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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	94002720
Party	Applicant Hanscomb Consulting, Inc.
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

Commissioner for Trademarks
PO Box 1451
Alexandria, VA 22313-1451

SUBMISSION OF EVIDENCE BY PLAINTIFF HANSCOMB CONSULTING, INC.:
PART T

Submitted herewith is Part T of Plaintiff’s Submission of Evidence during its rebuttal testimony period. The evidence submitted herewith consists of Notices of Reliance 1-7 submitted in compliance with 37 C.F.R. 2.122. Each Notice of Reliance includes a submission that explains the relevance of the submission to the issues before the Trademark Trial and Appeal Board in this proceeding. For the Board’s convenience, the names of the files attached hereto are:

- HanscombConsultingReliance1
- HanscombConsultingReliance2
- HanscombConsultingReliance3
- HanscombConsultingReliance4
- HanscombConsultingReliance5
- HanscombConsultingReliance6

Date: December 17, 2018

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ H. Jay Spiegel

By H. Jay Spiegel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **SUBMISSION OF EVIDENCE BY PLAINTIFF HANSCOMB CONSULTING, INC.: PART T** was served on Defendant's Counsel via e-mail this 17th day of December, 2018, addressed to:

Thomas A. O'Rourke
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Date: December 17, 2018

By: */s/ H. Jay Spiegel*_____

H. Jay Spiegel

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Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 1 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith are the following treatises downloaded from the Internet in December 2018:

Goodwin, Meaghan E.: Pricey Purchases and Classy Customers: Why Sophisticated Consumers Do Not Need the Protection of Trademark Laws, Journal of Intellectual Property Law, University of Georgia Law, Volume 12, Issue 1, Article 9, October 2004.

Weinberg, Justin P. et al.: Stop Letting Wine Crash the Wedding: Craft Beer Consumers are Sophisticated Buyers, Volume 8, Issue 1, Article 3, Mitchell Hamline School of Law, 2017.

The treatises submitted herewith concern the issue of sophistication of consumers, one of the factors the TTAB will consider in its likelihood of confusion analysis. See *E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973) and *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F2d 492, 495 (2d Cir. 1961).

The evidence uncovered during this proceeding has demonstrated the high sophistication of consumers of the services offered by Plaintiff and Defendant.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

By H. Jay Spiegel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 1 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel


October 2004

Pricey Purchases and Classy Customers: Why Sophisticated Consumers Do Not Need the Protection of Trademark Laws

Meaghan E. Goodwin

University of Georgia School of Law

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Meaghan E. Goodwin, *Pricey Purchases and Classy Customers: Why Sophisticated Consumers Do Not Need the Protection of Trademark Laws*, 12 J. INTELL. PROP. L. 255 (2004).

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PRICEY PURCHASES AND CLASSY CUSTOMERS: WHY SOPHISTICATED CONSUMERS DO NOT NEED THE PROTECTION OF TRADEMARK LAWS

I. INTRODUCTION

Knockoff handbags permeate our society. They line the streets of New York City's Chinatown and have even entered the world of suburban shopping mall kiosks. Modern society is increasingly label conscious and seems to have an insatiable desire for the latest hot item, settling for a fake when the real is out of reach. The law, however, has not been modernized to match the changed populus, resulting in unjust application of trademark law in certain unique situations.

One of these unique situations presented itself when Hermes International filed suit against Steven Stolman to enjoin his importation, distribution, sales and marketing of the popular "Jelly Kelly."¹ The Jelly Kelly is a synthetic rubber copy of Hermes's famous Birkin bag that was the hot item of the summer and fall of 2003.

The Eastern District of New York granted a permanent injunction on October 5, 2003 after the parties reached a confidential agreement.² This Note aims to establish that applying traditional trademark law to this case was unrealistic and unjustified and that, in unique situations where the goods at issue are very expensive and rare, the traditional test of consumer sophistication should trump the other factors in the likelihood of confusion analysis.

Part I.A identifies the history of handbags and their evolution in society over the past 1,500 years. Part I.B illustrates the history of Hermes. Part I.C depicts the background of trademark law principles applicable to this Note, including the likelihood of confusion test. Part II analyzes the different types of confusion applicable to Hermes's claim, including point-of-sale and post-sale confusion. The analysis sections are further broken down into analyses of the elements of each type of confusion, and detail what jurisdictions outside the Second Circuit and the Third Restatement on the Law of Unfair Competition have said regarding the consumer sophistication issue.

In conclusion, this Note argues for a more realistic standard in a unique area of trademark law. When the goods at issue are very expensive and elusive, the consumer sophistication analysis should be given dispositive weight rather than the nominal mention it receives from the Second Circuit generally, and as it was

¹ *Hermes Int'l v. Steven Stolman, Ltd.*, No. 03 Civ. 3722 (E.D.N.Y. July 31, 2003).

² *Id.*

assumedly given in the *Stolman* case.³ Allowing above-average sophistication to trump the other likelihood of confusion factors preserves the intent of Congress in passing federal trademark laws, in that it does not thwart the goal of protecting consumers from being misled, but it also fosters free market competition by not repressing entrepreneurs who pose no harm to the goodwill of the trademark holder. Traditional application of the likelihood of confusion standard in these unique cases obviates the rationale of the confusion standard, whereas a practical look at the real situation would produce a result consistent with congressional intent.

A. HISTORY OF HANDBAGS

A handbag is more than a collection of fabric sewn together and more than a place to hold a wallet and keys. A handbag is a reflection of the person who carries it, coming in different shapes, sizes, colors and textures. There are different bags for different outfits and different moods. They are an extension of a person, yet “unperturbed by the changes of the body or the heavy hand of age.”⁴ It is no wonder that they have been revered as accessories over the past 1,500 years.

One of the earliest handbags was a pouch type bag from Scythia, which was worn dangling from the waist.⁵ Purses were worn by both men and women throughout the Middle Ages and Renaissance.⁶ In the Fourteenth Century, the bags were adorned with jewels and embroidery for decoration and to show social status.⁷ That is, the wealthier the person, the more adorned his or her bag.

By the Seventeenth Century, men’s trousers were made with sewn-in pockets, and handbags became primarily a woman’s accessory.⁸ In the Eighteenth Century, women started to wear more fitted clothing and needed more fashionable handbags to match their various outfits.⁹ These handbags were called reticules and commonly carried rouge, face powder, a fan, and smelling salts.¹⁰ The term “handbag” was first used in the early 1900s in reference to men’s luggage bags.¹¹

³ *Id.*

⁴ ANNA JOHNSON, HANDBAGS: THE POWER OF THE PURSE, at xviii (2002).

⁵ *Id.* at xxiii.

⁶ *Id.* at xx-xxii.

⁷ HISTORY OF HANDBAGS, at http://www.henriettashandbags.com/a_history_of_handbags.html (last visited Dec. 30, 2003).

⁸ JOHNSON, *supra* note 4, at xxiii.

⁹ HISTORY OF HANDBAGS, at http://www.henriettashandbags.com/a_history_of_handbags.html, *supra* note 7.

¹⁰ *Id.*

¹¹ *Id.*

In the 1920s, the women's revolution altered attitudes about clothing and accessories, including reversing the belief that the handbag had to match the outfit.¹² The past eighty years have seen a transformation in fabrics and designs, as well as the rise of certain fashion houses, such as Prada, Gucci, Dior, and Hermes. Although handbags have evolved over time, one aspect has remained the same: the power of the purse to speak about its carrier without saying a word.

