lacks special competency with reference to the matter at hand but has and exercises a normal measure of the layman's common sense and judgment.’ For the most part, however, the debate is a vacuous war of words, uninformed by any careful theoretical modeling of consumer psychology or empirical study of consumer behavior.” Thomas R. Lee, Glenn L. Christensen & Eric D. DeRosia, “Trademarks, Consumer Psychology, and the Sophisticated Consumer,” 57 Emory L.J. 575, 575–76 (2008) (footnotes deleted).

We have doubts about the probative significance of the Poret survey. But the similarity of logos and of products, and of the channels of distribution (and the advertising overlap) if CBOCS is allowed to sell its products through grocery stores under its Cracker Barrel logo, and the availability to the company of alternatives to grocery stores for reaching a large consumer public under the logo, provide adequate support for the issuance of the preliminary injunction.

[Affirmed.]

At p. 545, insert the following at the end of note 3:

Where a mark is not a recognized English word, the parties should offer evidence about how consumers would pronounce the word rather than speculating about the general rules of phonetics. Stoncor Group, Inc. v. Specialty Coatings, Inc., 759 F.3d 1327 (Fed. Cir. 2014) (debating whether the mark STONSHIELD for coatings used on concrete floors would be pronounced with a long “o,” as in “Stone Shield,” or with a short “o,” akin to the word “on”).
At p. 546, add the following to the end of note 5:

See also Oakville Hills Cellar, Inc. v. Georgallis Holdings, LLC, 826 F.3d 1376 (Fed. Cir. 2016) (TTAB was correct to find that MAYARI and MAYA for wine were not similar, declining to dissect MAYARI into MAYA- and -RI).

At p. 547, insert the following at the end of note 6:

In Hornady Mfg. Co., Inc. v. Doubletap, Inc., 746 F.3d 995 (10th Cir. 2014), the court rejected a family-of-marks argument. Hornady sold ammunition and related products under a variety of names incorporating the word “Tap,” such as TAP FPD, TAP PRECISION, and GMX TAP. Doubletap sold ammunition under the name DOUBLETAP. Hornady argued that it owned a family of “TAP” marks, and that the court should infer that consumers would perceive DOUBLETAP to be part of the TAP family. The court disagreed, seeming to invoke the anti-dissection principle. Are the family-of-marks and anti-dissection principles irreconcilably in conflict? Is there a way to harmonize the two?

At p. 553, add the following new note:

9. Weak—and therefore “thin”—trademarks? In a dispute between Florida International University (FIU) and Florida National University (FNU) involving the respective universities’ names, acronyms, and related designs, the court observed that there was evidence of extensive third-party use of “Florida” and “University” among institutions of higher education in the state of Florida. The court concluded that Florida International’s marks were therefore weak, but this finding also seemed to affect the court’s views on some of the other likelihood of confusion factors. For example, in analyzing the similarity of the respective name marks, the court took the view that consumers would place significant weight on the difference (in meaning) between “International” and “National,” because the universities were operating in a crowded field (one that the court had already described as a field having a high degree of commonality among university names). Florida Int’l Univ. Bd. of Trustees v. Florida Nat’l Univ., Inc., 830 F.3d 1242 (11th Cir. 2016). Where there is evidence of widespread third-party use of a mark, should courts deem some trademarks to be “thin,” and less likely to be infringed, reasoning that can be found in some copyright cases?
At p. 554, insert the following new note:

8. Intent to copy product design. Lubecore and Groeneveld compete in the market for grease pumps used in commercial trucks. Assume that Lubecore copied the appearance of Groeneveld’s grease pump but labeled its pump prominently with its own trademark, and likewise used its own trademark on its sales literature. Suppose that everyone agrees that by copying Groeneveld’s trade dress, Lubecore was specifically targeting consumers who were familiar with Groeneveld’s product and offering them another option. Is this the sort of intent evidence that cuts in favor of a likelihood of confusion? Does it cut against a likelihood of confusion? Suppose that customers testified that they assumed that the parties’ products operated similarly and that they had a certain “comfort zone” with the Lubecore product because it appeared to be identical to the Groeneveld product. How, if at all, does this evidence affect your analysis of the intent factor? See Groeneveld Transport Efficiency, Inc. v. Lubecore Int’l, Inc., 730 F.3d 994 (6th Cir. 2013).

At p. 554, add the following to the end of note 3:

Suppose that an investment firm seeks to register “STONE LION CAPITAL” in connection with “financial services, namely investment advisory services, management of investment funds, and fund investment services.” The firm markets its services only to high-end investors who invest significant amounts of capital. For purposes of assessing the consumer sophistication factor, is the proper frame of reference the services as specified in the application (which would extend all potential customers) or the services as actually rendered in practice (high-end customers only)? See Stone Lion Capital Partners, L.P. v. Lion Capital LLP, 746 F.3d 1317 (Fed. Cir. 2014).

At p. 556, note 3, after the McCarthy cite, add the following:

Shari Seidman Diamond & David J. Franklyn, Trademark Surveys: An Undulating Path, 92 Tex. L. Rev. 2029 (2014) (concluding that surveys are especially valuable in trademark litigation in the pre-trial stage, where they may help in shaping trial strategy and in guiding settlement negotiations).

At p. 561, add the following at the end of note 7:

For another example, see Kate Spade Saturday LLC v. Saturdays Surf LLC, 950 F.Supp.2d 639 (S.D.N.Y. 2013). Saturdays Surf sold men’s apparel under the mark SATURDAYS SURF NYC from a website and through department stores such as Bloomingdale’s. Kate Spade introduced a line of KATE SPADE SATURDAY clothing for women that it planned to sell from a website and through KATE SPADE SATURDAY retails stores. Are these different
channels of trade, cutting against a likelihood of confusion? Is it relevant that the KATE SPADE house mark is very well-known for women’s clothing?

At p. 562, add the following new note:

9. The “something more” standard. In In re St. Helena Hospital, 774 F.3d 747 (Fed. Cir. 2014), the Federal Circuit reversed a Section 2(d) refusal to register TAKETEN for a 10-day residential health improvement program at an in-patient medical facility. The refusal had been based on a prior registration, TAKE10! for “printed manuals, posters, stickers, activity cards and educational worksheets dealing with physical activity and physical fitness.” The court concluded that there was not substantial evidence to support the Board’s finding that the applicant’s services were similar to the goods recited in the prior registration. According to the court, in cases where the relatedness of goods and services is not self-evident, the PTO must show “something more” than the mere fact that the goods and services are used together. Id. at 753 (citing Shen Mfg. Co. v. Ritz Hotel, Ltd. 393 F.3d 1238, 1244 (Fed. Cir. 2004)). For example, where an applicant sought to register BLUE MOON for beer, and the PTO asserted a prior registration of BLUE MOON for restaurant services, the PTO was required to show something more than just the fact that some restaurants are known to sell private label beer in order to establish that consumers would assume that the beer served in a restaurant has the same origin as the restaurant services. In re Coors Brewing Co., 343 F.3d 1340 (Fed. Cir. 2003). In St. Helena, the Federal Circuit observed that its “something more” rule need not be limited to cases involving the alleged relatedness of restaurant services and certain goods. Instead, the court ruled, the standard applies “whenever the relatedness of the goods and services is not evident, well-known or generally recognized.” St. Helena, 774 F.3d at 753. Does this suggest that the standard will apply in the majority of contested cases? Is this a good thing?

At pp. 562-63, Problem 7-5, add the following:


At p. 573, after the Recot citation, add the following:

In a case in which an applicant’s mark is alleged to be confusingly similar to a prior registered mark under Section 2(d), what is the significance (if any) of the strength of the prior registered mark? Suppose that applicant seeks a registration for PEACE LOVE AND JUICE for juice bar services, and the owner of a prior registration of PEACE & LOVE for
restaurant services opposes, citing Section 2(d). The evidence shows that many third parties used combinations of “peace” and “love” for restaurants or the like – such as PEACE LOVE AND PIZZA; PEACE LOVE AND BEER; and PEACE LOVE AND CHOCOLATE, to name only a few. Should this evidence be relevant to demonstrate that the opposer’s mark is relatively weak, such that the applicant’s use of similar terms is less likely to trigger confusion? See Juice Generation, Inc. v. GS Enterprises LLC, 794 F.3d 1334 (Fed. Cir. 2015).

At p. 574, add the following to the end of Problem 7-8(2):

The Court granted the certiorari petition in July 2014. The questions presented were:

(1) Whether the TTAB’s finding of a likelihood of confusion precludes Hargis from re-litigating that issue in infringement litigation, in which likelihood of confusion is an element.

(2) Whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB’s finding of a likelihood of confusion absent strong evidence to rebut it.

In an opinion by Justice Alito, the Court held 7-2 (Justices Thomas and Scalia dissenting) that “[s]o long as the other ordinary elements of issue preclusion are met, when the usages [of a mark] adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.” B&B Hardware, Inc. v. Hargis Indus., Inc., 135 S.Ct. 1293, 1312 (2015) (remanding to allow the Eighth Circuit to apply the rule). But the Court also remarked that “many registrations will not satisfy those ordinary elements,” id. at 1306, and that therefore “for a great many registration decisions issue preclusion obviously will not apply.” Id. Elsewhere in the opinion the Court elaborated:

If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation. By contrast, if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should “have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.” [citing 6 McCarthy § 32:101, at 32-246.]

Id. at 1308. So was the Court saying that issue preclusion might apply in theory, but rarely would in reality? (Justice Ginsburg filed a concurring opinion that seemed to express that understanding.) Or did the Court leave the door open for routine arguments of preclusion? Consider also the potential impact on TTAB adjudication. Do you think that the Court’s decision will alter the TTAB’s approach to framing its analysis? How so? On remand, the Eighth Circuit determined that “the usages of the marks adjudicated before the
TTAB were materially the same as the usages before the district court,” and ruled that the requirements for giving preclusive effect to the TTAB’s ruling were met. B&B Hardware, Inc. v. Hargis Indus., Inc., 800 F.3d 427 (8th Cir. 2015) (vacating and remanding to the trial court for further proceedings).

At p. 574, add a new paragraph (3) after Problem 7-8(2):

(3) Patent law recognizes doctrines of “prosecution disclaimer” and “prosecution history estoppel” to prevent patent applicants from making a representation before the PTO (usually a representation that narrows the scope of patent protection) and then making a contrary representation in litigation. Should these doctrines apply to trademark registrations? (This exercise of estoppel is different from giving preclusive effect to a PTO determination, of course, but it is worth considering here because, like the issue preclusion problems discussed in this Problem, the estoppel issue treats elements of the PTO administrative proceeding as limiting in later court proceedings.) For example, suppose that Juice Generation seeks to register the mark PEACE LOVE & JUICE (with design) for services (juice bars), and GS opposes on the ground that it owns registrations for a family of marks including the phrase PEACE & LOVE (for restaurant services). Yes, we know, it’s ironic that owners of peaceful, loving marks would be duking it out with each other— but that’s not important right now. When GS was registering its marks, it faced a rejection based on a prior mark, PEECE LUV CHIKIN (used in connection with chicken, we’re assuming). If GS had argued that there were many third-party usages of “peace and love” such that consumers tended to distinguish among them even based on minor differences (like spelling “peace” as “peece”) should this argument now be available for use against GS in the opposition against Juice Generation— specifically, to indicate that the GS mark must have a relatively narrow scope? Juice Generation, Inc. v. GS Enterprises LLC, 794 F.3d 1334, 1340 (Fed. Cir. 2015) (addressing slightly different facts).

At p. 588, before the Notes and Questions, insert the following new case:

MULTI TIME MACHINE, INC. v. AMAZON.COM, INC.
804 F.3d 930 (9th Cir. 2015)

[In an opinion released in July 2015, reported at 792 F.3d 1070, a split Ninth Circuit panel held that there was a triable issue of fact as to initial interest confusion on the record presented in this case. Judge Bea wrote the opinion, joined by Judge Quist, a district court judge who was sitting by designation in the case. Judge Silverman dissented. Subsequently, Judges Silverman and Quist voted to grant panel rehearing. (Judge Bea voted against.) The July 2015 opinion was then withdrawn, and the following opinion substituted for it. Judge Silverman wrote the new opinion, joined by Judge Quist, while Judge Bea filed a dissent.]
SILVERMAN, Circuit Judge:

In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch—specifically the “MTM Special Ops”—marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types “mtm special ops” in the search box and presses “enter.” Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon does carry, specifically identified by their brand names—Luminox, Chase–Durer, TAWATEC, and Modus.

MTM brought suit alleging that Amazon’s response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon’s search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

We affirm. “The core element of trademark infringement” is whether the defendant’s conduct “is likely to confuse customers about the source of the products.” E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1290 (9th Cir.1992). Because Amazon’s search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would likely be confused as to the source of the products. Thus, summary judgment of MTM’s trademark claims was proper.

I. Factual and Procedural Background

MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark “MTM Special Ops” for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM’s permission to sell MTM’s products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

Amazon is an online retailer that purports to offer “Earth’s Biggest Selection of products.” Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

Consumers who wish to shop for products on Amazon’s website can utilize Amazon’s search function. The search function enables consumers to navigate Amazon.com’s large marketplace by providing consumers with relevant results in response to the consumer’s
query. In order to provide search results in which the consumer is most likely to be interested, Amazon's search function does not simply match the words in the user's query to words in a document, such as a product description in Amazon.com's catalog. Rather, Amazon's search function—like general purpose web search engines such as Google or Bing—employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user's query to text describing a product, Amazon's search function can provide consumers with relevant results that would otherwise be overlooked.

Consumers who go onto Amazon.com and search for the term “mtm special ops” are directed to a search results page. On the search results page, the search query used—here, “mtm special ops”—is displayed twice: in the search query box and directly below the search query box in what is termed a “breadcrumb.” The breadcrumb displays the original query, “mtm special ops,” in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a “Related Searches” field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: “mtm special ops watch.” Directly below the “Related Searches” field is a gray bar containing the text “Showing 10 Results.” Then, directly below the gray bar is Amazon's product listings. The gray bar separates the product listings from the breadcrumb and the “Related Searches” field. The particular search results page at issue is displayed below:
MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon.

MTM filed a complaint against Amazon, alleging that Amazon’s search results page infringes MTM’s trademarks in violation of the Lanham Act. Amazon filed a motion for summary judgment, arguing that (1) it is not using MTM’s mark in commerce and (2) there
is no likelihood of consumer confusion. In ruling on Amazon’s motion for summary judgment, the district court declined to resolve the issue of whether Amazon is using MTM’s mark in commerce, and, instead, addressed the issue of likelihood of confusion. In evaluating likelihood of confusion, the district court utilized the eight-factor test set forth in AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir.1979).1 Relying on our recent decision in Network Automation, Inc. v. Advanced Systems Concepts, 638 F.3d 1137 (9th Cir.2011), the district court focused in particular on the following factors: (1) the strength of MTM’s mark; (2) the evidence of actual confusion and the evidence of no confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the appearance of the product listings and the surrounding context on the screen displaying the results page. Upon reviewing the factors, the district court concluded that the relevant Sleekcraft factors established “that there is no likelihood of confusion in Amazon’s use of MTM’s trademarks in its search engine or display of search results.” Therefore, the district court granted Amazon’s motion for summary judgment.

III. Discussion

To prevail on a claim of trademark infringement under the Lanham Act, “a trademark holder must show that the defendant’s use of its trademark ‘is likely to cause confusion, or to cause mistake, or to deceive.’” Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Mgmt., 618 F.3d 1025, 1030 (9th Cir.2010) (quoting 15 U.S.C. § 1125(a)(1)(A)). “The test for likelihood of confusion is whether a ‘reasonably prudent consumer’ in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks.” Dreamworks Prod. Group v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir.1998). “The confusion must ‘be probable, not simply a possibility.’” Murray v. Cable NBC, 86 F.3d 858, 861 (9th Cir.1996).

Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer’s inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. To whatever extent the Sleekcraft factors apply in a case such as this—a merchant responding to a request for a particular brand it does not sell by offering other brands clearly identified as such—the undisputed evidence shows that confusion on the part of the inquiring buyer is not at all likely. Not only are the other brands clearly labeled and accompanied by photographs, there is no evidence of actual confusion by anyone.

To analyze likelihood of confusion, we utilize the eight-factor test set forth in Sleekcraft. However, “[w]e have long cautioned that applying the Sleekcraft test is not like counting beans.” One Indus., 578 F.3d at 1162; see also Network Automation, Inc. v. Advanced Sys. Concepts, 638 F.3d 1137, 1145 (9th Cir.2011) (“The Sleekcraft factors are intended as an adaptable proxy for consumer confusion, not a rote checklist.”). “Some factors are much more important than others, and the relative importance of each individual factor will be
case-specific.” Brookfield Commc’ns v. West Coast Entm’t Corp., 174 F.3d 1036, 1054 (9th Cir.1999). Moreover, the Sleekcraft factors are not exhaustive and other variables may come into play depending on the particular facts presented. Network Automation, 638 F.3d at 1145–46. This is particularly true in the Internet context. See Brookfield, 174 F.3d at 1054 (“We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.”). Indeed, in evaluating claims of trademark infringement in cases involving Internet search engines, we have found particularly important an additional factor that is outside of the eight-factor Sleekcraft test: “the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.” Network Automation, 638 F.3d at 1154.

In the present case, the eight-factor Sleekcraft test is not particularly apt. This is not surprising as the Sleekcraft test was developed for a different problem—i.e., for analyzing whether two competing brands’ marks are sufficiently similar to cause consumer confusion. See Sleekcraft, 599 F.2d at 348. Although the present case involves brands that compete with MTM, such as Luminox, Chase–Durer, TAWATEC, and Modus, MTM does not contend that the marks for these competing brands are similar to its trademarks. Rather, MTM argues that the design of Amazon’s search results page creates a likelihood of initial interest confusion because when a customer searches for MTM Special Ops watches on Amazon.com, the search results page displays the search term used—here, “mtm special ops”—followed by a display of numerous watches manufactured by MTM’s competitors and offered for sale by Amazon, without explicitly informing the customer that Amazon does not carry MTM watches.

Thus, the present case focuses on a different type of confusion than was at issue in Sleekcraft. Here, the confusion is not caused by the design of the competitor’s mark, but by the design of the web page that is displaying the competing mark and offering the competing products for sale. Sleekcraft aside, the ultimate test for determining likelihood of confusion is whether a “reasonably prudent consumer” in the marketplace is likely to be confused as to the origin of the goods. Dreamworks, 142 F.3d at 1129. Our case can be resolved simply by an evaluation of the web page at issue and the relevant consumer. Cf. Brookfield, 174 F.3d at 1054 (“[i]t is often possible to reach a conclusion with respect to likelihood of confusion after considering only a subset of the factors.”). Indeed, we have previously noted that “[i]n the keyword advertising context [i.e., where a user performs a search on the internet, and based on the keywords contained in the search, the resulting web page displays certain advertisements containing products or services for sale,] the ‘likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.’” Network Automation, 638 F.3d at 1153. In other words, the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?

Turning to the first question, we have explained that “[t]he nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the
keyword advertising context.” Network Automation, 638 F.3d at 1152. “In evaluating this factor, we consider ‘the typical buyer exercising ordinary caution.’” Au–Tomotive Gold, Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1076 (9th Cir.2006) (quoting Sleekcraft, 599 F.2d at 353). “Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items.” Id. Moreover, “the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.” Network Automation, 638 F.3d at 1152.

The goods in the present case are expensive. It is undisputed that the watches at issue sell for several hundred dollars. Therefore, the relevant consumer in the present case “is a reasonably prudent consumer accustomed to shopping online.” Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1176 (9th Cir.2010).

Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon’s web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms. See, e.g., Playboy Enters., 354 F.3d at 1030 n.44 (explaining that clear labeling “might eliminate the likelihood of initial interest confusion that exists in this case”); Network Automation, 638 F.3d at 1154 (same). Indeed, MTM itself argues: “The common thread of [the Ninth Circuit’s decisions in Brookfield, Playboy, and Network Automation] is that liability under the Lanham Act can only be avoided as a matter of law where there is clear labeling to avoid the possibility of confusion—including initial interest confusion—resulting from the use of another’s trademark.” Thus, MTM agrees that summary judgment of its trademark claims is appropriate if there is clear labeling that avoids likely confusion.

Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon’s website and searches for a product using MTM’s trademark “mtm special ops,” the resulting page displays several products, all of which are clearly labeled with the product’s name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer’s name is listed twice. For example, the first result is “Luminox Men’s 8401 Black Ops Watch by Luminox.” The second result is “Chase–Durer Men’s 246.4BB7–XL–BR Special Forces 1000XL Black IOnic–Plated Underwater Demolition Team Watch by Chase–Durer.” Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

MTM argues that initial interest confusion might occur because Amazon lists the search term used—here the trademarked phrase “mtm special ops”—three times at the top of the search page. MTM argues that because Amazon lists the search term “mtm special ops” at the top of the page, a consumer might conclude that the products displayed are types of
MTM watches. But, merely looking at Amazon’s search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word “MTM” or the phrase “Special Ops,” let alone the specific phrase “MTM Special Ops.” Further, some of the products listed are not even watches. The sixth result is a book entitled “Survive!: The Disaster, Crisis and Emergency Handbook” by Jerry Ahem.” The tenth result is a book entitled “The Moses Expedition: A Novel” by Juan Gómez-Jurado.” No reasonably prudent consumer, accustomed to shopping online or not, would assume that a book entitled “The Moses Expedition” is a type of MTM watch or is in any way affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon’s search results page and conclude that the products offered are MTM watches. It is possible that someone, somewhere might be confused by the search results page. But, “[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant.” Tabari, 610 F.3d at 1176; see also Network Automation, 638 F.3d at 1153 (“[W]e expect consumers searching for expensive products online to be even more sophisticated.”). To establish likelihood of confusion, MTM must show that confusion is likely, not just possible. See Murray, 86 F.3d at 861.

MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous—not unlike when someone walks into a diner, asks for a Coke, and is told “No Coke. Pepsi.” See Multi Time Mach., Inc. v. Amazon.com, Inc., 792 F.3d 1070, 1080–81 (9th Cir.2015) (Silverman, J., dissenting).

In light of the clear labeling Amazon uses on its search results page, no reasonable trier of fact could conclude that Amazon’s search results page would likely confuse a reasonably prudent consumer accustomed to shopping online as to the source of the goods being offered. Cf. Playboy, 354 F.3d at 1030 n. 44 (Clear labeling “might eliminate the likelihood of initial interest confusion that exists in this case.”); Network Automation, 638 F.3d at 1154 (same). As Judge Berzon put it, “I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.” Playboy, 354 F.3d at 1034–35 (9th Cir.2004) (Berzon, J., concurring).

MTM attempts to argue that summary judgment of its claims is inappropriate because there are numerous factual disputes related to Amazon’s search results page. But, to the extent there are factual disputes between the parties, none is material to the analysis. MTM cannot dispute the fact that the watches at issue sell for hundreds of dollars. Therefore, as a matter of law, the relevant consumer would be a reasonably prudent consumer accustomed to shopping online. See Tabari, 610 F.3d at 1176; Network Automation, 638 F.3d at 1152–53.
Further, MTM cannot dispute the contents of the web page at issue. A review of Amazon’s web page shows that each product listed for sale is clearly labeled with the product’s name and manufacturer and a photograph, and no product is labeled with MTM’s mark. Thus, the undisputed facts show that it is highly unlikely that a reasonably prudent consumer accustomed to shopping online would be confused as to the source of the goods offered for sale on Amazon’s web page.

The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate. Cf. M2 Software, 421 F.3d at 1085 (explaining that summary judgment of a trademark claim is appropriate where the plaintiff has failed to present “sufficient evidence to permit a rational trier of fact to find that confusion is ‘probable,’ not merely ‘possible’”). Indeed, in the similar context of evaluating claims of consumer deception when dealing with false advertising claims, we have at least twice concluded—after a review of the label or advertisement at issue—that there was no likelihood of consumer deception as a matter of law because no reasonable consumer could have been deceived by the label/advertisement at issue in the manner alleged by the plaintiff. See, e.g., Davis v. HSBC Bank, 691 F.3d 1152, 1162 (9th Cir.2012); Freeman v. Time, Inc., 68 F.3d 285, 289–90 (9th Cir.1995).

Further, we are able to conclude that summary judgment is appropriate in the present case without delving into any factors other than: (1) the type of goods and the degree of care likely to be exercised by the purchaser; and (2) the labeling and appearance of the products for sale and the surrounding context on the screen displaying the results page. Cf. Brookfield, 174 F.3d at 1054 (“[I]t is often possible to reach a conclusion with respect to likelihood of confusion after considering only a subset of the factors”). However, if we were to evaluate each of the remaining Sleekcraft factors, those factors would not change our conclusion, here, because those factors are either neutral or unimportant.

“Actual confusion”—We have held that “[a] showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion.” Playboy, 354 F.3d at 1026 (noting that a strong showing by the plaintiff in regard to this factor alone can reverse a grant of summary judgment). However, here, there is no evidence of actual confusion. The only “evidence” MTM presented to the district court of actual confusion is the deposition testimony of MTM’s president stating that someone named Eric told him, in reference to Amazon’s web page, “it’s confusing.” Hearsay problems aside, this testimony is too speculative to show actual confusion because there is no evidence showing that Eric was a potential consumer. Indeed, at oral argument, MTM conceded that it does not have evidence of actual consumer confusion. Therefore, this factor does not weigh in MTM’s favor.
“Defendant’s Intent”—We have also held that “[a] defendant’s intent to confuse constitutes probative evidence of likely confusion: Courts assume that the defendant’s intentions were carried out successfully.” Playboy, 354 F.3d at 1028 (footnote omitted). MTM argues that the design of Amazon’s search results page is evidence of its intent to cause confusion. The design, however, indisputably produces results that are clearly labeled as to the type of product and brand. Amazon has designed its results page to alleviate any possible confusion about the source of the products by clearly labeling each of its products with the product’s name and manufacturer. Therefore, this factor also does not weigh in MTM’s favor.

“Strength of the Mark”—MTM argues that it has presented sufficient evidence below from which a jury could properly conclude that its trademark is both conceptually strong and commercially strong. However, we find that this factor is unimportant under the circumstances of this case. Even assuming MTM’s mark is one of the strongest in the world—on the same level as Apple, Coke, Disney, or McDonald’s—there is still no likelihood of confusion because Amazon clearly labels the source of the products it offers for sale.

Further, as we previously found in Network Automation, the remaining Sleekcraft factors are unimportant in a case, such as this, involving Internet search terms where the competing products are clearly labeled and the relevant consumer would exercise a high degree of care. See Network Automation, 638 F.3d at 1150–53 (finding “proximity of goods,” “similarity of marks,” “marketing channels,” and “likelihood of expansion” to be unimportant in a trademark case involving Internet search terms where the advertisements are clearly labeled and the relevant consumers would exercise a high degree of care).

IV. Conclusion

In light of Amazon’s clear labeling of the products it carries, by brand name and model, accompanied by a photograph of the item, no rational trier of fact could find that a reasonably prudent consumer accustomed to shopping online would likely be confused by the Amazon search results.

[Affirmed.]

BEA, Circuit Judge, dissenting:

Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch might well initially think that the watches Amazon offers for sale when he searches “MTM Special Ops” are affiliated with MTM, I must dissent.
If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com. At Overstock’s site, if she typed “MTM special ops,” the site would respond “Sorry, your search: ‘mtm special ops’ returned no results.” Similarly, at Buy.com, she would be informed “0 results found. Sorry. Your search for mtm special ops did not return an exact match. Please try your search again.”

Things are a little different over at “Earth’s most customer-centric company,” as Amazon styles itself. There, if she were to enter “MTM Special Ops” as her search request on the Amazon website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) “MTM Specials Ops” again—in quotation marks—immediately below the search field and (3) yet again in the phrase “Related Searches: MTM special ops watch,” (emphasis in original) all before stating “Showing 10 Results.” What the website’s response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of “MTM Special Ops” noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM’s competitors. The shopper will see that Luminox and Chase–Durer watches are offered for sale, in response to her MTM query.

MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon’s use of MTM’s trademarked name is likely to confuse buyers, who may ultimately buy a competitor’s goods.

MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make.

By usurping the jury function, the majority today makes new trademark law. When we allow a jury to determine whether there is a likelihood of confusion, as I would, we do not

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1 MTM sells its products only through its own approved distributors.

2 As of June 17, 2015, the shopper might be subject to even more confusion if she began her search of Amazon’s wares through Google. If she searched Google for “Amazon MTM special ops watch,” one of the search results would be a static page on Amazon’s website. Amazon’s static webpage stated that “At Amazon.com, we not only have a large collection of mtm special ops watch products [which, of course, is flatly untrue], but also a comprehensive set of reviews from our customers. Below we’ve selected a subset of mtm special ops watch products [a repetition of the untruth] and the corresponding reviews to help you do better research, and choose the product that best suits your needs.” Amazon, http://www.amazon.com/gp/feature.html?ie=UTF8 & docId=1001909381. Amazon has since removed the page.
make trademark law, because we announce no new principle by which to adjudicate trademark disputes. Today's brief majority opinion accomplishes a great deal: the majority announces a new rule of law, resolves whether “clear labeling” favors Amazon using its own judgment, and, sub silentio, overrules this court’s “initial interest confusion” doctrine.

Capturing initial consumer attention has been recognized by our court to be a grounds for finding of infringement of the Lanham Act since 1997. Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc., 109 F.3d 1394, 1405 (9th Cir.1997) (identifying “initial consumer attention” as a basis for infringement). In 1999, citing Dr. Seuss, we expressly adopted the initial interest confusion doctrine in the internet context, and never repudiated it. Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1062 (9th Cir.1999). It may not apply where the competing goods or services are “clearly labeled” such that they cause only mere diversion, but whether such goods or services are clearly labeled so as to prevent a prudent internet shopper’s initial confusion depends on the overall function and presentation of the web page. The issue is whether a prudent internet shopper who made the search request and saw the Amazon result—top to bottom—would more likely than not be affected by that “initial interest confusion.” That is, an impression—when first shown the results of the requested MTM Special Ops search—that Amazon carries watches that have some connection to MTM, and that those watches are sold under the name Luminox or Chase–Durer. Whether there is likelihood of such initial interest confusion, I submit, is a jury question. Intimations in our case law that initial interest confusion is bad doctrine notwithstanding, it is the law of our circuit, and, I submit, the most fair reading of the Lanham Act.

Tellingly, the majority does not cite to the statutory text, which provides that the nonconsensual use of a registered trademark will infringe where “such use is likely to cause confusion, or cause mistake, or deceive.” 15 U.S.C. § 1114(1)(a). The majority reads the statute to contain language that it does not, essentially reading the clause “at point of sale” into the end of § 1114(1)(a). Similarly, the majority reads 15 U.S.C. § 1125 to apply only at point of sale—the majority writes that it is unreasonable to suppose that a reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods where Luminox and Chase–Durer watches are labeled as such, but does not address the possibility that a reasonably prudent consumer might initially assume that those brands enjoyed some affiliation with MTM which, in turn, could cause such a shopper to investigate brands which otherwise would not have been of interest to her.

To reach its conclusion, the majority purports to apply this court’s precedent in Network Automation, Inc. v. Advanced Systems Concepts, Inc., 638 F.3d 1137, 1145 (9th Cir.2011). In so doing, the majority ignores the procedural posture of that case. There, plaintiff Network Automation and defendant Advanced Systems Concepts both sold job scheduling and management software. Id. at 1142. Network Automation advertised its product by purchasing certain keywords—including registered trademarks belonging to Advanced Systems—which, when typed into various search engines, included Network Automation’s
website “www.NetworkAutomation.com” as a labeled, sponsored link among the search results. Id. Advanced Systems alleged violation of the Lanham Act and moved for a preliminary injunction. Id. at 1143. The district court granted a preliminary injunction to Advanced Systems, and Network Automation appealed. Id. On appeal, this court reversed and vacated the preliminary injunction.

To do so, this court did not find that there was no genuine issue of fact as to likelihood of confusion. Instead, this court properly considered whether the facts, as the court understood them, favored Advanced Systems in Network Automation because a preliminary injunction requires “the moving party [there, the plaintiff alleging infringement] demonstrate a fair chance of success on the merits or questions serious enough to require litigation.” Arc of California v. Douglas, 757 F.3d 975, 993 (9th Cir.2014). Therefore, the Network Automation court properly considered the weight of the evidence to decide whether Advanced Systems had a fair chance of success on the merits. Here, we are not tasked to determine whether MTM is likely to succeed, nor to consider the weight of the evidence. As this is an appeal from a summary judgment, we must decide whether the non-moving party (MTM) tendered a genuine issue of fact. Network Automation did not announce a rule that clear labeling is per se a question of law, nor that a judge’s determination that products are clearly labeled precludes a triable issue of fact as to trademark infringement.

Indeed, even if Network Automation were not so readily distinguishable by its procedural posture, it is factually distinguishable. In Network Automation, the “diversionary” goods were clearly labeled on the response page as “Sponsored Links,” showing that the producers of those products were the ones advertising for themselves, not for the firm named in the search request. Network Automation, 638 F.3d at 1144. Unlike the sponsored links at issue in Network Automation, and unlike its competitors Buy.com and Overstock.com, Amazon does not forestall any confusion by informing customers who are searching “MTM Special Ops” that Amazon does not carry any such products. Amazon does just the opposite. It responds by twice naming MTM, and once specifically naming watches.

On this record, a jury could infer that users who are confused by the search results are confused as to why MTM products are not listed. There is a question of fact whether users who are confused by the search result will wonder whether a competitor has acquired MTM or is otherwise affiliated with or approved by MTM. See Brookfield Communications, 174 F.3d at 1057. This is especially true as to a brand like MTM, as many luxury brands with distinct marks are produced by manufacturers of lower-priced, better-known brands—just as Honda manufactures Acura automobiles but sells Acura automobiles under a distinct mark that is marketed to wealthier purchasers, and Timex manufactures watches for luxury fashion houses Versace and Salvatore Ferragamo. Like MTM, Luminex manufactures luxury watches, and a customer might think that MTM and Luminex are manufactured by the same parent company. The possibility of initial interest confusion here is likely much higher than if, for instance, a customer using an online grocery website typed “Coke” and only Pepsi products were returned as results. No shopper would think that Pepsi was simply a higher
end version of Coke, or that Pepsi had acquired Coke’s secret recipe and started selling it under the Pepsi mark.

In any event, even as to expensive goods—such as pianos sold under a mark very similar to the famous Steinway and Sons brand’s mark—the issue is not that a buyer might buy a piano manufactured by someone other than Steinway thinking that it was a Steinway. The issue is that the defendant’s use of the mark would cause initial interest confusion by attracting potential customers’ attention to buy the infringing goods because of the trademark holder’s hard-won reputation. *Brookfield*, 174 F.3d at 1063 (citing *Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1341–42 (2d Cir.1975)).

A jury could infer that the labeling of the search results, and Amazon’s failure to notify customers that it does not have results that match MTM’s mark, give rise to initial interest confusion. If so, a jury could find that Amazon customers searching for MTM products are subject to more than mere diversion, since MTM is not required to show that customers are likely to be confused at the point of sale. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1025 (9th Cir.2004).

Assuming arguendo that the majority properly found that Amazon’s search results are clearly labeled, the majority extends its factual determinations further by determining that in this case, clear labeling outweighs the other eight factors considered in trademark suits, factors that remain the law of this circuit: (1) strength of the mark(s); (2) proximity or relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels; (6) degree of consumer care; (7) the defendants’ intent; and (8) likelihood of expansion. *Network Automation*, 638 F.3d at 1145 (citing *AMF v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir.1979)). To be sure, courts must be flexible in their application of the factors, as some may not apply in every case. *Playboy*, 354 F.3d at 1026. Here, for instance, the likelihood of expansion does not apply because both MTM and Amazon already sell luxury watches, so whether either is likely to expand its sales into the luxury watch market is not a question. However, where the *Sleekcraft* factors could tip in either direction, there is a jury question. *Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Management, Inc.*, 618 F.3d 1025, 1039 (9th Cir.2010). Simply stating that the *Sleekcraft* factors do not favor the plaintiff, or don’t bear on the clarity of the labeling, does not resolve the underlying factual question.

Having exercised its own judgment to determine that this presentation is not confusing, the majority purports to consider the *Sleekcraft* factors, though the opinion essentially states that some of the factors are *per se* irrelevant—such as the *Sleekcraft* factor, “strength of the mark,” the majority assert that “under the circumstances of this case,” the factor is unimportant because “Amazon clearly labels the source of the products it offers for sale.” By reiterating the conclusion at which it had already arrived, the majority ignores the factor and the fact-intensive analysis it entails. A mark’s strength is a measure of how uniquely identified...
it is with a product or service, and therefore how deserving of trademark protection. *Fortune Dynamic*, 618 F.3d at 1032. “A mark’s conceptual strength depends largely on the obviousness of its connection to the good or service to which it refers. The less obvious the connection, the stronger the mark, and vice versa.” *Id.* at 1032. Conceptual strength is considered along a continuum, and in this circuit, marks may be classified as falling into one of five categories, from conceptually weak to conceptually strong: generic, descriptive, suggestive, arbitrary, or fanciful. *Fortune Dynamic*, 618 F.3d at 1033. Whether a mark is descriptive or suggestive is a question of fact. *Id.* at 1034. In an infringement suit, “the distinction [between a descriptive and suggestive mark] is important because if the mark is suggestive, there is a stronger likelihood that the ‘strength of the mark’ factor favors the [plaintiff].” *Id.* Here, the phrase “MTM Special Ops” requires “a mental leap from the mark to the product,” because the phrase does not expressly refer to watches. *Fortune Dynamic*, 618 F.3d at 1033. Indeed, by evoking elite military forces (“Special Ops”), the goods suggested by the phrase are as likely to be protective gear, binoculars, weapons, or boots as they are watches. A jury could find that the mark is suggestive and conceptually strong because it does not obviously refer to watches, or that it is merely descriptive because the watches are made in a military style. Either way, the weight of the evidence is a question of fact, and there is a genuine issue of fact as to the conceptual strength of the mark. As in *Fortune Dynamic*, “a jury should assess the conceptual strength of [plaintiff’s] mark in the first instance.” 618 F.3d at 1033. However, the majority simply brushes off the question as irrelevant “under the circumstances.” The circumstances surrounding the case are questions of fact, not law, and should be given to a jury to determine.