B. HISTORY OF HERMES

In Greek mythology, Hermes was the messenger of the gods, son of Zeus, brother of Apollo, and often depicted with winged sandals and a golden caduceus.¹³ Less commonly known is that Hermes was the god of commerce, protecting traders and herders.¹⁴ Thus, it is not surprising that the house known for luxury items and elegance now wants to invoke that same protection for the goods bearing his name.

Hermes International originally captured the world's attention with its equine harnesses in 1837.¹⁵ For the last 165 years Hermes has produced scarves, ties, home furnishings, perfumes, and leather goods.¹⁶ Based in the rue St. Honore' fashion district of Paris, Hermes first offered its products for sale in the United States in 1924.¹⁷ These products are sold exclusively in Hermes boutiques and other select stores licensed to sell the goods.¹⁸ Two of its most famous products are the Kelly bag and the Birkin bag. The Kelly bag gained fame after Grace Kelly was photographed with the handbag on the cover of LIFE magazine in 1956.¹⁹ The Birkin bag was developed in the 1980s after Jane Birkin sat next to Jean-Louis Dumas on an airplane and complained to him about the small size of the Kelly bag.²⁰ Each bag has the same trapezoidal shape, with a small, semi-circular

¹² *Id.*

¹³ HERMES, at <http://encarta.msn.com/encnet/refpages/RefArticle.aspx?refid=761572158&pn=1> (last visited Nov. 1, 2004).

¹⁴ *Id.*

¹⁵ Complaint ¶ 8, *Hermes Int'l v. Steven Stolman, Ltd.*, No. 03 Civ. 1782 (E.D.N.Y. July 31, 2003) [hereinafter *Complaint*].

¹⁶ *Id.*

¹⁷ *Id.* ¶ 9.

¹⁸ *Id.* ¶ 10.

¹⁹ Lynn Hirschberg, *In the Beginning, There was Leather . . .*, N.Y. TIMES, Nov. 30, 2003, § 6 (Magazine), at 114.

²⁰ *Complaint*, *supra* note 15, ¶ 13.

handle and flap design, with the Birkin bag being the larger of the two.²¹ Since its creation, the bag has become a status symbol for the well-to-do and wealthy.²²

One reason for the bag's prestige is the craftsmanship of the bag itself. Each Birkin bag is made by one senior craftsman who works on it from start to finish.²³ Each craftsman has been trained exclusively by Hermes for five years before he or she is allowed to make a bag on his own.²⁴ Furthermore, if the bag ever needs repair, it will be repaired by the same craftsman who made the bag or a craftsman who was trained by the original creator.²⁵ The bags are created with only absolute perfection in mind; thus, if there is any problem or defect in the bag, it is destroyed.²⁶ The amount of detail is unparalleled. The goat skin lining is always sewn first, then the base of the bag, then the sides, and then the handle.²⁷ The seams and handle of the bag are filed with sandpaper and dyed to match the bag, making the entire structure appear seamless and supple.²⁸ The bag is sealed with hot wax to protect it from moisture and then finally ironed gently to remove any remaining creases from the leather.²⁹ After breaking down this eighteen hour process, the starting price of \$5,000 makes a little more sense, as does the extremely long waiting list.³⁰ These bags are not mass produced items, and their craftsmanship leads to their prestige.

²¹ *Hermes Int'l v. Lederer de Paris Fifth Ave.*, 50 F. Supp. 2d 212, 215, 50 U.S.P.Q.2d (BNA) 1257, 1259 (S.D.N.Y. 1999) [hereinafter *Lederer de Paris I*].

²² The Birkin bag gained recent fame and press when the HBO hit television show *Sex and the City* featured the handbag. In the episode, Samantha tried to get around the five year waiting list by saying she was purchasing the bag for her public relations client, Lucy Liu. Undoubtedly, the devastation shown when her plan backfired has been felt by many women who can afford the bags yet must wait for one to be made. *Sex and the City: Coulda, Woulda, Shoulda* (HBO television broadcast, Aug. 5, 2001). Even more recently, the Birkin bag received tremendous press coverage when Martha Stewart carried her Birkin to court during her securities fraud trial. One journalist noted that the bag's owners viewed it as a "talisman that should confer upon them a whispered, quiet verdict: classy." Alex Kuczynski, *On This Accessory, The Jury Isn't Out*, N.Y. TIMES, Apr. 10, 2004.

²³ JOHNSON, *supra* note 4, at 58-59.

²⁴ Complaint, *supra* note 15, ¶ 14.

²⁵ *Id.*

²⁶ *Id.*

²⁷ JOHNSON, *supra* note 4, at 58-61.

²⁸ *Id.*

²⁹ *Id.*

³⁰ When questioned about the waiting list for the Birkin and Kelly bags at the Hermes boutique in Lenox Square, Atlanta, Ga., the sales associate replied that the list was "closed." She further stated that the waiting list ranges from one to five years depending on what type of material the customer wants and how soon it is available. Interview with Hermes employee, Hermes boutique, Lenox Square, in Atlanta, Ga. (Dec. 30, 2003).

The materials also add to the bags' reputation and fame. Hermes only selects five percent of the leather that is sent to it from suppliers.³¹ Although the bags are most commonly seen in leather, they have been made out of crocodile, canvas, denim, ostrich and plastic.³² The material is determined by the purchaser, again making the bag an expression of the individual.³³

The final defining feature of the Kelly and Birkin bags is the unique lock and flap closure. The design consists of two thin, horizontal leather straps with metal plates at each end that fit over a circular turn lock.³⁴ This lock can then be secured with a small padlock.³⁵ Hermes's trademark on this design is at the heart of the suit filed by Hermes International against Steven Stolman on July 30, 2003.³⁶

C. HISTORY AND BACKGROUND OF TRADEMARK LAW

A trademark is any word, name, symbol or device, or any combination which is used to identify and distinguish goods or products from other goods and products.³⁷ Trademarks are also used to indicate the source of the goods, even if that source is unknown.³⁸ Furthermore, trademarks are linked to a company's most valuable assets: its goodwill and identification of its goods and services.³⁹ Trademark rights are "not doctrinally intended to provide any right of exclusivity" with respect to the products and services established by the marks.⁴⁰ Trademarks are intended to "protect consumers from being confused, mistaken, or deceived in their purchasing decisions"⁴¹ because they can rely on marks with which they are familiar to serve as accurate source and quality indicators.⁴²

³¹ Complaint, *supra* note 15, ¶ 15.

³² *Id.* ¶ 16.

³³ JOHNSON, *supra* note 4, at 58.

³⁴ *Lederer de Paris I*, 50 F. Supp. 2d at 215.

³⁵ *Id.*

³⁶ *Stolman*, 03 Civ. 3722.

³⁷ Lanham Act, § 45(a); 15 U.S.C. § 1127 (2000).

³⁸ *Id.*

³⁹ Scott Harvison, Comment, *Two Wrongs Making a Right: Using the Third and Ninth Circuits for a Uniform Standard of Fame in Federal Dilution Law*, 25 SEATTLE U. L. REV. 867, 869 (2002).

⁴⁰ Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 725 (2004).

⁴¹ *Id.* at 737; see also *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 375, 42 U.S.P.Q.2d (BNA) 1641, 1641 (2d Cir. 1997) (stating that the "underlying purpose of the Lanham Act . . . is protecting consumers and manufacturers from deceptive representations of affiliation and origin").

⁴² See Bartow, *supra* note 40, at 730.

Trademarks were governed by common law until Congress passed the first trademark statute in 1870.⁴³ The first federal trademark law allowed the trademark holder to seek an injunction against infringers to prevent the loss of customers and profits.⁴⁴ Since this initial law, courts and Congress have tried to balance the goals of free markets and competition with those of protection and identity.⁴⁵ When the 1870 law was declared unconstitutional in 1879, trademark holders continued to press Congress for protection.⁴⁶ Congress granted that protection by passing the Trademark Act of 1905, which contained more limited protections than the earlier act.⁴⁷ As the economy and markets became more complicated and intertwined, some people argued for stricter, more comprehensive trademark protection.⁴⁸

The Trademark Act of 1946, commonly referred to as the Lanham Act, was the protection for which many of those trademark holders were searching.⁴⁹ While the 1905 Act was based on direct competition and goods with the "same descriptive properties," the Lanham Act focuses on the likelihood of consumer confusion.⁵⁰ Thus, if a trademark holder is using a mark in commerce to identify its goods, the Lanham Act provides a civil cause of action for trademark infringement against those who use the mark in a way likely to cause confusion.⁵¹

⁴³ See Act of July 8, 1870, ch. 2 tit. 60, §§ 4937-4947, 16 Stat. 198 (declared unconstitutional in *Trade-Mark Cases*, 100 U.S. 82, 97-99 (1879)). Brendan Mahaffey-Dowd, Comment, *Famous Trademarks: Ordinary Inquiry by the Courts of Marks Entitled to an Extraordinary Remedy*, 64 BROOK. L. REV. 423, 427 (1998).

⁴⁴ Mahaffey-Dowd, *supra* note 43.

⁴⁵ *Id.* at 428.

⁴⁶ *Id.*

⁴⁷ Trademark Act of 1905, c. 592, sec. 16, 33 Stat. 724. The 1905 Act only provided relief for the unauthorized use of a registered mark on "merchandise of substantially the same descriptive properties." See Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 802-04 (1997).

⁴⁸ Mahaffey-Dowd, *supra* note 43, at 428.

⁴⁹ 15 U.S.C. §§ 1051-1127 (2000).

⁵⁰ Mahaffey-Dowd, *supra* note 43, at 429.

⁵¹ 15 U.S.C. § 1125(a). The text of the statute reads, in relevant part, as follows:

1) Any person who, on or in connection with any goods or services, or any container for goods, 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.

Courts have noted that “the Lanham Act must be construed in the light of a strong federal policy in favor of vigorously competitive markets.”⁵²

Likewise, courts have held that likelihood of confusion is the “key element” of trademark infringement actions.⁵³ Under both trademark infringement and trade dress infringement, the “central inquiry” is whether there exists a likelihood that consumers will be confused.⁵⁴ Likelihood of confusion exists when either 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”⁵⁵ or when “consumers are likely to believe that the challenged use of a trademark is somehow sponsored, endorsed, or authorized by its owner.”⁵⁶

In the Second Circuit, the judicially created “likelihood of confusion” test is based on eight different factors: (1) the strength of the plaintiff’s trademark, (2) the degree of similarity between the parties’ marks, (3) the proximity of the products, (4) the likelihood that the plaintiff will “bridge the gap” between the products, (5) the existence of actual confusion, (6) the defendant’s good faith, (7) the quality of the defendant’s product, and (8) the sophistication of the consumers.⁵⁷ Although the courts have applied these factors in many cases, they have rarely held that any one is dispositive on the issue of likelihood of

⁵² *Landscape Forms*, 113 F.3d at 379; *see also* *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 119, 60 U.S.P.Q.2d (BNA) 1038, 1041 (2d Cir. 2001) (enunciating the purpose underlying trade dress protection, i.e. to protect consumers and manufacturers from deceptive representations of origin or source).

⁵³ *Gruner & Jahr USA Publ’g v. Meredith Corp.*, 991 F.2d 1072, 1074, 26 U.S.P.Q.2d (BNA) 1583, 1586 (2d Cir. 1993); *see also* *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 80, 32 U.S.P.Q.2d (BNA) 1506, 1510 (2d Cir. 1994) (stating that likelihood of confusion is the “hallmark of any trademark infringement claim”).

⁵⁴ *See* *La Cibeles, Inc. v. Adipar, Ltd.*, No. 99 Civ. 4129, 2000 WL 1253240, at *4 (S.D.N.Y. Sept. 1, 2000) (quoting *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960, 39 U.S.P.Q.2d (BNA) 1511, 1513 (2d Cir. 1996)); *see also* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773, 23 U.S.P.Q.2d (BNA) 1081, 1085 (1992) (holding that the protection of trademarks and of trade dress under § 43(a) serve the same statutory purpose of preventing deception and unfair competition and that there is “no persuasive reason to apply different analysis to the two”); *Rosenthal A.G. v. Ritelite, Ltd.*, 986 F. Supp. 133, 139, 44 U.S.P.Q.2d (BNA) 1249, 1253 (E.D.N.Y. 1997) (explaining that both claims of trademark and trade dress infringement require proof of essentially the same elements).

⁵⁵ *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47, 199 U.S.P.Q. (BNA) 65, 66 (2d Cir. 1978) (per curiam).

⁵⁶ *N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 293 F.3d 550, 555, 62 U.S.P.Q.2d (BNA) 1260, 1263 (2d Cir. 2002).

⁵⁷ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495, 128 U.S.P.Q. (BNA) 411, 413 (2d Cir. 1961).

confusion.⁵⁸ Most courts analyze each factor and look at the balance.⁵⁹ Thus, one strong factor can tip the balance in favor of likelihood of confusion, just as the absence of a few factors can tip the balance away from a finding of infringement.

Courts have made clear that confusion must exist in order for a trademark holder to prevail in an infringement claim.⁶⁰ Specifically, a probability, and not a mere possibility, of confusion must exist to support a trademark or trade dress infringement claim.⁶¹ Consumer confusion cannot exist over similarity “in the abstract,” rather confusion must stem from the similarity between the two trademarks.⁶² Establishing probability of success on the merits of a confusion claim is therefore necessary to obtain an injunction in an infringement action. In *Stolman*, the Eastern District of New York granted a permanent injunction, leading to the reasonable inference that something in Hermes’s claim would tip the balance on the merits in favor of a likelihood of confusion.⁶³ This Note will argue that this conclusion is erroneous given the dominance of the consumer sophistication factor in this particular situation.

An interesting aspect of *Stolman* and similar cases is that the judges seem to make their evaluations of sophistication without any evidence.⁶⁴ The court conducted a hearing in *Stolman* on September 18, 2003 but held no trial where a reasonable fact finder would have had the opportunity to examine the sophistication and care used by the relevant class of purchasers.⁶⁵ This is significant because likelihood of confusion is based on the “court’s estimation,” not proof.⁶⁶

Courts have interpreted section 43(a) of the Lanham Act⁶⁷ to protect a product’s trade dress, covering the product’s “total image and overall appear-

⁵⁸ See *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 48, 55 U.S.P.Q.2d (BNA) 1051, 1055 (2d Cir. 2000) (holding that any one *Polaroid* factor may prove to be dispositive).