Similarly, the majority finds that Amazon’s intent weighs in favor of Amazon. A defendant’s intent is relevant because a “defendant’s intent to confuse constitutes probative evidence of likely confusion.” *Playboy*, 354 F.3d at 1029. MTM submitted evidence that Amazon vendors and customers had complained to Amazon because they did not understand why they received certain non-responsive search results when they searched for products that are not carried by Amazon. The evidence showed that Amazon employees did not take action to address the complaints by explaining to the public how its search function works.4 One Amazon employee noted that explaining BBS to the public might draw

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4 Amazon’s search algorithm responds to its customers’ behavior using a Behavior Based Search (“BBS”) technology, which uses data about what customers view and purchase after searching certain terms. Amazon does not program the terms; the function responds solely to customer behavior. If enough customers search for a certain keyword, “X,” and then look at or purchase another product “Y,” even if X and Y are not obviously related, future customers who search for X may receive search results including Y. But the BBS function is not solely responsible for the search results. The results list also includes matches based on a search of terms on Amazon’s pages—for instance, streaming video of a show called Special Ops Mission may be called up. Whether a particular result appears because of BBS or a traditional search of matching terms is not evident from the matches, and the relevant products (which are based on search terms) and recommended products (based on BBS) are mingled together.
customers’ and vendors’ unwanted scrutiny to the matter. Amazon did not disclose to shoppers that its search function responds to customer behavior.

As in Playboy, this evidence suggests, “at a minimum, that defendants do nothing to alleviate confusion ... Although not definitive, this factor provides some evidence of an intent to confuse on the part of defendants.” Playboy, 354 F.3d at 1029. From evidence that “Earth’s most customer-centric company” took no action on these complaints, a jury could infer that Amazon intended to confuse its customers.

The majority ignores this evidence on the basis of its conclusion that Amazon created a page with clearly labeled wares, and further concludes that Amazon must not have intended to confuse customers, or its page would not be clearly labeled. However, to conclude that there is no triable issue of fact, the majority may not overlook or ignore evidence to the contrary in the record, or assume that a jury would weigh evidence the same way that the panel does.

Finally, the majority repeatedly states that not only does Amazon clearly label its products, but there is no evidence of actual confusion. Assuming arguendo that there is no evidence from which a jury could infer actual confusion, the absence of actual confusion is not dispositive of whether there is a genuine issue of fact. Where evidence of actual confusion is submitted, it is “strong support for the likelihood of confusion.” Network Automation, 638 F.3d at 1151. But actual confusion “is not necessary to a finding of likelihood of confusion under the Lanham Act. Indeed, proving actual confusion is difficult and the courts have often discounted such evidence because it was unclear or insubstantial.” Id. A plaintiff need not show actual confusion to prevail.

Through its cursory review of the Sleekcraft factors and conclusory statements about clear labeling, the majority purports to apply this circuit’s trademark law, and ignores the doctrine of initial interest confusion. In so doing, the majority today writes new trademark law and blurs the line between innovation and infringement.

More troubling, the majority ignores the role of the jury. Summary judgment law is an aid to judicial economy, but it can be so only to the extent that it comports with the Seventh Amendment. Were we to reverse and remand, MTM might well lose. The likelihood of that

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Amazon submitted evidence that purports to show that no customers were confused, because customers who searched for “Luminox” were 21 times as likely to purchase a Luminox watch as were customers who searched for “MTM Special Ops.” It isn’t surprising that customers who search for an item (Luminox watches) are more likely to buy that item than customers who did not search for it but searched for another product (MTM watches). However, a jury might view this purported evidence of no actual confusion as flawed because a user researching watches might initially be confused about the availability of MTM watches online and so not purchase a Luminox the same day. Further, some users did search for “MTM Special Ops” and purchase a competitor’s watch the same day, which a jury could find probative of some confusion.
outcome is irrelevant to the question whether there is a genuine issue of fact. I respectfully dissent.

At p. 601, after note 9, add the following new case:

**FORTRES GRAND CORP. v. WARNER BROS. ENT. INC.**

763 F.3d 696 (7th Cir. 2014)

MANION, Circuit Judge:

I. Factual Background

Fortres Grand develops and sells a security software program known as “Clean Slate.” It also holds a federally registered trademark for use of that name to identify the source of “[c]omputer software used to protect public access computers by scouring the computer drive back to its original configuration upon reboot.” As the description in the trademark registrations suggests, the program wipes away any user changes to a shared computer (wiping the slate clean, so to speak). It is the kind of program that might be used at schools, libraries, hotels, etc., to keep public computers functioning properly and free of private data. Because a desktop management program is security software, its single most important characteristic is its trustworthiness. Fortres Grand had been able to establish its Clean Slate software in the marketplace as a trustworthy program.

In July 2012, Warner Bros. released *The Dark Knight Rises*, the third and final installment in a film depiction of the comic book hero Batman. The film was an immense commercial success. In the film, Batman and his allies battle a shadowy organization hell-bent on the destruction of Gotham City, Batman’s home town. One of Batman’s allies, the antihero Selina Kyle (Catwoman), begins the story as an unwitting pawn of the shadowy organization. In exchange for her unique services as a cat burglar, the organization agrees to give her a software program known as “the clean slate,” which was developed by “Rykin Data Corporation” and enables an individual to erase all traces of her criminal past from every database on earth so that she may lead a normal life (that is, to wipe her slate clean). But after Kyle completes her task, she is betrayed and told that the program, “the clean slate,” does not exist. When she becomes aware of the extent of the shadowy organization’s plans—to detonate a nuclear device in Gotham City—she aids Batman in neutralizing the threat. Near the climax of the movie, the destruction of the city appears imminent. But Batman assembles a team, including Selina Kyle, to try to save the city. Batman’s alter ego—the billionaire, industrialist, and philanthropist Bruce Wayne—had secretly acquired and hid the clean slate program. Batman gives “the clean slate” program to Selina Kyle in exchange for her aid. After rendering the agreed aid and obtaining the means to a clean slate and escape, she nonetheless stays to continue combating the nuclear threat. (‘Spoiler Alert’) Batman and his allies are able to save Gotham City and, in the closing scene of the movie, we see that Selina Kyle has apparently used the program to erase her criminal past and that she is
leading a “normal” life with Bruce Wayne (to the extent dining at a Florentine café with the billionaire alter ego of the Caped Crusader is normal).

Additionally, as part of the marketing of the movie, two websites were created purporting to be affiliated with the fictional Rykin Data Corporation. The websites contained descriptions of the clean slate hacking tool and its operation and an image of a fictional patent. Nothing was available for purchase or download from the websites—they were purely an informational extension of the fictional Gotham City universe.

After the film was released, Fortres Grand noticed a significant decline in sales of its Clean Slate software. It believes that this decline in sales was due to potential customers mistakenly believing that its Clean Slate software is illicit or phony on account of Warner Bros.’ use of the name “the clean slate” in The Dark Knight Rises. Accordingly, Fortres Grand filed suit alleging that Warner Bros.’ use of the words “clean slate” in reference to the software in its movie infringed Fortres Grand’s trademark in violation of Lanham Act §§ 32, 43 and Indiana unfair competition law. But, on Warner Bros.’ motion, the district court dismissed Fortres Grand’s complaint under Rule 12(b)(6) for failing to state a claim. The district court concluded that Fortres Grand had not alleged a plausible theory of consumer confusion, upon which all of its claims depend, and that Warner Bros.’ use of the words “the clean slate” was protected by the First Amendment. Fortres Grand appeals.

II. Discussion


All three of Fortres Grand’s claims depend on plausibly alleging that Warner Bros.’ use of the words “clean slate” is “likely to cause confusion.” [cit.] But general confusion “in the air” is not actionable. Rather, only confusion about “origin, sponsorship, or approval of ... goods” supports a trademark claim. 15 U.S.C. § 1125; see also 4 McCarthy on Trademarks and Unfair Competition § 24:6 (4th ed.) (describing the various semantic formulations of the actionable objects of confusion, which are the same under §§ 1114 and 1125); Custom Vehicles, Inc. v. Forest River, Inc., 476 F.3d 481, 484 (7th Cir.2007) (using the phrase “emanates from, is connected to, or is sponsored by” partially drawn from “affiliation, connection, or association” in § 1125 to communicate the same concept). Further, “goods” means “the tangible product sold in the marketplace.” Eastland Music, 707 F.3d 869, 872 (quoting Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 31 (2003)). For convenience, we generally use the word “origin” as shorthand for “origin, sponsorship, or approval.”
In a traditional trademark action, the confusion of origin is mistaking a junior user’s product as originating from a senior user. (“Senior user” meaning the first, and protected, user of the mark and “junior” user meaning a later, and potentially infringing, user of the mark.) Initially, Fortres Grand argued that consumers could be confused into thinking that the movie was sponsored by Fortres Grand by virtue of the appearance of “clean slate” software. It has since abandoned those arguments on appeal.

Instead, Fortres Grand argues that it has stated a claim via “reverse confusion,” a theory that we have recognized. See Peaceable Planet, Inc. v. Ty, Inc., 362 F.3d 986, 987 (7th Cir.2004) (citing Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 957–58 (7th Cir.1992)); see also 4 McCarthy §§ 23:10, 25:6 n.1 (distinguishing between “reverse passing off” and “reverse confusion”). In reverse confusion, the senior user’s products are mistaken as originating from (or being affiliated with or sponsored by) the junior user. This situation often occurs when the junior user is a well-known brand which can quickly swamp the marketplace and overwhelm a small senior user. Quaker Oats Co., 978 F.2d at 950 (junior user was the manufacturer of Gatorade); see also 4 McCarthy § 23:10 (discussing examples of reverse confusion cases against junior users like Goodyear, Maytag, and Mattel). The harm from this kind of confusion is that “the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.” Quaker Oats, 978 F.2d 947, 957. To state a claim for infringement based on reverse confusion, Fortres Grand must plausibly allege that Warner Bros.’ use of the words “clean slate” in its movie to describe an elusive hacking program that can eliminate information from any and every database on earth has caused a likelihood that consumers will be confused into thinking that Fortres Grand’s Clean Slate software “emanates from, is connected to, or is sponsored by [Warner Bros.]” [cit.].

In considering the plausibility of such an allegation of confusion we look to the applicable test for likelihood of confusion. In this circuit, we employ a seven-factor test:

1. the degree of similarity between the marks in appearance and suggestion; 2. the similarity of the products for which the name is used; 3. the area and manner of concurrent use; 4. the degree of care likely to be exercised by consumers; 5. the strength [or “distinctiveness”] of the complainant’s mark; 6. actual confusion; and 7. an intent on the part of the alleged infringer to palm off his products as those of another.

McGraw–Edison Co. v. Walt Disney Prods., 787 F.2d 1163, 1167–68 (7th Cir.1986) (quoting Helene Curtis Indus., Inc. v. Church & Dwight Co., Inc., 560 F.2d 1325, 1330 (7th Cir.1977)). The district court relied heavily on the “similarity of the products” factor in its conclusion that Fortres Grand failed to state a claim, concluding that Fortres Grand’s

\footnote{However, the seventh factor is irrelevant in a reverse confusion analysis because the junior user is not trying to profit from the senior user’s brand. Quaker Oats, 978 F.2d at 961.}

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software and Warner Bros.’ movie were so dissimilar that confusion was implausible. See *Fortres Grand*, 947 F.Supp.2d at 928–29. Fortres Grand argues on appeal that it was error for the district court to rely so heavily on one factor, and that the proper product to compare to its software is the fictional software in the movie made by the fictional Rykin Data Corporation. There is little authority on how to treat the “similarity of the products” factor when one of them is fictional, see *Fortres Grand*, 947 F.Supp.2d at 924 (citing 6 McCarthy § 31:149), but what few cases have confronted the issue have considered the likelihood of confusion between the senior user’s product and the junior user’s creative work—not any fictional product therein. See *Davis v. Walt Disney Co.*, 430 F.3d 901, 904 (8th Cir.2005) (comparing senior user’s products and services with Disney’s movie—not the fictional product in the movie bearing a mark similar to the senior user’s); *Ocean Bio–Chem, Inc. v. Turner Network Television, Inc.*, 741 F.Supp. 1546, 1557(S.D.Fla.1990) (similarly comparing the senior user’s product to Turner’s movie rather than the fictional product contained therein). This approach makes sense in light of the Supreme Court’s emphasis on confusion about the origin, sponsorship, or approval of “the tangible product sold in the marketplace.” *Dastar*, 539 U.S. at 31. In fact, in forward confusion cases where the allegedly infringing use is in a junior user’s movie, the Supreme Court’s interpretation of “goods” in § 1125 likely compels lower courts to look to the movie, since it is the junior user’s only tangible product in the marketplace about which consumers could be confused. In reverse confusion based on a junior user’s movie, however, it is not so cut-and-dried. Because the confusion is about the origin, sponsorship, or approval of the senior user’s product, which is tangible, there is no clear command that we compare that product (the software) to Warner Bros.’ tangible product (its movie) when considering the factor.\(^8\) Regardless, because the infringing act is the junior user’s use of the mark “in connection with any goods,” 15 U.S.C. § 1125, we think the word “goods” must mean the same thing there (tangible goods) that it means in the later clause, and so we conclude that Warner Bros.’ movie—its tangible good—is the correct comparator product, even while using the product-similarity factor to analyze reverse confusion. For the purposes of Rule 12(b)(6), we also consider the Rykin Data websites as advertisements for its tangible good, the movie.

But that does not end the product comparison question. While movies and desktop management software are dissimilar products, “[t]he fact that the products at issue may be ‘very different’ is not dispositive of the issue of the similarity of the products in determining the existence of a likelihood of confusion between products. The question is ‘whether the products are the kind the public attributes to a single source.’” *McGraw–Edison*, 787 F.2d at 1169 (quoting *E. Remy Martin & Co., S.A. v. Shaw–Ross Int’l Imports, Inc.*, 756 F.2d 1525, 1530 (11th Cir.1985)). Infringement can occur if the trademarks are used on “goods related in the minds of consumers in the sense that a single producer is likely to put out both goods.” *Id.*

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\(^8\) We assume the Supreme Court would view a downloaded file from a website as the tangible product sold by Fortres Grand in this context, even though it is not literally tangible. We think, in general, the relevant question of source in the context of a download is which entity is responsible for the file hosted on the server which is downloaded by the consumer.
In McGraw–Edison, we held there was sufficient evidence to raise a question of fact about “whether the products are the kind the public attributes to a single source” where the evidence showed that McGraw–Edison (the senior user) made electrical fuses bearing the “TRON” mark and that Disney (the allegedly infringing junior user) had made videogames, toys, and had licensed telephones bearing the “TRON” mark (styled after its TRON movie). Id. In McGraw–Edison, the infringing mark was used on Disney’s merchandise for the TRON movie. We held that “utilitarian electrical products” could be confused as originating from the same source as “entertainment-based” products powered by electricity when both are labeled “TRON.” Id. It is also plausible that entertainment-based products could be confused as being affiliated with (by means of licensing) the same source as a movie.

The problem here is that Fortres Grand wants to allege confusion regarding the source of a utilitarian desktop management software based solely on the use of a mark in a movie and two advertising websites. Warner Bros., unlike Disney, does not sell any movie merchandise similar to Fortres Grand’s software which also bears the allegedly infringing mark. Fortres Grand mentions that Warner Bros. sells video games. Desktop management software and video game software may be similar enough to make confusion plausible, but Fortres Grand does not allege that the video games bear the “clean slate” mark. Nor does Fortres Grand allege that desktop management software is a commonly merchandised movie tie-in (as a video game might be). Accordingly, the only products available to compare—Fortres Grand’s software and Warner Bros.’ movie—are quite dissimilar, even considering common merchandising practice. Fortres Grand has alleged no facts that would make it plausible that a superhero movie and desktop management software are “goods related in the minds of consumers in the sense that a single producer is likely to put out both goods.”

Fortres Grand emphasizes that we have clearly stated that courts should not rely on the weakness of a single factor to dispose of a trademark infringement claim. AHP Subsidiary Holding Co. v. Stuart Hale Co., 1 F.3d 611, 616 (7th Cir.1993) (“None of the seven confusion factors alone is dispositive in a likelihood of confusion analysis.”). But its allegation of reverse confusion is just as implausible in light of the other factors. Both the movie and Fortres Grand’s software are available on the internet, but the movie was shown first and primarily in theaters and Fortres Grand’s software is only available at its website, not at other places on the internet. And anyone who arrives at Fortres Grand’s website is very unlikely to imagine it is sponsored by Warner Bros. (assuming, safely, that Fortres Grand is not using Catwoman as a spokesperson for its program’s efficacy). And the movie websites, while on the internet, sell no products and are clearly tied to the fictional universe of Batman. Further, Warner Bros.’ use of the mark is not a traditional use in the marketplace, but in the dialogue of its movie and in extensions of its fictional universe, so the “area and manner of concurrent use” also makes confusion unlikely. Fortres Grand also asserts that consumers of “security software,” similar to what it sells, are discerning and “skeptical,” which is indicative of a “degree of care likely to be exercised by consumers” making confusion unlikely. Additionally, the mark “clean slate” is just one variation of a phrase (pinakis agraphos in Greek (often translated “unwritten tablet”) or tabula rasa in Latin (often
translated “blank slate” or “scrapped tablet”)) that traces its origins at least as far back as Aristotle and is often used to describe fresh starts or beginnings. While the use of the term may be suggestive for security software, its use descriptively (and suggestively) is quite broad, including in reference to giving convicted criminals fresh starts, to redesigning the internet, or, indeed, to a movie about an investigator with amnesia. Accordingly, Warner Bros.’ descriptive use of the words “clean slate” in the movie’s dialogue to describe a program that cleans a criminal’s slate is unlikely to cause confusion. See Quaker Oats Co., 978 F.2d at 959 (7th Cir.1992) (“In a reverse confusion case, then, it may make more sense to consider the strength of the mark in terms of its association with the junior user’s goods.” (emphasis added)).

Finally, Fortres Grand speculates that there must have been actual confusion because of “internet chatter” and “web pages, tweets, and blog posts in which potential consumers question whether the CLEAN SLATE program, as it exists in The Dark Knight Rises, is real and could potentially work.” But this is not an allegation of actual confusion. This is an assertion that consumers are speculating that there really could be a hacking tool that allows a user to erase information about herself from every database on earth. Id. At best Fortres Grand’s argument is that consumers are mistakenly thinking that its software may be such a hacking tool (or an attempt at such a hacking tool), and not buying it. But this is not reverse confusion about origin. Whoever these unusually gullible hypothetical consumers are, Fortres Grand has not and could not plausibly allege that consumers are confused into thinking Fortres Grand is selling such a diabolical hacking tool licensed by Warner Bros. Fortres Grand’s real complaint is that Warner Bros.’ use of the words “clean slate” has tarnished Fortres Grand’s “clean slate” mark by associating it with illicit software. But this type of harm may only be remedied with a dilution claim. See 15 U.S.C. § 1125(c). And it would not be appropriate to use a contorted and broadened combination of the “reverse confusion” and “related products” doctrines to extend dilution protection to non-famous marks which are explicitly excluded from such protection by statute. Id. (“the owner of a famous mark ... shall be entitled to an injunction against another person who ... commences use of a mark ... that is likely to cause ... dilution by tarnishment of the famous mark” (emphasis added)).

In fact, the only factor to which Fortres Grand’s allegations lend any strength is the similarity of the marks—both marks are merely “clean slate” or “the clean slate.” But

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12 Fortres Grand also argues that its drop in sales means there must have been confusion. But that is a thin reed to lean on. Fortres Grand alleges that, as a result of the movie, “[o]nline searches for CLEAN SLATE now return hundreds of results relating to the CLEAN SLATE program from The Dark Knight Rises,” and that it has had to expend money on “corrective advertising.” Far from implying confusion, these allegations merely logically connect Fortres Grand’s loss of sales with its website showing up lower in search results. See, e.g., CHITIKA.COM, The Value of Google Result Positioning, http://chitika.com/googlepositioning-value (showing that the ten results on the first page of Google’s search results for a particular term get 91.5% of the traffic). And proof that internet searchers are more interested in exploring the feasibility of a fictional hacking tool than in Fortres Grand’s desktop management software is not proof that they are confused about the source of Fortres Grand’s software.
juxtaposed against the weakness of all the other factors, this similarity is not enough. Trademark law protects the source-denoting function of words used in conjunction with goods and services in the marketplace, not the words themselves. Anti–Monopoly, Inc. v. Gen. Mills Fun Grp., 611 F.2d 296, 301 (9th Cir.1979) (“It is the source-denoting function which trademark laws protect, and nothing more.”). Assuming all Fortres Grand’s other allegations are true, its reverse confusion allegation—that consumers may mistakenly think Warner Bros. is the source of Fortres Grand’s software—is still “too implausible to support costly litigation.” Eastland Music, 707 F.3d at 871. Accordingly, we need not—and do not—reach Warner Bros.’ argument that its descriptive use of the words “clean slate” in the dialogue of its movie is shielded by the First Amendment. Eastland Music, 707 F.3d at 871 (“It is unnecessary to consider possible constitutional defenses to trademark enforcement, ... [when the] complaint fails at the threshold.”). [Affirmed.]
NON-CONFUSION-BASED TRADEMARK LIABILITY THEORIES

At. p. 649, delete the Starbucks opinion insert the following new opinion:

STARBUCKS CORP. v. WOLFE'S BOROUGH COFFEE, INC.
736 F.3d 198 (2d Cir. 2013)

LOHIER, Circuit Judge:

. . .

BACKGROUND

We assume familiarity with the underlying facts and long procedural history of the case, which are set forth in our previous opinions, Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 477 F.3d 765 (2d Cir.2007) (“Starbucks II”), and Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97 (2d Cir.2009) (“Starbucks IV”). We recount them here only as necessary to explain our disposition of this appeal.

As of 2005, when the bench trial occurred, Starbucks had grown from a single coffee shop in Seattle in 1971 to a singularly prominent global purveyor of specialty coffee and coffee products, with 8,700 retail locations worldwide and revenues of $5.3 billion for fiscal year 2004. Starbucks U.S. Brands is the owner, and Starbucks Corporation a licensee, of at least 56 valid United States trademark registrations that include the Starbucks Marks. The Starbucks Marks are displayed on signs and at multiple locations in each Starbucks store, as well as on the Starbucks website.

Starbucks has devoted substantial time, effort, and money to advertising and promoting the Starbucks Marks. From fiscal year 2000 to 2003, Starbucks spent over $136 million on advertising, promotion, and related marketing activities, essentially all of which featured the Starbucks Marks. Starbucks actively polices the Starbucks Marks, demanding that infringing uses be terminated and, where necessary, commencing litigation. Well before Black Bear used the term “Charbucks” as part of any product name, the Starbucks Marks were “famous” within the meaning of the FTDA.
Black Bear manufactures and sells roasted coffee beans and related goods via mail and internet order, at a limited number of New England supermarkets, and at a single New Hampshire retail outlet. In 1997 Black Bear developed a coffee blend named “Charbucks Blend”; it now sells a dark roast coffee called “Mister Charbucks” or “Mr. Charbucks.” When Black Bear began manufacturing coffee using the Charbucks Marks, it was aware of the Starbucks Marks. One of the reasons Black Bear used the term “Charbucks” was the public perception that Starbucks roasted its beans unusually darkly. Soon after Black Bear began to sell Charbucks Blend, Starbucks demanded that it cease using the Charbucks Marks. Black Bear nevertheless continued to sell coffee under the Charbucks Marks, and in 2001 Starbucks started this action claiming, among other things, trademark dilution in violation of 15 U.S.C. §§ 1125(c), 1127.3

The District Court held a two-day bench trial in March 2005. At trial, two matters of significance to this appeal occurred. First, Black Bear’s founder, James O. Clark III, testified that the name “Charbucks” had previously been used during “the coffee wars in Boston between Starbucks and the Coffee Connection,” a Boston-based company.4 Second, Starbucks introduced the testimony of Warren J. Mitofsky, a scientist in the field of consumer research and polling. Mitofsky explained the results of a telephone survey he had conducted of six hundred participants, designed to be representative of the United States population. The survey found that when asked, “What is the first thing that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?” 30.5 percent of participants answered “Starbucks,” while 9 percent answered “coffee.”5 When the participants were asked, “Can you name any company or store that you think might offer a product called ‘Charbucks’?,” 3.1 percent responded “Starbucks,” and another 1.3 percent responded “coffee house.”6 Mitofsky concluded that “[t]he number one association of the name ‘Charbucks’ in the minds of consumers is with the brand ‘Starbucks.’” Commenting on the scope of his survey, Mitofsky also stated: “[I]f you want to know the reaction to the name Charbucks, then the telephone is perfectly adequate. If you want to measure the reaction or the familiarity with other visual cues, then it’s not the right method.”

3 Starbucks also asserted claims of [trademark infringement and unfair competition under the Lanham Act and related state law causes of action, all of which were dismissed during the course of the suit.]


5 Other common responses included “barbeque” or “charcoal” (7.9 percent); “restaurant” or “grill” (7.5 percent); “meat,” “steak,” or “hamburger” (4.6 percent); and “money” (3.9 percent).

6 More popular responses to this second question included: “grocery store” (18.3 percent); “discount store” (16.9 percent); “restaurant” (7.0 percent); “department store” (4.8 percent); and “hardware store” or “home improvement store” (3.7 percent).

Starbucks appealed. While the appeal was pending, Congress passed the Trademark Dilution Revision Act of 2006 (“TDRA”). In light of this change in the governing law, we vacated the judgment of the District Court and remanded for further proceedings. Starbucks II, 477 F.3d at 766.

On remand, after further briefing, the District Court again ruled in Black Bear’s favor for substantially the same reasons set forth in its earlier opinion, but it also analyzed the federal dilution claim in light of the TDRA. See Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 559 F.Supp.2d 472, 475–79 (S.D.N.Y.2008) (“Starbucks III”). In particular, the District Court considered the six non-exclusive factors listed in the statute and made the following findings: (1) the marks were minimally similar, which the court deemed alone sufficient to defeat Starbucks’ claim; (2) (a) the distinctiveness of the Starbucks Marks, (b) the exclusivity of their use by Starbucks, and (c) their high degree of recognition, all weighed in favor of Starbucks; (3) the intent factor weighed in Black Bear’s favor because Black Bear’s intent to create an association with the Starbucks Marks did not constitute bad faith; and (4) evidence from Mitofsky’s survey was “insufficient to make the actual confusion factor weigh in [Starbucks’] favor to any significant degree.” Balancing all six factors, the District Court held that the record was “insufficient to demonstrate the requisite likelihood that the association arising from the similarity of the core terms is likely to impair the distinctiveness of Starbucks’ mark, and Plaintiff is not entitled to injunctive relief under that statute.”

Starbucks appealed again, arguing that the District Court erred in finding that the Charbucks Marks are not likely to dilute the Starbucks Marks. In Starbucks IV, we examined the District Court’s findings as to the first, fifth, and sixth factors, as well as its balancing of the statutory factors that bear on the likelihood of dilution by blurring. We held that “the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks,” because the context of the Charbucks Marks (on Black Bear’s packaging, on its website, and in the phrases “Charbucks Blend” and “Mister Charbucks”) differentiated them from the famous marks. We concluded, however, that “the District Court erred to the extent it required ‘substantial’ similarity between the marks,” and we suggested that the District Court had overemphasized the similarity factor. In particular, we stated that the inclusion of “the degree of similarity” as only one of six factors in the revised statute indicates that even a low degree of similarity would not categorically bar a dilution-by-blurring claim.

Turning to the fifth and sixth factors—intent to associate and actual association—we held that the District Court had erred by requiring “bad faith” to find that the intent to associate factor favored Starbucks. Noting the survey results, which demonstrated some degree of association between “Charbucks” and “Starbucks,” we also held that the District Court erred
by relying on evidence supporting the absence of "actual confusion" to conclude that the actual association factor did not weigh in Starbucks' favor "to any significant degree." The absence of actual or likely confusion, we reasoned, does not bear directly on whether dilution is likely.

Emphasizing that the analysis of a dilution by blurring claim must ultimately focus on "whether an association, arising from the similarity between the subject marks, 'impairs the distinctiveness of the famous mark,'" we vacated the judgment of the District Court and remanded for reconsideration of the claim in light of our discussions of the first, fifth, and sixth statutory factors.

In its opinion and order following that remand, ("Starbucks V"), the District Court recognized that the second through fifth statutory factors favored Starbucks. But the court again found that the first factor (the similarity of the marks) favored Black Bear because the marks were only minimally similar when presented in commerce—that is, when the Charbucks Marks are viewed on the packaging, which includes the phrases "Charbucks Blend" or "Mister Charbucks."

As for the sixth factor (actual association), the District Court acknowledged that the results of the Mitofsky survey "constitute evidence of actual association," but it then significantly discounted those results on the ground that the survey inquired into associations only with the isolated word "Charbucks" and failed to present the Charbucks Marks in full context. The court also compared the survey results in this case with those in other cases. Here, it noted, only 30.5 percent of respondents associated "Charbucks" with "Starbucks," while in other trade dilution cases 70 percent to 90 percent of survey respondents associated the relevant marks. The District Court also compared the 3.1 percent of respondents who thought a product called "Charbucks" would be made by Starbucks to the 28 percent of respondents who made a similar origin association in a Ninth Circuit trademark dilution case. (citing Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 636 (9th Cir.2008)). With the benefit of these comparisons, the District Court found that the actual association factor weighs "no more than minimally" in Starbucks' favor.

In evaluating the likelihood of dilution, the District Court emphasized the "association" and "similarity" factors. Citing the TDRA’s definition of dilution by blurring as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," the District Court explained that "[t]he statutory language leaves no doubt" that these two factors are "obviously important." After balancing all six factors, the District Court held that Starbucks had failed to meet its burden of showing that it was entitled to injunctive relief:

[T]he Charbucks marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks marks. In other words, [Starbucks] has failed to carry its burden of proving
that [Black Bear's] use of its marks, as evidenced on the record before the Court, is likely to cause dilution by blurring.

[cit.]

On appeal, Starbucks challenges both the factual findings of minimal similarity and weak association and the conclusion that it failed to demonstrate a likelihood of dilution.

DISCUSSION

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B. Standard of Review

After a bench trial on a claim for trademark dilution by blurring, where the district court evaluates and balances the factors listed in the TDRA, we review the court’s determinations as to each factor for clear error and its balancing of those factors de novo. See [Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93,101 (2d. Cir. 2010)]; Starbucks IV, 588 F.3d at 105. Accordingly, the District Court’s factual findings regarding each factor bearing on the likelihood of trademark dilution by blurring will not be disturbed unless “on the entire evidence [we are] left with the definite and firm conviction that a mistake has been committed,” [cit.] while the balancing of those factors to determine the likelihood of dilution is a legal exercise subject to de novo review. To determine how to conduct the balancing, we look first to the language of the statute. [cit.]

We previously have declined to treat the factors pertinent to a trademark dilution analysis as an inflexible, mechanical test, suggesting instead that the importance of each factor will vary with the facts. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 227–28 (2d Cir.1999), abrogated on other grounds by Moseley, 537 U.S. at 433. Accordingly, we need not consider all six statutory factors listed in 15 U.S.C. § 1125(c)(2)(B)(i)-(vi) if some are irrelevant to the ultimate question; nor are we limited to those six factors. See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 266 (4th Cir.2007) (“Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors.”). Instead, we employ a “cautious and gradual approach,” which favors the development of a nonexclusive list of trademark dilution factors over time. Nabisco, 191 F.3d at 217.

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10 We employ the same standard here that we use in the context of trademark infringement. . . The statutory factors enumerated in § 1125(c)(2)(B) are similar in kind to the [likelihood of confusion] factors. For example, both lists include the “similarity between” the two marks; “strength” of the mark in [the likelihood of confusion factors test] is akin to “distinctiveness” in § 1125; and “actual confusion” in [the likelihood of confusion factors test] mirrors “actual association” in § 1125.
C. Factual Findings: The Statutory Factors

On appeal, Starbucks challenges two of the District Court's findings: (1) that there is only a minimal degree of similarity between the Starbucks Marks and the Charbucks Marks; and (2) that Starbucks demonstrated only a weak association between the marks. The District Court did not clearly err with regard to either finding.

1. Degree of Similarity

In Starbucks IV we held that “[w]ith respect to the first factor—the degree of similarity between the marks—the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks.” We highlighted the difference between the Starbucks Marks and Charbucks Marks when the latter are placed in the context of Black Bear's packaging and the word “Charbucks” is incorporated into the phrases “Charbucks Blend” and “Mister Charbucks.” “The law of the case ordinarily forecloses relitigation of issues expressly or impliedly decided by the appellate court.” [cit.] Although not binding, the doctrine “counsels a court against revisiting its prior rulings in subsequent stages of the same case absent ‘cogent’ and ‘compelling’ reasons such as ‘an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.’ [cit.] Starbucks advances no compelling reason for us to revisit our ruling on the issue of similarity. It urges that the holding in Starbucks IV applied only to our “likelihood of confusion” analysis, and that the District Court erred by considering the contexts in which consumers encounter the Charbucks Marks. We reject such a crabbed view of the holding and adhere to our prior ruling that the District Court did not clearly err in finding minimal similarity.

2. Actual Association

Starbucks next contends that the District Court's finding that actual association “weighs no more than minimally” in Starbucks' favor, was error for two reasons. First, Starbucks argues, Black Bear's admitted intent to create an association—the fifth statutory factor—raises a “presumption of association,” or at least is strong evidence of actual association—the sixth statutory factor. Second, it argues that the District Court improperly discounted the Mitofsky survey evidence, which, in Starbucks’ view, proves a high degree of actual association. We reject both arguments.

a. Intent to Create an Association

As an initial matter, an intent to create an association is a separate factor under the TDRA and does not constitute per se evidence that the actual association factor weighs in favor of the owner of the famous mark. In support of its argument to the contrary, Starbucks quotes McCarthy's treatise, which states, “If the junior [user] intended to create an association, the law may assume that it succeeded.” McCarthy § 24:119. Starbucks similarly
relies on *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (2d Cir.2000), a dilution case in which we stated that the trier of fact “may well find that the marks are of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior, especially in light of the testimony of [Federal Espresso’s founder] that she chose the name Federal Espresso, in part, precisely because it would call to mind Federal Express.” *Id.* at 177 (quotation marks omitted).

Both *Federal Espresso* and McCarthy’s treatise acknowledge the importance of the intent factor in determining likelihood of dilution. This makes sense, as district courts must evaluate whether a junior mark is “likely to cause” “association arising from the similarity” between the marks “that impairs the distinctiveness of the famous mark,” 15 U.S.C. §§ 1125(c)(1), (c)(2)(B), and the intent to associate may bear directly on the likelihood that the junior mark will cause such an association.

That said, “we interpret statutes to give effect, if possible, to every clause and word and to avoid statutory interpretations that render provisions superfluous.” [cit.] Adopting Starbucks’ presumption argument would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations. We therefore conclude that the District Court did not clearly err in finding that Clark’s testimony concerning the origin of the Charbucks Marks was not an “admission” of actual association and that his intentions were not definitive proof of an actual association between the marks.

b. *Mitofsky Survey*

Nor did the District Court err when it discounted the Mitofsky survey evidence because the survey measured only how respondents reacted to the isolated word “Charbucks,” rather than to the Charbucks Marks in context, and because the share of respondents who indicated an association between the marks was “relatively small.” We arrive at this conclusion for two reasons.

First, it coheres with our decision in *Starbucks IV*, in which we discerned no clear error in the District Court’s consideration of context—including the addition of “Mister” or “Blend” to “Charbucks” and Black Bear’s packaging—in assessing the marks’ similarity, as consumers are likely to experience the product only in the context of those full phrases and Black Bear’s packaging or website. *Starbucks IV*, 588 F.3d at 106. In our analysis of Starbucks’ infringement claim, we similarly determined that the District Court did not clearly err when it found (1) that the survey failed to demonstrate significant actual confusion, “[p]articularly in light of the fact that the survey was administered by telephone and did not present the term ‘Charbucks’ in the context in which Black Bear used it,” and (2) that the survey should have examined the effects of “a hypothetical coffee named either ‘Mister Charbucks’ or ‘Charbucks Blend’” on the respondents’ impressions of Starbucks coffee as a measure of dilution by tarnishment.
Second, our conclusion also comports with our prior precedents and other cases unrelated to Starbucks. In *Playtex Products, Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158 (2d Cir.2004), a case interpreting the pre-revision FTDA, we held that the results of a consumer survey showing an association between the marks “Moist-Ones” and “Wet Ones” were inadmissible as evidence of actual dilution because the defendant's product was “presented and packaged” as “Quilted Northern Moist-Ones.” *Id.* at 168 (emphasis added). District courts within our Circuit have applied the same reasoning in evaluating surveys in the infringement context. [cit.] In the dilution context, the language of the FTDA, which requires a plaintiff to show the defendant’s “use of a mark ... in commerce that is likely to cause dilution by blurring ...,” 15 U.S.C. § 1125(c)(1) (emphasis added), clarifies that the way the defendant's mark is used in commerce is central to the dilution inquiry. As in *Playtex*, the District Court was within its rights to conclude that the Mitofsky survey had limited probative value because the defendant's marks were not presented to survey respondents as they are actually “presented and packaged” in commerce.