⁵⁹ See *Bristol-Meyers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1042, 24 U.S.P.Q.2d (BNA) 1160, 1167 (2d Cir. 1992) (holding that the *Polaroid* analysis is “not a mechanical measurement” and that court should look “to the totality of the product” in making its likelihood of confusion determination).

⁶⁰ *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 743, 48 U.S.P.Q.2d (BNA) 1503, 1506 (2d Cir. 1998).

⁶¹ *Estee Lauder Inc. v. Gap, Inc.*, 108 F.3d 1503, 1511, 42 U.S.P.Q.2d (BNA) 1228, 1232 (2d Cir. 1997); *Gruner & Jahr*, 991 F.2d at 1077; accord *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 193, 46 U.S.P.Q.2d (BNA) 1737, 1740 (5th Cir. 1998).

⁶² *Merriam-Webster, Inc. v. Random House, Inc.*, 35 F.3d 65, 70, 32 U.S.P.Q.2d (BNA) 1010, 1013 (2d Cir. 1994).

⁶³ *Stolman*, No. 03 Civ. 3722.

⁶⁴ Bartow, *supra* note 40, at 772.

⁶⁵ *Stolman*, No. 03 Civ. 3722.

⁶⁶ See Bartow, *supra* note 40, at 763 (“[T]he test is not premised on proof that an appreciable number of typical consumers have been confused, only that they are likely to be confused.”).

⁶⁷ 15 U.S.C. § 11259(a).

ance,”⁶⁸ including “features such as size, shape, color or color combinations, texture, [or] graphics.”⁶⁹ The United States Supreme Court recently commented on trade dress protection in 2001, recognizing the importance of limiting trade dress protection so as not to chill competition.⁷⁰ Before a product’s trade dress can be afforded this protection, however, the trade dress must be “(1) either (a) inherently distinctive, or (b) has acquired distinctiveness through secondary meaning; (2) a likelihood of confusion exists between the trade dress of the original product and that of the knockoff product; and (3) the trade dress employed serves no utilitarian or aesthetic functionality.”⁷¹ While the distinctiveness and functionality aspects of trade dress are important in an overall analysis of a product, this Note will focus solely on the element of likelihood of confusion. Specifically, this Note will deal with point-of-sale confusion, post-sale confusion, and the role that “consumer sophistication” plays in these analyses.⁷²

II. ANALYSIS

Likelihood of confusion exists where “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.”⁷³ As stated earlier, the Second Circuit

⁶⁸ *Two Pesos*, 505 U.S. at 764.

⁶⁹ *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 79, 16 U.S.P.Q.2d (BNA) 1555, 1557 (2d Cir. 1990); *see also Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999, 42 U.S.P.Q.2d (BNA) 1348, 1352 (2d Cir. 1997) (holding that trade dress “encompasses the design and appearance of the product together with all the elements making up the overall image that serves to identify the product presented to the consumer”); Erin S. Dufek, Comment, *The Same Uniform, A Different Team: Copycats Suit up for Competition*, 60 ALB. L. REV. 1317 (1997).

⁷⁰ The Court stated:

Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as patent or copyright protects an item, it will be subject to copying [C]opying is not always discouraged or disfavored by the laws which preserve our competitive economy.

Traffix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 28, 58 U.S.P.Q.2d (BNA) 1001, 1005 (2001); *see also Landscape Farms*, 113 F.3d at 379 (noting that “the Lanham Act must be construed in light of a strong federal policy in favor of vigorously competitive markets”).

⁷¹ Dufek, *supra* at note 69, at 1321.

⁷² Point-of-sale confusion relates to the confusion of the actual purchaser of the specific good. In contrast, post-sale confusion has been defined as confusion created when “the purchasers’ use of those goods [the knockoffs] is likely to cause others to be confused with respect to the marks.” Ann K. Wooster, *‘Post-Sale Confusion’ in Trademark or Trade Dress Infringement Acts Under § 43 of Lanham Trade Mark Act*, 145 ALR Fed. 407, 418 (1998).

⁷³ *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47, 199 U.S.P.Q. (BNA) 65, 66 (2d Cir. 1978) (per curiam).

developed a doctrine for determining likelihood of confusion⁷⁴ which is similar to, and often cited by, other circuits.⁷⁵ In the famous *Polaroid* case in 1960, Judge Friendly designed the eight factor test to guide a likelihood of confusion analysis, though he noted that the list is not exclusive.⁷⁶ The Second Circuit later posited that “the factors are designed to help grapple with the ‘vexing’ problem of resolving the likelihood of confusion issue.”⁷⁷ Therefore, “each factor must be evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product.”⁷⁸

Given the introductory material,⁷⁹ one can assume that a purchaser, even a prospective purchaser, of a Hermes Birkin or Kelly bag is sophisticated. “Sophisticated” is defined as “having a refined knowledge of the ways of the world cultivated especially through wide experience.”⁸⁰ The parenthetical example given in the dictionary is, interestingly enough, a “sophisticated lady.”⁸¹ Sophisticated consumers are less likely to confuse the source of a knockoff, thereby lessening the likelihood of a successful infringement claim by the plaintiff-trademark holder.

Although some other factors weighed in favor of Hermes in their recent claim in the Eastern District of New York, the eighth *Polaroid* factor regarding consumer sophistication did not.⁸² In cases such as *Stolman*, where the goods being purchased are rare and expensive, the purchasers are typically above the level of sophistication recognized by most courts. Although the *Polaroid* factors are non-exclusive, the Second Circuit has noted that any one factor may prove to be dispositive.⁸³ This interpretation, although rarely adopted by courts, would

⁷⁴ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495, 128 U.S.P.Q. (BNA) 411, 413 (2d Cir. 1961).

⁷⁵ See *Merchant & Evans, Inc. v. Roosevelt Bldg. Prods. Co., Inc.*, 963 F.2d 628, 22 U.S.P.Q.2d (BNA) 1730 (3d Cir. 1992) (applying the *Scott Paper* factors); *Anheuser-Busch, Inc. v. L. & L. Wings, Inc.*, 962 F.2d 316, 22 U.S.P.Q.2d (BNA) 1502 (4th Cir. 1992) (applying the *Pizzeria Uno* factors); *Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co.*, 791 F.2d 423, 230 U.S.P.Q. (BNA) 118 (5th Cir. 1986) (applying the *Roto-Rooter* factors); *SquirtCo v. Seven-up Co.*, 628 F.2d 1086, 207 U.S.P.Q. (BNA) 897 (8th Cir. 1980) (applying the *SquirtCo* factors); *AMF Inc. v. Sleekcraft Boats*, 559 F.2d 341, 204 U.S.P.Q. (BNA) 808 (9th Cir. 1979) (applying the *Sleekcraft* factors).

⁷⁶ 287 F.2d at 495; see *W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 572, 25 U.S.P.Q.2d (BNA) 1593, 1596 (2d Cir. 1993) (establishing that no one factor is determinative).

⁷⁷ *Lois Sportswear, United States Am., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872, 230 U.S.P.Q. (BNA) 831, 834 (2d Cir. 1986).

⁷⁸ *Id.*

⁷⁹ See *supra* Part I.A.

⁸⁰ MERRIAM-WEBSTER ONLINE DICTIONARY, at <http://www.m-w.com>.

⁸¹ *Id.*

⁸² See *Polaroid*, 287 F.2d at 495.

⁸³ *Nora Beverages Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 119, 60 U.S.P.Q.2d 1038, 1041 (2d Cir. 2001).

allow above-average sophistication to carry dispositive weight in a likelihood of confusion analysis.

A. POINT-OF-SALE CONFUSION

Point-of-sale confusion is confusion that “relates mainly to initial confusion on the part of those who eventually purchase the products of one of the parties.”⁸⁴ Courts determine the sophistication of consumers by considering the “general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods.”⁸⁵ Applying this test to each case as part of a point-of-sale confusion analysis, it is easy to see why the facts of each case are so important. In conducting such a fact-specific analysis, courts should look very closely at the purchaser, recognizing when sophistication should trump the other *Polaroid* factors.

1. *Impulse Purchases.* In *W.W.W. Pharmaceutical Co.*, the plaintiff claimed that the defendant’s use of “Sport Stick” in the defendant’s deodorant name violated the plaintiff’s trademark on its lip balm.⁸⁶ The court clearly distinguished between the two types of product, labeling lip balm a small item.⁸⁷ More importantly, the court described purchasers of small items such as lip balm as “casual purchasers prone to impulse buying.”⁸⁸ As this Note will discuss in further detail, purchasers of Birkin and Kelly bags are nothing like the purchasers of lip balm. The three year waiting list alone denies any possibility of a purchaser acting on impulse.⁸⁹ Buying a Birkin or Kelly bag is inherently different from walking up to a checkout counter at a drugstore or supermarket and deciding to pick up a new tube of lip balm. Birkin and Kelly bags are lifetime investments, not subject to frequent replacement.⁹⁰ The traditional consumer sophistication test is applicable to such

⁸⁴ Wooster, *supra* note 72, at 418.

⁸⁵ *W.W.W. Pharm. Co.*, 984 F.2d at 575.

⁸⁶ *Id.* at 570.

⁸⁷ *Id.*

⁸⁸ *Id.* at 575; see also *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 746, 48 U.S.P.Q.2d (BNA) 1503, 1509 (2d Cir. 1998) (holding that district court was correct in its analysis that “due to the fact that the subject maps . . . were generally impulse purchases, any lack of sophistication among buyers could not contribute to confusion between the two maps”).

⁸⁹ Waiting lists average around three years, although reports of the actual time vary between one and five years. See *supra* note 30.

⁹⁰ See *In re Martin’s Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 223 U.S.P.Q. (BNA) 1289 (Fed. Cir. 1984); see also *Swatch Group (United States) Inc. v. Movado Corp.*, No. 01 Civ. 0286, 2003 WL 1872656, at *4 (S.D.N.Y. Apr. 10, 2003) (holding that “the average consumer spending hundreds of dollars on a watch that will be worn for years is likely to give close attention to the type of watch he or she is buying”).

small items but courts should not apply this generalized standard to claims involving expensive handbags.

Food products are also classified as goods prone to being purchased without careful scrutiny.⁹¹ In *Frank Brunckhorst Co.*, the trademark owner of Boar's Head brand deli meats sued the manufacturer of "Boar's Head Red" beer and was granted a preliminary injunction based on the *Polaroid* factors.⁹² Unlike the court in *Stolman*, however, the court noted that purchasers of deli meats and beer were "generally found . . . to leave their sophistication at home."⁹³ Although the court found the Boar's Head products to be of very high quality, it still recognized that they are inexpensive, and, like other kitchen staples, subject to less scrutiny and lower care by the purchaser.⁹⁴ In *Frank Brunckhorst*, the Eastern District of New York, the same court that dismissed *Stolman*, clearly recognized that the level of scrutiny afforded certain items and not others plays a large role in the consumer sophistication analysis.⁹⁵ The court appears to have declined to take a lack of impulsivity when buying Birkin or Kelly into account, however, when crafting a permanent injunction and dismissing the case with prejudice.⁹⁶

2. *Relevant Purchasers.* Courts have also held that likelihood of confusion "must be assessed by examining the level of sophistication of the relevant buyers."⁹⁷ Furthermore, analysis of sophistication must include "those persons who are likely to purchase the product."⁹⁸ There are two types of purchasers of knockoff Birkin and Kelly bags—those waiting for the real thing and those who know they will never own the real thing. Either way, these purchasers are aware of the Hermes name, its reputation for quality, and its prestige. This sophistication cuts against Hermes's claim of infringement because both types of

⁹¹ *Frank Brunckhorst Co. v. G. Heilman Brewing Co.*, 875 F. Supp. 966, 983, 35 U.S.P.Q.2d (BNA) 1102, 1114 (E.D.N.Y. 1994).

⁹² *Id.* at 983-85.

⁹³ *Id.* at 983.

⁹⁴ *Id.*

⁹⁵ *Id.* ("The greater the value of an article the more careful the typical consumer can be expected to be." (quoting *McGregor-Domiger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1137, 202 U.S.P.Q. (BNA) 81, 92 (2d Cir. 1979)); see also *Winner Int'l LLC v. Omori Enter., Inc.*, 60 F. Supp. 2d 62, 68 (E.D.N.Y. 1999) ("[T]he fact that The Club sells for a price that is markedly higher than that of Global America suggests that consumers may give extra attention to the differences in trade dress between the two products.").

⁹⁶ *Hermes Int'l v. Steven Stolman, Ltd.*, No. 03 Civ. 3722 (E.D.N.Y. July 31, 2003).

⁹⁷ *Streetwise Maps*, 159 F.3d at 746; see, e.g., *Beacon Mut. Ins. Co. v. Onebeacon Ins. Group*, 376 F.3d 810 (1st Cir. 2004); *Astra Pharm. Prods., Inc. v. Beckman Inst. Inc.*, 718 F.2d 1201, 1207 (1st Cir. 1983).

⁹⁸ *Merriam-Webster, Inc. v. Random House, Inc.*, 35 F.3d 65, 72, 32 U.S.P.Q.2d (BNA) 1010, 1015 (2d Cir. 1994).

consumers are much less likely to be confused than other purchasers.⁹⁹ This point may seem obvious, but the district court's grant of a permanent injunction in *Stolman* suggests that the purchasers of these bags should be judged by the same standards as those purchasers of cheese crackers, deli meats, and lip balm.¹⁰⁰

A recent District Court decision gives some hope that courts will employ a practical and realistic application of the sophistication of consumers factor in the point-of-sale context.¹⁰¹ In the trademark infringement action brought by the owner of the well-known "Brennan's" in New Orleans against the owner of New York City's famous "Terrance Brennan's Seafood and Chop House," the court found that the patrons of each restaurant were sophisticated enough to discern the difference between the source of each restaurant.¹⁰² Most important here, however, is the court's willingness to look at what the consumer was actually thinking when going to a restaurant. The court in *Stolman* should have employed that same analysis to find that the relevant class of purchasers of Hermes's Birkin and Kelly bags are more likely to purchase based on experience and reputation rather than the similarity between the products.

3. *Price of Goods or Services.* Although the difference in location between the marks could distinguish *Brennan's* from *Stolman*, the distinction matters little when the court's opinion is examined in full. The court focused on the price the patrons are willing to pay when they attend these restaurants, holding that their sophistication "is likely to prevent confusion, or if there is incipient confusion, quickly disabuse it."¹⁰³ The court also cited a Seventh Circuit decision involving expensive restaurants in Chicago for its presumption that consumers, such as the patrons in *Brennan's*, are sophisticated enough to tell the difference between the source and sponsorship of each restaurant.¹⁰⁴ Although the prices associated with these restaurants are very high in comparison with the average restaurant, they are not as high as the prices paid for a Birkin or Kelly bag. Other recent case law from New York, however, seems to support the conclusion that where products

⁹⁹ See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 220, 51 U.S.P.Q.2d 1882, 1891 (2d Cir. 1999) ("Consumers who are highly familiar with the particular market segment are less likely to be confused by similar marks and may discern quite subtle distinctions. Conversely, unsophisticated customers lack this discrimination and are more vulnerable to the confusion, mistake and misassociations against which the trademark law protects.").