Citing our decision in *Nabisco*, Starbucks nevertheless argues that consumers are likely to hear and view the term “Charbucks” outside the context of Black Bear’s packaging and without the full phrases “Mister Charbucks” and “Charbucks Blend.” *Nabisco*, 191 F.3d at 218 (rejecting an argument under the pre-revision FTDA that packaging made two marks dissimilar, because many consumers would see the marks outside of the packaging). But Starbucks presented no record evidence that “Charbucks” is ever read or heard in isolation, and in the absence of such evidence, we are not persuaded by the argument. To the contrary, as we noted in *Starbucks IV*, “it is unlikely that ‘Charbucks’ will appear to consumers outside the context of its normal use,” and “it was not clearly erroneous for the District Court to find that the ‘Mister’ prefix or ‘Blend’ suffix lessened the similarity between the [marks].”

Starbucks also challenges the District Court’s finding that the association between “Charbucks” and Starbucks was “relatively small.” It contends that the Mitofsky survey in fact provided evidence of substantial actual association. We disagree.

It is true that in response to Mitofsky’s question most probative of actual association—“What is the FIRST THING that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?”—30.5 percent of respondents said “Starbucks,” and 9 percent said “coffee.” Both of these responses suggest an association between “Charbucks” and the Starbucks Marks. In *Jada Toys*, 518 F.3d at 636, for example, the Ninth Circuit held that a survey demonstrated actual association because it showed that 28 percent of respondents thought Jada’s product was made by Mattel when asked who they thought produced the item. Here, however, the equivalent question in Mitofsky’s survey was: “Can you name any company or store that you think might offer a product called

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13 Although the name “Mr. Charbucks” is presented in plain text on at least one page of Black Bear’s website, all other record uses of the Charbucks Marks situate them in Black Bear’s distinct color scheme, font, and layout.
In response to that question concerning source on the Mitofsky survey, however, only 3.1 percent of respondents answered “Starbucks” and 1.3 percent answered “coffee house.” These percentages are far below that for the equivalent question in Jada Toys and fail to demonstrate anything more than minimal actual association.

Ultimately, on this factor, we consider only whether the District Court clearly erred when it found that the Mitofsky survey tilts the “actual association” factor “no more than minimally in [Starbucks’] favor.” Had the Mitofsky survey presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred. But the word “Charbucks” was presented outside of its marketplace context, and Starbucks, which bears the burden of proof, see Jada Toys, 518 F.3d at 634, failed to show that this flaw did not materially impact the survey results. We therefore conclude that the record supports the District Court’s decision to discount the survey and consider the actual association factor as weighing only minimally in Starbucks’ favor.

D. Balancing

We next balance the factors enumerated in § 1125(c)(2)(B), along with any other factors that bear on a likelihood of dilution, de novo. In balancing these factors, we are again mindful that the test is not an inflexible one, and that the ultimate question is whether the Charbucks Marks are likely to cause an association arising from their similarity to the Starbucks Marks, which impairs the Starbucks Marks’ tendency to identify the source of Starbucks products in a unique way.

We have already affirmed the District Court’s finding of minimal similarity between the Charbucks Marks and the Starbucks Marks. That finding weighs heavily in Black Bear’s favor. Certainly, a plaintiff may show a likelihood of dilution notwithstanding only minimal similarity. But here, minimal similarity strongly suggests a relatively low likelihood of an association diluting the senior mark. The statute itself emphasizes the similarity of marks. See § 1125(c)(2)(B) (defining “dilution by blurring” as “association arising from the similarity between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark” (emphasis added)). Indeed, in Starbucks IV, we stated

\[14\] Both that question and the question discussed in Jada Toys test not merely association but also source confusion. Source confusion may be probative of association, because to confuse Charbucks with Starbucks, the word “Charbucks” must call “Starbucks” to mind. See Nabisco, 191 F.3d at 221 (“Confusion lessens distinction.”).

\[15\] Although some other respondents gave answers consistent with an association with Starbucks—18.3 percent answered “grocery store,” 16.9 percent answered “discount store,” 7 percent answered “restaurant,” and 4.8 percent answered “department store”—these responses are also consistent with other views of what “Charbucks” could be, including meat or a charcoal grilling product, as 38.5 percent of respondents suggested.
that “‘similarity’ is an integral element in the definition of ‘blurring’” under the TDRA and suggested that, without any similarity, there could be no dilution by blurring. 17

The next three factors—the degrees of distinctiveness, exclusive use, and recognition—are features of the senior mark itself that do not depend on the use of the junior mark. “[T]he degree of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect.... [T]he more distinctiveness the mark possesses, the greater the interest to be protected.” Nabisco, 191 F.3d at 217. There is no question that “Starbucks”—an arbitrary mark as applied to coffee—is highly distinctive. See id. at 216. Moreover, because, as the District Court found, the Starbucks Marks are in substantially exclusive use “the mark's distinctiveness is more likely to be impaired by the junior use,” 2005 Hearing, at 14 (statement of Anne Gundelfinger). Lastly, as 79 percent of Mitofsky survey respondents were familiar with Starbucks, it is undisputed that Starbucks constitutes a widely recognized mark, and that this factor favors Starbucks.

Although the three factors of distinctiveness, recognition, and exclusivity favor Starbucks and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual association. We agree with the District Court that the distinctiveness, recognition, and exclusive use of the Starbucks Marks do not overcome the weak evidence of actual association between the Charbucks and Starbucks marks. To the contrary, viewed in light of Starbucks’ fame, both globally and among the Mitofsky survey participants more particularly, the fact that more survey participants did not think of “Starbucks” upon hearing “Charbucks” reinforces the District Court’s finding that the marks are only minimally similar, and therefore unlikely to prompt an association that impairs the Starbucks Marks. Likewise, although the distinctiveness and exclusive use of the Starbucks Marks help Starbucks prove susceptibility to dilution by association arising from similarity between the Charbucks and Starbucks marks, they do not demonstrate that such an association is likely to arise, as Starbucks needed to show to obtain an injunction. Accordingly, these factors weigh only weakly in Starbucks’ favor.

In this case, we attribute a moderate amount of significance to the fifth factor, intent to create an association. Clark’s testimony indicated that Black Bear was capitalizing on an historic connection between the word “Charbucks” and “Starbucks,” which arose out of the so-called “coffee-wars” in Boston, Massachusetts, see Starbucks IV, 588 F.3d at 111, and that he “meant to evoke an image of dark-roasted coffee of the type offered by Starbucks,” “[W]here, as here, the allegedly diluting mark was created with an intent to associate with the famous mark,” Starbucks IV, 588 F.3d at 109, we agree with the District Court that this factor favors a finding of a likelihood of dilution.

17 Of course, in Starbucks IV, we rejected a per se or threshold requirement of “substantial similarity” between the marks at issue in federal dilution actions. In doing so, however, we did not suggest that a finding of minimal similarity could not be highly probative of the likelihood of dilution.

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The final, disputed factor, actual association, is highly relevant to likelihood of association. In the analogous context of determining the “likelihood of confusion” for trademark infringement claims, we have noted that “[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion,” even though a showing of actual confusion is not necessary to prevail on such a claim. [cit.] The same principle obtains with respect to proof of actual association in dilution claims. And as noted, the Mitofsky survey demonstrated weak actual association, at best.

Weighing the factors above de novo, we agree with the District Court that Starbucks did not demonstrate a likelihood of dilution by blurring. Ultimately what tips the balance in this case is that Starbucks bore the burden of showing that it was entitled to injunctive relief on this record. Because Starbucks' principal evidence of association, the Mitofsky survey, was fundamentally flawed, and because there was minimal similarity between the marks at issue, we agree with the District Court that Starbucks failed to show that Black Bear’s use of its Charbucks Marks in commerce is likely to dilute the Starbucks Marks.

[Affirmed.]

At p. 657, notes 8 and 9, note that the reference to Starbucks is to the court's 2009 opinion.

At p. 659, delete note 11.

At p. 664, add the following new note:

6. Relatedness of goods and blurring? In Hugunin v. Land O’ Lakes, Inc., 815 F.3d 1064 (7th Cir. 2016), Judge Posner upheld the dismissal of a dilution claim brought by the owner of the mark LAND O LAKES for dairy products against a seller of fishing tackle (Hugunin) who was using LAND O LAKES for his products. Judge Posner was “puzzled that the dairy company should have been worried by Hugunin’s use of the same trademark,” because the dairy company did not sell fishing tackle, and “[i]t would be strange indeed for a dairy company to manufacture a product so remote from milk, butter, and cream.” Id. at 1066. Judge Posner elaborated that:

Many consumers would recognize the name “LAND O LAKES” as referring to the dairy company, but we can’t see how the company could be hurt by the use of the same name by a seller just of fishing tackle. The products of the two companies are too different, and the sale of fishing tackle is not so humble a business [that it might give rise to harm in the form of tarnishment]. And so it is beyond unlikely
that someone dissatisfied with LAND O LAKES fishing tackle would take revenge on the dairy company by not buying any of its products...

Id. at 1067.

Do you agree with this reasoning? Does it effectively add a “relatedness of goods” factor to the test for blurring? Might one argue that the unauthorized use of one’s mark on “remote” products is the very epitome of dilution by blurring?

At p. 686 add the following to note 4:

In Flat Rate Movers, Ltd. v. FlatRate Moving & Storage, Inc., 104 F.Supp.3d 371 (S.D.N.Y. 2015), the court held that the bad faith required under the ACPA was a bad faith intent to profit from its cybersquatting activity. Does this reading comport with the purpose or text of the legislation?

At p. 687 add the following to note 6:

The Eleventh Circuit has agreed with the Third (and not the Ninth) Circuit in holding that “registration” includes “re-registration”. See Jysk Bed’N Linen v. Dutta-Roy, 117 U.S.P.Q.2d (BNA) 1200 (11th Cir. 2015).

At p. 689 add the following to note 10:

The Ninth Circuit has denied the possibility of a claim for contributory cybersquatting. See Petroliam Nasional Berhad v. GoDaddy.com, Inc., 737 F.3d 546 (9th Cir. 2013).

At p. 714, add the following note:

2A. The UDRP in new gTLDs. To what extent, in light of the expansion of the number of top level domains, is it appropriate to take into account the top level suffix of a domain name in determining any elements of a UDRP claim? See Canyon Bicycles GmbH v. Domains By Proxy, LLC, Case No. D2014-0206 (Mar. 14, 2014) (action by owner of mark CANYON for bicycles against registrant of canyon.bike).
At p. 715, add the following cases after note 10:

**COACH, INC. v. KOKO ISLAND**

*LLC Case No. LRO2013-0002 (WIPO 2013)*

1. The Parties

   The Objector/Complainant (“Objector”) is Coach, Inc. of New York, New York, United States of America, represented internally.

   The Applicant/Respondent (“Respondent”) is Koko Island, LLC, of Bellevue, Washington, United States, represented by the IP & Technology Legal Group, United States.

2. The applied-for gTLD string

   The applied-for gTLD string is <.coach>.

   . . . .

4. Factual Background

   Founded in 1941, the Objector is a well-known United States company that manufactures and retails handbags, other leather goods and complementary accessories on a worldwide basis. The Objector has registered its COACH trademark with many national authorities, including the United States Patent and Trademark Office . . . .

   The Respondent has applied to register the opposed string <.coach> in compliance with the Internet Corporation for Assigned Names and Numbers (“ICANN”) guidelines. . . .

6. Discussion and Findings

   To have standing to file the Legal Rights Objection, the Objector must submit documentation of its existing legal rights, which may include registered trademarks. The Objector has duly submitted copies of some of its trademark registrations, and the Respondent has not disputed the Objector’s standing, so the Panel finds that the Objector has standing to bring this Objection.

   Pursuant to the Applicant Guidebook, Section 3.5.2, in deciding whether the Objector will prevail in its objection to the Respondent’s application for the opposed string <.coach>, the Panel will determine whether the potential use of the applied-for gTLD:

   (i) takes unfair advantage of the distinctive character or the reputation of the objector’s registered or unregistered trademark or service mark (“mark”); or
(ii) unjustifiably impairs the distinctive character or the reputation of the objector’s mark; or
(iii) otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector’s mark.

For an objector to prevail, “there must be something more than mere advantage gained, or mere impairment, or mere likelihood of confusion.” See Right at Home v. Johnson Shareholdings, Inc., WIPO Case No. LRO2013-0030. Although the terms “unfair,” “unjustifiably,” and “impermissible” are not uniformly defined or understood in the trademark context, their use here suggests that, in order to sustain the Objection, the Panel must find something untoward about the Respondent’s behavior or something intolerable about the Respondent being permitted to keep the string in dispute, even if the Respondent’s conduct or motives do not rise to the level of bad faith.

The Procedure sets forth eight non-exclusive factors to aid the Panel in its analysis. In rendering its Determination, the Panel shall, among other things, consider:

i. Whether the applied-for gTLD is identical or similar, including in appearance, phonetic sound, or meaning, to the objector’s existing mark.

ii. Whether the objector’s acquisition and use of rights in the mark has been bona fide.

iii. Whether and to what extent there is recognition in the relevant sector of the public of the sign corresponding to the gTLD, as the mark of the objector, of the applicant or of a third party.

iv. Applicant’s intent in applying for the gTLD, including whether the applicant, at the time of application for the gTLD, had knowledge of the objector’s mark, or could not have reasonably been unaware of that mark, and including whether the applicant has engaged in a pattern of conduct whereby it applied for or operates TLDs or registrations in TLDs which are identical or confusingly similar to the marks of others.

v. Whether and to what extent the applicant has used, or has made demonstrable preparations to use, the sign corresponding to the gTLD in connection with a bona fide offering of goods or services or a bona fide provision of information in a way that does not interfere with the legitimate exercise by the objector of its mark rights.

vi. Whether the applicant has marks or other intellectual property rights in the sign corresponding to the gTLD, and, if so, whether any acquisition of such a right
in the sign, and use of the sign, has been bona fide, and whether the purported or likely use of the opposed string by the respondent is consistent with such acquisition or use.

vii. Whether and to what extent the applicant has been commonly known by the sign corresponding to the gTLD, and if so, whether any purported or likely use of the gTLD by the applicant is consistent therewith and bona fide.

viii. Whether the applicant’s intended use of the gTLD would create a likelihood of confusion with the objector’s mark as to the source, sponsorship, affiliation, or endorsement of the gTLD.

These factors are not exclusive, nor are they meant to function as a scorecard, to see which party has more factors in its favor. Rather, the Panel is to consider these factors, along with any others that the Panel deems relevant, in considering the ultimate issues, as highlighted above, that is, whether the proposed string takes unfair advantage or unjustifiably impairs the distinctive character or the reputation of the Objector’s mark; and/or whether it otherwise creates an impermissible likelihood of confusion.

A. The Eight Factors

i. Identical or Similar

The Panel believes that the Objector has established its ownership of trademark rights in the mark COACH by submitting to the Panel appropriate evidence of its valid USPTO registrations for said mark. . . . The Panel finds that the opposed string, <.coach>, is identical in appearance and sound to the Objector’s COACH trademark. The string and the mark contain exactly the same word, pronounced the same way, and the initial dot (or period) in the string is inconsequential in this determination because it is a requirement of all such top level domain strings.

The string does not, however, necessarily have the same meaning as Objector’s trademark. Objector’s mark is not descriptive of its goods or services; rather, it is at least a suggestive if not an arbitrary mark. The meaning of the trademark COACH is thus as a brand name signifying the source of Objector’s goods. The string might be understood to have the same meaning by some Internet viewers, but others may ascribe to it one of its several dictionary meanings . . .

Accordingly, the Panel finds that the first factor weighs in the Objector’s favor as to appearance and sound, and is neutral as to meaning.
ii. Acquisition and Use of Rights

The Respondent concedes the validity of the Objector’s assertions that it has legitimately acquired its COACH trademark and uses it for the bona fide purpose of commerce. Accordingly, the Panel finds that the second factor weighs in the Objector’s favor.

iii. Public Recognition of the String as a Mark

The third factor in the Legal Rights Analysis asks the Panel to consider the extent of recognition of the mark “in the relevant sector of the public.” It is not clear to the Panel what “sector” is relevant, but that may not matter since the Objector does not purport to limit the sector that is relevant. Instead, the Objector argues that its mark is famous even outside its traditional market segment (presumably leather goods, handbags and accessories), and that its mark is “known across many jurisdictions, many market segments and many diverse trademark classes.”

The evidence of record supports the Objector’s argument that its mark has achieved public recognition in at least some relevant sectors of the public. But that mark has achieved such recognition when it is used in connection with certain goods. The Objector has not submitted evidence that persuasively establishes that the letter string <.coach>, when used as a gTLD, will necessarily be seen as a reference to the Objector’s mark as contrasted with a reference to the word “coach” for its dictionary meaning.

The evidence also supports the Respondent’s argument that the dictionary word “coach” would be recognized for its dictionary meaning across a wide variety of sectors. “Coach” is not an obscure dictionary word rarely used for its dictionary meaning and mostly used solely for its trademark meaning; rather, “coach” is a common word which the general public may well associate with transportation, sport team leaders, academic tutors, artistic trainers, or goods or services other than those provided by the Objector under its mark. Other members of the public may associate the string “coach” with the television series named “Coach” that ran from 1989-1997 (according to the IMDb database), which series was listed on the first page of the search results when the Panel searched for the word “coach” on the Yahoo! and Google search engines.

Accordingly, the Panel finds that the third factor is neutral and favors neither party.

iv. Intent, Awareness and Pattern of Conduct

The Respondent does not dispute that it was aware of the Objector’s trademark prior to applying for the opposed string. The Respondent does dispute that it in any way intends to infringe on the COACH trademark. The Respondent claims that it will use the opposed string in a manner that conforms to the common dictionary meaning of the English language word “coach”. Moreover, the Respondent represents that it will put in place measures designed to prevent those applying for domain names attached to that string from infringing
the Objector’s COACH trademark. The Objector counters that the Respondent’s proposed measures, and the funding available to the Respondent to implement them, will be insufficient to protect the Objector’s rights from likely scammers and cybersquatters. As both of these lines of contention depend upon subjective projections into the future, the Panel is disinclined to favor either position over the other. The Panel does note that the threat of cybersquatting behavior with respect to the creation of new TLDs probably is as likely as in connection with the older gTLDs, which have been subject to thousands of Uniform Domain Name Dispute Resolution Policy (“UDRP”) dispute resolution proceedings. The Panel further notes that, if the Respondent allows a new registry operated at the gTLD <.coach> to be used for cybersquatting, the Respondent itself may be challenged under the Trademark Post-Delegation Dispute Resolution Procedure.

As to the Respondent’s pattern of conduct, the Objector contends, and the Respondent admits, that the Respondent has applied for some 307 new TLD strings. This appears to be more than any other applicant. However, that fact alone does not mean necessarily that the Respondent intends to engage in illegitimate use of trademark rights. Furthermore, the Panel notes that a number of the strings for which the Respondent has applied appear to consist of common dictionary words or abbreviations thereof (although the Panel notes that it has not reviewed evidence relating to other strings and could only make a finding as to a specific string after reviewing the relevant evidence). On the other hand, as the Objector claims, the opportunity for illegitimate use does exist when a string corresponds both to a dictionary word and a trademark. Indeed, as the Panel found in the Express, LLC case, this risk is an inherent function of the Objector’s decision to use a dictionary word as its brand name.

In sum, the Panel recognizes that the opposed string <.coach> consists of a common word that can readily be put to use to describe goods and services and activities other than those related to the Objector’s mark. On this record, the Panel cannot conclude that the Respondent has engaged in a pattern of abusive TLD string applications.

Accordingly, the Panel finds that the fourth factor favors the Respondent.

v. Use of or Preparations to Use

The Respondent has submitted no evidence to the Panel that it has used a sign or name that corresponds to the opposed string <.coach> in a bona fide offering of goods or services. Also, other than stating its plans, the Respondent has not presented any other evidence that it is preparing to use such a sign for those purposes. Moreover, the Respondent does not claim to represent or belong to any group or community to which such a sign might apply.
However, the Respondent has averred its intent and plans to use the opposed string with respect to third party registration of domain names that correspond to one or more of the dictionary meanings of the word “coach”. The Respondent asserts that such registration will increase international commerce and otherwise conform to the ICANN goals of expanding the number of TLDs available for public use. Moreover, the Respondent has, in its application for the opposed string, put forth several procedures that it intends to employ to curb potential abusive domain name registration and potential harm to the Objector’s trademark rights. These procedures include eight specific mechanisms and resources to be adopted by the Respondent. These are in addition to the 14 protective measures developed by ICANN, to which the Respondent is also prepared to adhere. The Respondent contends, without counter from the Objector except a contention the amount is inadequate, that it has raised in excess of USD 100 Million to acquire and administer the TLDs for which it has applied, including the opposed string. That investment, the Respondent contends, will enable it to carry out its planned programs of TLD string usage and abuse protection.

[T]he Objector contends that such anti-abuse measures will be insufficient – in large part because the funding to which the Respondent refers will not be enough to administer adequately the volume of TLDs for which the Respondent has applied. However, the Panel feels constrained to view the Objector’s contentions in this regard as conjecture. While the Panel believes that there is always the possibility for abusive domain name registrations, the Panel is not in a position to conclude that the Respondent has failed to put forth reasonable plans to mitigate those possibilities, or that such plans could not be modified in the future – possibly in conjunction with the Objector – to achieve that goal.

As a result, the Panel believes that, although the Respondent has not shown demonstrable preparations for a direct bona fide offering of goods, services or information by use of a sign corresponding to the opposed string, the Respondent does have preparations in place for offerings on an indirect basis through third-party domain name registrations in connection with the opposed string. Furthermore, the Panel finds that the Respondent is preparing to do so in a way so as not to interfere with the Objector’s legitimate exercise of its mark rights.

Accordingly, the Panel finds that the fifth factor favors the Respondent.

vi. Marks or Intellectual Property Rights

The Respondent claims that it “has rights in the <coach> gTLD by virtue of its Application.” That, however, is not the test under the sixth element. Rather, the Applicant Guidebook directs the Panel to consider “whether the applicant has marks or other intellectual property rights in the sign corresponding to the gTLD.”

The Respondent has not presented any evidence to the Panel that the Respondent owns valid rights in any marks or any intellectual property rights that might pertain to a sign that corresponds to the opposed string. The Respondent contends that, as a member of the
public, it is entitled to claim equal rights in the use of the common, descriptive, dictionary word “coach”, which corresponds to the opposed string. However, that does not give the Respondent any intellectual property rights in the opposed string <.coach>. On the other hand, there was no obligation on applicants for new gTLDs to show that they have intellectual property rights in strings for which they applied.

Accordingly, although the Panel finds that the sixth element favors the Objector, to the extent that the Respondent has not shown that it has marks or intellectually property in the sign, the Panel does not believe that this militates against the Respondent’s overall position in this proceeding.

vii. Commonly Known By

The seventh factor asks whether “the applicant has been commonly known by the sign corresponding to the gTLD.” The Respondent claims this factor favors it because its “proposed bona fide use of a <.coach> gTLD is consistent with the rights it has acquired by its Application.” The Panel rejects that argument; otherwise, every application would automatically be proof that the applicant was commonly known by the applied-for string. Rather, the question is whether, outside of the application, the Respondent has been commonly known by the name “Coach.” The Respondent has presented no evidence that it has ever been commonly known as a sign that would correspond to the opposed string. The Panel thus concludes that the Respondent has not been so commonly known.

Accordingly, the Panel finds that the seventh factor favors the Objector.

viii. Likelihood of Confusion

The Objector contends that the Respondent’s purported use of the opposed string would cause a likelihood of confusion with the Objector’s trademark as to source, sponsorship, affiliation or endorsement of that string. The Objector argues that the general public will believe that the second-level domain names that the Respondent allows to be registered in the registry corresponding to the string will necessarily be associated with the Objector’s business because the Objector’s mark is identical to the string. The Objector points out that this likelihood of confusion will be heightened because other holders of famous trademarks and/or service marks are also seeking to obtain gTLD strings that correspond to their marks, setting a pattern to which consumers will expect the Objector to conform and causing them to see the <.coach> gTLD as a branded gTLD registry as well.

In response, the Respondent argues that, because the common word “coach” has meanings diverse from the Objector’s main area of commerce, the relevant public will not likely believe that the opposed string is sourced from, sponsored by, affiliated with or endorsed by the Objector. To support its argument, the Respondent has submitted evidence, in the form of a survey that found that only a small percentage of those surveyed identified the word “coach” primarily with the Objector. [T]he Objector has disputed the
The Panel agrees with the Respondent that there are several definitions of the word “coach”, and that many Internet users may equate that word with goods, services or activities other than those related to the Objector or its trademark. The Panel does not need survey evidence to know that “coach” is a common dictionary word, and is used frequently in reference to the various definitions listed above. As also noted above, this does not preclude the Panel from ascertaining that the Objector’s trademark is also well-established within the relevant public. The Panel is thus of the belief that some Internet users may assume that a domain name found at <.coach> will relate directly to merchandise offered under the COACH trademark by the Objector, whereas others may associate the string with one of the various dictionary meanings of “coach.”

On balance, the Panel cannot conclude that, given the many definitions of “coach”, an appreciable number of Internet users will confuse the proposed string with the Objector’s mark. Had the survey measured consumers’ perceptions of a <.coach> gTLD, that might have provided more relevant evidence, but neither party submitted such evidence. Considering the available evidence, however, the Panel finds that it is unclear whether the intended use of the opposed string would create a likelihood of confusion with the Objector’s mark as to the source, sponsorship, affiliation, or endorsement of that string.

Accordingly, the Panel finds that the eighth factor is neutral.

B. Conclusion

Taking into consideration all of the eight factors mandated by Section 3.5.2 of the Applicant Guidebook, the Panel now turns to the ultimate question of whether the Objector has sustained its burden of proving the grounds for the Objection as listed in Section 3.5.2. Those grounds are referred to in Section 3.5.2 as Standards and Principles and it is clear from that terminology that those who drafted the Guidebook intended them to be regarded as pivotal in this proceeding. In any event, Section 3.5 goes on to make this determination mandatory by providing that the Panel “will determine” the three grounds, to which the Panel will now turn.

(I) Takes unfair advantage of the Objector’s mark

The first circumstance the Panel must address is whether the potential use of the opposed string takes unfair advantage of the distinctive character or the reputation of the Objector’s trademark. As reasoned in element iii above, the Panel recognizes that the Objector’s COACH mark is relatively well-known throughout the world. Moreover, the distinctive character and reputation of the Objector’s mark are of a high order, as the Objector’s products appear to be considered by the relevant public to be of excellent quality.
As a result, the Panel believes that there is the distinct potential that the Respondent will gain some advantage in using the opposed string <.coach> due to the distinction and reputation of that mark if the gTLD registry is operated to permit registration of domain names related to leather goods, handbags, accessories, and the other products sold by the Objector, or if the websites to which domain names registered in this registry discuss, advertise, promote, sell or otherwise address such products.

However, the Panel also believes that, if the Respondent sets rules that prohibit such confusing uses and instead promotes use of the gTLD for information, goods and services related to the dictionary meanings attached to the common word “coach,” confusion with the Objector’s trademark would be no more likely than any confusion caused when consumers use the word “coach” for its dictionary meaning in other real-world contexts. As noted above, this is a risk that the Objector assumed when it adopted as its trademark a common dictionary word.

The opposed string can – and, according to the Respondent, will – be used for domain names that reflect those alternative meanings. For example, the opposed string can be applied in the realms of team coaching, travel, mentoring, etc. Those areas of commerce are far afield from the sector for which the Objector mark is best known: leather goods, handbags, and other accessories. Although there may be some overlap in areas of offerings in which the Objector engages, but for which it is not so well known, the Panel is persuaded that this will constitute a relatively minor advantage to the Respondent in the potential use of the opposed string, and to the extent it does give rise to confusion, the Objector will be able to rely on any rights granted by the UDRP and the Trademark Post-Delegation Dispute Resolution Procedure (“TMPDDRP”). What is crucial, in the Panel’s opinion, is that there is no reason to believe that the potential use of the opposed string takes unfair advantage of the Objector’s mark.

In short, the Panel finds that the Objector has failed to provide sufficient evidence to conclude that the Respondent will gain an advantage that is unfair – in using the opposed string to register domain names – due solely and directly to the connection between the fame of the Objector’s COACH trademark and the unrelated goods and services likely available under those names.

Accordingly, the Panel finds that the Objector has failed to satisfy this circumstance that would require a denial of the Respondent’s application for the opposed string.

(II) Unjustifiably impairs Objector’s mark

Next, the Panel must determine whether the potential use of the opposed string <.coach> unjustifiably impairs the distinctive character or the reputation of the Objector’s mark. Again, the Panel agrees with the Objector’s contentions with respect to the considerable consumer regard held for the character and reputation of the goods sold under the Objector’s mark. Consequently, there is little doubt, in the Panel’s view, that there exists
a possibility that the potential use to which the opposed string may be put – the registration of domain names under which goods and/or services may be marketed – may impair or tarnish that character or reputation. Simply put, those third party goods and/or services may be considered by the relevant public to be of lesser quality than the products offered under the Objector’s trademark.

However, once again, the Panel is mindful that any such impairment must be considered unjustifiable for the Objector to prevail on this issue. The Panel believes that the intent of ICANN in soliciting applications for new TLDs was to stimulate expansion and competition in connection with the provision of goods, services and information through the Internet. As a result, some impairment of established trademark and service mark rights is to be expected as the field of marks becomes more crowded. But, in this case, the mark in question, COACH, is also a common dictionary word and there is the potential for many uses on the Internet that would relate to the dictionary meaning of the word rather than the source-identifying meaning of the mark. Thus, the Panel is unconvinced that any resulting impairment to the COACH mark on account of the mere registration of the <.coach> gTLD by the Respondent is likely to be so great as to be classified as “unjustifiable” (bearing in mind, once again, the Objector’s rights under the TMPDDRP should the Respondent fail to manage the registry in a way that avoids undue impairment of the Objector’s trademark rights).

Accordingly, the Panel finds that the Objector has failed to satisfy this circumstance that would require a denial of the Respondent’s application for the opposed string.

(III) Creates an impermissible likelihood of confusion

Finally, the Panel must decide whether the potential use of the opposed string <.coach> otherwise creates an impermissible likelihood of confusion between the opposed string and the Objector’s mark. In factor i above, the Panel found that the opposed string, <.coach>, is identical to the COACH trademark. Thus, there is a possibility of some confusion between the opposed string and the Objector’s mark. What is not clear is whether confusion will be likely, let alone whether any such likelihood of confusion would be impermissible, given the goals and intents of ICANN in promulgating the process for creating new gTLDs. In setting forth significant protections against abusive registrations that might result from use of the new strings, ICANN seems, in the Panel’s view, to have anticipated the risk of confusion between the use of those strings and existing trademark and service mark rights. In this case, as noted in the analysis of factor v above, the Respondent has even added eight more protective measures to ICANN’s protective scheme. Moreover, as reasoned in factor viii above, the Panel is uncertain as to the likelihood of confusion in the minds of the relevant Internet user group between the opposed string and the Objector’s mark, because the various definitions of the descriptive word “coach” would probably lead to uses of that string that do not coincide at all with the principal goods sold under that mark. Thus, while some confusion is possible, the Objector
has not sustained its burden of proving that the potential use of the gTLD will create an impermissible likelihood of confusion. Further, to the extent that some low-level confusion may be created, the Panel believes that that degree of confusion is permissible within the structure that ICANN contemplates and can be resolved on a case-by-case basis as genuine complaints or concerns arise.

Accordingly, the Panel finds that the Objector has failed to satisfy this circumstance that would require a denial of the Respondent’s application for the opposed string.

7. Decision

For the foregoing reasons, the Objection is denied.

**MERCK & CO, INC. v. MERCK KGaA**

*Case No. LRO2013-0069 (WIPO 2013)*

1. The Parties

Objector/Complainant is Merck & Co, Inc., United States of America, represented by Reed Smith LLP, United States of America.

Applicant/Respondent is Merck KGaA, Germany represented by Bettinger Schneider Schramm, Germany.

2. The applied-for gTLD string

The applied-for gTLD string is <.merck> (the “Disputed gTLD String”).

3. Procedural History

The Legal Rights Objection (“LRO”) was filed with the WIPO Arbitration and Mediation Center (the “WIPO Center”) . . . pursuant to the New gTLD Dispute Resolution Procedure (the “Procedure”). . . .

4. Factual Background

Objector is a United States company, located in Whitehouse Station, New Jersey, United States. It is one of the largest pharmaceutical companies in the world. . . .

Merck Sharp & Dohme Corp, a United States corporation, is the owner of inter alia a United States trademark MERCK (stylized), with a registration date of February 15, 1916 (registration number 108566) and United States trademark MERCK (word mark) with a
registration date of June 30, 1998, (registration number 2169031). . . . Objector is the owner and operator of the website “www.merck.com”.

Merck Sharp & Dohme Corp also owns various trademark registrations for MERCK SHARPE & DOHME throughout the world, outside Canada and the United States. Based on the information provided by Objector, it appears that only in Cuba, Ecuador, Iran (Islamic Republic of), Myanmar, Sudan, Syrian Arab Republic and Uzbekistan the MERCK SHARPE & DOHME trademarks are owned by Objector itself.

The Applicant of the Disputed gTLD String, Applicant in this Procedure, is a German partnership limited by shares, located in Darmstadt, Germany. It is one of the world’s oldest chemical and pharmaceutical companies. It has been an industry leader since its founding as the Engel-Apotheke (Angel Pharmacy) in 1668. It operates its worldwide business in more than 180 countries through over 250 affiliated companies which use Merck as the sole element or as component of their company name.

Applicant is the owner of various trademark registrations in countries throughout the world for the word mark MERCK for inter alia pharmaceutical products, including the German trademark filed on January 11, 1900 (registration number DD45659) and the Community Trademark applied for on April 1, 1996 (registration number 283986).

Applicant’s application for the Disputed gTLD String was originally posted on June 13, 2012 . . . In that application the mission/purpose of the application was described inter alia in the following terms: “The “.MERCK” top-level domain will enable the Merck Community to communicate with all stakeholders as one group, and to communicate information about the Merck brand in a unified and global manner. The “.MERCK” space will further help Merck unite all members of the Merck Community under one single name online, and provide the Merck Community with a universal, comprehensive forum through which to present its information to the public.”

The common history of Objector and Applicant

The groups of companies of Objector and Applicant have a common history. Objector was founded as subsidiary of the Applicant. It has become an independent American company at the end of the First World War as a result of United States confiscation legislation.

In the 1930s the groups of companies of Objector and Applicant agreed on co-existence. The group of companies of Objector obtained the right to use the name MERCK in the United States and Canada. The group of companies of Applicant obtained the right to use the name MERCK everywhere except for the United States and Canada. The group of companies of Objector mainly uses the name and trademark MSD for its activities outside the United States and Canada. The co-existence agreements were amended in the 1970s.
6. Discussion and Findings

Introduction

Pursuant to Section 3.2.1 of the ICANN gTLD Applicant Guidebook (the “Guidebook”) a formal objection to an application for a New gTLD may be filed on any one of four grounds, one of which is the Legal Rights Objection. The basis for a Legal Rights Objection is that "the applied-for gTLD string infringes the existing legal rights of the objector".

By virtue of Section 3.2.2.2 of the Guidebook: “A rightsholder has standing to file a legal rights objection. The source and documentation of the existing legal rights the objector is claiming (which may include either registered or unregistered trademarks) are infringed by the applied-for gTLD must be included in the filing.”

Accordingly, for a Legal Rights Objection to succeed Objector has to satisfy the Panel that it has relevant existing legal rights and that use of the string comprising the potential new gTLD infringes those rights. . .

Guidance as to how the Panel is to approach Legal Rights Objections may be found in Section 3.5.2 of the Guidebook, which reads as follows:

“In interpreting and giving meaning to GNSO Recommendation 3 (‘Strings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law’), a DRSP panel of experts presiding over a legal rights objection will determine whether the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector’s registered or unregistered trademark or service mark (‘mark’) ..., or unjustifiably impairs the distinctive character or the reputation of the objector’s mark ..., or otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector’s mark ....”

The Guidebook then goes on to provide that in the case where the objection is based on trademark rights, the panel will consider eight listed non-exclusive factors. The Panel will deal with each of these factors further below.

Objector’s Existing Legal Rights

[The Panel . . . finds adequate basis for a finding that Objector has standing in the present case, whether through controlled entities or through direct ownership of trademark rights sufficient for present purposes. To this preliminary finding, the Panel adds that in its view this case does not turn on the Parties’ trademark rights.]
Trademark Infringement

Objector contends that Applicant cannot operate the Disputed gTLD String without infringing Objector’s trademark.

Objector contends that this Objection is valid and should be upheld because the potential use of the Disputed gTLD String by Applicant:

(i) takes unfair advantage of the distinctive character or the reputation of Objector's registered trademark; and/or

(ii) unjustifiably impairs the distinctive character or reputation of Objector’s registered trademark; and/or

(iii) otherwise creates an impermissible likelihood of confusion between the Disputed gTLD String and Objector’s mark.

If Applicant is granted the Disputed gTLD String necessarily, as contended for by Objector, Applicant will be using “MERCK” in the course of trade; it will thus be using in certain territories in the course of trade a sign, which is similar to Objector’s trademark in relation to identical or similar services.