¹⁰⁰ See *Stolman*, No. 03 Civ. 3722.

¹⁰¹ See *Brennan's, Inc. v. Brennan's Rest., LLC*, No. 02 Civ. 9858, 2003 WL 1338681 (S.D.N.Y. Mar. 18, 2003).

¹⁰² *Id.* at *5.

¹⁰³ *Id.*

¹⁰⁴ *Id.* at *5 (citing *Maxim's Ltd. v. Badonsky*, 772 F.2d 388, 392, 227 U.S.P.Q. (BNA) 316, 319 (7th Cir. 1985) ("[T]he clientele for the sort of restaurant in question in this case . . . tend to depend less on the name and more on individual determinations based on experience and individual reputation.")).

are expensive, point-of-sale confusion is less likely to occur.¹⁰⁵ Contrasting the Second Circuit's holding in *Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co.*,¹⁰⁶ the district court in *Cartier, Inc. v. Four Star Jewelry Creations, Inc.*, inferred a difference between sophisticated denim purchasers and sophisticated watch purchasers.¹⁰⁷ Although the court declined to say whether this factor weighed definitively in favor of the plaintiff or defendant, the tone of the opinion seems to weigh against finding likelihood of confusion where the relevant class of purchasers are sophisticated people intending to buy a very expensive watch.

Finally, the purchasing process involved in obtaining an authentic Birkin or Kelly bag diminishes the likelihood of point-of-sale confusion. As stated earlier, the waiting lists for these bags vary in length, but estimates place it between eighteen months and five years.¹⁰⁸ This distinguishing feature was also recognized by the court in *Arrow Fastener Co. v. Stanley Works*,¹⁰⁹ which held that "a consumer who must possess this high level of knowledge [about the various features of the defendant's staple gun], and who is also paying a substantial amount of money for the product, is not likely to be confused."¹¹⁰ The process involved in purchasing different types of staple guns can be analogized to the different purchasing processes undertaken when buying the authentic Hermes bag or Mr. Stolman's Jelly Kelly. As stated earlier, the authentic bags are lifetime purchases, not impulse buys. The waiting list and manufacturing process alone preclude the real bags from being impulse purchases. In contrast, the Jelly Kelly could be bought on a whim after reading about it in the *New York Times*¹¹¹ or hearing about it on the street.

¹⁰⁵ *Cartier, Inc. v. Four Star Jewelry Creations, Inc.*, No. 01 Civ. 11295, 2003 WL 21056809, at *11 (S.D.N.Y. May 8, 2003).

¹⁰⁶ 799 F.2d at 867.

¹⁰⁷ In *Lois Sportswear*, the court found that the purchasers of designer jeans were exactly the type of people who would be confused when they saw the distinct stitching on the jean pockets. *Id.* at 874. The court in *Cartier* distinguishes the purchasers of expensive watches from expensive jeans, stating "the court suspects . . . that there may be differences between the sophisticated denim purchaser and the sophisticated watch purchaser, or differences in the contexts in which they make their purchases, which could make a difference in a court's consideration of this factor." 2003 WL 21056809, at *11.

¹⁰⁸ See, e.g., Ginia Bellafante, *A 'Satire' of a Classic Fails to Amuse the August House of Hermes*, N.Y. TIMES, Aug. 12, 2003, at B8.

¹⁰⁹ 59 F.3d 384, 398-99, 35 U.S.P.Q.2d (BNA) 1449, 1459 (2d Cir. 1995).

¹¹⁰ *Id.* The court goes on to note that the level of sophistication entailed in purchasing the defendant's pneumatic staple gun, which had many more features than the plaintiff's staple gun, was much higher than a purchaser of the plaintiff's staple gun. The court found that this distinction, as well as the dramatic difference in price (\$20 for plaintiff's product compared to \$400 for defendant's product), tipped the sophistication element to the defendant.

¹¹¹ See Bellafante, *supra* note 108, at B8.

4. *Other Jurisdictions and the Third Restatement.* In the point-of-sale context, some jurisdictions have taken a more realistic approach to consumer sophistication under the likelihood of confusion analysis.¹¹² Recognizing the sophistication of consumers and the degree of care they exercise and giving those attributes very high or even dispositive weight makes these jurisdictions and the Restatement beacons of practicality. Thus, in a situation such as *Stolman*, these jurisdictions would likely give considerable weight to the high level of sophistication of the purchasers. The Fourth Circuit supports this approach most strongly in *Perini Corp. v. Perini Construction, Inc.*,¹¹³ where the court found that no likelihood of confusion existed because the level of sophistication was so high that the relevant class of purchasers would not be confused as to the source of construction services.¹¹⁴ Although this case deals with similarity between trade names, this Note takes the position that the Fourth Circuit's analysis of the sophistication element can be applied when a product's trade dress is at issue. In *Perini*, the court found that the ordinary consumer of construction services is a highly trained professional "whose sensitivity is heightened by the responsibility of sensibly spending millions of dollars."¹¹⁵ The court noted that Perini Corporation is a large scale, national and international construction firm, while Perini Construction, Inc. completes construction projects in the mid-Atlantic region.¹¹⁶ The people and companies looking to each Perini company for their construction services are very sophisticated, just as a purchaser of a Hermes handbag would be. Construction services are certainly not "impulse purchases" but are debated and important decisions. Despite the obvious distinction between the nature of the

¹¹² See, e.g., *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 127, 16 U.S.P.Q.2d (BNA) 1289, 1293 (4th Cir. 1990) (stating that "sophistication and expertise of the usual purchasers can preclude any likelihood of confusion"); *Oreck Corp. v. United States Floor Sys., Inc.*, 803 F.2d 166, 173-74, 231 U.S.P.Q. (BNA) 634, 640 (5th Cir. 1986) (finding that because the relevant purchasers were professionals within the carpet cleaning business, it was "not the sort of purchasing environment in which confusion flourishes"); *E. & J. Gallo Winery v. Consorzio del Gallo Nero*, 782 F. Supp. 457, 465, 20 U.S.P.Q.2d (BNA) 1579, 1584 (N.D. Cal. 1991) (holding that "the lack of consumer sophistication significantly enhances the likelihood of confusion between the two products"); *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1120-21 (6th Cir. 1996) (holding that the district court gave the sophistication factor "disproportionate significance," but also noting that the products at issue are identical).

¹¹³ 915 F.2d at 127.

¹¹⁴ *Id.* at 128. The Fourth Circuit held that "in a market with extremely sophisticated buyers, the likelihood of consumer confusion cannot be presumed on the basis of the similarity in trade name alone, particularly without the benefit of trial."

¹¹⁵ *Id.* at 127.

¹¹⁶ *Id.* Perini Corporation completed projects all over the world, including hotels in Las Vegas and Atlantic City, an Israeli airbase, tunnels under Niagara Falls, and sections of the Trans Alaska Pipeline. Perini Construction built schools, hospitals, prisons and office buildings in Virginia, West Virginia, Maryland and Pennsylvania.

goods and services at issue in *Perini* and *Stolman*, a parallel can be drawn between the level of sophistication of the relevant purchaser and the deference it deserves from the court.

Although the Sixth Circuit did not go as far as the Fourth Circuit in its consumer sophistication and degree of care analysis, some of the factors it focused on suggest that it gives more weight to the relevant sophistication than the Second Circuit and New York district courts.¹¹⁷ In *Champions Golf Club*, the Sixth Circuit found the sophistication of golf club members important in its analysis of whether golfers would be confused between clubs bearing virtually the same name in Houston, Texas and Nicholasville, Kentucky.¹¹⁸ Although the Sixth Circuit found that the District Court accorded the consumer sophistication factor “disproportionate significance,” the court focused on the District Court’s analysis of the price of the services.¹¹⁹ The District Court pointed to the fifteen thousand dollars initiation fee as a primary reason that golfers would not be confused as to the use of the mark.¹²⁰ A purchaser of a golf club membership does not do so on a whim, much like a purchaser of a Birkin or Kelly bag. Similarly, there undoubtedly are waiting lists for these golf clubs, just as there are waiting lists for the Hermes Kelly and Birkin bags. Disregarding price, even if an avid golfer wanted to join a club in a hurry, giving rise to a possibility of confusion, it is most likely not possible to do so given the waiting list factor.

The District Court, in *Champions Golf Club*, also focused on the very slim chance that golfers would seek membership or plan a vacation to the wrong club based on confusion over the name.¹²¹ Because of the high degree of care involved, as well as the expense of membership or even a vacation, a similar name is unlikely to immediately confuse an already sophisticated golfer. It is important to note that the court looked at the relevant class of purchasers, which in this case was golfers.¹²² Golfers, like sophisticated purchasers of expensive handbags, know the sport and context in which the similar names are used. They are not outsiders and therefore they will not be confused. The Sixth Circuit concluded that the District Court applied the confusion analysis incorrectly because the court did not appreciate that golfers may be confused about the affiliation between the

¹¹⁷ See *Champions Golf Club*, 78 F.3d at 1111.

¹¹⁸ *Id.* at 1120. The court held that “the expense of the parties’ services combined with the sophistication of the relevant consumers makes it unlikely any consumer would actually choose Nicholasville’s services over Houston’s due to Nicholasville’s secondary use of the mark.”

¹¹⁹ *Id.* at 1121.

¹²⁰ *Id.* at 1120. The District Court relied on “the great expense involved in joining the clubs [\$15,000] . . . and concluded that the expense is one reason why relevant consumers are . . . unlikely to be confused by Nicholasville’s secondary use of the Champions mark.”

¹²¹ *Id.*

¹²² *Id.* at 1120.

clubs.¹²³ The Sixth Circuit fails to recognize, however, that these sophisticated golfers are “in the know” about their chosen sport. They make decisions about memberships or vacations having already performed research or spoken with other golfers, and thus, are unlikely to be confused as to the origin. Again, given the great expense of joining one of these golf clubs and the knowledge of golfers about the sport, it is just as unlikely that these golfers will be confused as to the sponsorship of the Houston and Nicholasville clubs as purchasers of an authentic Birkin will be confused as to the source of a Jelly Kelly.

It is also unlikely that purchasers of Birkin or Kelly bags would be confused under the Fifth Circuit’s standard.¹²⁴ In *Oreck*, the Fifth Circuit examined the relevant sophistication of purchasers of carpet cleaning equipment.¹²⁵ Oreck marketed its products to hotel chains, hospitals, commercial installations, and ordinary consumers, while U.S. Floors marketed the Steamex Deluxe 15 XL to stores that rent the machines for home use, professional carpet cleaners, and commercial buyers.¹²⁶ Most importantly, the court recognized that the purchasers of U.S. Floor products were “directly responsible for carpet care,” deeming them “virtually certain to be informed, deliberative buyers.”¹²⁷ The court was also persuaded by the price of the machines, which cost thousands of dollars, in making its finding of sophistication.¹²⁸ The Fifth Circuit’s ultimate determination was that “this is not the sort of purchasing environment in which confusion flourishes.”¹²⁹ The Eastern District Court in *Stolman* should have arrived at this conclusion given the nature of the purchasers and price of the product, both of which the Fifth Circuit realistically observed and acknowledged in *Oreck*. By not allowing the case to proceed past injunctive relief, the merits of the consumer sophistication were not examined fully and realistically in *Stolman*.¹³⁰

The Federal Circuit has also examined the sophistication of purchasers in the point-of-sale context, finding it to be a very important factor and a necessary

¹²³ *Id.* at 1121. The Sixth Circuit noted that the District Court “appears not to have appreciated that *this* [the confusion over affiliation question] is the ultimate question to be answered in the likelihood of confusion inquiry.”

¹²⁴ See *Oreck Corp.*, 803 F.2d at 166.

¹²⁵ *Id.* at 170. The plaintiff, Oreck, has a trademark on “XL” and “Oreck XL” and produces vacuum cleaners and rug shampoos. The defendant, United States Floors, manufactures carpet cleaning equipment machines known as extraction machines under the federally registered trademark “Steamex.” This controversy arose when United States Floors came out with a new model called the “Steamex Deluxe 15 XL.” *Id.* at 167. The Fifth Circuit concluded that “United States Floor’s limited use of XL presented no likelihood of confusion.”

¹²⁶ *Id.* at 172.

¹²⁷ *Id.* at 173.

¹²⁸ *Id.*

¹²⁹ *Id.* at 174.

¹³⁰ See *Stolman*, No. 03 Civ. 3722.

element for the trial court to examine.¹³¹ In *Electronic Design & Sales*, the court held that “the [Trademark Trial and Appeal] Board gave too much weight to certain *DuPont* factors, such as the strength of the opposer’s mark, and failed to give due weight to countervailing *DuPont* factors, such as the sophistication of purchasers.”¹³² The Federal Circuit held that the duty to examine all of the evidence and circumstances of the purchasing situation made it necessary to include the purchasers’ sophistication.¹³³ This is the correct analytical framework to use in undertaking a trademark or trade dress infringement action, especially one which involves expensive goods purchased by sophisticated, discerning, and careful consumers.

The Third Restatement of the Law of Unfair Competition takes the most realistic and practical approach to consumer sophistication.¹³⁴ In describing the appropriate method to apply the likelihood of confusion factors, the Restatement notes that “findings as to individual factors are merely discrete aspects of a comprehensive analysis intended to achieve a *practical evaluation of what consumers are likely to believe when they encounter the competing designations in the marketplace.*”¹³⁵ Not surprisingly, section 21 emphasizes an analysis of the market context.¹³⁶ Clause (c) to section 21 deals with the care exercised by purchasers, and comment h specifically enumerates the factor as “the buying habits of purchasers of the relevant goods or services and the degree of care they are likely to exercise in making their purchases.”¹³⁷ The language is the same as the factor-filled tests of other jurisdictions,¹³⁸ but the application guidelines given in the comment show that the difference is in the application.¹³⁹

The Restatement clearly accords weight to the price of the goods or services, as well as the situation and conditions under which the product or service is

¹³¹ See *Elec. Design & Sales, Inc. v. Elec. Data Sys. Corp.*, 954 F.2d 713, 21 U.S.P.Q.2d (BNA) 1388 (Fed. Cir. 1992).