This is the essence of this dispute between the Parties. Objector has rights to use MERCK in certain parts of the world and Applicant has rights to use MERCK in other parts of the world. As a result Objector could infringe Applicant’s rights would it use MERCK in those last mentioned parts of the world and Applicant could infringe Objector’s rights when it uses MERCK in those first mentioned parts.

The starting point of this case is that Objector and Applicant are both bona fide users of the MERCK trademark, albeit for different territories.

The question is whether a bona fide trademark owner that owns trademark rights in certain countries but does not have rights to a certain trademark in all countries of the world, should for that reason be prevented from obtaining a gTLD. In the view of the Panel, such a proposition does not make sense. If the opposite view would be accepted, it would be expected from any trademark owner interested in a gTLD to have trademark registrations in all countries of the world as otherwise another party could register one trademark in an “uncovered” country and thus prevent the first trademark owner from applying for and using its own gTLD.

In essence there should not be a significant difference between the criteria for the legal rights objection as included in the Guidebook on the one hand and the provisions included in the Uniform Domain Name Dispute Resolution Policy (“UDRP”). If the applicant for a
new gTLD is bona fide, it will not be likely that one of the three criteria will be met. It might be that advantage of the distinctive character or the reputation of the objector’s registered trademark is taken, but it is then likely not unfair. It might be that the distinctive character or reputation of the objector’s registered trademark is being impaired, but it is likely justified. It might be that a likelihood of confusion between the Disputed gTLD String and the objector’s mark is created, but it is not necessarily impermissible.

Of course a rejection of the Objection does not preclude Objector from taking regular legal action should the use of the Disputed gTLD String by Applicant be infringing. It is, however, not for this Panel to anticipate on all the possible types of use Applicant could make of the Disputed gTLD.

It is also not for this Panel to interpret the existing coexistence agreements and arrangements between the Parties. Should the application of a new gTLD allegedly violate any such agreement or arrangement, it will be for the Parties to settle their dispute by means of the dispute resolution provisions of the contracts governing their relationship or as provided under applicable law.

For the aforementioned reasons the Panel rejects the Objection.

In reaching the above conclusion, the Panel has considered the following non-exclusive list of eight factors. [The Panel addressed each in turn . . . .]

viii. Whether Applicant’s intended use of the gTLD would create a likelihood of confusion with Objector’s mark as to the source, sponsorship, affiliation, or endorsement of the gTLD.

It is possible that Applicant’s use of the Disputed gTLD String could create a likelihood of confusion with Objector’s mark as to the source, sponsorship, affiliation, or endorsement of the Disputed gTLD String. However, such possible confusion would not be greater than any that may already exist as a result of two similar companies using a similar trademark as the result of a common history. Applicant has made it clear that it will take all necessary measures, including geo-targeting, to avoid that Internet users in the territories in which Objector has trademark rights, will be able to visit websites that use the Disputed gTLD String. Should Applicant use the Disputed gTLD String in a way that infringes the rights of Objector, Objector shall be free to take the appropriate legal measures.

Against this background, the Panel on the record before it determines that the Objection fails. The Panel adds here that this finding is without prejudice to any judicial proceedings existing now or in future involving the Parties.
7. Decision

... 

The Panel rejects the Objection.

At p. 716 add new note:

11. *Uniform Rapid Suspension.* The Uniform Rapid Suspension ("URS") procedure complements the UDRP by offering a lower-cost, faster path to relief for rights holders in the most clear-cut cases of infringement. The current version of the URS was effective March 2013. For full details, see [http://newgtlds.icann.org/en/applicants/urs](http://newgtlds.icann.org/en/applicants/urs). How often, and in what circumstances, would you expect the URS to be used? How would you improve the procedure?
PERMISSIBLE USES OF ANOTHER’S TRADEMARK

At p. 759, add the following to the end of note 9:

See also Sorensen v. WD-40 Co., 792 F.3d 712 (7th Cir. 2015) (upholding a determination on summary judgment that defendant’s use of the term “inhibitor” was a descriptive fair use).

At p. 759, before Problem 9-1, insert the following new case:

MARKETQUEST GROUP, INC. v. BIC CORP.
862 F.3d 927 (9th Cir. 2017)

M. SMITH, Circuit Judge:

FACTS AND PRIOR PROCEEDINGS

Marketquest produces and sells promotional products, and has used its United States Patent and Trademark Office registered trademarks “All-in-One” and “The Write Choice” since 1999 and 2000, respectively. In 2009, BIC Corp. and BIC USA, Inc. (collectively, BIC) acquired Norwood, a promotional products company, and in 2010 Norwood published a promotional products catalogue for 2011 that featured the phrase “All-in-One” on the cover of and in the catalogue. The 2011 catalogue consolidated all of Norwood’s eight “hard goods” catalogues “in one” catalogue, whereas they were previously published in separate catalogues. In 2010, BIC also used the phrase “The WRITE Pen Choice for 30 Years” in advertising and packaging for its pens, in connection with its thirtieth anniversary promotion.

[Marketquest sued and sought a preliminary injunction, which the district court denied, concluding that the defendants were likely to prevail on fair use. Subsequently, the parties filed cross-motions for summary judgment.] The district court granted summary judgment for Defendants, holding that there was “some likelihood of confusion and therefore the potential for trademark infringement liability,” but that further analysis of likelihood of confusion was unnecessary because fair use provided Defendants a complete defense to
allegations of infringement of both the “All-in-One” and “The Write Choice” trademarks. Marketquest timely appealed.

ANALYSIS

I. Marketquest’s pleading was adequate to support a cause of action for trademark infringement under a reverse confusion theory of likely confusion.

The Lanham Act provides a cause of action for the owner of a registered trademark against any person who, without consent of the owner, uses the trademark in commerce in connection with the sale or advertising of goods or services, when such use is likely to cause confusion. 15 U.S.C. § 1114(1). The validity of Marketquest’s trademarks is not disputed in this appeal. Thus, the question is whether there is a likelihood of confusion; that is, whether Defendants’ “actual practice[s were] likely to produce confusion in the minds of consumers about the origin of the goods ... in question.” KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 117, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004) (KP Permanent I).

We have recognized two theories of consumer confusion that support a claim of trademark infringement: forward confusion and reverse confusion. Survivor Media, Inc. v. Survivor Prods., 406 F.3d 625, 630 (9th Cir. 2005). “Forward confusion occurs when consumers believe that goods bearing the junior mark came from, or were sponsored by, the senior mark holder.” Id. For example, consumers would experience forward confusion if they believed that Defendants’ 2011 catalogue came from Marketquest because it featured the phrase “All-in-One.” “By contrast, reverse confusion occurs when consumers dealing with the senior mark holder believe that they are doing business with the junior one.” Id. For example, consumers would experience reverse confusion if they did business with Marketquest, but believed that they were doing business with Defendants, because they had come to associate the words “All-in-One” with Defendants.

Marketquest argues that this is a “reverse confusion case,” while Defendants counter that Marketquest did not adequately plead reverse confusion. Our circuit has not previously addressed the pleading standard required to state a cause of action for trademark infringement under a reverse confusion theory. We now hold that reverse confusion is not a separate claim that must be specifically pleaded, but instead is a theory of likely confusion that may be alleged by itself or in addition to forward confusion. Accord Dorpan, S.L. v. Hotel Melia, Inc., 728 F.3d 55, 65 n.12 (1st Cir. 2013) (“Reverse confusion’ is not a separate legal claim requiring separate pleading. Rather, it is a descriptive term referring to certain circumstances that can give rise to a likelihood of confusion.”). Thus, when reverse confusion is compatible with the theory of infringement alleged in the complaint, a plaintiff need not specifically plead it.

Defendants cite Survivor, 406 F.3d at 631–34, and Murray v. Cable National Broadcasting Co., 86 F.3d 858, 861 (9th Cir. 1996), to support their contention that strict pleading is
required when someone sues for reverse confusion, but these cases are distinguishable. In Survivor we held that the plaintiff raised no cognizable forward confusion claim because it failed to reference forward confusion in its complaint. 406 F.3d at 631. Instead, the plaintiff only raised a cognizable trademark infringement claim under a reverse confusion theory. Id. Only reverse confusion was plausible in that case; Survivor, a maker of beach-themed products sold only in Hawaii, alleged that consumers thought that its products were sponsored by the well-known, national reality show Survivor. Id. at 629. Facts indicating forward confusion (i.e., that consumers would think the well-known, national show Survivor came from the small, Hawaiian Survivor brand) were not alleged and would be highly unlikely. Survivor therefore stands for the proposition that when (1) a plaintiff’s trademark infringement claim is based on a reverse confusion theory, (2) the plaintiff did not plead examples of forward confusion, and (3) only reverse confusion is plausible based on the allegations in the complaint, a plaintiff does not allege a cognizable trademark infringement claim based on forward confusion.

Defendants cite Murray for the proposition that to plead reverse confusion, a plaintiff must allege that the defendant “saturated the market with advertising,” or allege actual reverse confusion from customers. See 86 F.3d at 861. However, Murray was decided before we recognized reverse confusion as a theory of trademark infringement, and we concluded that such recognition was unnecessary because Murray did not allege any cognizable trademark infringement claim, whether under what we now refer to as reverse or forward confusion theories. Id. Thus, Murray did not set out a specific pleading standard for reverse confusion; there was no likelihood of any type of confusion, and we merely listed shortcomings in Murray’s allegations. To advance a reverse confusion theory, a plaintiff may allege that the defendant flooded the market with advertising, or that actual instances of reverse confusion occurred. However, the allegations will vary in individual cases.

Applying these principles to Marketquest’s FAC, we first note that Marketquest did not use the words “reverse confusion,” allege that Defendants saturated the market, or allege instances of actual reverse confusion. The FAC generally alleged that customers were confused “as to whether some affiliation, connection, or association existed” among Defendants and Marketquest, and specifically alleged that there were actual instances of forward confusion (i.e., that consumers thought that Defendants’ goods came from Marketquest). Marketquest did not allege instances of actual reverse confusion until its motion for a preliminary injunction. The district court’s orders denying the preliminary injunction and granting summary judgment recognized Marketquest’s reverse confusion theory.

We hold that reverse confusion is a theory of confusion available to Marketquest, and it did not foreclose this theory by failing to plead it with particularity in its FAC. This case is distinguishable from Survivor because, in that case, the theory of confusion not specifically pleaded in the complaint was implausible. See 406 F.3d at 629. Here, BIC is clearly the larger, more widely-known entity, and has acquired some smaller promotional products companies,
such as Norwood. It is therefore plausible that consumers would associate Marketquest’s marks with Defendants, or think that BIC had acquired Marketquest. Marketquest’s general allegation that there was confusion “as to whether some affiliation, connection, or association exist [ed]” among the parties fairly encompasses this possibility, and Marketquest should not have been prevented from exploring possible instances of reverse confusion during discovery. Thus, the district court was correct to consider the possibility of reverse confusion as the case proceeded.

II. Consideration of the intent factor in the likelihood of confusion analysis varies with the type of confusion being considered.

In trademark infringement cases we assess likelihood of consumer confusion by considering the Sleekcraft factors. Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1030 (9th Cir. 2010) (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979)) The Sleekcraft “analysis is pliant, illustrative rather than exhaustive, and best understood as simply providing helpful guideposts.” Id. (internal quotation marks omitted). “[T]he relative importance of each individual factor will be case-specific.” Id. at 1031 (quoting Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1054 (9th Cir. 1999)).

Our assessment of the Sleekcraft intent factor (“the defendant’s intent in selecting the mark”) is different when we consider a forward confusion theory than it is when we consider a reverse confusion theory, because the relevance of intent varies with the underlying theory of confusion. See Cohn v. Petsmart, Inc., 281 F.3d 837, 841 n.5 (9th Cir. 2002); see also Commerce Nat’l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 444 (3d Cir. 2000). When considering forward confusion, we ask “whether defendant in adopting its mark intended to capitalize on plaintiff’s good will.” Fortune Dynamic, 618 F.3d at 1043. However, in the case of reverse confusion, typically “neither junior nor senior user wishes to siphon off the other’s goodwill.” Dreamwerks Prod. Grp., Inc. v. SKG Studio, 142 F.3d 1127, 1130 (9th Cir. 1998).

Marketquest argues that mere knowledge of the senior user’s mark establishes intent to confuse when considering reverse confusion, while Defendants argue that only evidence of a deliberate intent to push the plaintiff out of the market should suffice. However, no one type of evidence is required to establish intent in trademark infringement cases under either a forward or reverse theory of confusion. Indeed, “an intent to confuse consumers is not required for a finding of trademark infringement.” Brookfield Commc’ns, 174 F.3d at 1059. The Sleekcraft factors are to be applied flexibly, knowing that “not all of the factors are of equal importance or applicable in every case.” KP Permanent II, 408 F.3d at 608.

Thus, when a court applies Sleekcraft in a case that presents reverse confusion, and the intent factor is relevant, it may consider several indicia of intent. At one extreme, intent could be shown through evidence that a defendant deliberately intended to push the plaintiff
out of the market by flooding the market with advertising to create reverse confusion. See *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 479 (3d Cir. 2005). Intent could also be shown by evidence that, for example, the defendant knew of the mark, should have known of the mark, intended to copy the plaintiff, failed to conduct a reasonably adequate trademark search, or otherwise culpably disregarded the risk of reverse confusion. See, e.g., *Survivor*, 406 F.3d at 634; *Cohn*, 281 F.3d at 843. The tenor of the intent inquiry shifts when considering reverse confusion due to the shift in the theory of confusion, but no specific type of evidence is necessary to establish intent, and the importance of intent and evidence presented will vary by case.

III. The district court erred by granting summary judgment in favor of Defendants based upon on the fair use defense regarding their use of “All-in-One.”

Applying the “classic fair use” defense, “[a] junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark.” *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002). A defendant must show that its use is (1) other than as a trademark, (2) descriptive of the defendant’s goods, and (3) in good faith. 15 U.S.C. § 1115(b)(4). Additionally, “the degree of customer confusion [is] a factor in evaluating fair use.” *KP Permanent II*, 408 F.3d at 609.

The district court considered the elements of the fair use defense, and concluded that Defendants’ use of “All-in-One” in connection with the 2011 catalogue was completely protected by the fair use defense. As discussed below, genuine issues of material fact exist regarding the elements of fair use in this case, thereby precluding summary judgment. While summary judgment on the fair use defense in a trademark case is possible, we reiterate that “summary judgment is generally disfavored” in trademark cases, due to “the intensely factual nature of trademark disputes.” *Fortune Dynamic*, 618 F.3d at 1031.

A. Non-catalogue uses of All-in-One

Marketquest first argues that the district court erred by not specifically analyzing all of the uses of “All-in-One” employed by Defendants, since the fair use analysis often varies when a defendant uses the same mark in different ways. The “other uses” of “All-in-One” included (1) promotional materials that featured an image of the 2011 catalogue; (2) promotional materials that directed customers to look for products or information in “the 2011 Norwood All in ONE catalogue”; and (3) an online advertisement that said “Put Your Drinkware Needs ... in a Norwood ALL in ONE Basket,” which included a photo of a basket containing several different types of drinkware. Defendants respond that there was no need to conduct a design-by-design review because all of these uses connected to the 2011 catalogue, and there is no basis for the claim that the district court did not consider all the evidence, even if other uses were not specifically referenced by the district court.
It appears from its summary judgment order that the district court focused on Defendants’ use of “All-in-One” on the 2011 catalogue, and perhaps did not consider other uses. While a design-by-design review of promotional materials that merely included a picture of the 2011 catalogue was not required, references to “the 2011 Norwood All in ONE catalogue” and “a Norwood ALL in ONE Basket” are sufficiently distinct to require analysis for fair use. These uses are considered below, along with the 2011 catalogue use.

B. Use other than as a trademark.

A fair use must be a use other than as a trademark. 15 U.S.C. § 1115(b)(4). A trademark is used “to identify and distinguish ... goods ... from those manufactured or sold by others and to indicate the source of the goods.” Id. § 1127. “To determine whether a term is being used as a mark, we look for indications that the term is being used to associate it with a manufacturer,” and “whether the term is used as a symbol to attract public attention.” Fortune Dynamic, 618 F.3d at 1040 (internal quotation marks omitted). We also consider “whether the allegedly infringing user undertook precautionary measures ... to minimize the risk that the term will be understood in its trademark sense.” Id. (internal quotation marks omitted).

A genuine issue of fact exists regarding whether Defendants used “All-in-One” as a trademark. Defendants did take “precautionary measures” when featuring “All-in-One” on the 2011 catalogue: Norwood was printed at the top in large, bold, capital letters with a trademark symbol, while “All-in-One” was located further down on the page, in smaller letters, without a trademark symbol, and positioned as a heading over a list of all the products consolidated “in one” catalogue. This suggests that Norwood was used to indicate the source of the goods, rather than “All-in-One” (although it is possible for more than one trademark to appear on a catalogue cover). However, when considering all of Defendants’ uses of “All-in-One,” a jury could potentially find trademark use. The “precautionary measures” listed above were not present when Defendants referred to “the 2011 Norwood All in ONE catalogue” and “a Norwood ALL in ONE Basket.” In these uses, there is no obvious distinction between Norwood and “All-in-One,” and both could reasonably be understood to indicate source.

C. Descriptive use.

To prevail on fair use, a defendant must show that it used the mark “in its primary, descriptive sense.” Fortune Dynamic, 618 F.3d at 1041 (quoting Brother Records, Inc. v. Jardine, 318 F.3d 900, 906 (9th Cir. 2003) (alteration omitted)); see 15 U.S.C. § 1115(b)(4). While “we accept some flexibility in what counts as descriptive,” Fortune Dynamic, 618 F.3d at 1042, “the scope of the fair use defense varies with ... the descriptive purity of the defendant’s use and whether there are other words available to do the describing.” Id. at 1041. Even when “there [is] some evidence of descriptive use, [a jury] could still reasonably conclude that [a defendant’s] lack of ‘precautionary measures’ ” outweighs such evidence. Id. at 1042.
There is a strong argument that Defendants’ use of “All-in-One” on the 2011 catalogue was descriptive, because it was used as a heading for a list of the products consolidated “all in one” catalogue. Moreover, as discussed above, Defendants took “precautionary measures” on their catalogue cover by using a design that indicated descriptive use. However, Defendants’ other uses of “All-in-One” were arguably not descriptive, and “precautionary measures” were not taken with these uses. While Defendants’ use of “All-in-One” as a heading on the 2011 catalogue strongly indicates descriptive use, such use is not apparent in decontextualized references to “the 2011 Norwood All in ONE catalogue.” Additionally, “Put Your Drinkware Needs ... in a Norwood ALL in ONE Basket” does not fall under the descriptive use explanation that Defendants advance because it does not refer to a consolidated catalogue. It may descriptively refer to consolidating drinkware in a basket, but the “descriptive purity” of such use is questionable because it is unclear if the basket is literal or suggestive. See id. at 1041. Uses of “All-in-One” in ways that stripped it of its possible descriptive meaning undermine Defendants’ descriptive use argument, such that a finder of fact could determine that the use was not descriptive. Moreover, a finder of fact could determine that Defendants “had at [their] disposal a number of alternative words [or phrases] that could adequately capture [their] goal,” limiting the scope of the fair use defense in this case. Id. at 1042.

D. In good faith.

A defendant asserting fair use must also show that it used the mark in good faith. 15 U.S.C. § 1115(b)(4). When considering forward confusion, this element “involves the same issue as the intent factor in the likelihood of confusion analysis”; that is, “whether defendant in adopting its mark intended to capitalize on plaintiff’s good will.” Fortune Dynamic, 618 F.3d at 1043. The shift in focus discussed in Part II above for assessing intent when considering likelihood of confusion under a reverse confusion theory generally applies when considering good faith as part of the fair use defense in a case that presents reverse confusion. However, the good faith inquiry differs somewhat from the Sleekcraft intent factor, regardless of the underlying theory of confusion. In fair use, good faith is an element of the defense, not merely a factor to consider when it is relevant in a given case.

As with intent in Sleekcraft, there is no bright-line rule or required piece of evidence to establish good or bad faith. While the focus may differ when considering forward or reverse confusion, generally the same types of evidence will be relevant to this inquiry. This includes evidence such as whether the defendant intended to create confusion, whether forward or reverse; intended to push the plaintiff out of the market; remained ignorant of the plaintiff’s mark when it reasonably should have known of the mark; knew of the mark and showed bad faith in its disregard of the plaintiff’s rights; or any other evidence relevant to whether the defendant’s claimed “objectively fair” use of the mark was done in good faith. See KP Permanent I, 543 U.S. at 123, 125 S.Ct. 542; see also, e.g., Fortune Dynamic, 618 F.3d at 1043 (holding that a material question of fact existed regarding defendant’s good faith when the plaintiff introduced evidence that the defendant carelessly failed to investigate the trademark
at issue, along with expert testimony that a trademark search would have been standard practice in the relevant industry).

Marketquest argues that because this case presents reverse confusion, mere knowledge of Marketquest’s ownership and use of the “All-in-One” mark establishes bad faith on the part of Defendants, and fair use is thus unavailable as a matter of law. That is incorrect. An inference of bad faith does not arise from mere knowledge of a mark when the use is otherwise objectively fair, even in a case presenting reverse confusion. Marketquest also argues that Defendants’ use of two of its marks in the same year supports an inference of bad faith. This fact by itself, coupled with Marketquest’s knowledge of the marks, is thin evidence of bad faith. However, we cannot say on summary judgment that no reasonable finder of fact could infer bad faith from these facts.

E. Degree of consumer confusion.

“The fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely.” KP Permanent II, 408 F.3d at 608–09. This is because if there is no likelihood of consumer confusion, then there is no trademark infringement, making an affirmative defense to trademark infringement irrelevant. KP Permanent I, 543 U.S. at 120, 125 S.Ct. 542. After the plaintiff meets the threshold showing, in the fair use analysis “the degree of customer confusion [is] a factor” to consider. KP Permanent II, 408 F.3d at 609. However, a defendant raising the defense does not have the burden to negate any likelihood of consumer confusion. KP Permanent I, 543 U.S. at 114, 125 S.Ct. 542. Some consumer confusion is compatible with fair use, and when a plaintiff chooses “to identify its product with a mark that uses a well known descriptive phrase” it assumes the risk of some confusion. Id. at 121–22, 125 S.Ct. 542.

The district court held that Marketquest met the threshold requirement for fair use by showing that there is some likelihood of confusion, relying upon its previous Sleekcraft analysis in the order denying Marketquest’s motion for a preliminary injunction. However, the district court held that any further Sleekcraft analysis was “unnecessary” because fair use provided Defendants a complete defense.

Marketquest argues that the district court’s holding was incomplete because it did not conduct a full Sleekcraft analysis, nor did it consider the additional factors that we stated in KP Permanent II would be relevant to the jury’s consideration of fair use in that case. Defendants counter that a court may grant summary judgment on the fair use defense without deciding the likelihood of confusion because confusion is not the focus of fair use; the focus is objective fairness, and some confusion is accepted.

We emphasize that the degree of consumer confusion is a factor in the fair use analysis, not an element of fair use. See KP Permanent I, 543 U.S. at 118, 125 S.Ct. 542 (“Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense.”).
This factor is useful in considering whether, overall, the use was objectively fair. A use that is likely to confuse consumers, or that has caused actual confusion, is less likely to be objectively fair (although some confusion is permissible). Accord Shakespeare Co. v. Silstar Corp. of Am., 110 F.3d 234, 243 (4th Cir. 1997) (“While it is true that to the degree that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use.”). The Sleekcraft factors and additional factors that we identified as relevant in KP Permanent II may also be relevant in a given case where fair use is at issue. A court is not required in every case to recite and analyze all the factors identified in Sleekcraft and KP Permanent II one-by-one for a fair use analysis to be complete. A court may do so, but these are merely factors to facilitate a court’s analysis, to the degree they are relevant in a given case.

In this case, the district court referenced its previous Sleekcraft analysis at the preliminary injunction phase. The district court was not required to conduct this analysis again and determine all potential issues of fact as a matter of law before considering summary judgment on fair use. However, because we reverse summary judgment on fair use for the reasons indicated above, we leave it to the district court to determine on remand the relevance of the degree of consumer confusion in this case.

IV. The district court erred by applying the fair use analysis to Defendants’ use of “The Write Choice” after determining that Marketquest presented no evidence of likely confusion.

The district court found that there was “no evidence of actual or potential confusion” resulting from Defendants’ use of “The Write Choice,” and then concluded that Defendants had shown fair use. That fair use analysis was in error because “[t]he fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely.” KP Permanent II, 408 F.3d at 608–09. The district court could not properly find here that there was no evidence of confusion, fail to conduct a Sleekcraft analysis, and still conclude that the Defendants qualified for the fair use defense. Thus, we remand for the district court to consider Marketquest’s trademark infringement claim regarding Defendants’ use of “The Write Choice.”

[Reversed and remanded.]
At p. 783, after the *Toyota* case, insert the following new case:

**INT’L INFO. SYS. SECURITY CERT. CONSORTIUM, INC. v. SECURITY UNIV., LLC**  
823 F.3d 153 (2d Cir. 2016)

POOLER, Circuit Judge:


BACKGROUND

I. The CISSP® Mark

A. ISC’s Mark

ISC is a non-profit organization that was formed in 1989 to develop standards for the information security industry. In March 1990, ISC developed a certification program and began using the certification mark “CISSP®” to denote a “Certified Information Systems Security Professional” who has met certain requirements and standards of competency in the information security field, including passing the CISSP® certification examination that ISC administers.

On March 18, 1997, the United States Patent and Trademark Office registered ISC’s CISSP® certification mark. The registration stated: “The [CISSP®] certification mark is used by persons authorized by the certifier [ISC] to certify completion of appropriate work experience and/or successfully passing examinations as established by the certifier in the field of security of information systems.”

B. SU’s Alleged Infringement

SU is a for-profit company that was formed in 1999 by defendant-appellee Sondra Schneider, a CISSP®-certified individual, to provide information security training. SU offers various classes, including a class to prepare individuals for ISC’s CISSP® certification examination. SU has used the CISSP® mark in connection with certification-specific training courses since 2001. It is undisputed that SU is allowed to use the CISSP® certification mark to indicate that its services are directed at preparing students for the CISSP® certification examination. Furthermore, given the nature of ISC’s certification
mark, SU instructors may accurately identify themselves as being CISSP®-certified, so long as they follow ISC’s regulations governing the use of the mark.1

However, ISC objects to some of SU’s advertisements, run between 2010 and 2012, which, ISC argues, misleadingly suggested that SU’s instructor, Clement Dupuis, had attained some higher level of certification as a “Master CISSP” or “CISSP Master.” These advertisements include the following statements:

- “MASTER THE 10 CISSP DOMAINS with the Master CISSP® Clement Dupuis.”
- “REGISTER NOW to Master the CISSP® Certification with Master CISSP® Instructor Clement Dupuis of www.ccure.org!”
- “Register for CISSP® Prep class with Master CISSP Clement Dupuis today!”
- “You are taught by CISSP Master Clement Dupuis, the father of www.ccure.org website.”
- “Security University’s CISSP® Prep Class[,] Register for CISSP® Prep class with Master CISSP Clement Dupuis today!”
- “Attend the BEST CISSP® Prep Class in Europe[,] Master CISSP June 27–30 AMSTERDAM with MASTER CISSP® Instructor Clement Dupuis[,]”

SU began using the term “Master” in May 2010. On June 9, 2010, ISC’s counsel wrote to Schneider asking that she cease using the phrase “Master CISSP” in SU’s advertisements. On June 13, 2010, Schneider emailed Marc Thompson, an employee of a third party entity that oversees seminars on ISC’s behalf, stating that “SU will continue to use the word Master. Master Clement Dupuis is a Male Teacher [and] thus he is a Master according to the dictionary.” . . . On July 15, 2010, ISC’s counsel “again wrote to Ms. Schneider requesting that she and SU cease and desist their improper advertising.” Id. Although ISC’s exhibits reveal that SU continued using this terminology at least through February of 2012, SU

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1 Upon meeting ISC’s certification standards, ISC licenses an individual to use the CISSP® mark in accordance with the “(ISC) ® Regulations Governing Use of Certification/Collective Marks.” The Regulations provide that, in using the mark, certified individuals “may not combine the Logo with any other object, including, but not limited to, other logos, icons, words, graphics, photos, [or] slogans ... (i.e., Mixing another Logo with the CISSP[®] Logo to create a variation.)” Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, No. 3:10–CV–01238 (MPS), 2014 WL 3891287, at *2 (D.Conn. Aug.7, 2014) (alterations in original) (emphasis added). Another rule provides that “[t]he Logo may not be used in any manner that expresses or might imply (ISC)’s affiliation, sponsorship, endorsement, certification, or approval, other than as set forth by the (ISC) Application Agreement.” Id. (alteration in original).
submitted declarations in support of its motion for summary judgment stating that it no longer uses these terms in its advertising materials.

[ISC asserted claims under Lanham Act §§ 32, 43(a), and 43(c), along with state law claims. The district court granted summary judgment to SU on the ground that its uses were shielded under the doctrine of nominative fair use.]

DISCUSSION

I. Certification Marks

A “certification mark,” such as CISSP®, is a special sub-category of marks which, unlike other trademarks, is intended to be used by those other than its owner, to indicate the quality, accuracy, or other characteristics of the goods or services. See 15 U.S.C. § 1127 (defining “certification mark” as “any word, name, symbol, or device, or any combination thereof—(1) used by a person other than its owner, or (2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person’s goods or services or that the work or labor on the goods or services was performed by members of a union or other organization”). The CISSP® mark is meant to certify quality and characteristics, that is, that the security information professional bearing the CISSP® mark meets ISC’s standards and has passed its competency test.

In spite of the differences between certification marks and other types of marks, the Lanham Act provides that certification marks are generally entitled to the same protection from infringement as are trademarks.

[S]o far as they are applicable, ... certification marks, ... shall be registrable under this chapter, in the same manner and with the same effect as are trademarks, by persons ... exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trademarks, except in the case of certification marks when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used.

15 U.S.C. § 1054 (emphases added); [cit.].

II. Infringement Claims

[The court invoked standard likelihood of confusion tests, including the Polaroid factors.]
A. Types of Confusion Relevant to Infringement Claims

The district court held that the only type of confusion relevant in determining infringement is confusion as to source. This is incorrect; protection is not exclusively limited for any type of mark to cases in which there may be confusion as to source.\(^3\) [The court cited the 1962 amendment and numerous cases.]

B. Infringement of Certification Marks

In addition to erroneously treating source confusion as the only relevant type of confusion, the district court also took an erroneously narrow view of how certification marks can be infringed. There are numerous ways in which a certification mark can be infringed. Two of the most well-established “[e]xamples of infringement of a certification mark are: the use of the mark in a resume of a professional who is in fact not certified by the organization that is the owner of the mark; and the use of the mark on goods that have not in fact been certified.” McCarthy § 19:92.50 (footnotes omitted); [cit.].

But these are not the exclusive means of infringing on a certification mark...

... Importantly, it is not a prerequisite to ISC’s claim of infringement “that the defendant was using the allegedly infringing content ‘as a [certification] mark.’” Kelly–Brown, 717 F.3d at 308. Accordingly, SU’s use of the terms “CISSP Master” and “Master CISSP” can infringe ISC’s certification mark, even if SU is not attempting to compete with ISC by offering its own “CISSP Master” or “Master CISSP” certification. Nor is it required that ISC actually offer a “CISSP Master” or “Master CISSP” certification to succeed. See Gay Toys, Inc., 658 F.2d at 79 (“On the question of ... the likelihood of confusion, it is not necessary that [the plaintiff] actually manufacture the toy cars [the defendant created to resemble the cars in the plaintiff’s movie], but merely that a confusion as to ... sponsorship result.” (emphasis added)). Even though neither ISC nor SU offers a “Master CISSP” or “CISSP Master” certification, customers [may] be led to believe [ISC] has introduced a new line of certifications. Am. Angus Ass’n, 829 F.Supp. at 819; see also McCarthy § 23:50 (“The Trademark Board has said that the general rule is that a subsequent user may not avoid likely confusion by appropriating another’s entire mark and adding descriptive or non-distinctive matter to it.” (footnote omitted)).\(^4\) As in all infringement suits in this Circuit, the relevant inquiry is

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\(^3\) Indeed, considering only source confusion would make little sense in the context of certification marks, as certification marks are generally not used to designate source at all.

\(^4\) On the other hand, these facts might be taken into account in assessing such Polaroid factors as “proximity of the products and competitiveness with one another” and the possibility that the “senior user may ‘bridge the gap’ by developing a product for sale in the market of the alleged infringer’s product.” Starbucks Corp., 588 F.3d at 115.
simple: whether there is “a likelihood that an appreciable number of ordinarily prudent
purchasers are likely to be misled, or indeed simply confused, as to the source of the goods
in question, or that there may be confusion as to plaintiff’s sponsorship or endorsement of
the junior mark.” *Hormel Foods Corp.*, 73 F.3d at 502 (internal quotation marks omitted).

C. Likelihood of Confusion in Nominative Use Cases

Having determined that the district court erred in considering only source confusion
and erroneously limiting the ways in which certification marks can be infringed, we turn to
the question of how the district court should assess likelihood of confusion on remand.

As discussed above, our Court’s test for assessing likelihood of confusion is the *Polaroid*
test. As noted, courts are to consider the following eight non-exclusive factors:

(1) strength of the trademark; (2) similarity of the marks; (3) proximity of the
products and their competitiveness with one another; (4) evidence that the senior
user may “bridge the gap” by developing a product for sale in the market of the
alleged infringer’s product; (5) evidence of actual consumer confusion; (6) evidence
that the imitative mark was adopted in bad faith; (7) respective quality of the
products; and (8) sophistication of consumers in the relevant market.

*Starbucks Corp.*, 588 F.3d at 115. This Court has repeatedly urged district courts to apply
the *Polaroid* factors even “where a factor is irrelevant to the facts at hand.” *Arrow Fastener Co.*, 59 F.3d at 400 (“It is incumbent upon the district judge to engage in a deliberate review of
each factor, and, if a factor is inapplicable to a case, to explain why.”).

The district court, rather than applying the *Polaroid* factors, applied the Ninth Circuit’s
test which applies in cases of nominative use of marks. Nominative use is a “use of another’s
trademark to identify, not the defendant’s goods or services, but the plaintiff’s goods or
services.” *McCarthy § 23:11*. It is called “nominative” use “because it ‘names’ the real owner
of the mark.” *Id.* “The doctrine of nominative fair use allows a defendant to use a plaintiff’s
trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion
about the source of the defendant’s product or the mark-holder’s sponsorship or affiliation.”
*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir.2010) (alterations and internal
quotation marks omitted). Because the *Polaroid* factors—or their analogues in other circuits—
are not easily applied in cases of nominative use, various courts have created new tests to
apply in such circumstances. The Ninth Circuit’s nominative fair use doctrine stems from
its decision in *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th
Cir.1992). In that case, a newspaper conducted a survey in connection with a story about a
concert by the pop music group “New Kids on the Block,” asking readers “Which of the five
is your fave?” and invoking the name of the group. *Id.* at 304. The Ninth Circuit held that
this was a non-infringing “nominative use of a mark” which did not imply sponsorship or
endorsement by the trademark owner. The Ninth Circuit adopted the following test for
nominative fair use:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Id. at 308 (footnote omitted). Other circuits have adopted variations of this test. See, e.g., Universal Commc’n Sys., Inc. v. Lycos, Inc., 478 F.3d 413, 424 (1st Cir.2007); Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 220–22 (3d Cir.2005); Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 546–47 (5th Cir.1998), abrogated on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001).

In the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is, in fact, a likelihood of consumer confusion. Rather, the nominative fair use test replaces the multi-factor test that the Ninth Circuit typically employs to determine consumer confusion, i.e., it replaces the Ninth Circuit’s analogue to the Polaroid test. See Cairns v. Franklin Mint Co., 292 F.3d 1139, 1150–51 (9th Cir.2002); accord Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1175 (9th Cir.2010); Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 810 n. 19 (9th Cir.2003); see also McCarthy § 23:11 (“The Ninth Circuit, in crafting a separate category of a ‘nominative fair use’ analysis, created a specialized tool to analyze a certain class of cases of alleged infringement.... The Ninth Circuit did not intend nominative fair use to constitute an affirmative defense.”).

By contrast, the Third Circuit, another court to have developed a nominative fair use doctrine, affords defendants broader protection. The Third Circuit treats nominative fair use as an affirmative defense that may be asserted by the defendant despite a likelihood of consumer confusion. To be entitled to protection based on the affirmative defense, a defendant must show

(1) that the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflect the true and accurate relationship between plaintiff and defendant’s products or services.

Century 21 Real Estate Corp., 425 F.3d at 222.

To this point, this Court has not adopted either the Ninth Circuit or the Third Circuit’s rule on nominative fair use. See Tiffany (NJ) Inc., 600 F.3d at 102 (affirming the district court’s decision that applied the doctrine of nominative fair use on other grounds); McCarthy § 23:11. Nonetheless, district courts within our Circuit frequently use the Ninth Circuit’s
formulation. [cit.]. Further, as discussed below we have endorsed the principles underlying the nominative fair use doctrine. See Tiffany (NJ) Inc., 600 F.3d at 102–03; Dow Jones & Co. v. Int’l Sec. Exch., Inc., 451 F.3d 295, 308 (2d Cir.2006).

Having considered the case law, as well as the positions of the United States Patent and Trademark Office, we reject the Third Circuit’s treatment of nominative fair use as an affirmative defense. The Lanham Act sets forth numerous affirmative defenses to infringement claims that can be asserted even if the plaintiff has established likelihood of confusion. See 15 U.S.C. § 1115(b). The Third Circuit’s basis for treating nominative fair use as an affirmative defense is that the Supreme Court has treated classic, or descriptive, fair use as an affirmative defense. See Century 21 Real Estate Corp., 425 F.3d at 222 (citing KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 118–20, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004)). But in treating descriptive fair use as an affirmative defense, the Supreme Court was interpreting a provision of the Lanham Act which provided that claims of infringement are subject to various defenses, including

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin....

15 U.S.C. § 1115(b)(4); see KP Permanent Make–Up, Inc., 543 U.S. at 118–20 (analyzing 15 U.S.C. § 1115(b)(4) and ultimately concluding that Congress intended descriptive fair use to be an affirmative defense). That is, under the Supreme Court’s interpretation, the Lanham Act explicitly provides that descriptive fair use is an affirmative defense. And nominative fair use cannot fall within § 1115(b)(4)’s language, as nominative fair use is not the use of a name, term, or device otherwise than as a mark which is descriptive of and used merely to describe the goods or services of the alleged infringer. See Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond’s USA Co., 125 F.3d 28, 30 (2d Cir.1997) (finding descriptive fair use when the alleged infringer engaged in a “non-trademark use of words in their descriptive sense”). Nominative use involves using the mark at issue as a mark to specifically invoke the mark-holder’s mark, rather than its use, other than as a mark, to describe the alleged infringer’s goods or services. If Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such. We therefore hold that nominative fair use is not an affirmative defense to an infringement claim.

We turn next to the question of whether we should adopt a nominative fair use test, either to supplant or to replace the Polaroid test. Although we see no reason to replace the  

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5 We invited the United States Patent and Trademark Office to submit a letter brief regarding several issues to be decided in this appeal. It did so on August 14, 2015 and August 31, 2015, through submissions signed by the United States Patent and Trademark Office and the Department of Justice. “We consider the views expressed therein for persuasive value.” [cit.].

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Polaroid test in this context, we also recognize that many of the Polaroid factors are a bad fit here and that we have repeatedly emphasized that the Polaroid factors are non-exclusive. And although we have not expressly rejected or accepted other circuits’ nominative fair use tests, we “have recognized that a defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation or endorsement by the plaintiff of the defendant.” Tiffany (NJ) Inc., 600 F.3d at 102–03. See also Dow Jones & Co., 451 F.3d at 308 (“While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product.”).

Because we believe that the nominative fair use factors will be helpful to a district court’s analysis, we hold that, in nominative use cases, district courts are to consider the Ninth Circuit and Third Circuit’s nominative fair use factors, in addition to the Polaroid factors.6 When considering a likelihood of confusion in nominative fair use cases, in addition to discussing each of the Polaroid factors, courts are to consider: (1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services.

When assessing the second nominative fair use factor, courts are to consider whether the alleged infringer “step[ped] over the line into a likelihood of confusion by using the senior user’s mark too prominently or too often, in terms of size, emphasis, or repetition.” McCarthy § 23:11; see, e.g., PACCAR Inc. v. TeleScan Technologies, L.L.C., 319 F.3d 243, 256 (6th Cir.2003) (“Using [the plaintiff’s] trademarks in its domain names, repeating the marks in the main titles of the web sites and in the wallpaper underlying the web sites, and mimicking the distinctive fonts of the marks go beyond using the marks ‘as is reasonably necessary to identify’ [the plaintiff’s] trucks, parts, and dealers.”), abrogated on other grounds by KP Permanent Make–Up, Inc., 543 U.S. at 116–17; Brother Records, Inc. v. Jardine, 318 F.3d 900, 908 (9th Cir.2003) (considering the fact that the defendant used the mark “‘The Beach Boys’ more prominently and boldly” than the rest of its name “The Beach Boys Family and Friends” such that event organizers and members of the audience were confused about who was performing); Playboy Enters., Inc. v. Welles, 279 F.3d 796, 804 (9th Cir.2002) (holding that defendant’s repeated use of the abbreviation “PMOY ‘81” meaning “Playmate of the Year 1981” on the background/wallpaper of her website failed to establish nominative fair

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6 As we have emphasized with reference to the Polaroid factors, this combination of factors is not exclusive, and other factors may be considered where relevant.
use because “[t]he repeated depiction of “PMOY '81’ is not necessary to describe [the defendant]”), abrogated on other grounds by Miller v. Gammie, 335 F.3d 889 (9th Cir.2003); cf. Swarovski Aktiengesellschaft v. Building No. 19, Inc., 704 F.3d 44, 51-52 (1st Cir.2013) (reversing preliminary injunction restricting discount retailer from using large size font in advertising sale of “Swarovski” crystal figurines because lower court erred by assuming that retailer used “more of the mark than necessary” without determining if large size font was likely to cause consumer confusion).

Additionally, when considering the third nominative fair use factor, courts must not, as the district court did here, consider only source confusion, but rather must consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder. See Courtenay Commc’ns Corp. v. Hall, 334 F.3d 210, 213 n. 1 (2d Cir.2003) (vacating dismissal of Lanham Act claims and holding nominative fair use did not supply alternative grounds for dismissal because defendant’s “hyperlink connection to a page of endorsements suggests affiliation, sponsorship, or endorsement by” the plaintiff (internal quotation marks omitted)).

We therefore remand for reconsideration of the Polaroid factors in addition to the nominative fair use factors, keeping in mind the numerous types of confusion that are relevant to an infringement analysis other than mere source confusion and the numerous ways in which a certification mark may be infringed.

[Vacated and remanded.]

At p. 783, add the following to the end of note 2:

See also Adobe Sys., Inc. v. Christensen, 809 F.3d 1071 (9th Cir. 2015) (applying Toyota to find nominative fair use in a case involving alleged grey market sales of ADOBE-branded software). The court suggested that Adobe should have framed its Lanham Act claim as one for false advertising, if it had a viable claim at all.

At pp. 812-13, add the following to the end of note 2:

Should the analysis for material differences depend on where the goods at issue are being sold? In particular, where the goods at issue are sold on eBay, should courts presume that eBay consumers are bargain hunters who expect that the goods that they are purchasing differ materially from the genuine goods? See Bose Corp. v. Ejaz, 732 F.3d 17 (1st Cir. 2013).

Should differences in production potentially be material? See Hokto Kinoko Co. v. Concord Farms, Inc., 738 F.3d 1085 (9th Cir. 2013) (involving trademarks on mushrooms; the genuine
mushrooms were produced under certified organic standards but the imported mushrooms were not).

At p. 844-45, Problem 9-5(3), add the following after the Fortres cite:

aff’d, 763 F.3d 696 (7th Cir. 2014). Consider an alternative approach to the case: if there is no adequate showing of reverse confusion, then there is no need to reach the issue of permissible use. How would you apply the factors test to analyze reverse confusion in this case? In particular, how would you analyze the similarity of products factor? What are the products of the respective parties? See Fortres Grand, 763 F.3d at 701-04(discussing the issue).

At p. 854, before Rosetta Stone, insert the following new case:

NEW YORK YANKEES PARTNERSHIP v. IET PRODS. & SERVICES, INC.

HIGHTOWER, Administrative Trademark Judge:

IET Products and Services, Inc. (“Applicant”) seeks to register three marks on the Principal Register:

• “THE HOUSE THAT JUICE BUILT” (in standard characters) for Tshirts, baseball caps, hats, jackets and sweatshirts (as amended), in International Class 25;

• The designation shown at right for T-shirts, baseball caps, hats, jackets and sweatshirts, in International Class 25; and
• THE HOUSE THAT JUICE BUILT (in standard characters) for mugs, in International Class 21.

New York Yankees Partnership (“Opposer”), which the record shows is owner of the New York Yankees Major League Baseball club, opposes registration of the marks on the grounds that they are likely to cause confusion with certain of its marks, including its top hat logo design (shown [below]) and

![Top Hat Logo](image)

THE HOUSE THAT RUTH BUILT, pursuant to Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d); are likely to cause dilution of its marks by blurring pursuant to Trademark Act Section 43(c), 15 U.S.C. § 1125(c); and falsely suggest an association with its New York Yankees Major League Baseball club pursuant to Trademark Act Section 2(a), 15 U.S.C. § 1052(a). We sustain the opposition on the ground of dilution.

III. Dilution by Blurring

Dilution by blurring is “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” Trademark Act Section 43(c)(2)(B). Dilution may be likely “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” Section 43(c)(1).

Our primary reviewing court, the Court of Appeals for the Federal Circuit, has set forth the following four elements a plaintiff must prove in a Board proceeding in order to prevail on a claim of dilution by blurring:
(1) the plaintiff “owns a famous mark that is distinctive;

(2) the defendant is using a mark in commerce that allegedly dilutes the plaintiff’s famous mark;

(3) the defendant’s use of its mark began after the plaintiff’s mark became famous; and

(4) the defendant's use of its mark is likely to cause dilution by blurring or by tarnishment.”


[The TTAB concluded that elements (1)-(3) were satisfied.]

D. Whether Applicant’s Marks Are Likely To Cause Dilution

The final element of our dilution analysis assesses whether Applicant’s marks are likely to dilute Opposer’s marks. As noted supra, dilution by blurring occurs when a substantial percentage of consumers, on seeing the junior party’s use of a mark on its goods, are immediately reminded of the famous mark and associate the junior party’s use with the owner of the famous mark, even if they do not believe that the goods come from the famous mark’s owner. *UMG Recordings Inc. v. Mattel Inc.*, 100 USPQ2d 1868, 1888 (TTAB 2011) (citing *Toro Co.*, 61 USPQ2d at 1183).

[The TTAB invoked the statutory factors for blurring and proceeded to discuss each one.]

1. Applicant’s Top Hat and Syringe Design

   (i) The degree of similarity between Applicant’s mark and the famous mark.

   The Board noted in *National Pork Board v. Supreme Lobster & Seafood Co.*, 96 USPQ2d 1479, 1497 (TTAB 2010), that,

   after finding in the affirmative on the question of pre-existing fame, an important question in a dilution case is whether the two involved marks are sufficiently similar to trigger consumers to conjure up a famous mark when confronted with the second mark.

   While we are not conducting a Section 2(d) likelihood of confusion analysis under this factor for dilution by blurring, we still consider the degree of similarity or dissimilarity of the
marks in their entireties as to appearance, connotation, and commercial impression. Research in Motion Ltd. v. Defining Presence Marketing Group Inc., 102 USPQ2d 1187, 1198 (TTAB 2012) ("Research in Motion"). We consider the marks in terms of whether they are sufficiently similar in their overall commercial impressions that the required association exists. Nike Inc. v. Maher, 100 USPQ2d 1018, 1030 (TTAB 2011).

Applicant’s design mark is shown on the left below, while Opposer’s registered top hat design mark is shown in the center. Opposer also presented evidence that the top hat portion of its mark is generally depicted in a red-white-and-blue color scheme, as shown on the right:

![Image of marks]

The overall similarity between the two design marks is immediately apparent. Each incorporates a circle and features a similarly patterned top hat resting atop a slender object leaning to the right.

We acknowledge that there are significant differences between the marks, the most obvious being that Applicant’s mark replaces Opposer’s bat with a syringe and its round baseball design with the round universal prohibition symbol. In addition, Applicant’s top hat is slightly different in shape, bigger relative to the rest of the design, and extends outside the circle, while Opposer’s top hat lies within the circle. Opposer’s primary logo also includes the word “Yankees.” Nonetheless, when considered in their entireties, we find that the appearance of the marks overall is sufficiently similar that Applicant’s mark will “trigger consumers to conjure up” Opposer’s famous mark. That is, consumers encountering Applicant’s mark will immediately be reminded of Opposer’s famous top hat design mark and associate the two.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

Particularly in light of the presence of the top hat design, which is at most suggestive of Opposer’s distinctive “Yankees” team name, Opposer’s design mark is inherently distinctive. Even if the mark is not viewed as inherently distinctive, we found above that the mark is famous, which necessarily subsumes a finding that the mark has high acquired distinctiveness. This factor favors a likelihood of dilution.
(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

There is no evidence in the record of any third-party use of a design mark similar to Opposer’s top hat logo, as Applicant acknowledges. Therefore, we find that Opposer is engaging in substantially exclusive use of its top hat design mark. This factor also favors a likelihood of dilution.

(iv) The degree of recognition of the famous mark.

There is no direct evidence regarding the degree of consumer recognition of Opposer’s top hat design mark. Although we have found Opposer’s design mark to be famous, based on Applicant’s admission and record evidence, we do not view the record to contain sufficient evidence from which we could infer the degree of recognition of this mark. Cf. UMG Recordings Inc., 100 USPQ2d at 1887, 1889 (inferring substantial extent of recognition of famous mark). We therefore find this factor to be neutral.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

Applicant makes clear that it views its design mark to succeed as a parody precisely because it creates an association with Opposer’s design mark. Applicant’s President, Steven Lore, testified as follows:

THE PARODIC NATURE OF APPLICANT’S MARKS

95. In addition to the facts recited above, Applicant’s Syringe Design indicates two things: that it is the original, but also that it is not the original, and is instead a parody.

96. The inclusion of a Top Hat in Applicant’s Syringe Mark conveys that it is the original, i.e., Opposer’s Top Hat Mark; however, the inclusion of the representations of a syringe and the international prohibition symbol simultaneously convey that it is not the original and, rather, is a parody.

97. Likewise, the red, white and blue colors, which are claimed, convey Applicant’s Mark is the original, but the inclusion of the representations of a syringe and the international prohibition symbol simultaneously convey that it is not the original and, rather, is a parody.

98. The other differences mentioned above also convey that it is not the original and, rather, is a parody.
99. The specific placement of the Top Hat outside (on top) of the international prohibition symbol and the extension of the syringe beyond the border of the international prohibition symbol simultaneously convey that it is not the original and, rather, is a parody.

In the same vein, Applicant argues in its brief that

   even if the Board concludes that Opposer’s mark is famous and even if the Board concludes that consumers are immediately reminded of the famous mark and associate the junior party’s use with owner [sic] of the famous mark even if they do not believe that the goods come from the famous mark’s owner, 15 U.S.C. § 1125(c)(3)(A)(ii) mandates that Applicant’s parody is non-actionable.

   ... 

Applicant’s argument ignores the language of Section 43(c)(3)(A) ...which limits the “fair use” exclusion as defined in the statute to use of a famous mark “other than as a designation of source for the person’s own goods or services” (Section 43(c)(3)(A)). “Noncommercial” use also is excluded. (Section 43(c)(3)(C)). To obtain federal registration, an applicant’s use of the applied-for matter must be as a designation of source — i.e., as a mark — and commercial — i.e., used in commerce. See Trademark Act Sections 1, 2, 17, 18, and 45, 15 U.S.C. §§ 1051, 1052, 1067, 1068, and 1127. This proceeding is before the Board because Applicant is not seeking merely to make ornamental, expressive, or noncommercial use of its marks, but because Applicant has applied to register its trademarks as designations of the source of Applicant’s own T-shirts, baseball caps, hats, jackets, sweatshirts, and mugs. The fair use exclusion is typically inapplicable when registration is sought, and it does not apply here.45 See Research in Motion, 102 USPQ2d at 1200.

   On the facts before us, we find that the record evidence of Applicant’s intent to create an association with Opposer’s famous mark weighs in favor of a likelihood of dilution.

   (vi) Any actual association between Applicant’s mark and the famous mark.

   There is no evidence of any actual association between Opposer’s marks and Applicant’s. However, the applications were filed on an intent-to-use basis, and the record shows that Applicant has sold only 22 shirts bearing its marks. Thus, there has been a limited opportunity for the public to make any actual association between the parties’ design marks. We find this factor to be neutral.

45 The legislative history relating to this provision of the TDRA addresses not registration but civil actions, that is, “the threat of an injunction for mere likelihood of tarnishment” and “a separate exemption from a dilution cause of action for parody, comment and criticism.” H.R. REP. NO. 109-23, at 25 (2005), as reprinted in 2006 U.S.C.C.A.N. 1091.
CONCLUSION AS TO DILUTION BY APPLICANT’S TOP HAT AND SYRINGE DESIGN

Dilution by blurring occurs when a substantial percentage of consumers, on seeing the junior party’s mark on its goods, are immediately reminded of the famous mark and associate the junior party’s mark with the owner of the famous mark, even if they do not believe that the goods emanate from the famous mark’s owner. All of the six factors we have considered weigh in favor of a likelihood of dilution to varying degrees except the fourth and sixth, which are neutral.

Moreover, although the dilution doctrine was designed to provide a remedy where the goods or services involved were neither competitive nor necessarily related, “courts have observed that the closer the products are to one another [in the marketplace], the greater the likelihood of both confusion and dilution.” Toro, 61 USPQ2d at 1184 n.20 (quotation omitted). Here, the parties’ goods are in-part identical and otherwise highly similar or related.

Finally, in its amended answer, Applicant asserts as an affirmative defense that its marks are parodies “and, as such, there exists no likelihood of confusion between Applicant’s marks and Opposer’s pleaded marks.” Although Applicant did not specifically address dilution in pleading this defense, as noted supra, Applicant argued in its brief that its marks are not diluting because they are parodies.

In Research in Motion, we stated that the Board would assess an alleged parody “as part of the circumstances to be considered for determining whether the [opponent] has made out a claim for dilution by blurring.” 102 USPQ2d at 1200. In assessing the impact of the alleged parody in Research in Motion, we followed the Fourth Circuit’s decision in Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 84 USPQ2d 1969 (4th Cir. 2007) (“Louis Vuitton”), a case applying the parody defense to use of the mark “Chewy Vuiton” for dog toys, which the plaintiff alleged diluted its LOUIS VUITTON mark for luxury goods. No other federal appellate court, to our knowledge, has adopted the Fourth Circuit’s interpretation that the possible parody effect of a defendant’s mark should be considered in determining whether a plaintiff has proved dilution by blurring. See Starbucks Corp. v. Wolfe’s Borough Coffee Inc., 588 F.3d 97, 92 USPQ2d 1769, 1778 (2d Cir. 2009) (declining to adopt or reject Louis Vuitton parody holding).

We take this opportunity to modify our prior suggestion in Research in Motion that an alleged parody should be considered as part of our dilution analysis even when parody does not provide a safe harbor for a defendant. We now choose to not consider the parody defense as part of the assessment of the dilution claim, because, as discussed supra, a mark that identifies source – which it must for registration – will not concurrently qualify for a statutory exclusion to a dilution claim. Stated another way, when an applicant’s mark is registrable, because it is being used in commerce to indicate source, such use is not a noncommercial use or fair use. Thus, given the circumstances generally presented by opposition and cancellation proceedings based on allegations of dilution, we find it virtually impossible to
conceive of a situation where a parody defense to a dilution claim can succeed in a case before the Board. Certainly this is not such a case. In this opposition proceeding Applicant has, by filing its application, affirmatively sworn that its Top Hat and Syringe Design will serve as an indicator of source and that it has a bona fide intention to use the mark in commerce.

On the evidence before us, we find that Applicant’s registration of its design mark for items of clothing would impair the distinctiveness of Opposer’s top hat design marks and would not constitute a non-source-indicating fair use parody.

We conclude that Applicant’s design is likely to dilute the distinctive quality of Opposer’s top hat design mark by blurring.

2. THE HOUSE THAT JUICE BUILT Word Marks

As noted supra, Applicant has applied to register THE HOUSE THAT JUICE BUILT both with and without quotation marks. Applicant does not contend that the presence or absence of quotation marks alters the commercial impression of these marks. We find that Applicant’s word marks make essentially the same commercial impression and analyze them together. Cf. In re G. D. Searle & Co., 360 F.2d 650, 149 USPQ 619, 623 (CCPA 1963) (holding common descriptive term “the pill” generic despite addition of quotation marks); In re Vanilla Gorilla L.P., 80 USPQ2d 1637, 1639 (TTAB 2006) (noting that “the addition of punctuation marks to a descriptive term would not ordinarily change the term into a non-descriptive one”).

(i) The degree of similarity between Applicant’s mark and the famous mark.

Opposer’s word mark is THE HOUSE THAT RUTH BUILT. Applicant’s mark is THE HOUSE THAT JUICE BUILT. The marks are identical except for the fourth word in each, RUTH versus JUICE. These two words are somewhat similar aurally; each consists of a single syllable with the second letter “U” and is pronounced with a central “u” sound preceded and followed by consonant sounds.

Obviously, the words RUTH and JUICE have different meanings, and the marks convey different connotations as a result. RUTH is a proper noun referring in Opposer’s mark to baseball player Babe Ruth. JUICE is a common noun with multiple meanings, used in Applicant’s mark to refer to performance-enhancing drugs, as Applicant explained in its discovery responses:

Request No. 10

Admit that the word “juice” is used to refer to the consumption of alcohol or anabolic steroids.
Response: Applicant ADMITS that “juice,” as used in Applicant’s Mark, refers to the consumption of anabolic steroids and/or performance-enhancing substances or to anabolic steroids and performance-enhancing substances themselves, but DENIES that “juice,” as used in Applicant’s Mark, refers to the consumption of alcohol or alcohol itself. However, the term “juice” may also refer to other things, including but not limited to, street credibility, respect, interesting gossip, or fruit juice (e.g., orange juice or apple juice).

Nonetheless, Applicant makes clear that it selected [its] the HOUSE THAT JUICE BUILT mark to evoke Opposer’s famous mark for parodic purposes. Applicant’s President, Steven Lore, testified that its marks “play off of the idea that steroids are a player on MLB teams and the Yankees.” Similarly, Applicant states in its brief that:

The evidence of record establishes that the Applicant’s Marks are irreverent versions of Opposer’s marks which succeed in instantly conveying that it is an expressive and jocular reference to the newsworthy and public issue of the use of performance enhancing drugs (“PEDs”) by Major League Baseball (“MLB”) players - including players affiliated with Opposer’s baseball club. (emphasis added) (footnote omitted).

Although Applicant argues later in its brief that consumers encountering THE HOUSE THAT JUICE BUILT mark may think of third-party marks before Opposer’s, we find that Applicant selected a mark sufficiently similar to “trigger consumers to conjure up” Opposer’s famous THE HOUSE THAT RUTH BUILT mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

Opposer’s phrase, at worst for Opposer, is merely suggestive of baseball services and therefore inherently distinctive. See Wal-Mart Stores Inc. v. Samara Bros. Inc., 529 US 205, 54 USPQ2d 1065, 1068 (2000) (noting that suggestive marks are inherently distinctive). Opposer has established that its famous mark also has a high degree of acquired distinctiveness. This dilution factor favors Opposer.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

Applicant contends that Opposer cannot prevail on its dilution claim because its word mark was diluted before Opposer registered it by the use and registration of the following seven marks: THE HOUSE THAT ROCK BUILT, THE HOUSE THAT FRIED CHICKEN BUILT, THE HOUSE THAT JACK BUILT, WELCOME TO THE HOUSE THAT SEAFOOD BUILT, THE HOUSE THAT LOVE BUILT, THE HOUSE THAT FAME BUILT, and “THE HOUSE THAT SERVICE BUILT.” In support of its contention, Applicant submitted printouts of the registration files of those marks and minimal Internet printouts and screenshots displaying those marks.
Third-party registrations are not evidence of use. Nike Inc. v. WNBA Enters. LLC, 85 USPQ2d 1187, 1200 (TTAB 2007). Applicant’s Internet evidence is probative that the websites exist and that the public may have been exposed to them and therefore may be aware of the information contained in them. See Mag Instrument Inc. v. Brinkmann Corp., 96 USPQ2d 1701, 1708 (TTAB 2010), aff’d unpublished, No. 11-1052, 11-1053 (Fed. Cir. Nov. 9, 2011). However, this evidence is of limited probative value to our dilution analysis because Applicant introduced no evidence as to the extent of the use and promotion by third parties of their HOUSE THAT _____ BUILT marks. “Without such evidence, we cannot assess whether third-party use has been so widespread as to have had any impact on consumer perceptions.” 7-Eleven Inc., 83 USPQ2d at 1729.

A limited amount of third-party use is insufficient to defeat a showing of substantially exclusive use. McDonald’s Corp. v. McSweet, LLC, 112 USPQ2d 1268, 1289 (TTAB 2014). Based on the evidence of record, we find this factor to be neutral.

(iv) The degree of recognition of the famous mark.

As discussed supra, THE HOUSE THAT RUTH BUILT has been in use in association with Opposer’s services for nearly a century. The record shows that the mark had appeared thousands of times in the U.S. media before 2008. This is strong evidence that the mark is widely recognized. This factor weighs in favor of dilution.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

Applicant admits that its word mark also is intended to create an association with Opposer, albeit more obliquely than in its admission with respect to its intent in adopting its design mark. Applicant’s President, Steven Lore, testified that:

Applicant’s THE HOUSE THAT JUICE BUILT mark expressively, cleverly and parodically suggests – as has been widely speculated in the press, media and public – that the use of steroids, human growth hormones, and other PEDs made the recent success of the Yankees possible.

Applicant’s intention to create an association with THE HOUSE THAT RUTH BUILT mark favors Opposer.

(vi) Any actual association between the mark or trade name and the famous mark.

There is no evidence of any actual association between Applicant’s and Opposer’s marks. However, because Applicant has sold only 22 shirts bearing its marks and no mugs, there has been a limited opportunity for the public to form any actual association between the parties’ word marks. We find this factor to be neutral.

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CONCLUSION AS TO DILUTION BY APPLICANT’S THE HOUSE THAT JUICE BUILT MARKS

Four of the six factors we have considered weigh in favor of a likelihood of dilution, while the third and last are neutral. We also note that Applicant’s goods (T-shirts, baseball caps, hats, jackets, sweatshirts, and mugs) are in-part identical and otherwise highly similar or related to Opposer’s goods. We find that Applicant’s registration and use of its word marks to designate the source of these goods would impair the distinctiveness of Opposer’s word mark. We apply the logic of our discussion of parody supra to this mark as well. See Research in Motion Ltd., 102 USPQ2d at 1200.

Viewing the evidence as a whole, we conclude that Applicant’s THE HOUSE THAT JUICE BUILT marks, with and without quotation marks, are likely to dilute the distinctive quality of Opposer’s word mark THE HOUSE THAT RUTH BUILT.

[Opposition sustained.]

At p. 859, add the following at the end of note 3:

Suppose that your client makes the following bag, which includes the legend “My Other Bag” on one side and a copy of the Louis Vuitton “toile” monogram on the other:

Is your client using the Louis Vuitton monogram as a designation of source for its own products, such that the fair use protection of Section 43(c)(3)(A) does not apply? See Louis Vuitton Malletier, S.A. v. My Other Bag, Inc., 156 F.Supp.3d 425 (S.D.N.Y. 2016), appeal pending.

At p. 861, delete note 7.
At p. 861, after Note 7, add the following new case:

**RADIANCE FOUNDATION, INC. v. NAT’L ASSOC. FOR THE ADVANCEMENT OF COLORED PEOPLE**

* 786 F.3d 316 (4th Cir. 2015)

**WILKINSON, Circuit Judge:**

I.

The National Association for the Advancement of Colored People, better known by its acronym “NAACP,” is this country’s “oldest and largest civil rights organization,” and one that holds a place of honor in our history. It champions “political, educational, social, and economic equality of all citizens” while working to eliminate racial and other forms of prejudice within the United States. *Id.* Since its formation, it has pursued these objectives not only through litigation but also through community outreach, informational services, and educational activities on issues of significance to the African American community. See *id.* The NAACP owns several trademarks, among them “NAACP” (federally registered) and “National Association for the Advancement of Colored People.”

The Radiance Foundation, established by Ryan Bomberger, is also a non-profit organization focused on educating and influencing the public about issues impacting the African American community. Radiance addresses social issues from a Christian perspective. It uses as its platform two websites, TheRadianceFoundation.org and TooManyAborted.com, where it posts articles on topics such as race relations, diversity, fatherlessness, and the impact of abortion on the black community. Radiance also runs a billboard campaign for TooManyAborted.com; individuals may sponsor these billboards, licensing the artwork from Radiance. In addition to its billboard campaign, Radiance funds its endeavors through donations from visitors to its websites, which are facilitated by “Donate” buttons on the webpages that link to a PayPal site.

In January 2013, Bomberger authored an article criticizing the NAACP’s annual Image Awards, entitled “NAACP: National Association for the Abortion of Colored People.” The piece lambasted the NAACP for sponsoring an awards event to recognize Hollywood figures and products that Radiance alleged defied Christian values and perpetuated racist stereotypes. The article then criticized other of the NAACP’s public stances and actions. It particularly targeted the NAACP’s ties to Planned Parenthood and its position on abortion. Though the NAACP has often claimed to be neutral on abortion, Radiance maintains that the NAACP’s actions actually demonstrate support for the practice.

The article appeared on three websites: the two owned by Radiance—TheRadianceFoundation.com and TooManyAborted.com—and a third-party site called
LifeNews.com. Though the text of the article was identical across the sites, the headlines and presentation varied slightly. On TheRadianceFoundation.com, directly below the headline was an image of a TooManyAborted billboard with the headline “NAACP: National Association for the Abortion of Colored People” repeated next to it. Id. The TooManyAborted.com site posted the headline “The National Association for the Abortion of Colored People” with a graphic below of a red box with the words “CIVIL WRONG” followed by the modified NAACP name. Adjacent to the article on both pages was an orange button with “CLICK HERE TO GIVE ONE-TIME GIFT TO THE RADIANCE FOUNDATION” printed around the word “DONATE.” Id. at 869, 989. Finally on LifeNews.com, the third-party site, the NAACP’s Scales of Justice appeared as a graphic underneath the headline.

The NAACP sent Radiance a cease-and-desist letter on January 28, 2013, after a Google alert for the “NAACP” mark unearthed the LifeNews.com article. Radiance thereupon brought a declaratory action seeking a ruling that it had not infringed or diluted any of the NAACP’s marks and that its use of the marks, or similar ones, was protected under the First Amendment. The NAACP counterclaimed for trademark infringement under 15 U.S.C. §§ 1114(1) and 1125(a) and Virginia state law, and trademark dilution under 15 U.S.C. § 1125(c).

[After a bench trial, the district court found for the NAACP on both the infringement and dilution claims. Radiance appealed.]

II.

A.

We must first review briefly the Lanham Act principles relevant to this action. The Lanham Act’s provisions prohibiting trademark infringement...exist to protect consumers from confusion in the marketplace...

Trademark protection, however, comes at a potential cost to free expression. Much like advertising regulations that prohibit using false or misleading information, trademark infringement laws restrict speech in order to promote the government’s interest in protecting consumers from confusing misappropriations of product identifications. However, Congress “did not intend for trademark laws to impinge the First Amendment rights of critics and commentators.” Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir.2005). The Lanham Act and First Amendment may be in tension at times, but they are not in conflict so long as the Act hews faithfully to the purposes for which it was enacted. Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 900 (9th Cir.2002). The risk of impinging on protected speech is much greater when trademarks serve not to identify goods but rather to obstruct the conveyance of ideas, criticism, comparison, and social commentary. The canon of constitutional avoidance in this area is thus not a device of judicial evasion but an effort to reconcile the commercial values
protected by the Lanham Act and the democratic value of expressive freedom. See Rogers v. Grimaldi, 875 F.2d 994, 998 (2d Cir.1989) . . .

It is for this reason that an actionable trademark claim does not simply require that the alleged infringer used in commerce the mark that the trademark holder possesses. It also requires that the infringer’s use be “in connection with” goods or services in a manner that is “likely to cause confusion” among consumers as to the goods’ or services’ source or sponsorship. 15 U.S.C. §§ 1114(1)(a) & 1125(a)(1); see People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 366 (4th Cir.2001) (“PETA”); United We Stand Am., Inc. v. United We Stand, Am. New York, Inc., 128 F.3d 86, 91–92 (2d Cir.1997) (“It poked fun at the plaintiff, but did not cause consumer confusion as to source or origin.” (emphasis added)). Use of a mark that does not satisfy these two criteria is not trademark infringement. Lamparello, 420 F.3d at 313–14.

B.

The first element of trademark infringement at issue is thus whether Radiance’s use of the NAACP’s marks was “in connection with the sale, offering for sale, distribution, or advertising of any goods or services.” 15 U.S.C. § 1114(1)(a); see also id. § 1125(a)(1) (requiring mark be used “in connection with any goods or services”). The NAACP urges us to give this requirement a “broad construction,” but that construction would expose to liability a wide array of noncommercial expressive and charitable activities. Such an interpretation would push the Lanham Act close against a First Amendment wall, which is incompatible with the statute’s purpose and stretches the text beyond its breaking point. We decline to reach so far.

At least five of our sister circuits have interpreted this element as protecting from liability all noncommercial uses of marks. Farah v. Esquire Magazine, 736 F.3d 528, 541 (D.C.Cir.2013); Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research, 527 F.3d 1045, 1052–54 (10th Cir.2008); Bosley Med. Inst., Inc. v. Kremer, 403 F.3d 672, 676–77 (9th Cir.2005); Taubman Co. v. Webfeats, 319 F.3d 770, 774 (6th Cir.2003); Porous Media Corp. v. Pall Corp., 173 F.3d 1109, 1120 (8th Cir.1999). But see United We Stand, 128 F.3d at 89–90. We have not taken a position on whether “in connection with” goods or services indicates a commercial use. Lamparello, 420 F.3d at 313–14.

At the very least, reading the “in connection with” element to take in broad swaths of noncommercial speech would be an “overextension” of the Lanham Act’s reach that would “intrude on First Amendment values.” Rogers, 875 F.2d at 998; see also Taubman, 319 F.3d at 774 (stating that the “Lanham Act is constitutional because it only regulates commercial speech”). It is true that neither of the Lanham Act’s infringement provisions explicitly mentions commerciality. Lamparello, 420 F.3d at 314. Still, this provision must mean something more than that the mark is being used in commerce in the constitutional sense, because the infringement provisions in § 1114(1)(a) and § 1125(a)(1) include a separate
Commerce Clause hook. Bosley, 403 F.3d at 677; Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 363–64 (4th Cir.2003); United We Stand, 128 F.3d at 92–93.

Although this case does not require us to hold that the commercial speech doctrine is in all respects synonymous with the “in connection with” element, we think that doctrine provides much the best guidance in applying the Act. The “in connection with” element in fact reads very much like a description of different types of commercial actions: “in connection with the sale, offering for sale, distribution, or advertising of any goods or services.” 15 U.S.C. § 1114(1)(a) (emphasis added).

Use of a protected mark as part of “speech that does no more than propose a commercial transaction” thus plainly falls within the Lanham Act’s reach. United States v. United Foods, Inc., 533 U.S. 405, 409 (2001). Courts also look to the factors outlined in Bolger v. Youngs Drug Products Corp., 463 U.S. 60, 66–67 (1983): whether the speech is an advertisement; whether the speech references a particular good or service; and whether the speaker (the alleged infringer) has a demonstrated economic motivation for his speech. [cit.] These are not exclusive factors, and the presence or absence of any of them does not necessitate a particular result.

In the context of trademark infringement, the Act’s purpose, as noted, is to protect consumers from misleading uses of marks by competitors. Thus if in the context of a sale, distribution, or advertisement, a mark is used as a source identifier, we can confidently state that the use is “in connection with” the activity. Even the Second Circuit, which rejected noncommerciality as an invariable defense to Lanham Act liability, conceded that a “crucial” factor is that the infringer “us[ed] the Mark not as a commentary on its owner, but instead as a source identifier.” United We Stand, 128 F.3d at 92. The danger of allowing the “in connection with” element to suck in speech on political and social issues through some strained or tangential association with a commercial or transactional activity should thus be evident. Courts have uniformly understood that imposing liability under the Lanham Act for such speech is rife with the First Amendment problems.

Finally, in order to determine whether the use is “in connection with” goods or services, we must consider what qualifies as a good or service. The Lanham Act does not directly define either term, but we can deduce their meaning from other defined terms and common usage. A “good” is best understood as a valuable product, physical or otherwise, that the consumer may herself employ. See 15 U.S.C. § 1127 (noting that a mark may be used in commerce in relation to a good when placed on a good, its container, its tag, or its associated documents); Black’s Law Dictionary 809 (10th ed.2014) (defining “goods” as “[t]hings that have value, whether tangible or not”). A service is a more amorphous concept, “denot[ing] an intangible commodity in the form of human effort, such as labor, skill, or advice.” Black’s Law Dictionary 1576. Because Congress intended the Lanham Act to protect consumers
from confusion in the marketplace, it is probable that the Act is meant to cover a wide range of products, whether “goods” or “services.” [cit].

It is clear, therefore, that despite the need to reconcile the reach of the Lanham Act with First Amendment values, “goods or services” remains a broad and potentially fuzzy concept. That is yet another reason why the “in connection with” language must denote a real nexus with goods or services if the Act is not to fatally collide with First Amendment principles.

C.

The second element in establishing Lanham Act liability is whether the use of the trademark is “likely to cause confusion” among consumers regarding the source or sponsorship of the goods or services. 15 U.S.C. §§ 1114(1)(a) & 1125(a)(1)(A). Here it is important to remember that “trademark infringement protects only against mistaken purchasing decisions and not against confusion generally.” Lang v. Ret. Living Publ’g Co., 949 F.2d 576, 583 (2d Cir.1991) (quotation marks omitted); see also Bosley, 403 F.3d at 677. That is because a trademark “only gives the right to prohibit the use of it so far as to protect the owner’s good will against the sale of another’s product as his.” Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) (emphasis added).

This court and others have employed any number of frameworks to assess the likelihood of confusion, generally balancing a slew of relevant factors. See, e.g., Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir.1984) . . .

In conducting such an inquiry, which is inherently fact-bound and context dependent, we must bear in mind the purpose behind it—preventing consumer confusion of the infringer’s goods or services with those of the trademark holder’s. When the infringer’s intent is something other than piggybacking off a mark holder’s success by tricking consumers into purchasing his goods instead, the other factors must be evaluated in light of that intent and purpose. See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 261 (4th Cir.2007) (“An intent to parody is not an intent to confuse the public.” (quotations marks omitted)). Although finding an alternative intent does not prevent us from applying the factors, it does “influence[ ] the way in which [they] are applied.” Id.

Marks used to parody, satirize, criticize, comment, or compare make “the multi-factored inquiry under Pizzeria Uno ... at best awkward” and require that the use be assessed in that context. Anheuser-Busch, 962 F.2d at 321 (quotation marks omitted). For example, the strength of the mark and the similarity between the marks often work in reverse for cases of parody and satire as compared to a standard infringement case. Louis Vuitton, 507 F.3d at 261. “The keystone of parody is imitation,” Anheuser-Busch, 962 F.2d at 321, and the similarity—with key differences—between the original mark and the parody may only enhance the effect of the latter and the “strong mark’s fame and popularity [are] precisely the mechanism[s] by which likelihood of confusion is avoided,” Louis Vuitton, 507 F.3d at 261.
As with the “in connection with” element, the “likelihood of confusion” test, if misapplied, can implicate free speech concerns. When the “use of the trademark does not imply sponsorship or endorsement of the product because the mark is used only to describe the thing, rather than to identify its source,” restricting speech does not serve the purpose of the Lanham Act. New Kids on the Block v. News Am. Publ’g, Inc., 971 F.2d 302, 306–08 (9th Cir.1992). Indeed, criticism or parody of a mark holder would be difficult indeed without using the mark. Id. Trademark protections exist neither to allow companies to protect themselves from criticism nor to permit them to “control language.” Skippy, 214 F.3d at 462 (quoting Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 Yale L.J. 1687, 1710–11 (1999)). Even some amount of “actual confusion” must still be weighed against the interest in a less fettered marketplace of social issues speech. See Rogers, 875 F.2d at 1001.

III.

In applying the above principles, we think the district court made several errors. Those mistakes extended the Lanham Act beyond the purposes it was intended to serve.

A.

In finding that Radiance’s use of the NAACP’s marks was “in connection with” goods or services, the district court erred in several respects. To begin, the court held that because the Radiance article appeared in a Google search for the term “NAACP,” it diverted “Internet users to Radiance’s article as opposed to the NAACP’s websites,” which thereby created a connection to the NAACP’s goods and services. Radiance Found., Inc. v. NAACP, 25 F.Supp.3d 865, 884 (E.D.Va.2014). But typically the use of the mark has to be in connection with the infringer’s goods or services, not the trademark holder’s. See Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research, 527 F.3d 1045, 1053–54 (10th Cir.2008) (stating that “the defendant in a trademark infringement ... case must use the mark in connection with the goods or services of a competing producer, not merely to make a comment on the trademark owner’s goods or services”).

If the general rule was that the use of the mark merely had to be in connection with the trademark holder’s goods or services, then even the most offhand mention of a trademark holder’s mark could potentially satisfy the “in connection with” requirement. That interpretation would expand the requirement to the point that it would equal or surpass the scope of the Lanham Act’s “in commerce” jurisdictional element. This would not only make the jurisdictional element superfluous, but would hamper the ability of the “in connection with” requirement to hold Lanham Act infractions within First Amendment limits.

In People for the Ethical Treatment of Animals v. Doughney, we stated that an infringer “need only have prevented users from obtaining or using [the trademark holder’s] goods or services,
or need only have connected the [infringing] website to other’s goods or services” in order to satisfy the “in connection with” requirement. 263 F.3d 359, 365 (4th Cir. 2001). But that rule applies specifically where the infringer has used the trademark holder’s mark in a domain name. Id. at 365–66. Neither of Radiance’s websites used an NAACP mark in its domain name. Rather, Radiance used the NAACP’s marks only in the title and body of an article criticizing the NAACP. Nothing in PETA indicates that the use of a mark in the course of disseminating such an idea is on that account sufficient to establish the requisite relationship to goods or services. PETA simply does not govern the application of the “in connection with” element in this case.

The district court proceeded to find that Radiance’s use of the NAACP’s marks was also in connection with Radiance’s goods or services. Radiance Found., 25 F.Supp.3d at 884–85. But the court’s analysis failed to demonstrate a sufficient nexus between the specific use of the marks and the sale, offer for sale, distribution, or advertisement of any of the goods or services that the court invoked. The court first found that there was a sufficient nexus “with Radiance’s own information services” because Radiance “provided information” on its website. Id. at 884. That ruling, however, neuters the First Amendment. The provision of mere “information services” without any commercial or transactional component is speech—nothing more.

In the alternative, the court held that Radiance’s use of the NAACP’s marks was in connection with goods or services, because the use was “part of social commentary or criticism for which they solicit donations and sponsorship.” Id. The NAACP echoes the district court, arguing that the transactional nature of the billboard campaign and Radiance’s fundraising efforts place Radiance’s use of the marks “comfortably within” the reach of the “in connection with” element. Appellee’s Br. at 24–26.

We need not address this point with absolute pronouncements. Suffice it to say that the specific use of the marks at issue here was too attenuated from the donation solicitation and the billboard campaign to support Lanham Act liability. Although present on the article page, the Donate button was off to the side and did not itself use the NAACP’s marks in any way. The billboard campaign was displayed on a different page altogether. A visitor likely would not perceive the use of the NAACP’s marks in the article as being in connection with those transactional components of the website. It is important not to lose perspective. The article was just one piece of each Radiance website’s content, which was comprised of articles, videos, and multimedia advocacy materials. That the protected marks appear somewhere in the content of a website that includes transactional components is not alone enough to satisfy the “in connection with” element. To say it would come too close to an absolute rule that any social issues commentary with any transactional component in the neighborhood enhanced the commentator’s risk of Lanham Act liability.

The Supreme Court has warned “that charitable appeals for funds ... involve a variety of speech interests ... that are within the protection of the First Amendment.” Vill. of
Schaumburg v. Citizens for a Better Env’t, 444 U.S. 620, 632 (1980). Such solicitation, the Court stated, is not a “variety of purely commercial speech.” Id. Courts are thus well-advised to tread cautiously when a trademark holder invokes the Lanham Act against an alleged non-profit infringer whose use of the trademark holder’s marks may be only tenuously related to requests for money. Again, this is not to say that in all instances a solicitation by a non-profit is immune from Lanham Act liability. A solicitation may satisfy the “in connection with” element if the trademark holder demonstrates a sufficient nexus between the unauthorized use of the protected mark and clear transactional activity. Such a nexus may be present, for example, where the protected mark seems to denote the recipient of the donation. However, where, as here, the solicitations are not closely related to the specific uses of the protected marks, we are compelled to conclude that the district court erred in ruling that the “in connection element” was met.

B.

The district court likewise considered the likelihood of confusion from Radiance’s use of the marks. First and foremost, it based its finding in great part on whether consumers thought “NAACP” in fact stood for “National Association for the Abortion of Colored People.” Radiance Found., 25 F.Supp.3d at 887–89 (relying on survey evidence). Trademark infringement provisions do not protect against confusion about the marks themselves because marks are not goods or services but instruments to identify goods and services. Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 263 (4th Cir.2007) (“The misspellings pointed out by LVM [in the Vuitton name] are far more likely in this context to indicate confusion over how to spell the product name than any confusion over the source or sponsorship of the ‘Chewy Vuiton’ dog toys.”). Thus confusion about what a particular trademark says or looks like is not relevant for infringement claims. We may certainly account for similarities between the trademark holder’s and infringer’s marks in the likelihood of confusion analysis, but only in the context of how those similarities create confusion about the source of any products the marks identify.

Likewise, trademark infringement is not designed to protect mark holders from consumer confusion about their positions on political or social issues. The evidence of “actual confusion” relied on by the district court consisted of phone calls to the NAACP by people who took issue with the NAACP supporting abortion. Radiance Found., 25 F.Supp.3d at 888–89. “[I]ndignation is not confusion,” Girl Scouts of U.S. v. Personality Posters, Mfg. Co., 304 F.Supp. 1228, 1231 (S.D.N.Y.1969), at least not as pertains to trademark infringement, and at best the calls demonstrated confusion as to the NAACP’s policy positions rather than any good or service. Policy stances are neither goods nor services, though the means of conveying them may be.

Political discourse is the grist of the mill in the marketplace of ideas. It may be that the only—but also the best—remedy available to a trademark holder is to engage in responsive speech. For even where a speaker lies, “more accurate information will normally counteract
the lie.” United States v. Alvarez, 132 S.Ct. 2537, 2556 (2012) (Breyer, J., concurring in the judgment). The NAACP is a renowned civil rights organization with numerous mechanisms for connecting with its membership and the public. Organizations of its size and stature possess megaphones all their own. “Actual confusion” as to a non-profit’s mission, tenets, and beliefs is commonplace, but that does not transform the Lanham Act into an instrument for chilling or silencing the speech of those who disagree with or misunderstand a mark holder’s positions or views. See Rogers v. Grimaldi, 875 F.2d 994, 1001 (2d Cir.1989).

The district court also concluded that some consumers might be confused about an affiliation between the authors of the article and the NAACP. Radiance Found., 25 F.Supp.3d at 889. But it is not immediately apparent how someone would confuse an article which is strongly critical of an organization with the organization itself. The mark in this case was used primarily to identify the NAACP as the object of Radiance’s criticism, resembling a descriptive or nominative fair use albeit by employing a modified version of the name. Admittedly, the attention span on the Internet may not be long, but the briefest familiarity with the article would quickly create the impression the author was no friend of the NAACP. Indeed, in just the first two lines, the piece refers to the NAACP as an “out-of-touch liberal organization” and accuses its Image Awards of honoring “black imagery churned out by often racist, anti-Christian, perpetually sexist, violent and pornographic Hollywood.” Intemperate and worse as the commentary is, holding it actionable risks creating the paradox that criticism equals confusion, thereby permitting companies to shield themselves from adverse assessments. Indeed, “[m]uch useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark.” CPC Int’l, Inc. v. Skippy Inc., 214 F.3d 456, 462 (4th Cir.2000) (quoting New Kids on the Block v. News Am. Publ’g, Inc., 971 F.2d 302, 307 (9th Cir.1992)).

It remains essential in any analysis of confusion to consider fully the purpose with which the mark was being used. The trial court did entertain the possibility of parody, but once it found that Radiance had not engaged in a successful parody, it ended its inquiry there. Radiance Found., 25 F.Supp.3d at 891–93. If not quite parody, the use of “National Association for the Abortion of Colored People” in this context may be more akin to satire, which “works by distort[ing] ... the familiar with the pretense of reality in order to convey an underlying critical message.” Farah v. Esquire Magazine, 736 F.3d 528, 537 (D.C.Cir.2013) (quotation marks omitted). Whatever the label affixed to the article, Radiance’s twist on the famous moniker follows in the same vein as articles that refer to the NRA as the “National Republican Association” or the ACLU as the “Anti-Christian Lawyers Union.” Biting, surely; distortive, certainly; Radiance’s ploy was nonetheless effective at conveying sharply what it was that Radiance wished to say. The implications for the likelihood of confusion factors are thus obvious: parody or satire or critical opinion generally may be more effective if the mark is strong and the satirical or critical version is similar to the original. The critical message conveyed by the satirical mark itself and in the commentary that follows ensures
that no confusion about the source of the commentary will last, if in fact it is generated at all.

It is important moreover to pay sufficient attention to the full context in which the mark was used, which diminishes the likelihood of confusion about source even further. The domain names and webpage headings clearly denote other organizations: The Radiance Foundation or TooManyAborted. For each site, this post was one of dozens of articles on social and political issues.

Suppose, however, a viewer caught no more than the title of the article: “NAACP: National Association for the Abortion of Colored People.” The claim against Radiance would still not lie. Titles, as part of expressive works, “require[ ] more protection than the labeling of ordinary” goods. Rogers, 875 F.2d at 998. For consumers understand and expect titles to pertain to the contents of the underlying work rather than authorship or the publisher. See Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 902 (9th Cir.2002); Rogers, 875 F.2d at 999–1000. Provided the title is connected to and not misleading about the contents and does not use the mark in a way that clearly suggests authorship, see Rogers, 875 F.2d at 999, use of a mark in a title will generally not result in the type of consumer confusion necessary to support infringement claims. In this case, the title related to and conveyed the subject of the article: the NAACP and Radiance’s views of its alleged stance on abortion. The use of the satirical modification of the true NAACP name was designed, as many titles are, to be eye-catching and provocative in a manner that induces the reader to continue on. We cannot find that use of the NAACP marks in the title of the Radiance article created a likelihood of confusion as to the piece’s authorship or affiliation.

We have identified individual difficulties with appellee’s position, but it is well to understand the matter in its totality. The trial court found that using marks in a highly critical article that lambasts the NAACP for its views and actions constituted trademark infringement because the site solicits financial support for its activities, albeit attenuated from the use of the mark, and some consumers may be confused about the NAACP’s true name and political positions. We need not go so far as to say that social commentary solicitations can never be the subject of a valid infringement claim in order to conclude that it will not be infringing so long as the use of the mark does not create confusion as to source, sponsorship, or affiliation. Any other holding would severely restrict all kinds of speakers from criticizing all manner of corporate positions and activities and propel the Lanham Act into treacherous constitutional terrain.

IV.

The district court further held that Radiance diluted the “NAACP” and “National Association for the Advancement of Colored People” trademarks by tarnishing them in violation of 15 U.S.C. § 1125(c). Radiance Found., Inc. v. NAACP, 25 F.Supp.3d 865, 899 (E.D.Va.2014). We respectfully disagree. Radiance’s use of the marks was undeniably to
criticize the NAACP’s perceived position on abortion, thus falling squarely within the statute’s explicit exclusions. See 15 U.S.C. § 1125(c)(3).

A.

Whereas the law of trademark infringement is “motivated by an interest in protecting consumers” from confusion as to a product’s source, the law of dilution defends the trademark itself. Moseley v. v. Secret Catalogue, Inc., 537 U.S. 418, 429 (2003); see also Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002, 1012 (9th Cir.2004) (“The point of dilution law is to protect the owner’s investment in his mark.”)...

To state a prima facie claim of dilution by tarnishment...the NAACP must satisfy four elements:

(1) that [it] owns a famous mark that is distinctive;

(2) that [Radiance] has commenced using a mark in commerce that allegedly is diluting the famous mark;

(3) that a similarity between [the diluter’s] mark and the famous mark gives rise to an association between the marks; and

(4) that the association is likely ... to harm the reputation of the famous mark.


The first three elements are met here: the marks Radiance used in commerce were either identical or highly similar to the NAACP’s undoubtedly famous marks. As for the fourth element, harming a famous mark’s reputation means “crea[ing] consumer aversion to the famous brand.” Rosetta Stone, 676 F.3d at 167. Such aversion may be shown when the famous mark is “linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context.” Id. (quoting Scott Fetzer Co. v. House of Vacuums Inc., 381 F.3d 477, 489 (5th Cir.2004)); see also Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 111 (2d Cir.2010). Radiance has not challenged the district court’s finding that the article was likely to harm the NAACP’s marks. Indeed, the whole point of the article was to criticize the NAACP, and Radiance attempted to accomplish that goal in part by playing off the NAACP’s name. The NAACP thus established a prima facie case of dilution by tarnishment.

B.

However, that does not end the inquiry. The law provides three broad, overlapping categories within which any use of a famous mark, even if likely to cause harm or blurring, is not actionable: fair use; news reporting and news commentary; and noncommercial use.
15 U.S.C. § 1125(c)(3). Radiance asserts that its use of the NAACP’s marks qualifies for protection under these affirmative defenses. Because we hold that Radiance’s speech falls plainly within the fair and noncommercial use exclusions, we have no need to address Radiance’s “news reporting and news commentary” defense.

The first exclusion covers “[a]ny fair use, including a nominative or descriptive fair use,” and “including use in connection with,” among other things, “identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.” Id. § 1125(c)(3)(A)(ii) (emphasis added). A descriptive fair use “applies when the [dilution] defendant is using a trademark in its primary, descriptive sense to describe the defendant’s goods or services,” whereas “nominative fair use comes into play when the defendant uses the famous mark to identify or compare the trademark owner’s product.” Rosetta Stone, 676 F.3d at 169 (quotation marks omitted). No use may be “a designation of source for the [user’s] own goods or services.” 15 U.S.C. § 1125(c)(3)(A). That is, the fair use exclusion does not provide a safe harbor for one who uses another’s famous mark as a trademark. See Louis Vuitton, 507 F.3d at 266. Finally, good faith is a “common component” of fair use analysis. Rosetta Stone, 676 F.3d at 169–70.

The NAACP, as the district court recognized, is an advocacy organization. See Radiance Found., 25 F.Supp.3d at 872. As such, it takes positions on public issues on behalf of its stated mission; the organization exists in part to be for things. The Radiance article used the NAACP’s marks to comment upon what it sees as the policies the NAACP supports or does not support, as the case may be. Within the context of the article, the use of the NAACP’s famous marks unquestionably framed and referenced the NAACP’s policy positions, or at least Radiance’s view of what those positions are. The article repeatedly referred to the NAACP’s purported support for abortion and Planned Parenthood, using sexual and other graphic metaphors to hammer the point home. Even if we were to take the title out of context and view it separately from the rest of the article, the use was still nominative, because it explicitly referred to what the author believes the NAACP stands for: the abortion of African American children. [The court noted that neither Radiance nor the lower court had asserted that Radiance’s use might be a descriptive fair use, so that doctrine was not analyzed.]

The district court also reiterated its belief that referring to the NAACP as the “National Association for the Abortion of Colored People” is not a parody. Id. at 897. The fair use defense, however, is not limited to parody; it also embraces uses that “criticize[e]” or “comment[ ] upon” the NAACP or its services. 15 U.S.C. § 1125(c)(3)(A)(ii). Regardless of whether Radiance’s use of the NAACP’s marks legally qualifies as parody, it is abundantly clear that Radiance used “NAACP” in conjunction with “National Association for the Abortion of Colored People” to comment upon and criticize the NAACP for its perceived position on abortion and other issues affecting the African American community. “The National Association for the Abortion of Colored People has no moral ground to stand upon,” the article goes, “just quick sand oozing with the blood of those most discriminated against. The NAACP’s covert and overt support of Planned Parenthood negates any other
human rights they purport to defend.” It is difficult to imagine what the article is if not criticism. We cannot say, and the district court erred in holding, that Radiance’s use of the NAACP’s famous marks was not a fair use.

C.

The final exclusion protects “[a]ny noncommercial use of a mark.” 15 U.S.C. § 1125(c)(3)(C). The term “noncommercial” refers to the First Amendment commercial speech doctrine. Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir.2005). Commercial speech is “speech that does no more than propose a commercial transaction.” Harris v. Quinn, 134 S.Ct. 2618, 2639, (2014) [cit.]. In determining whether speech is commercial, we consider several factors: (1) whether the speech is an advertisement; (2) whether speech refers to specific products or services; (3) whether the speaker has an economic motivation for the speech; and (4) “the viewpoint of the listener,” i.e. whether the listener would perceive the speech as proposing a transaction. [cit.] The factors are cumulative, but, again, the absence of any particular element does not necessarily render the speech noncommercial. Id.

The district court held that because Radiance “offered various opportunities for visitors ... to donate to Radiance, pay to sponsor billboards, secure license content, or erect state-specific webpages for a fee,” the use of the NAACP’s marks was commercial. Radiance Found., 25 F.Supp.3d at 899. We think however, that the above factors mitigate against a finding of commerciality. The article in contention was not an advertisement. Nowhere in the piece did it offer the reader anything for sale. The article did not even mention Radiance’s services. The only point “Radiance” even appeared in the article was as part of a passing reference to conservatives that the NAACP purportedly targets. The fact that the websites provided opportunities to engage in financial transactions does not demonstrate that the article itself was commercial. The key here is the viewpoint of a reasonable reader. A person navigating to the article, even if through a Google search for “NAACP,” is highly unlikely to read the article as advertising a Radiance service or proposing a transaction of any kind.

Trademark law in general and dilution in particular are not proper vehicles for combatting speech with which one does not agree. Trademarks do not give their holders under the rubric of dilution the rights to stymie criticism. Criticism of large and powerful entities in particular is vital to the democratic function. Under appellee’s view, many social commentators and websites would find themselves victims of litigation aimed at silencing or altering their message, because, as noted, “it is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark.” New Kids on the Block v. News Am. Publ’g, Inc., 971 F.2d 302, 306 (9th Cir.1992). The article in this case was harsh. But that did not forfeit its author’s First Amendment liberties. The most scathing speech and the most disputable commentary are also the ones most likely to draw their intended targets’ ire and thereby attract Lanham Act litigation. It is for this reason that law does not leave such speech without protection.
At p. 865, at the end of Problem 9-8, add the following:

See *Farah v. Esquire Magazine*, 736 F.3d 528 (D.C. Cir. 2013) (asserting that Lanham Act claims apply only against commercial speech).

At p. 865, add the following new problem:

**PROBLEM 9-9: “DUMB” STARBUCKS**

In February 2014, at 1802 Hillhurst Avenue in Los Angeles, a coffee shop opened. The shop used signs and logos that were pretty much identical to those used by Starbucks, with the addition of the word “dumb” before “Starbucks.” The store mimicked the Starbucks menu, store layout, and associated merchandise, right down to the “Dumb Nora Jones Duets” CDs. A letter answering “Frequently Asked Questions” about DUMB STARBUCKS indicated that “[b]y adding the word ‘dumb,’ we are technically ‘making fun’ of Starbucks, which allows us to use their trademarks under a law known as ‘fair use.’” The letter proceeded to refer to copyright fair use, which may itself be dumb, but we get the point.

A Twitter frenzy followed. People waited in line for an hour to buy coffee at the DUMB STARBUCKS. A commenter advised his Twitter followers to “go buy some @dumbstarbucks before dumb lawyers get to it,” which strikes us as sage advice. In time, the DUMB STARBUCKS shop was revealed to be the work of a Comedy Central comedian, who eventually claimed that the shop would be featured in an upcoming episode of his television show. For a promotional video also making the claim of parody (but at the same time claiming that the shop is a real business, not a comedy skit, which strikes as possibly a dumb move), see https://www.youtube.com/watch?v=Bo_deCOdIHU

In the meantime, the Los Angeles Health Department had shut the shop down for health code violations.

1. Is the DUMB STARBUCKS shop a “successful parody” under the *Louis Vuitton* analysis?

2. Suppose that Dinwoodie and Janis—always looking to make a quick buck (or, euphemistically, always “entrepreneurial”)—make and sell DUMB STARBUCKS merchandise on eBay. We don’t get permission from Starbucks, or from the Comedy Central comedian. What’s our risk of liability to the comedian? (For that matter, what if Starbucks starts selling DUMB STARBUCKS merchandise?)
FALSE ADVERTISING

At p. 870, delete Problem 10-1 and substitute the following:

PROBLEM 10-1: STANDING AFTER *LEXMARK*

Suppose that firm A, a brewer, makes allegedly false statements in advertising about firm B, a competing brewer. Brewer A is likely to have standing to pursue a Section 43(a)(1)(B) false advertising claim against brewer B— but why? Is it because of B’s status as a competitor of A? But what about firms that are not direct competitors? What about consumers, or organizations purporting to act on behalf of consumers?

In *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), the Court resolved a three-way circuit split on the test for standing under Section 43(a)(1)(B). Writing for a unanimous Court, Justice Scalia first distinguished Article III standing from statutory standing. Article III standing requires a showing that the plaintiff has suffered, or is imminently threatened with, “a concrete and particularized ‘injury in fact’ that is fairly traceable to the challenged action of the defendant and likely to be redressed by a favorable judicial decision.” *Id.* at 1386 (citing *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992)). An allegation of lost sales and damage to business reputation will generally suffice to show Article III standing.

By contrast, statutory standing requires an additional showing: that the plaintiff falls “within the class of plaintiffs whom Congress has authorized to sue” under the relevant statutory provision. *Lexmark*, 134 S. Ct. at 1387. Lanham Act Section 43(a)(1) authorizes suit by “any person who believes that he or she is likely to be damaged” by a defendant’s acts. According to the Court, this language, albeit expansive, did not merely confer standing on any plaintiff who could make the Article III showing. *Id.* at 1388. Rather, the language was limited by two “background principles”: the zone of interests and proximate causality.

To fall within the zone of interests in a false advertising suit under Section 43(a)(1)(B), a plaintiff must allege “an injury to a commercial interest in reputation or sales,” the Court held. *Id.* at 1390. Accordingly, a consumer who relied on an allegedly false advertisement in purchasing a product would not fall within the relevant zone of interests, nor would “a business misled by a supplier into purchasing an inferior product,” even though both might have suffered injuries-in-fact that would be cognizable under Article III. *Id.*
To satisfy the proximate-cause inquiry, a false advertising plaintiff “ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant’s advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff. That showing is generally not made when the deception produces injuries to a fellow commercial actor that in turn affect the plaintiff.” Id. at 1391. A firm forced out of business by its competitor’s false advertising ordinarily would satisfy the inquiry, while the firm’s utility company, for example, ordinarily would not. Id.

In adopting the zone of interest and proximate cause inquiries, the Court rejected all three of the tests that had developed in the circuits. In particular, the Court rejected

(1) the “direct competitor” test, because it was “a mistake to infer that because the Lanham Act treats false advertising as a form of unfair competition, it can protect only the false-advertiser’s direct competitors.” Id. at 1392 (emphasis in original)

(2) the “reasonable interest” test, because, inter alia, it addressed the wrong question—the reasonableness of the plaintiff’s interest and basis for believing that the interest was likely to be damaged—rather than asking what the statute provided

(3) the multifactor balancing test from Conte Bros. Automotive, Inc. v. Quaker State-Slick 50, Inc., 165 F.3d 221, 225 (3d Cir. 1998), because, inter alia, it was unpredictable in application, it treated the zone of interest and proximate cause as mere factors to be weighed rather than requirements in every case, and it permitted courts to deny standing based on the difficulty of quantifying damages, even though the plaintiff might conceivably be entitled to various forms of equitable relief.

Consider whether the Lexmark standing inquiry is satisfied in the following scenarios:

1. Brewer B buys barley from supplier S. Suppose that competing brewer A advertises falsely that S’s barley contains a constituent that may be toxic to humans when the barley is subjected to the brewing process. Under the Lexmark test, does B have standing to bring a Section 43(a)(1)(B) action against A? Does S have standing to bring a Section 43(a)(1)(B) action against A? Compare the facts of this hypothetical to those of Lexmark. Lexmark sells laser printers that contain toner cartridges. To encourage consumers to return empty cartridges to Lexmark (and to purchase new, full ones from Lexmark), Lexmark placed a microchip in each cartridge that disabled the cartridge when empty, and included a shrinkwrap license on the cartridge packaging. Under the license terms, purchasers agreed to return the empty cartridge to Lexmark and received a 20% discount on the purchase of a new cartridge. Static Control sells replacement parts for Lexmark cartridges. Static Control developed a chip that mimicked the functions of Lexmark’s chip. Customers could purchase the chip from Static Control and use it in their empty Lexmark cartridges, avoiding the need
to purchase a new cartridge from Lexmark. Lexmark then allegedly sent letters to customers asserting that the use of refurbished cartridges (and particularly the use of Static Control’s chip) was illegal. These statements were the basis for Static Control’s claim of false advertising. Lexmark and Static Control are not direct competitors in the laser printer market. Under the Lexmark test, does Static Control have standing? (Yes, the Court concluded in Lexmark. 132 S.Ct. at 1395.) For another example, see Syngenta Seeds, Inc. v. Bunge North America, Inc., 762 F.3d 795 (8th Cir. 2014) (remanding to allow district court to apply Lexmark rule to false advertising claim).

2. Anna Kournikova was a famous professional tennis player. Penthouse is an adult magazine. In the June 2002 issue (we’re told), Penthouse published a series of photographs of a topless woman sunbathing. Captions accompanying the photos indicated that the woman was Kournikova, which, in fact, was false. A headline on the cover of the June issue proclaimed, “EXCLUSIVE ANNA KOURNIKOVA CAUGHT UP CLOSE ON NUDE BEACH.” Kournikova sued for false advertising under Section 43(a)(1)(B). Penthouse argued that Kournikova lacked standing. How would the issue be decided under the Lexmark test? What alternative theories, if any, might Kournikova pursue if she is held to lack standing to bring a Section 43(a)(1)(B) action?

3. During the late 1990s, McDonald’s offered (and heavily promoted) various promotional games in which customers at its fast-food restaurants could win a variety of cash awards or other prizes. McDonald’s advertisements represented that customers had a fair and equal opportunity to win prizes, and published the odds of winning specific prizes. As it turned out, at least according to the FBI, a few individuals (employed by the marketing firm that McDonald’s had hired) had illegally diverted winning game pieces to “winners” who then claimed the prizes. Subsequently, Phoenix, a Burger King franchisee, filed an action on behalf of itself and a proposed class of 1,100 other Burger King franchisees alleging Lanham Act false advertising. Phoenix alleged that McDonald’s falsely advertised that each player in its promotional games had a fair and equal chance of winning prizes, and falsely advertised the specific odds of winning particular prizes. Phoenix also alleged that “during the run of the games, McDonald’s experienced an ‘unnatural spike’ in its sales while Burger King experienced a decrease in its sales; and [that] Burger King franchisees inurred counter-promotion costs in an effort to ‘lure back customers who frequented McDonald’s while the fraudulent games were running.’” See Phoenix of Broward, Inc. v. McDonald’s Corp., 489 F.3d 1156, 1168 (11th Cir. 2007). Does Phoenix have standing to assert the false advertising claim? See also Natural Answers, Inc. v. SmithKline Beecham Corp., 529 F.3d 1325 (11th Cir. 2008) (applying Phoenix test to deny standing to a plaintiff that had ceased producing the goods which were allegedly impacted by the defendant’s supposedly false statements).

4. All of the above scenarios involve allegations of false advertising under Section 43(a)(1)(B). Should the Lexmark test for standing be applied to all Section 43(a) actions—including, for example, Section 43(a)(1)(A) false designation of origin claims? See Bayer v. Belmora, Chapter 6 of this Update.
At p. 872, in Problem 10-2, add the following after the Suntree cite:

See also Tobinick v. Novella, 848 F.3d 935 (11th Cir. 2017) (concluding that a doctor’s blog posts did not constitute commercial advertising or promotion).

At p. 878, add the following new note:

1A. Stating a claim for false advertising based on literal falsity: a requirement for unanimity among experts? GNC, a manufacturer of dietary supplements, had advertised that certain of its products improved joint health, a claim that was later challenged as literally false. The lower court had granted GNC’s motion to dismiss, and the Court of Appeals for the Fourth Circuit affirmed. According to the Court of Appeals, the evidence in the record showed that most scientific experts agreed that the key ingredients in the supplements did not provide the advertised health benefit, some experts took a contrary view. The Court of Appeals ruled that in order to state a claim for Lanham Act 43(a)(1)(B) false advertising based on an allegation of literal falsity, “plaintiffs must allege that all reasonable experts in the field agree that the representations are false. If plaintiffs cannot do so because the scientific evidence is equivocal, they have failed to plead that the representations based on this disputed scientific evidence are false.” What are the consequences of such a rule? In re GNC Corp., 789 F.3d 505 (4th Cir. 2015).

At pp. 879-80, add the following to the end of note 5:

A Second Circuit case indicates that in cases of implied falsity where there is also evidence of the advertiser’s intent to deceive, the court may presume consumer confusion and shift to the advertiser the burden of overcoming this presumption with evidence showing the absence of confusion. Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247(2d Cir. 2014).

At p. 881, add the following to the end of note 8:

Should the Novartis exception be read narrowly to apply only when the defendant declines to submit any evidence in support of the allegedly false advertisement, to guard against the exception swallowing the rule? Or could it apply in a case where the defendant does submit some evidence, but the evidence is not persuasive, as the court ruled in Groupe SEB (excerpted in this Update below)?
At p. 888, add the following before the *Hall* cite in note 5:

Verisign, Inc. v. XYZ.Com LLC, 848 F.3d 292 (4th Cir. 2017) (statements by XYZ.Com that “all of the good [.com] real estate is taken,” and similar statements, constituted puffery).

At p. 897, in note 7, add the following after the *BASF* cite:

See also Retractiable Techs., Inc. v. Becton Dickinson & Co., 842 F.3d 883 (5th Cir. 2016) (discussing the disgorgement of profits remedy).

At p. 898, add the following new note:

9. **Contributory false advertising?** Should courts recognize a cause of action for contributory false advertising? If so, should the *Inwood* test for contributory trademark infringement (discussed in Chapter 7) be extended to govern contributory false advertising claims? In Duty Free Americas, Inc. v. Estee Lauder Cos., Inc., 797 F.3d 1248, 1278-79 (11th Cir. 2015), the court considered such a claim. DFA and its rivals were participating in competitive bidding processes to open duty-free stores at airports. During the bidding, DFA’s rivals questioned whether DFA had permission to sell Estee Lauder products at its proposed stores. After losing the bids, DFA alleged that the statements from the rivals constituted false advertising and that Estee Lauder had facilitated those false statements. DFA sued Estee Lauder, alleging contributory false advertising. Assuming that such a cause of action is recognized, what facts should DFA be required to allege in order state a claim? Can DFA simply allege that its rivals who won the bids sold Estee Lauder products from their stores, and that Estee Lauder continued to supply product to the rivals?

At p. 901, after note 2, add the following case:

**GROUPE SEB USA, INC. v. EURO–PRO OPERATING LLC.**

774 F.3d 192 (3d Cir. 2014)

FISHER, Circuit Judge:

I.

A.

SEB distributes and sells various household consumer products under several brand names throughout the country. This case involves SEB’s electric steam irons sold under the Rowenta brand name, namely the Rowenta Focus, Model No. DW5080 (“Rowenta DW5080”), and the Rowenta Steamium, Model No. DW9080 (“Rowenta DW9080”).
Euro–Pro manufactures, markets, and distributes kitchen and household appliances. It sells these products under the Shark brand name. The dispute here arises from advertising claims on the packaging of two Shark steam irons, the Shark Professional, Model No. GI405–55 (“Shark 405”), and the Shark Ultimate Professional, Model No. GI505–55 (“Shark 505”).

The Shark 405 packaging includes two advertising claims. First, text on the bottom right of the front packaging asserts that the Shark 405 offers “MORE POWERFUL STEAM vs. Rowenta®†† at half the price.” The “††” characters refer to a fine-print footnote on the bottom of the packaging, which states that the claim is “††[b]ased on independent comparative steam burst testing to Rowenta DW5080 (grams/shot).” Text on the top right of the front packaging also asserts that the Shark 405 delivers “# 1 MOST POWERFUL STEAM*.” Again, there is a fine-print reference to this claim on the bottom of the packaging that states the Shark 405 “[o]ffers more grams per minute (maximum steam setting while bursting before water spots appear) when compared to leading competition in the same price range, at time of printing.” The Shark 505 packaging makes substantially the same claims.1

Additionally, both the Shark 405 and the Shark 505 include hang tags on the steam irons for store displays. The hang tags claim that the Shark steam irons deliver “MORE POWERFUL STEAM vs. Rowenta ... at half the price.” The hang tags also include a reference stating that the claim is “[b]ased on independent comparative steam burst testing” to the respective Rowenta steam irons in “(grams/shot).

SEB first learned of the comparative advertising claims on the Shark steam irons in October 2013. Soon thereafter, SEB directed its internal laboratory to conduct testing to determine whether the claims were true. The lab ran tests comparing the Shark 505 and the Rowenta DW9080. The tests measured (1) the variable steam rate in grams per minute according to International Electrical Corporation ("IEC") 60311 protocol and (2) the mass of a shot of steam in grams per shot according to IEC 60311 protocol.2The test results showed that the Rowenta DW9080 performed the same as the Shark 505 in terms of variable steam rate in grams per minute, with both measuring 37 grams per minute. In the test measuring grams per shot of steam, the Rowenta DW9080 outperformed the Shark 505, with measurements of 1.34 grams per shot and 1.00 grams per shot, respectively.

Because SEB’s internal test results were inconsistent with the Shark advertising claims, SEB commissioned SLG Prüfund Zertifizierungs GmbH (“SLG”), an independent laboratory based in Germany, to conduct independent tests based on the Shark claims. SLG tested three steam irons of each model in accordance with IEC 60311 protocol, and it delivered its findings to SEB in a comprehensive thirty-eight page report (“SLG Test Report”). The SLG Test Report showed that the Rowenta DW5080 and the Rowenta DW9080 outperformed the Shark 405 and the Shark 505, respectively, in terms of grams per minute. For the test measuring steam power in grams per shot, the SLG Test Report showed that two of the three Shark 405 steam irons performed worse than all three Rowenta DW5080 steam irons, but one Shark 405 steam iron outperformed all three Rowenta DW5080 steam irons. The Rowenta DW5080’s average performance was higher than the Shark 405’s average

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performance. The SLG Test Report also showed that two of the three Rowenta DW9080 steam irons performed better in grams per shot than all three Shark 505 steam irons, and one Rowenta DW9080 performed worse than all three Shark 505 steam irons. The Rowenta DW9080’s average performance was higher than the Shark 505’s average performance.

B.

On January 29, 2014, SEB filed a complaint in the United States District Court for the Western District of Pennsylvania, asserting claims for false advertising under the Lanham Act, 15 U.S.C. § 1125(a), and for unfair competition under Pennsylvania common law. The following day, SEB moved for a preliminary injunction to enjoin Euro–Pro from making the claims on the Shark 405 and the Shark 505.

The District Court held an evidentiary hearing on March 19, 2014, to address SEB’s motion for a preliminary injunction. At the hearing, SEB introduced the aforementioned internal test results and the independent SLG Test Report to show that the claims on the Shark steam irons are false. Euro–Pro introduced testimony and a study from its scientific expert, Dr. Abid Kemal (collectively referred to as the “Kemal Report”). According to the Kemal Report, steam power is the kinetic energy of a steam burst divided by the duration of the burst. Using this measurement for steam power, the Kemal Report showed that the Shark 405 and the Shark 505 deliver more powerful steam than the Rowenta DW5080 and the Rowenta DW9080, respectively. The Kemal Report also showed that “the mass of a shot of steam expelled from [the Shark steam irons] is comparable to the mass of a shot of steam (grams/shot) expelled from [the respective Rowenta steam irons].” Additionally, Euro–Pro introduced a consumer survey report prepared by Dr. Gary Ford (“the Ford Survey”) showing that consumers do not have a uniform understanding of the meaning of the phrase “more powerful steam.”

The District Court also heard testimony from SEB’s marketing director, Scott Pollard, about the harm to the Rowenta brand caused by the Shark claims. Pollard testified that SEB had invested substantial resources to promote Rowenta as the best brand of steam irons in the eyes of retailers and consumers. According to Pollard, the direct reference to Rowenta on the lower-priced Shark steam irons likely would erode the Rowenta brand’s reputation in the eyes of retailers, current consumers, and future consumers.

The District Court granted SEB’s preliminary injunction motion. The District Court first concluded that SEB established a likelihood of success on the merits because it demonstrated that the Shark claims are literally false. The District Court next found that SEB had successfully demonstrated a likelihood of irreparable harm in the absence of preliminary relief, relying in large part on Pollard’s testimony about the impact on the reputation of the Rowenta brand and on SEB’s goodwill. Finally, the District Court concluded that the balance of harms and the public interest favored granting the preliminary injunction. Notably, the preliminary injunction required Euro–Pro to place stickers over the claims on the Shark packaging and remove the hang tags from the steam irons.
III.

On appeal, Euro–Pro challenges the District Court’s conclusions on the first and second factors in the preliminary injunction test: first, that SEB established a likelihood of success on the merits; and second, that SEB showed a likelihood of irreparable harm without preliminary relief. Euro–Pro also contends that the District Court’s injunction violates the First Amendment and is overbroad.

A.

SEB brought its false advertising claims pursuant to the Lanham Act and Pennsylvania common law.

To establish a claim for false advertising, a Lanham Act plaintiff must prove five elements:

1) that the defendant has made false or misleading statements as to his own product [or another’s]; 2) that there is actual deception or at least a tendency to deceive a substantial portion of the intended audience; 3) that the deception is material in that it is likely to influence purchasing decisions; 4) that the advertised goods traveled in interstate commerce; and 5) that there is a likelihood of injury to the plaintiff in terms of declining sales, loss of good will, etc.


A plaintiff can prevail in a false advertising action if it proves that the advertisement “is either (1) literally false or (2) literally true or ambiguous, but has the tendency to deceive consumers.” Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Consumer Pharm. Co., 290 F.3d 578, 586 (3d Cir.2002). Proof of literal falsity relieves the plaintiff of its burden to prove actual consumer deception. Id. Here, the only dispute is whether the Shark claims are literally false.

“A determination of literal falsity rests on an analysis of the message in context.” Johnson & Johnson–Merck Consumer Pharm. Co. v. Rhone–Poulenc Rorer Pharm., Inc., 19 F.3d 125, 129 (3d Cir.1994). In deciding whether an advertising claim is literally false, a court must decide first whether the claim conveys an unambiguous message and second whether that
unambiguous message is false. Novartis, 290 F.3d at 586. “A 'literally false’ message may be either explicit or 'conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.’” Id. at 586–87 (quoting Clorox Co. P.R. v. Proctor & Gamble Commercial Co., 228 F.3d 24, 35 (1st Cir.2000)). Unless the claim is unambiguous, however, it cannot be literally false. Id. at 587. “[T]he greater the degree to which a message relies upon the viewer or consumer to integrate its components and draw the apparent conclusion ... the less likely it is that a finding of literal falsity will be supported.” Id. (quoting United Indus. Corp. v. Clorox Co., 140 F.3d 1175, 1181 (8th Cir.1998)). We review a district court’s findings that an advertising claim is unambiguous and literally false for clear error. See id. at 589.

The District Court analyzed the two advertising claims at issue separately. It first determined that Euro–Pro’s claim that the Shark steam irons offer “MORE POWERFUL STEAM vs. Rowenta” is unambiguous. The District Court found that the footnote reference to this claim governs the claim’s meaning, as the packaging explicitly claims that the Shark steam irons offer more powerful steam measured in grams per shot than the respective Rowenta steam irons. The District Court also determined that the “# 1 MOST POWERFUL STEAM” claim is unambiguous but for different reasons. Recognizing that the reference to this claim explicitly restricts the claim to comparisons to steam irons in the same price range and that Rowenta steam irons are in a higher price range, the District Court still found an unambiguous message of superiority over Rowenta steam irons conveyed by necessary implication due to the claim’s close proximity to the “MORE POWERFUL STEAM vs. Rowenta” claim.

With respect to the question of falsity, the District Court found that both claims are false because all the scientific evidence that measured steam power in grams per shot and grams per minute—the measurements for steam power provided on the Shark packaging—disproved Euro–Pro’s claims of superiority over Rowenta. The District Court rejected Euro–Pro’s scientific evidence, the Kemal Report, as irrelevant because it did not measure steam power in grams per shot or grams per minute. The District Court also observed that Euro–Pro failed to come forward with any other evidence that actually supported its claims.

We agree with the District Court that the “MORE POWERFUL STEAM vs. Rowenta” claim is unambiguous. When a product’s packaging includes an advertising claim and unambiguously defines a claim term, the packaging’s definition of the claim term applies to the claim’s explicit message. As explained below, we think this rule is consistent with false advertising law and common sense.

In certain cases, determining the message conveyed by a claim is a simple exercise because the claim is explicit and unambiguous. See Novartis, 290 F.3d at 586. And so it is here. To make something explicit is to state it clearly and precisely. Therefore, when Euro–Pro took
the affirmative step to include a reference on the Shark packaging that clearly defined the key term in its claim—that steam power is measured in grams per shot—it made an explicit claim. The claim is also unambiguous because grams per shot is a unit of measurement provided by the IEC, the leading independent publisher of standards for electrotechnology, including steam irons. Thus, there is no “apparent conclusion” to be drawn about this claim’s meaning, id. at 587 (quoting United Indus., 140 F.3d at 1181), nor is its meaning “balanced between several plausible meanings,” Clorox Co. P.R., 228 F.3d at 35. There is only one available conclusion and only one plausible meaning—the claim means exactly what the reference on the packaging says it does.

Moreover, as we previously discussed, courts deciding whether a claim is literally false must view the claim in the context of the entire advertisement. See Rhone–Poulenc, 19 F.3d at 129. Here, the reference that defines the meaning of steam power is on the Shark packaging, and the claim expressly links to the reference using a symbol—“††” on the Shark 405 and “†” on the Shark 505. Thus, ignoring the reference in our analysis would be not only to read the claim out of context, but also to ignore part of the claim itself denoted by the symbol.

We therefore agree entirely with the District Court that the reference’s definition of steam power governs the term’s meaning in the “MORE POWERFUL STEAM vs. Rowenta” claim. Accordingly, the claim’s explicit and unambiguous message is that the Shark steam irons offer more powerful steam measured in grams per shot than the respective Rowenta steam irons.

The fact that the references are in fine-print footnotes and presumably less likely to be read by consumers does not alter our analysis, as Euro–Pro urges it should. We understand that other courts have held that footnote disclaimers purporting to make a false or misleading claim literally true cannot cure the claim’s false or misleading message. See, e.g., Am. Home Prods. Corp. v. Johnson & Johnson, 654 F.Supp. 568, 590 (S.D.N.Y.1987). We have not addressed this issue, see Pernod, 653 F.3d at 252 n. 13 (declining to address the situation when an allegedly misleading claim is corrected by a true statement contained in fine print), and we do not decide it today. Our rather unremarkable holding here is analytically distinct. It is that what a product’s packaging says a claim term means is in fact part of the claim’s explicit message. If that explicit message is both unambiguous and false, the claim is literally false.

Nor does the presence of consumer survey evidence showing alternative meanings for a defined term affect our holding. Euro–Pro would have us ignore the packaging’s definition of steam power and instead credit consumer survey evidence demonstrating that the meaning of steam power is ambiguous. According to Euro–Pro, the District Court’s decision to ignore the Ford Survey is inconsistent with our decision in Pernod Ricard USA, LLC v. Bacardi U.S.A., Inc., 653 F.3d 241 (3d Cir.2011). The crux of Euro–Pro’s argument is that consumer surveys
must be considered by courts in determining whether a claim’s message is ambiguous. As explained below, Euro-Pro’s argument does not hold up.

In Pernod, we addressed whether courts must always consider survey evidence showing that consumers are misled by an advertising claim. There, the appellant asserted that the name of a brand of rum, “Havana Club,” misled consumers about the brand’s geographic origin. Id. at 247. Beneath the “Havana Club” name, the label prominently stated that it was “Puerto Rican Rum,” an accurate statement of where the rum was distilled. Id. at 245–46. The District Court found that the label made no false or misleading statement, so it disregarded consumer survey evidence showing that eighteen percent of consumers were confused about the brand’s geographic origin. See id. at 247–48.

We held that the district court properly disregarded the consumer survey evidence. Our conclusion rested on the principle “that there is and must be a point at which language is used plainly enough that the question ceases to be ‘what does this mean’ and becomes instead ‘now that it is clear what this means, what is the legal consequence.’” Id. at 251. Applying this principle, we observed that the label contained a “factually accurate, unambiguous statement of geographic origin,” prominently stating that it was “Puerto Rican Rum.” Id. at 252. As a consequence, we concluded that no reasonable consumer could be misled by the “Havana Club” name when it was considered in the context of this prominent truthful statement on the label. Id. at 252–53. Consumer survey evidence was therefore immaterial because the Lanham Act does not prohibit a claim that “reasonable people would have to acknowledge is not false or misleading.” Id. at 253. But we cautioned that judges should not “lightly disregard” consumer surveys because they may reveal “potential ambiguities in an advertisement” that show reasonable consumers may in fact be misled by the advertisement. Id. at 254–55. Finally, we noted that “a district court’s decision to disregard survey evidence is reviewable de novo, since it is founded on a legal conclusion based on underlying facts, that is that no reasonable consumer would be misled by an advertisement.” Id. at 255 n. 18.

As our discussion of Pernod demonstrates, it is readily distinguishable from the issue before us here. Unlike Pernod, the case before us involves claims of literal falsity, so evidence of actual consumer deception is not required. See Novartis, 290 F.3d at 586. By disregarding the consumer survey evidence in this case, the District Court did not make the same legal conclusion we recognized in Pernod: that no consumers could be misled by the advertisement. The District Court instead made a factual finding about what the claim means and that its message is clear and unambiguous.

Pernod does not license courts to use consumer survey evidence to define the meaning of words in an advertising claim. In fact, our analysis in Pernod recognized that words may be used plainly enough and carry baseline meanings such that consumer survey evidence is irrelevant. See 653 F.3d at 251 (discussing Mead Johnson & Co. v. Abbott Labs., 201 F.3d 883, 886 (7th Cir.2000), opinion amended on denial of reh’g, 209 F.3d 1032 (7th Cir.2000)
(explaining that “never before has survey research been used to determine the meaning of words, or to set the standard to which objectively verifiable claims must be held”)). In this case, Euro–Pro plainly explained on the packaging what it meant by its claim, so we are puzzled by Euro–Pro’s characterization of the District Court’s approach as a court inserting its “own perception” ahead of consumer perception. Far from using its own perception of the claim’s meaning, the District Court used the definition provided by Euro–Pro in the reference, and, concluding that Euro–Pro’s message was explicit and unambiguous, it reasonably declined to substitute the uninformed first impressions of consumers about the claim’s meaning. See Mead Johnson, 201 F.3d at 886. Euro–Pro chose a definition for steam power and now must live with it. It cannot use a consumer survey to create an ambiguity out of whole cloth. Accordingly, we conclude that the District Court did not err in failing to consider the Ford Survey in its analysis.

Turning to the “# 1 MOST POWERFUL STEAM” claim, we again agree with the District Court that this claim unambiguously conveys that Shark steam irons deliver more powerful steam than Rowenta steam irons. Unlike the “MORE POWERFUL STEAM vs. Rowenta” claim, however, the relevant message here is not explicit. The corresponding reference to the “# 1 MOST POWERFUL STEAM” claim states that the Shark steam irons “[o]ffer[ ] more grams per minute ... when compared to leading competition in the same price range,” and the parties agree that Rowenta steam irons are in a different price range. But, as we discussed earlier, a literally false claim may also be conveyed by necessary implication when considering the advertisement in its entirety. See Novartis, 290 F.3d at 586–87. The question here is whether, “based on a facial analysis of the product name or advertising, ... the consumer will unavoidably receive a false message.” Id. at 587. Here, the answer is yes. The “# 1 MOST POWERFUL STEAM” claim appears directly above the “MORE POWERFUL STEAM vs. Rowenta” claim, and the proximity of the two claims necessarily and unavoidably conveys a message that Shark steam irons offer the most powerful steam, even when compared to Rowenta steam irons. We therefore cannot say the District Court’s finding is clearly erroneous.

2.

Having decided that the claims convey unambiguous messages, the next question is whether those messages are false. We find no clear error in the District Court’s determination that the messages are false. The District Court reasonably relied on SEB’s internal test results and the SLG Test Report. Both tests measured steam power in grams per shot and grams per minute—the measurements for steam power provided on the Shark packaging—in accordance with independent, objective standards promulgated by the IEC. Both tests also showed that the Rowenta steam irons either outperformed or performed as well as the Shark steam irons. Moreover, the Kemal Report acknowledged that there is no difference in grams per shot of steam between the Shark steam irons and the respective Rowenta steam irons. Put simply, all the relevant evidence before the District Court refuted Euro–Pro’s claims of superiority.
Euro-Pro makes one final argument in an effort to overcome the District Court’s finding of literal falsity. According to Euro-Pro, the District Court improperly shifted the burden of proof away from SEB to Euro-Pro. In addition to the rule that the party seeking preliminary relief bears the burden of satisfying the four-factor test, ECRI v. McGraw–Hill, Inc., 809 F.2d 223, 226 (3d Cir.1987), the general rule in false advertising cases is that a plaintiff bears the burden of proving falsity, Novartis, 290 F.3d at 589. But in Novartis, we recognized an exception to the general rule and held that “a court may find that a completely unsubstantiated advertising claim by the defendant is per se false without additional evidence from the plaintiff to that effect.” Id. at 590. Euro-Pro argues that the Novartis exception only applies when a defendant refuses to present any evidence to support the truth of its claim. According to Euro-Pro, unlike the defendant in Novartis, Euro-Pro provided “robust” and uncontroverted evidence—the Kemal Report.

We do not read Novartis so narrowly. Euro-Pro fails to appreciate that the Kemal Report is mostly irrelevant to the messages actually conveyed by the Shark claims. The Kemal Report’s primary conclusion is that the Shark steam irons have more powerful steam than the respective Rowenta steam irons when steam power is measured by calculating the kinetic energy of a steam burst over the burst’s duration. But Euro-Pro does not, and cannot, argue that the Kemal Report supports the claims that the Shark steam irons offer more powerful steam measured in grams per shot or grams per minute than the respective Rowenta steam irons. In fact, as we previously mentioned, the Kemal Report concedes that the Shark steam irons deliver the same grams per shot of steam as the respective Rowenta steam irons. Therefore, Euro-Pro’s claims are entirely unsubstantiated and exactly like the claims in Novartis.

But even though Novartis permits a finding of falsity based on Euro-Pro’s failure to come forward with any evidence to support its claims, we note that the District Court relied on SEB’s affirmative showing of falsity at least as much as it relied on Euro-Pro’s failure to substantiate its claims. We therefore cannot say that the District Court shifted the burden of proof at all. Thus, the District Court’s finding that the claims are false is not clearly erroneous.

Accordingly, the District Court correctly decided that SEB established a likelihood of success on the merits.

B.

Euro-Pro next argues that the District Court erred by finding that SEB established a likelihood of irreparable harm in the absence of preliminary relief.

We recently clarified the standard for irreparable harm in Lanham Act cases in Ferring Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc., 765 F.3d 205 (3d Cir.2014). There, we held that “a party seeking a preliminary injunction in a Lanham Act case is not entitled to a
presumption of irreparable harm but rather is required to demonstrate that she is likely to suffer irreparable harm if an injunction is not granted.” Id. at 217. Of particular relevance to this case, our analysis in Ferring relied in large part on the Supreme Court’s decision in eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006). In eBay, the Supreme Court held that “broad classifications” and “categorical rule[s]” about when injunctions should issue are inconsistent with exercising “equitable discretion” pursuant to traditional equitable principles. 547 U.S. at 393–94. Like the Patent Act at issue in eBay, “[t]he Lanham Act’s injunctive relief provision is premised upon traditional principles of equity.” Ferring, 765 F.3d at 214 (citing 15 U.S.C. § 1116(a)). It follows that a presumption, or categorical rule, of irreparable harm in Lanham Act cases is inconsistent with exercising discretion according to traditional equitable principles. *Id.* at 215–16. Our decision in Ferring also emphasized that courts may award preliminary injunctive relief only upon a “‘clear showing’” of a likelihood of irreparable harm. *Id.* at 217 (quoting Winter, 555 U.S. at 22).

Although the District Court below did not have the benefit of our holding in Ferring, it presciently declined to apply a presumption of irreparable harm, at least overtly. The District Court decided that:

> Although the Third Circuit held in [Kos Pharmaceuticals, Inc. v. Andrx Corp., 369 F.3d 700, 726 (3d Cir.2004)] that a court may find a presumption of irreparable injury if a likelihood of success on the merits is proved, the Supreme Court’s later decisions in eBay and Winter... indicate that such a presumption no longer exists in the Lanham Act context. Consequently, [SEB] bears the burden of showing that it is likely to suffer irreparable harm in the absence of preliminary injunctive relief.

In spite of the District Court’s express disavowal of a presumption, Euro–Pro contends that the District Court erred by applying a relaxed standard and a de facto presumption in determining that SEB demonstrated a likelihood of irreparable harm. On the one hand, we agree with Euro–Pro that portions of the District Court’s opinion may be construed as applying a relaxed standard. For example, the District Court stated that a likelihood of irreparable harm is proven if a plaintiff establishes “a reasonable basis for the belief that it is likely to be damaged as a result of the false advertising.” In *Novartis*, we rejected this very standard. 290 F.3d at 595. The District Court also cited repeatedly to a case that relied, at least in part, on a presumption of irreparable harm. But other parts of the District Court’s opinion, including its detailed discussion of the specific claims, the relationship between the competing products, and SEB’s explanation of the likely injury to the Rowenta brand’s reputation, as well as its conclusion that SEB “convincingly demonstrated” a likelihood of irreparable harm, are consistent with Ferring. It is therefore unclear whether the District Court’s reference to the wrong standard actually affected the substance of its analysis.

We need not dwell on the question, however, because even if the District Court erred by reciting and applying the wrong standard, we may uphold the District Court’s finding of a likelihood of irreparable harm if it is supported by sufficient evidence in the record. See
Novartis, 290 F.3d at 595–96. Here, the record contains sufficient evidence of likely harm to the Rowenta brand’s reputation and SEB’s goodwill. See S & R Corp. v. Jiffy Lube Int’l, Inc., 968 F.2d 371, 378 (3d Cir.1992) (“Grounds for irreparable injury include loss of control of reputation, loss of trade, and loss of goodwill.”). The District Court credited the testimony of Pollard, SEB’s marketing director, that Rowenta steam irons enjoy strong reputations among retailers and consumers as the premier steam-iron brand on the market, and that this first-rate reputation is the result of substantial SEB investments in advertising, promotion, and product development. In addition, the District Court found that Rowenta and Shark steam irons compete against each other, that they are often sold side-by-side on retail shelves, and that relative steam power is an important factor for consumers. And most importantly, the District Court credited Pollard’s testimony that the claims on the Shark steam irons, which, to be clear, are “literally false, unsubstantiated comparative claims that identify its competitor by name,” would likely harm the Rowenta brand’s reputation among retailers and consumers, especially because Shark steam irons are lower-priced. Finally, the District Court found that the harm to SEB would be impossible to calculate monetarily.

By finding that SEB established a likelihood of irreparable harm, we are not connecting these facts using a veiled presumption of irreparable harm. Ferring bars such a presumption; we emphasize, however, that Ferring does not bar drawing fair inferences from facts in the record. Indeed, a key lesson from Ferring is that courts considering whether to grant injunctive relief must exercise their equitable discretion in a case-by-case, fact-specific manner. A critical aspect of fact-finding in this and other contexts is drawing reasonable inferences from facts in the record. See generally Anderson v. City of Bessemer City, 470 U.S. 564, 574 (1985) (explaining that the clearly erroneous standard of review applies to findings that rest on “inferences from other facts”). The inference drawn by Pollard, the District Court, and now this Court—that SEB is likely to suffer irreparable harm to its brand reputation and goodwill—is supported not by a general rule or presumption but by the literally false comparative advertising claims at issue, the competitive relationship between the parties and products, and the judgment of Pollard that the harm to SEB’s brand reputation and goodwill is impossible to quantify. Nor does Ferring change the rule that harm to reputation and goodwill constitutes irreparable harm, so long as the plaintiff makes a clear showing. Based on the facts of this case, we conclude that SEB clearly showed a likelihood of irreparable harm to its brand reputation and goodwill.8

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8 In a concurring opinion in eBay, Chief Justice Roberts noted that it “is not surprising” that injunctions are granted in a vast majority of patent infringement suits because it is difficult to protect a patentee’s right to exclude through monetary damages. See eBay, 547 U.S. at 395 (Roberts, C.J., concurring). Although this trend does not “justify a general rule” that injunctive relief should be granted whenever there is patent infringement, the Chief Justice cautioned that neither should it be forgotten entirely when courts apply the traditional four-factor test. Id. “When it comes to discerning and applying [legal] standards, in this area as others, a page of history is worth a volume of logic.” Id. (internal quotation marks omitted); see also id. at 395–97 (Kennedy, J., concurring) (agreeing that “history may be instructive in applying [the four-factor] test” but primarily “when the circumstances of a case bear substantial parallels to litigation the courts have confronted before”).
Accordingly, any error committed by the District Court was harmless because there is sufficient evidence in the record to support a finding that SEB is likely to suffer irreparable harm without preliminary relief.

C.

Euro-Pro’s final challenge is to the constitutionality and scope of the District Court’s injunction. “District Courts are afforded considerable discretion in framing injunctions.” Meyer v. CUNA Mut. Ins. Soc., 648 F.3d 154, 169 (3d Cir. 2011). At the same time, an injunction “should be ‘no more burdensome to the defendant than necessary to provide complete relief to plaintiffs.’” Novartis, 290 F.3d at 598 (quoting Califano v. Yamasaki, 442 U.S. 682, 702 (1979)). “Moreover, because commercial speech is entitled to appropriate protection under the First Amendment, an injunction restraining allegedly false or misleading speech must be narrowly tailored to cover only the speech most likely to deceive consumers and harm [the plaintiff].” Id. (alteration in original) (internal quotation marks omitted).

Here, the District Court’s order granting the preliminary injunction requires Euro-Pro to place stickers over the “MORE POWERFUL STEAM vs. Rowenta” and the “# 1 MOST POWERFUL STEAM” claims on both the Shark 405 and the Shark 505. Also, the order directs Euro-Pro to remove the hang tags from the steam irons.

Commercial speech conveying a literally false message is not protected by the First Amendment. See id. (“We conclude that the injunction does not violate the First Amendment ... because each of these messages is false.”). As we have explained, we agree with the District Court’s conclusion that SEB will likely prevail on its false advertising claims. Therefore, we see no First Amendment violation.

Euro-Pro contends that the District Court’s injunction is overbroad because it requires Euro-Pro to cover the advertising claims themselves rather than only the references to the claims. Euro-Pro correctly points out that the references are critical to the literal falsity.

The same point applies here, though for reasons particular to false advertising. In Ferring, we observed that other Courts of Appeals applied a presumption of irreparable harm in false comparative advertising cases like this one. See 765 F.3d at 210–11. We distilled a twofold justification for the presumption: “(1) a misleading or false comparison to a specific competing product necessarily causes that product harm by diminishing its value in the mind of the consumer, similar to trademark infringement cases; and (2) the harm necessarily caused to reputation and goodwill is irreparable because it is virtually impossible to quantify in terms of monetary damages.” Id. at 211. We also noted that we applied a presumption of irreparable harm for substantially the same reasons in trademark infringement cases. Id. at 211–12. Although we no longer apply a presumption, the logic underlying the presumption can, and does, inform how we exercise our equitable discretion in this particular case.
analysis. Without the definitions from the references, the claims about relative steam power may be considered ambiguous, and as such, could not be literally false. See id. at 587. Thus, Euro–Pro argues that the injunction should have targeted only the references.

We disagree with Euro–Pro’s narrow characterization of its advertising claims. Although the references provide the definition for steam power that the District Court appropriately adopted in this case, the references and the advertising claims together compose the literally false messages. Therefore, the injunction is not overbroad because it is limited to reaching claims that are literally false. See Castrol Inc. v. Pennzoil Co., 987 F.2d 939, 949 (3d Cir.1993). Moreover, the logic underlying Euro–Pro’s argument would create an unworkable framework. Under Euro–Pro’s suggested approach, district courts could not just enjoin the dissemination of literally false advertising claims, but they also would need to parse each part of those literally false claims to see if the removal of a word or a portion here and there would render the remainder true. We cannot say that the District Court abused its discretion when it required Euro–Pro to place stickers over the entirety of the false advertising claims rather than only part of them.

[Affirmed.]

At p. 902, in Problem 10-5, delete the Pom Wonderful citation and substitute the following:

See Pom Wonderful LLC v. Coca-Cola Co., 134 S.Ct. 2228 (2014). Would it matter to your analysis that the FDCA and its regulations rely almost exclusively on federal government enforcement actions, while the Lanham Act relies predominantly on civil suits brought by private parties? Would it matter which aspects of the label are at issue in the Lanham Act action? In particular, should the courts distinguish between the name of the product (which the FDCA and its regulations specifically reach) and other aspects of the label (which the FDCA and its regulations don’t explicitly reach)?

At p. 928, in note 5, after the CJ Prods. cite, add the following:

To prove materiality, if the proponent of the false advertising claim to prove simply that the advertisement misrepresents an inherent quality or characteristic of the product, does this show that the misrepresentation was likely to have affected the purchase decision, as the Cashmere case suggests? Or should the proponent be required to make a separate, additional showing that the misrepresentation likely affected the consumer’s purchase decision? See Church & Dwight Co., Inc. v. SPD Swiss Precision Diagnostics, GMBH, 836 F.3d 153 (2d Cir. 2016) (noting that the case law is unsettled on the point but declining to resolve the issue).
TRADE IDENTITY RIGHTS IN ONE’S PERSONA: ENDORSEMENT, ATTRIBUTION, AND PUBLICITY

At p. 908, add the following to the end of note 5:

See also Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 778 F.3d 1059 (9th Cir. 2015) (applying the tailored likelihood of confusion factors and upholding the determination that the defendant’s unauthorized use of a Bob Marley image on t-shirts and other merchandise constituted a false endorsement in violation of Section 43(a)).

At p. 915, before Problem 11-1, insert the following new case:

KEHOE COMPONENT SALES INC. v. BEST LIGHTING PRODS., INC.
796 F.3d 576 (6th Cir. 2015)

GRIFFIN, Circuit Judge:

I.

Best designs and markets exit signs and emergency lighting products for commercial buildings. Since its beginnings in 1987, Best’s modus operandi generally has been to model its products on other companies’ patented products and then alter the products’ design in order to make “something unique or different” about them and to produce them at a lower cost than competitors.

In 2000, Best began purchasing some of the parts for their products from Pace. Soon afterward, Pace began making fully assembled products for Best, to Best’s specifications. Before this time, Pace had never manufactured any emergency lighting products. Because Pace had never before made these types of products, Best’s founder, Alvin Katz, spent a significant amount of effort instructing Pace on how to manufacture the tooling necessary to make the particular products that Best wanted Pace to manufacture.
During the initial years of the companies’ business relationship, there was no contract prohibiting Pace from competing with Best. As Katz put it, “In my world, if a guy shook hands and you promised to do something, you did it .... [I]s there a piece of paper? No, there was never a contract. We didn’t do that.”

But Katz soon began to suspect that his confidence in his business partner’s integrity had been misplaced. In August 2004, Katz emailed Pace’s president complaining that Pace not only had begun selling products that were identical to the products that it made for Best, but also that Pace had begun selling them to Best’s established customers. Apparently, Pace was filling orders for Best and then using the same tooling to manufacture additional units of exactly the same products. Pace then sold these cloned products as its own, bypassing Best.

The companies’ interactions soon became filled with strife. In 2005, Best complained that some of the products that had been manufactured for it by Pace were defective. The parties negotiated an agreement referred to as “the Big Wash” in which Pace transferred to Best ownership of some of the tooling that was used to manufacture the products in question. In 2006, Best refused to pay for a substantial number of products that Pace had delivered to it, and Pace stopped shipments to Best.

To resolve the impasse, the parties negotiated a Supply Agreement effective January 10, 2007, and lasting one year. Best agreed to pay its outstanding debt to Pace and to purchase a minimum of $7 million worth of products from Pace annually, and Pace agreed to a variety of provisions, including to warrant the quality of the goods, not to “use any tooling owned by Best other than for the manufacture of products for sale to Best,” to “assign[ ] to Best all designs and intellectual property ... for products developed or to be developed at or by Pace for Best,” and neither to “sell emergency lights or exit signs nor ballasts, nor solicit sales of these items to any party in North America without Best’s prior written consent.”

Pace received several purchase orders for cloned products from North American companies before the Supply Agreement came into effect, and it shipped products to fill these orders after the agreement came into effect.

Best continued to complain that Pace was manufacturing defective products, and by April 2008, Best told Pace that “we are at a point where we both know we will not be doing any more business.” Best requested that Pace return the tooling that Best owned, especially to prevent Pace from “using our tooling to make product for other customers.”

By the time the parties stopped their ongoing commercial relationship, Pace was in possession of all of the tooling that had been used to manufacture both Best’s products and the cloned products, and Best owed Pace almost $900,000 for products delivered but not yet paid for.

[Pace sued Best for breach of contract and other claims in two separate actions, and Best responded with a variety of counterclaims, including counterclaims for Lanham Act]
violations. The district court ruled for Best on the Lanham Act counterclaims, on summary judgment. Pace appealed.]

II.

[The court’s discussion of Best’s trade secrets claim is omitted.]

III.

Next, Pace argues that the district court erred in finding that Pace violated the Lanham Act’s prohibitions against false designation of origin (the “reverse passing off” claim) and false advertising. We agree.

A.

[The court suggested that it probably would have found Best’s Lanham Act claims to have been barred by laches. But it did not need to rule on that issue given its disposition of those claims on the merits, as the court discusses below.]

B.

...The district court concluded as a matter of law that, on the facts it found, Pace violated the Lanham Act both with respect to false advertising and to false designation of origin (the “reverse passing off” claim). This was error.

1.

. . .The district court found that Pace violated § 43(a) in two ways. First, it found that Pace, in representing that the cloned products that it manufactured and sold had been produced by Pace rather than by Best, made a false designation of origin that was likely to cause consumer confusion, violating 15 U.S.C. § 1125(a)(1)(A). Second, the district court found that Pace violated § 1125(a)(1)(B)’s prohibition on false advertising by similarly misrepresenting in its marketing catalogs “the origin of the [cloned products].” Both of the district court’s conclusions were erroneous.

2.

The district court and the parties all agree that Best’s false-designation claim proceeded under what is known as a “reverse passing off” theory. “Passing off” refers to counterfeit production; it occurs when a firm “puts someone else’s trademark on its own (usually inferior) goods,” Bretford Mfg., Inc. v. Smith Sys. Mfg. Corp., 419 F.3d 576, 580 (7th Cir.2005)—for instance, “the Coca–Cola Company’s passing off its product as Pepsi–Cola.” Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 28 n. 1, 3 (2003). “Reverse passing off” is the converse: a firm sells someone else’s goods or services, misrepresenting them as its own—
for instance, the Coca-Cola Company taking Pepsi-Cola’s flagship beverage and marketing it as the Coca-Cola Company’s own product. *Id.*

In this case, therefore, Best’s reverse passing off claim argued—and the district court found—that Pace falsely represented that the cloned products originated with Pace when in fact they originated with Best.

The problem with this conclusion is the district court’s assumption that the cloned products that were manufactured by Pace somehow belonged to Best. See, e.g., PgID 5095 (identifying as “Best products” items that “were manufactured by Pace, with a Pace product number, in a box Pace made, with Pace’s UL number on the product”). Again, Pace filled orders for Best and then used the same tooling to make a separate batch of exactly the same product for its own customers. Only by denominating the cloned products as “Best’s products” could the district court find that Pace was misrepresenting someone else’s products as its own. And only by concluding that Best’s role in originating the intellectual concepts for the cloned products made it the “origin” of the products for purposes of § 43(a) could the district court find that the products were, in fact, “Best’s products.” Boiled down, then, the district court’s liability finding on the reverse passing off claim depended upon its conclusion that Pace falsely designated the cloned products’ “origin” by failing to represent to its customers that the products—although manufactured by Pace—stemmed from ideas or intellectual property that were initially brought to the table by Best.

But as the Supreme Court has pointed out, the Lanham Act protects the ability to control one’s brand; it does not protect the ability to control one’s inventions or innovations. *Dastar*, 539 U.S. at 32, 34, 37. With respect to false-designation claims specifically, the Act’s use of the term “origin” does not refer to “the person or entity that originated the ideas or communications that ‘goods’ embody or contain.” *Id.* at 32. It denotes only “the producer of the tangible product sold in the marketplace”—and, by extension, possibly also “the trademark owner who commissioned or assumed responsibility for ... production of the physical product.” *Id.* Thus, in the context of a reverse passing off claim, use of a trademark makes a representation regarding only the product’s physical origin, not its intellectual ancestry. See Mark P. McKenna, *Dastar’s Next Stand*, 19 J. Intell. Prop. L. 357, 374 (2012) (“A trademark cannot be taken to indicate anything about the origin of the intellectual creation embodied in that good.”).

As *Dastar* makes plain, an entity makes a false designation of origin sufficient to support a reverse passing off claim only where it falsely represents the product’s geographic origin or represents that it has manufactured the tangible product that is sold in the marketplace when it did not in fact do so. 539 U.S. at 29, 31. In *Dastar*, the Court observed that the defendant

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1 “Why would anyone want to do such a thing? One reason might be to obliterate the plaintiff’s corporate identity and prevent him from entering new markets, where the defendant, having appropriated the plaintiff’s trademark, would claim that the plaintiff was the infringer.” Peaceable Planet, Inc. v. Ty, Inc., 362 F.3d 986, 987 (7th Cir.2004).
would have violated § 43(a) if it “had bought some of [the plaintiff’s] videotapes and merely repackaged them as its own.” Id. at 31. But because the defendant “produced its very own series of videotapes” and was thus the manufacturer of “the physical ‘goods’ that [were] made available to the public,” the court held that the defendant’s designation of itself as the “origin” of the goods was not false, even though its products were almost wholesale copies of the plaintiff’s previous work. Id.

Thus, reselling goods that have been manufactured by someone else carries different consequences than making your own copies of those goods and marketing them under your own mark. “[T]aking tangible goods and reselling them as your own constitutes a Lanham Act violation; taking the intellectual property contained in those goods and incorporating it into your own goods does not.” Stolle Mach. Co., 2015 WL 1137429, at *12 (citation omitted); see also Gen. Universal Sys., Inc. v. Lee, 379 F.3d 131, 149 (5th Cir.2004) (no reverse passing off where the defendant copied software ideas and concepts but did not take “tangible copies” of the software and market them under its own mark); Zyla v. Wadsworth, Div. of Thomson Corp., 360 F.3d 243, 252 (1st Cir.2004) (no reverse passing off where the defendant was the manufacturer of the physical book, even though it allegedly failed to attribute the source of its creative content); McArdle v. Mattel Inc., 456 F.Supp.2d 769, 783 (E.D.Tex.2006) (“[O]rigin of goods’ means the physical producer of tangible products marketed and sold.”); Monsanto Co. v. Syngenta Seeds, Inc., 443 F.Supp.2d 648, 652 (D.Del.2006) (holding that corn seed—not the seed’s genetic traits—was the tangible product relevant to a reverse passing off claim).

In this case, it is undisputed that Pace manufactured the tangible cloned objects that it represented as having manufactured. The undisputed facts thus show that Pace never made a false designation of the products’ “origin” within the meaning of § 43(a). Pace represented that the cloned products originated with Pace; and even though the ideas and initial design may well have originated with Best, the tangible products themselves did not. See Dastar, 539 U.S. at 34. For purposes of the Lanham Act, the physical products originated with Pace, the entity that manufactured them. Where the initial ideas for the products came from is irrelevant. Id. at 32; see also Enzo Biochem, Inc. v. Amersham PLC, 981 F.Supp.2d 217, 228 (S.D.N.Y.2013) (no reverse passing off where defendant represented goods as its own and plaintiff did not manufacture the goods but only “had a distribution contract with [defendant] by which [defendant] would manufacture the products and distribute them”).

Best resists this conclusion by asserting that it, not Pace, was the “origin” under Dastar because it “commissioned or assumed responsibility for (‘stood behind’) production of the physical product.” Dastar, 539 U.S. at 32. But Best’s argument neglects two important things. First, Dastar opined only that a “trademark owner who commissioned or assumed responsibility” for the production of the product might qualify as the product’s origin. Id. (emphasis added). Best has never claimed that it owns a relevant trademark with respect to the Pace-branded, cloned products. Second—and more fundamentally—Best neither “commissioned” nor “assumed responsibility” for the cloned products. Id. Pace
manufactured them on its own initiative and against the wishes of Best. As tangible objects, the cloned products are in every respect Pace’s alone—Best would much rather that they never have been produced at all. Under no reading of Dastar can Best be considered the cloned products’ “origin” within the meaning of § 43(a). See Enzo Biochem, 981 F.Supp.2d at 228 (“[T]he author of ideas is not the origin of goods if the author is not also producing those goods in tangible form.” (internal quotation marks and alteration omitted)).

Nor is Best’s position supported by authority suggesting that a reverse passing off case “includes situations in which a defendant markets another’s product that has been only slightly modified and then relabeled.” Pioneer Hi-Bred Int’l v. Holden Found. Seeds, Inc., 35 F.3d 1226, 1241 (8th Cir.1994); see also Roho, Inc. v. Marquis, 902 F.2d 356, 359 (5th Cir.1990). But see Bretford, 419 F.3d at 580 (“No one makes a product from scratch, with trees and iron ore entering one end of the plant and a finished consumer product emerging at the other.”). Even assuming that this line of authority has survived Dastar, it is inapposite because Pace was not reselling a product that had been manufactured by Best. Instead of taking a preexisting tangible object and then modifying it, Pace manufactured “its very own series” of objects, albeit using ideas that it had gleaned largely from Best. Dastar, 539 U.S. at 31. As far as the tangible items are concerned, Pace was not marketing Best’s products; it was marketing its own.

To the extent that the district court’s liability finding stemmed from an intuition that the Lanham Act prohibits wholesale copying, that intuition is misplaced. Protection against imitation and mimicry ordinarily is found in patent and copyright law, not in the Lanham Act. “In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.” TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 29 (2001). The Lanham Act—which, unlike the patent and copyright regimes, creates exclusive rights that have no automatic expiration—does not create “a species of perpetual patent and copyright,” nor does it create “a cause of action for, in effect, plagiarism—the use of otherwise unprotected works and inventions without attribution.” Dastar, 539 U.S. at 33–34, 36, 37. That is because the Act “does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.” Id. at 34. Instead, the Lanham Act’s “general concern is with protecting consumers from confusion as to source,” Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 157 (1989), and preventing consumer confusion does not warrant reading § 43(a)’s prohibition against false designation of origin so broadly that it provides a way for inventors to stifle indefinitely the mimicry of items that have been neither patented nor copyrighted. Dastar, 539 U.S. at 34–37; Groeneveld Transp. Efficiency, Inc. v. Lubecon Int’l, Inc., 730 F.3d 494, 513 (6th Cir.2013). It does not matter that Best may have created the market for the products in question. See Dastar, 539 U.S. at 36–37 (production of knockoff product is not reverse passing off); Bretford, 419 F.3d at 581 (same). Best cannot use a false-designation Lanham Act claim to substitute for failing to have a protectable intellectual property right in the products.
Because “the person or entity that originated the ideas” embodied in a good or service is not the “origin” of the good or service for purposes of § 43(a), a manufacturer does not falsely designate a product’s origin under the Lanham Act if it makes an exact replica of someone else’s item and labels the item as its own. Dastar, 539 U.S. at 32. At bottom, Best’s Lanham Act claims are an attempt to recover from Pace for stealing its product ideas to manufacture a rival, facsimile product. That is not what the Lanham Act guards against. Id. at 34. “Businesses often think competition unfair, but federal law encourages wholesale copying, the better to drive down prices. Consumers rather than producers are the objects of the law’s solicitude.” Bretford, 419 F.3d at 581. “The right question ... is whether the consumer knows who has produced the finished product” even if “most of the product’s economic value came from elsewhere.” Id. Regardless of whether Pace’s conduct was prohibited under other legal regimes, it was not prohibited by the Lanham Act.

3.

The district court’s finding that Pace also violated § 43(a)’s prohibition against false advertising, see 15 U.S.C. § 1125(a)(1)(B), is defective for largely the same reasons. The parties appear to assume that the false-advertising claim is almost exactly identical to the false-designation claim. The district court followed suit, holding that § 1125(a)(1)(B) prohibits exactly the same reverse passing off behavior—a defendant “marketing other companies’ products as its own”—that is prohibited under § 1125(a)(1)(A). For the same reasons that it found that Pace had falsely designated the products’ origin, the district court found that Pace’s use of “Best products” in Pace’s own catalogs “constitutes a misleading representation through marketing as to the origin of a product” and thereby violated § 1125(a)(1)(B).

This reasoning was not quite correct. Even if the analysis of a false-advertising claim exactly mirrored the analysis of the false-designation claim, the district court would have been incorrect to conclude that a product’s “origin” references the originator of the concepts embodied in the product. Under Dastar, the term denotes only the manufacturer of the tangible object, which means that Pace’s advertising was not false. See 539 U.S. at 32.

But in any event, false-advertising claims involving a misrepresentation about a product’s “origin” under subsection (B) are not subject to an analysis that is identical to false-designation claims under subsection (A). Subsection (B) prohibits the use in commercial advertising of a false “designation of origin” or other factual misrepresentation about “the nature, characteristics, qualities, or geographic origin” of the goods or services in question. 15 U.S.C. § 1125(a)(1)(B). The products’ geographic origin is not at issue in this case. And as we have previously suggested, a misrepresentation about the source of the ideas embodied in a tangible object (such as a misrepresentation about the author of a book or the designer of a widget) is not a misrepresentation about the nature, characteristics, or qualities of the object. Romero v. Buhimschi, 396 F. App’x 224, 233 (6th Cir.2010). Absent a false statement about geographic origin, a misrepresentation is actionable under § 1125(a)(1)(B) only if it misrepresents the “characteristics of the good itself”—such as its properties or capabilities.
Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137, 1144 (9th Cir.2008). The statute does not encompass misrepresentations about the source of the ideas embodied in the object (such as a false designation of authorship); to hold otherwise would be to project the Lanham Act into the province of the Copyright and Patent Acts. See Baden Sports, Inc. v. Molten USA, Inc., 556 F.3d 1300, 1307 (Fed.Cir.2009). But see Malla Pollack, Reclassifying Reverse Passing Off As Failure to Contract or As False Advertising, 17 B.U. J. SCI. & TECH. L. 40, 49–50 (2011) (arguing that use of a competitor’s branded product in advertising materials, even where the mark is not visible, could support a false advertising claim).

The district court did not find that Pace made any false representation about the characteristics of the cloned products themselves; it found that Pace’s advertisements were false only because they represented that Pace, rather than Best, was the intellectual origin of the products. Because § 1125(a)(1)(B) does not impose liability for misrepresenting the intellectual progenitor of a tangible product, the district court erred in finding that Pace’s conduct violated the statute. Its judgment finding Pace liable on both Lanham Act claims is reversed.

... [Reversed as to the Lanham Act claims.]

At p. 928, add the following to the end of Problem 11-2 after the Leaffer cite:

See also Maloney v. T3 Media, Inc., 853 F.3d 1004 (9th Cir. 2017) (upholding a determination that copyright preempted former collegiate athletes’ right-of-publicity claims); Dryer v. National Football League, 814 F.3d 938 (8th Cir. 2016) (upholding a determination that copyright preempted retired NFL football player’s right-of-publicity claim).

At p. 960, add the following to the end of note 1:

In similar litigation brought on behalf of former NFL players against EA Sports involving video games depicting historic NFL teams and avatars resembling the former players, the Ninth Circuit likewise applied the transformative use defense, and found liability. Davis v. Electronic Arts Inc., 775 F.3d 1172 (9th Cir. 2015) (NFL fans of a certain age might recognize some of the named plaintiffs: Vince Ferragamo and Billy Joe Dupree, among others).

At p. 960, add the following to the end of note 3:

See also Sarver v. Chartier, 813 F.3d 891 (9th Cir. 2016) (First Amendment would have precluded a right-of-publicity claim against producers of the movie “The Hurt Locker”
brought by an individual who contended that the main character in the movie was based on him).

At p. 962, before Problem 11-4, add the following new case:

MICHAEL JORDAN v. JEWEL FOOD STORES, INC.
743 F.3d 509 (7th Cir. 2014)

SYKES, Circuit Judge:

This trademark and right-of-publicity dispute pits basketball legend Michael Jordan against Jewel Food Stores, Inc., the operator of 175 Jewel-Osco supermarkets in and around Chicago. On the occasion of Jordan induction into the Naismith Memorial Basketball Hall of Fame in September 2009, Time, Inc., the publisher of Sports Illustrated, produced a special commemorative issue of Sports Illustrated Presents devoted exclusively to Jordan’s remarkable career. Jewel was offered free advertising space in the issue in exchange for agreeing to stock the magazine in its stores. Jewel accepted the offer and submitted a full-page ad congratulating Jordan on his induction into the Hall of Fame. The ad ran on the inside back cover of the commemorative issue, which was available on newsstands for a three-month period following the induction ceremony.

To Jordan the ad was not a welcome celebratory gesture but a misappropriation of his identity for the supermarket chain’s commercial benefit. He responded with this $5 million lawsuit alleging violations of the federal Lanham Act, the Illinois Right of Publicity Act, the Illinois deceptive-practices statute, and the common law of unfair competition. Jewel denied liability under these laws and also claimed a blanket immunity from suit under the First Amendment. The district court sided with Jewel on the constitutional defense, prompting this appeal.

Jewel maintains that its ad is “noncommercial” speech and thus has full First Amendment protection. Jordan insists that the ad is garden-variety commercial speech, which gets reduced constitutional protection and may give rise to liability for the private wrongs he alleges in this case. As the case comes to us, the commercial/noncommercial distinction is potentially dispositive. If the ad is properly classified as commercial speech, then it may be regulated, normal liability rules apply (statutory and common law), and the battle moves to the merits of Jordan’s claims. If, on the other hand, the ad is fully protected expression, then Jordan agrees with Jewel that the First Amendment provides a complete defense and his claims cannot proceed. The district court held that the ad was fully protected noncommercial speech and entered judgment for Jewel.

We reverse. Jewel’s ad, reproduced below, prominently features the “Jewel-Osco” logo and marketing slogan, which are creatively and conspicuously linked to Jordan in the text of the ad’s congratulatory message. Based on its content and context, the ad is properly classified
as a form of image advertising aimed at promoting the Jewel-Osco brand. The ad is commercial speech and thus is subject to the laws Jordan invokes here. The substance of Jordan case remains untested, however; the district court's First Amendment ruling halted further consideration of the merits. We remand for further proceedings.

I. Background

On September 11, 2009, Jordan was inducted into the Basketball Hall of Fame. In light of the occasion, Time, Inc., the publisher of Sports Illustrated, produced a special edition of Sports Illustrated Presents to celebrate Jordan's noteworthy career. The commemorative issue was not distributed to regular Sports Illustrated subscribers, but rather was sold separately in stores. The issue was titled “Jordan: Celebrating a Hall of Fame Career” and was slated to be offered for sale from late October 2009 until late January 2010.

About a month prior to publication, a Time sales representative contacted Jewel to offer free advertising space in the commemorative issue in return for a promise to stock and sell the magazines in its stores. Jewel agreed to the deal and had its marketing department design a full-page color ad. The ad combines textual, photographic, and graphic elements, and prominently includes the Jewel-Osco logo and the supermarket chain's marketing slogan, “Good things are just around the corner.” The logo and slogan—are registered trademarks—are positioned in the middle of the page, above a photo of a pair of basketball shoes, each bearing Jordan’s number “23.” The text of the ad reads as follows:

A Shoe In!
After six NBA championships, scores of rewritten record books and numerous buzzer beaters, Michael Jordan’s elevation in the Basketball Hall of Fame was never in doubt! Jewel-Osco salutes # 23 on his many accomplishments as we honor a fellow Chicagoan who was “just around the corner” for so many years.

Time accepted Jewel’s ad and placed it on the inside back cover of the commemorative issue, which featured Sports Illustrated editorial content and photographs from the magazine’s prior coverage of Jordan's career. Among other advertisements, the commemorative issue

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1 Jordan, of course, is the superstar former Chicago Bulls basketball player. During his fabled career, Jordan led the Bulls to six National Basketball Association championships, winning myriad awards and countless accolades as the best player in the game. See Legends profile: Michael Jordan, NBA HISTORY, http://www.nba.com/history/legends/michael-jordan (Mar. 4, 2013, 4:14 PM) (last visited Feb. 10, 2014). Although the district court did not make a factual finding on the matter, according to the NBA's website, Jordan is “[b]y acclamation ... the greatest basketball player of all time.” Id. For another view, see NBA's best all-time? You be the judge, CHI. TRIB. (Mar. 23, 2012), http://articles.chicagotribune.com/2012-03-23/sports/ct-spt-0324-mitchell-20120324_1_the-nba-kareem-abdul-jabbar-lebron-james (last visited Feb. 10, 2014), suggesting that the “best ever” title should go to Kareem Abdul-Jabbar based on lifetime statistics. The Milwaukee judges on this panel would not dissent from that. [Ed. Note: Judge Sykes, of course, was writing in the era B.C. – “Before Curry.”]
also contained a full-page congratulatory ad by a rival Chicago-area grocery chain. We include a copy of Jewel’s ad at the end of this opinion.

Soon after the commemorative issue hit the newsstands, Jordan filed this lawsuit against Jewel in Illinois state court alleging violations of the Illinois Right of Publicity Act, [state unfair competition law, and the Lanham Act.] He sought $5 million in damages, plus punitive damages on the state-law claims and treble damages on the Lanham Act claim. Jewel removed the case to federal court.

Following discovery, Jewel moved for summary judgment raising the First Amendment as a defense and arguing that its ad qualified as “noncommercial” speech and was entitled to full constitutional protection. Jordan filed a cross-motion for partial summary judgment on the issue of whether Jewel’s ad was a commercial use of his identity. In a thoughtful opinion, the district court agreed with Jewel that the ad was noncommercial speech and sought further briefing on the implications of that classification. Jewel maintained that the commercial-speech ruling conclusively defeated all of Jordan’s claims. Jordan agreed, accepting Jewel’s position that the First Amendment provided a complete defense. The court accordingly entered final judgment in favor of Jewel, and Jordan appealed.

II. Discussion

A. Some Context for the Commercial–Speech Classification

Jordan’s appeal requires us to decide whether Jewel’s ad is properly classified as commercial speech or noncommercial speech under the Supreme Court’s First Amendment jurisprudence. Before addressing the substance of that question, we take a moment to place it in the context of the claims raised in this litigation, which arise from different sources of law but all center on Jordan’s allegation that Jewel misappropriated his identity for its commercial benefit.

Jordan is a sports icon whose name and image are deeply embedded in the popular culture and easily recognized around the globe. His singular achievements on the basketball court have made him highly sought after as a celebrity endorser; as a retired player who continues to reap the economic value of his reputation in the history of the game, he understandably guards the use of his identity very closely. The Lanham Act and the other laws he invokes here enable him to do that.

Jewel argues that Jordan’s claims can’t succeed because its ad is fully protected noncommercial speech under the First Amendment. We understand this to be an argument that the First Amendment prevents the court from applying these laws to any speech that is considered “noncommercial” in the constitutional sense, thus providing a complete constitutional defense to all claims. Jordan accepts this legal premise, so we take the point as
conceded. But the law in this area is considerably more complex than the parties' agreement implies.4


This is not a public-law case; it's a clash of private rights. Even if Jewel's ad qualifies as noncommercial speech, it's far from clear that Jordan's trademark and right-of-publicity claims fail without further ado. According to a leading treatise on trademark and unfair-competition law, there is no judicial consensus on how to resolve conflicts between intellectual-property rights and free-speech rights; instead, the courts have offered "a buffet of various legal approaches to [choose] from." 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31.139 (4th ed. 2013). The Supreme Court has not addressed the question, and decisions from the lower courts are a conflicting mix of balancing tests and frameworks borrowed from other areas of free-speech doctrine.5

4 The analytical ground shifted a bit during oral argument. Jewel's counsel argued that the federal and state laws at issue here, by their own terms, apply only to commercial speech as defined by First Amendment jurisprudence. So Jewel's free-speech defense might be understood as using the First Amendment commercial-speech inquiry as a proxy for determining whether the speech potentially falls within the scope of these laws. It is true that each of the statutory and common-law claims alleged here has a "commercial" element in one form or another, but it's not clear that the Supreme Court's commercial-speech doctrine should be used to define this term in each cause of action. As to the Lanham Act claim in particular, we have cautioned against interpreting the scope of the statute in this way. See First Health Grp. Corp. v. BCE Emergis Corp., 269 F.3d 800, 803 (7th Cir. 2001). We don't need to address this matter further because the parties haven't briefed the extent to which the scope of the Lanham Act (or the state laws) is coextensive with the Supreme Court's constitutional commercial-speech doctrine.

5 See, e.g., Facenda v. NFL Films, Inc., 542 F.3d 1007, 1015–18 (3d Cir.2008) (canvassing the caselaw but ultimately avoiding the issue after finding that the film in question was commercial speech); Downing v. Abercrombie & Fitch, 265 F.3d 994, 1001–03 (9th Cir.2001) (rejecting a First Amendment defense to right-of-publicity claim under California law); Hoffman v. Capital Cities/ABC
Jordan’s litigating position allows us to sidestep this complexity. The parties have agreed that if Jewel’s ad is “noncommercial speech” in the constitutional sense, then the First Amendment provides a complete defense to all claims in this suit. We’re not sure that’s right, but for now we simply note the issue and leave it for another day. With that large unsettled question reserved, we move to the task of classifying Jewel’s ad as commercial or noncommercial speech for constitutional purposes. This is a legal question, so our review is de novo. [cit.]

B. Commercial or Noncommercial Speech?

1. The commercial-speech doctrine

The First Amendment prohibits the government from “abridging the freedom of speech.” U.S. CONST. amend. I. Because “not all speech is of equal First Amendment importance,” Snyder v. Phelps, 131 S.Ct. 1207, 1215 (2011) (quoting Hustler Magazine, Inc. v. Falwell, 485 U.S. 46, 56 (1988)), certain categories of speech receive a lesser degree of constitutional protection. Commercial speech was initially viewed as being outside the ambit of the First Amendment altogether. See Valentine v. Chrestensen, 316 U.S. 52, 54 (1942). That understanding has long since been displaced. Current doctrine holds that commercial speech is constitutionally protected but governmental burdens on this category of speech are scrutinized more leniently than burdens on fully protected noncommercial speech. [cit.]

The Court's rationale for treating commercial speech differently rests on the idea that commercial speech is “more easily verifiable by its disseminator” and “more durable”—that is, less likely to be chilled by regulations—than fully protected noncommercial speech. Va. Pharmacy Bd., 425 U.S. at 771 n. 24. Other cases explain that the more deferential degree of judicial scrutiny is justified because commercial speech “occurs in an area traditionally subject to government regulation.” Lorillard Tobacco Co. v. Reilly, 533 U.S. 525, 554 (2001) (quoting Cent. Hudson, 447 U.S. at 562). Whatever the justification, the Court has not strayed from its commercial-speech jurisprudence despite calls for it to do so. [cit.]

To determine whether speech falls on the commercial or noncommercial side of the constitutional line, the Court has provided this basic definition: Commercial speech is "speech that proposes a commercial transaction."6 Fox, 492 U.S. at 482 (emphasis deleted).

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6 The Court has also defined commercial speech as “expression related solely to the economic interests of the speaker and its audience.” Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of N.Y., 447 U.S. 55
It's important to recognize, however, that this definition is just a starting point. Speech that does no more than propose a commercial transaction “fall[s] within the core notion of commercial speech,” Bolger, 463 U.S. at 66, but other communications also may “constitute commercial speech notwithstanding the fact that they contain discussions of important public issues,” Fox, 492 U.S. at 475 (quoting Bolger, 463 U.S. at 67–68).

Indeed, the Supreme Court has “‘made clear that advertising which links a product to a current public debate is not thereby entitled to the constitutional protection afforded noncommercial speech.’” Zauderer, 471 U.S. at 637 n. 7 (quoting Bolger, 463 U.S. at 68) (internal quotation marks omitted). Although commercial-speech cases generally rely on the distinction between speech that proposes a commercial transaction and other varieties of speech, id. at 637, it's a mistake to assume that the boundaries of the commercial-speech category are marked exclusively by this “core” definition. To the contrary, there is a “common-sense distinction” between commercial speech and other varieties of speech, and we are to give effect to that distinction.

The Supreme Court's decision in Bolger is instructive on this point. Bolger dealt with the question of how to classify speech with both noncommercial and commercial elements. There, a prophylactics manufacturer published informational pamphlets providing general factual information about prophylactics but also containing information about the manufacturer's products in particular. Bolger, 463 U.S. at 62. The manufacturer brought a pre-enforcement challenge to a federal statute that prohibited the unsolicited mailing of advertisements about contraceptives. The Supreme Court held that although the pamphlets did not expressly propose a commercial transaction, they were nonetheless properly classified as commercial speech based on the following attributes: the pamphlets were a form of advertising, they referred to specific commercial products, and they were distributed by the manufacturer for economic purposes. Id. at 66–67.

We have read Bolger as suggesting certain guideposts for classifying speech that contains both commercial and noncommercial elements; relevant considerations include “whether: (1) the speech is an advertisement; (2) the speech refers to a specific product; and (3) the speaker has an economic motivation for the speech.” This is just a general framework, however; no one factor is sufficient, and Bolger strongly implied that all are not necessary. See Bolger, 463 U.S. at 67 n. 14 (“Nor do we mean to suggest that each of the characteristics present in this case must necessarily be present in order for speech to be commercial.”).

2. Applying the doctrine

Jewel argues that its ad doesn't propose a commercial transaction and therefore flunks the leading test for commercial speech. As we have explained, the commercial-speech category is not limited to speech that directly or indirectly proposes a commercial transaction. Jewel nonetheless places substantial weight on this test, and the district judge did as well. Although neither relies exclusively on it, the district court’s opinion and Jewel’s defense of it on appeal both press heavily on the argument that the ad doesn't propose a commercial transaction, so we will start there.

It’s clear that the textual focus of Jewel’s ad is a congratulatory salute to Jordan on his induction into the Hall of Fame. If the literal import of the words were all that mattered, this celebratory tribute would be noncommercial. But evaluating the text requires consideration of its context, and this truism has special force when applying the commercial-speech doctrine. Modern commercial advertising is enormously varied in form and style.

We know from common experience that commercial advertising occupies diverse media, draws on a limitless array of imaginative techniques, and is often supported by sophisticated marketing research. It is highly creative, sometimes abstract, and frequently relies on subtle cues. The notion that an advertisement counts as “commercial” only if it makes an appeal to purchase a particular product makes no sense today, and we doubt that it ever did. An advertisement is no less “commercial” because it promotes brand awareness or loyalty rather than explicitly proposing a transaction in a specific product or service. Applying the “core” definition of commercial speech too rigidly ignores this reality. Very often the commercial message is general and implicit rather than specific and explicit.

Jewel’s ad served two functions: congratulating Jordan on his induction into the Hall of Fame and promoting Jewel’s supermarkets. The first is explicit and readily apparent. The ad contains a congratulatory message remarking on Jordan’s record-breaking career and celebrating his rightful place in the Basketball Hall of Fame. Jewel points to its longstanding corporate practice of commending local community groups on notable achievements, giving as examples two public-service ads celebrating the work of Chicago’s Hispanocare and South Side Community Services. The suggestion seems to be that the Jordan ad belongs in this “civic booster” category: A praise-worthy “fellow Chicagoman” was receiving an important honor, and Jewel took the opportunity to join in the applause.

But considered in context, and without the rose-colored glasses, Jewel's ad has an unmistakable commercial function: enhancing the Jewel-Osco brand in the minds of consumers. This commercial message is implicit but easily inferred, and is the dominant one.

We begin by making a point that should be obvious but seems lost on Jewel: There is a world of difference between an ad congratulating a local community group and an ad congratulating a famous athlete. Both ads will generate goodwill for the advertiser. But an ad congratulating a famous athlete can only be understood as a promotional device for the
advertiser. Unlike a community group, the athlete needs no gratuitous promotion and his identity has commercial value. Jewel's ad cannot be construed as a benevolent act of good corporate citizenship.

As for the other elements of the ad, Jewel-Osco's graphic logo and slogan appear just below the textual salute to Jordan. The bold red logo is prominently featured in the center of the ad and in a font size larger than any other on the page. Both the logo and the slogan are styled in their trademarked ways. Their style, size, and color set them off from the congratulatory text, drawing attention to Jewel-Osco's sponsorship of the tribute. Apart from the basketball shoes, the Jewel-Osco brand name is the center of visual attention on the page. And the congratulatory message specifically incorporates Jewel's slogan: "as we honor a fellow Chicagoan who was ‘just around the corner’ for so many years." The ad is plainly aimed at fostering goodwill for the Jewel brand among the targeted consumer group—“fellow Chicagoans” and fans of Michael Jordan—for the purpose of increasing patronage at Jewel-Osco stores.

The district judge nonetheless concluded that the ad was not commercial speech based in part on his view that “readers would be at a loss to explain what they have been invited to buy,” a reference to the fact that the ad features only the tribute to Jordan, the Jewel-Osco logo and slogan, and a pair of basketball shoes. Granted, Jewel does not sell basketball shoes; it's a chain of grocery stores, and this ad contains not a single word about the specific products that Jewel-Osco sells, nor any product-specific art or photography. The Supreme Court has said that the failure to reference a specific product is a relevant consideration in the commercial-speech determination. See Bolger, 463 U.S. at 66–67. But it is far from dispositive, especially where “image” or brand advertising rather than product advertising is concerned.

Image advertising is ubiquitous in all media. Jewel's ad is an example of a neighborly form of general brand promotion by a large urban supermarket chain. What does it invite readers to buy? Whatever they need from a grocery store—a loaf of bread, a gallon of milk, perhaps the next edition of Sports Illustrated—from Jewel-Osco, where "good things are just around the corner." The ad implicitly encourages readers to patronize their local Jewel-Osco store. That it doesn't mention a specific product means only that this is a different genre of advertising. It promotes brand loyalty rather than a specific product, but that doesn't mean it's “noncommercial.”

The district judge was not inclined to put much stock in the ad's use of Jewel-Osco's slogan and graphic logo. Specifically, he considered the logo as little more than a convenient method of identifying the speaker and characterized the slogan as simply a means of ensuring “that the congratulatory message sounded like it was coming from Jewel.” Dismissing the logo and slogan as mere nametags overlooks their value as advertising tools. The slogan is attached to the Jewel-Osco graphic logo and is repeated in the congratulatory message itself, which describes Jordan as “a fellow Chicagoan who was ‘just around the corner’ for so many years.” This linkage only makes sense if the aim is to promote shopping at Jewel-Osco stores.
Indeed, Jewel’s copywriter viewed the repetition of the slogan the same way we do; she thought it was “too selly” and “hitting too over the head.”

In short, the ad’s commercial nature is readily apparent. It may be generic and implicit, but it is nonetheless clear. The ad is a form of image advertising aimed at promoting goodwill for the Jewel–Osco brand by exploiting public affection for Jordan at an auspicious moment in his career.

Our conclusion is confirmed by application of the Bolger framework, which applies to speech that contains both commercial and noncommercial elements. Again, the Bolger inquiry asks whether the speech in question is in the form of an advertisement, refers to a specific product, and has an economic motive. [cit.]

Jewel’s ad certainly qualifies as an advertisement in form. Although the text is congratulatory, the page nonetheless promotes something to potential buyers: Jewel–Osco supermarkets. Jewel’s ad is easily distinguishable from the magazine’s editorial content. Although the district court properly characterized it as “embrac[ing] the issue’s theme,” the ad obviously isn’t part of the editorial coverage of Jordan’s career. It isn’t an article, a column, or a news photograph or illustration. It looks like, and is, an advertisement.

We can make quick work of the second and third Bolger factors. As we have explained, although no specific product or service is offered, the ad promotes patronage at Jewel–Osco stores more generally. And there is no question that the ad serves an economic purpose: to burnish the Jewel–Osco brand name and enhance consumer goodwill. The record reflects that Jewel received Time’s offer of free advertising space enthusiastically; its marketing representatives said it was a “great offer” and it “would be good for us to have our logo in Sports Illustrated” because “having your logo in any location where people see it is going to help your company.” Indeed, Jewel gave Time valuable consideration—floor space in Jewel–Osco grocery stores—in exchange for the full-page ad in the magazine, suggesting that it expected valuable brand-enhancement benefit from it. We don’t doubt that Jewel’s tribute was in a certain sense public-spirited. We only recognize the obvious: that Jewel had something to gain by conspicuously joining the chorus of congratulations on the much-anticipated occasion of Jordan’s induction into the Basketball Hall of Fame. Jewel’s ad is commercial speech.

A contrary holding would have sweeping and troublesome implications for athletes, actors, celebrities, and other trademark holders seeking to protect the use of their identities or marks. Image advertising (also known as “institutional advertising”) is commonplace in our society. Rather than expressly peddling particular products, this form of advertising features appealing images and subtle messages alongside the advertiser’s brand name or logo with the aim of linking the advertiser to a particular person, value, or idea in order to build goodwill for the brand. [cit].

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To pick a current example for illustrative purposes, think of the television spots by the corporate sponsors of the Olympics. Many of these ads consist entirely of images of the American athletes coupled with the advertiser's logo or brand name and an expression of support for the U.S. Olympic team; nothing is explicitly offered for sale. Jewel's ad in the commemorative issue belongs in this genre. It portrays Jewel–Osco in a positive light without mentioning a specific product or service—in this case, by invoking a superstar athlete and a celebratory message with particular salience to Jewel's customer base. To say that the ad is noncommercial because it lacks an outright sales pitch is to artificially distinguish between product advertising and image advertising. Classifying this kind of advertising as constitutionally immune noncommercial speech would permit advertisers to misappropriate the identity of athletes and other celebrities with impunity.

Nothing we say here is meant to suggest that a company cannot use its graphic logo or slogan in an otherwise noncommercial way without thereby transforming the communication into commercial speech. Our holding is tied to the particular content and context of Jewel's ad as it appeared in the commemorative issue of *Sports Illustrated Presents*.

Before closing, we take this opportunity to clarify the proper use of the “inextricably intertwined” doctrine, which the district court relied on to support its decision. That doctrine holds that when commercial speech and noncommercial speech are inextricably intertwined, the speech is classified by reference to the whole; a higher degree of scrutiny may be applied if the relevant speech “taken as a whole” is properly deemed noncommercial. [cit.] The central inquiry is not whether the speech in question combines commercial and noncommercial elements, but whether it was legally or practically impossible for the speaker to separate them.

To see how this principle works in application, consider the facts at issue in the Supreme Court's decision in *Fox*. That case involved a First Amendment challenge to a public university's ban on commercial solicitations on campus. Several students and a housewares manufacturer asserted a free-speech right to hold “Tupperware parties” in the dormitories. See id. at 472. These gatherings consisted of demonstrations and a sales pitch for the manufacturer's products, but they also touched on other, noncommercial subjects, such as “how to be financially responsible and how to run an efficient home.” Id. at 473–74. The plaintiffs maintained that the commercial and noncommercial elements of the speech were inextricably intertwined and the whole should be treated as noncommercial speech. *Id.* at 474.

The Supreme Court rejected this argument and analyzed the case under the standard applicable to commercial speech. In so doing, the Court clarified the limited applicability of the inextricably intertwined doctrine:

[T]here is nothing whatever “inextricable” about the noncommercial aspects of these [Tupperware party] presentations. No law of man or of nature makes it
impossible to sell housewares without teaching home economics, or to teach home economics without selling housewares. Nothing in the [university rule] prevents the speaker from conveying, or the audience from hearing, these noncommercial messages, and nothing in the nature of things requires them to be combined with commercial messages.

Id.

Properly understood, then, the inextricably intertwined doctrine applies only when it is legally or practically impossible for the speaker to separate out the commercial and noncommercial elements of his speech. In that situation the package as a whole gets the benefit of the higher standard of scrutiny applicable to noncommercial speech. But simply combining commercial and noncommercial elements in a single presentation does not transform the whole into noncommercial speech.

The district court relied on the Ninth Circuit's decision in Hoffman v. Capital Cities/ABC, Inc., 255 F.3d 1180 (9th Cir.2001), but there the court misapplied the inextricably intertwined doctrine. Hoffman involved a fashion article featuring popular movie stills that had been altered to make it appear as though the actors were modeling clothing from famous designers. Id. at 1183. One of the photoshopped images was of Dustin Hoffman in his role in the film “Tootsie.” Hoffman sued the magazine publisher for misappropriating his identity. The Ninth Circuit held that the article was fully protected noncommercial speech: “[T]he article as a whole is a combination of fashion photography, humor, and visual and verbal editorial comment on classic films and famous actors. Any commercial aspects are ‘inextricably entwined’ with expressive elements, and so they cannot be separated out ‘from the fully protected whole.’” Id. at 1185.

This use of the inextricably intertwined doctrine was mistaken; no law of man or nature prevented the magazine from publishing a fashion article without superimposing the latest fashion designs onto film stills of famous actors. The district court's application of Hoffman here made the same mistake. The commercial and noncommercial elements of Jewel's ad were not inextricably intertwined in the relevant sense. No law of man or nature compelled Jewel to combine commercial and noncommercial messages as it did here.

To wrap up, we hold that Jewel’s ad in the commemorative issue qualifies as commercial speech. This defeats Jewel’s constitutional defense, permitting Jordan’s case to go forward. We note that the lone federal claim in the suit—a false-endorsement claim under § 43(a) of the Lanham Act—requires proof that Jewel’s congratulatory ad caused a likelihood of confusion that Jordan was a Jewel-Osco sponsor or endorsed its products and services. See, e.g., Facenda v. NFL Films, Inc., 542 F.3d 1007, 1014–15 (3d Cir. 2008). Because the merits have not been briefed, we express no opinion on the substance of Jordan’s claims under the Lanham Act or any of the state-law theories. We remand to permit the parties to address
whether the Lanham Act claim warrants a trial, and if not, whether the district court should retain or relinquish supplemental jurisdiction over the state-law claims. [cit.]

[Reversed and remanded.]
A Shoe In!

After six NBA championships, scores of rewritten record books and numerous buzzer beaters, Michael Jordan’s elevation in the Basketball Hall of Fame was never in doubt! Jewel-Osco salutes #23 on his many accomplishments as we honor a fellow Chicagoan who was “just around the corner” for so many years.

Jewel-Osco

Good things are just around the corner.
REMEDIES

At p. 976 add the following to note 2:

See also Herb Reed Enterprises, LLC v. Florida Entertainment Mgmt., Inc., 736 F.3d 1239 (9th Cir. 2013).

At p. 976 add the following to note 3:

See also Berkley Networks Corp. v. InMarket Media, LLC, 114 U.S.P.Q.2d (BNA) 1169 (S.D.N.Y. 2014) (denying preliminary injunction despite plaintiff showing likelihood of success on the merits because plaintiff waited 11 months after release of allegedly infringing products to bring lawsuit undermining the claim of irreparable harm); Wreal, LLC v. Amazon.com, Inc., 840 F.3d 1244 (11th Cir. 2016) (holding that unexplained five-month delay in seeking a preliminary injunction, by itself, fatally undermined any showing of irreparable injury).

At p. 997 add the following to note 9 (follow on paragraph):

On the position of the Second Circuit, see also Romag Fasteners v. Fossil, Inc., 817 F.3d 782 (Fed. Cir. 2016) (requiring willful infringement for recovery of profits).

At p. 1009, add the following to note 1:

In Octane Fitness, LLC v. Icon Health & Fitness, Inc., 134 S.Ct. 1749 (2014), the Supreme Court ruled that under the attorneys’ fees provision in the patent statute, 35 U.S.C. § 285, “an ‘exceptional’ case is simply one that stands 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.” Id. at 1756. This standard eliminates the need to show that a party acted in subjective bad faith in addition to bringing an objectively baseless claim. Id. The Octane Court also had noted that Lanham Act Section 35(a) contained an identical exceptional case provision. A number of circuit have now concluded that the Octane Court was sending a “clear message” that its standard for finding a patent case exceptional should also apply to trademark cases. See Fair Wind Sailing, Inc. v. Dempster, 764 F.3d 303 (3d Cir. 2014); see also Baker v. DeShong, 821 F.3d
620 (5th Cir. 2016) (incorporating lessons from Octane); SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd., 839 F.3d 1179 (9th Cir. en banc 2016) (district courts analyzing request for attorneys’ fees should “examine ‘totality of the circumstances’ to determine if case was exceptional, exercising equitable discretion in light of the nonexclusive factors, and using a preponderance of the evidence standard”); cf. Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 265–66 (2d Cir. 2014); Burford v. Accounting Practice Sales, Inc., 786 F.3d 582, 588 (7th Cir. 2015). In SunEarth, Inc, the Ninth Circuit over-ruled Lindy Pen on the approach to attorneys’ fees to the extent that it was inconsistent with Octane.