¹³² *Id.* at 718. The *DuPont* factors consist of the *Polaroid* factors from the Second Circuit plus some additional factors. In substance, these tests deal with likelihood of confusion in the same way. *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1362, 177 U.S.P.Q. (BNA) 563, 568 (C.C.P.A. 1973).

¹³³ *Elec. Design & Sales*, 954 F.2d at 718.

¹³⁴ See RESTATEMENT (THIRD) UNFAIR COMPETITION, §§ 20, 21 (1995).

¹³⁵ *Id.* § 21, cmt. b (emphasis added).

¹³⁶ *Id.* (“An analysis of the market context of the use is appropriate in cases involving either competing or non-competing goods.”).

¹³⁷ *Id.* § 21, cmt. h.

¹³⁸ See, e.g., *Merchant & Evans, Inc.*, 963 F.2d at 637 (applying the *Scott Paper* factors); *Anheuser-Busch, Inc.*, 962 F.2d at 320 (applying the *Pizzeria Uno* factors); *AMF Inc.*, 559 F.2d at 348 (applying the *Sleekcraft* factors).

¹³⁹ RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 21, cmt. h.

purchased.¹⁴⁰ Comment h to section 21 states that “most purchasers exercise greater care when buying expensive items.”¹⁴¹ This statement is followed by language emphasizing a case-by-case approach, inevitably focusing on the particular situation.¹⁴² Given this case-by-case approach, it is easy to see that a court following the Restatement would have looked at the price of an authentic Hermes Birkin or Kelly, examined the factors surrounding purchase of an authentic bag, including the waiting list, the limited stores where one can be purchased, and the time taken to make each bag under Hermes’s intricate process, and concluded that this is a situation where consumer sophistication and care should trump the other likelihood of confusion factors.¹⁴³

Two main points can be derived from the following sentence in comment h of section 20: “the attributes [of the consumer] should reflect the particular market in which the case arises.”¹⁴⁴ First, this is a case-by-case approach. In *Stolman*, the utmost sophistication should be recognized as paramount. Second, the use of the word “particular” means that the court should not look to a general market in handbags. Thus, it is irrelevant to look at the average consumer purchasing a handbag at a department store, because that is not the particular market in which Birkin and Kelly bags are sold. Comment h continues in this realistic and practical vein, stating that the “standard of the reasonable consumer is thus defined by the market context in which the trademark is encountered.”¹⁴⁵ Therefore, the “*nature of the prospective consumers* must be considered in defining the care exercised by a reasonable purchaser.”¹⁴⁶ The prospective purchasers of Birkin and Kelly bags are sophisticated, and therefore, courts should adopt the practical approach of the Restatement in cases where the goods are so high in price and prestige that they are unlike most goods, thereby making their purchasers unlike most (if not all) other consumers.¹⁴⁷

¹⁴⁰ *See id.* (“If the goods or services are normally purchased only after considerable attention and inspection, greater similarity between the designations may be permitted than when the goods or services are purchased casually or impulsively . . . most purchasers exercise greater care when buying expensive items.”).

¹⁴¹ *Id.*

¹⁴² *Id.* (“[S]uch assumptions must be evaluated in the context of the particular case.”).

¹⁴³ *See id.*

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Id.* (emphasis added).

¹⁴⁷ The obvious counterargument to this sophistication analysis under the Restatement is that a person willing to pay over \$5,000 for a handbag is especially unsophisticated. This Note argues, however, that while it may seem extremely impractical to buy such a high-end luxury item, given the price, prestige, and market situation surrounding these bags, the practical and realistic approach is to deem these purchasers extremely sophisticated.

Finally, section 20 of the Third Restatement of the Law of Unfair Competition lays out the purpose of trademark law and the class of people it is supposed to protect. Namely, trademark law protects the “ignorant, the inexperienced, and the gullible.”¹⁴⁸ It is inconceivable that the law should protect the purchasers of Birkin and Kelly bags under this rationale. Hermes’s complaint recognizes that their clientele consists of the “affluent, fashionable consumer,”¹⁴⁹ dispelling any notion that they are confused about their own prospective purchasers. Hermes deliberately markets and advertises to this group of prospective consumers, again acknowledging that its client base is comprised of the most chic and sophisticated consumers.¹⁵⁰

Given that purchasers of Birkin and Kelly bags will not be confused in the point-of-sale context on account of their high level of sophistication, a complete confusion analysis also must include an examination of the likelihood of confusion in the post-sale context.

B. POST-SALE CONFUSION

Post-sale confusion occurs when a “manufacturer of knockoff goods offers consumers a cheap knockoff copy of the original manufacturer’s more expensive product, thus allowing a buyer to acquire the prestige of owning what appears to be the more expensive product.”¹⁵¹ There are two elements to this sub-doctrine of likelihood of confusion—harm to the public and harm to the trademark holder.¹⁵²

1. *Harm to the Public.* As illustrated earlier, the focus of point-of-sale confusion is whether the actual or prospective purchaser is confused as to the source or sponsorship of the product or service.¹⁵³ Under the harm to the public aspect of post-sale confusion, the purchaser of the good may not be confused, but the general public may be confused as to the source and believe that the product is genuine.¹⁵⁴

¹⁴⁸ RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 20 (quoting *Stork Rest. v. Sahati*, 166 F.2d 348, 359, 76 U.S.P.Q. (BNA) 374, 382 (9th Cir. 1948)).

¹⁴⁹ Complaint ¶ 32.

¹⁵⁰ Complaint ¶ 30-33.

¹⁵¹ *Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.*, 219 F.3d 104, 108, 55 U.S.P.Q.2d 1360, 1363 (2d Cir. 2000) [hereinafter *Lederer de Paris II*]. This is the third type of confusion that exists in the modern law, although, it is only the second type discussed by this Note. The traditional second type of confusion is initial interest confusion, which this Note does not cover given its inapplicability to the subject matter.

¹⁵² *See id.* at 107.

¹⁵³ 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:91 (4th ed. 2002).

¹⁵⁴ *Id.* § 23:7.

Lederer de Paris II cites the Eleventh Circuit's view underlying protection of the public interest in trademark cases:

It . . . is important to recognize that the enforcement of trademark laws benefits consumers even where there is no possibility that consumers will be defrauded. For, to the extent that trademarks provide a means for the public to distinguish between manufacturers, they also provide incentives for manufacturers to provide quality goods. Traffickers of these counterfeit goods, however, attract some customers who would otherwise purchase the authentic goods. Trademark holders' returns to their investments in quality are thereby reduced. This reduction in profits may cause trademark holders to decrease their investments in quality below what they would spend were there no counterfeit goods. This in turn harms those consumers who wish to purchase higher quality goods.¹⁵⁵

Lederer de Paris II and *Torkington* both recognize the importance of protecting the general public in the trademark area. There are two conditions implied in *Torkington*, however, concerning when the public needs to be protected: when the manufacturer needs an incentive to produce quality goods, and when the public needs quality goods.¹⁵⁶ Neither of these conditions is met in a situation like *Stolman*, where Hermes has consistently produced high quality goods for over a hundred years and the public can still obtain the high quality Hermes goods for the same high price as before.

The notion that Hermes would stop selling high quality goods on account of someone like Steven Stolman is preposterous and contrary to Hermes's own claims in the *Stolman* complaint.¹⁵⁷ Hermes clearly places great emphasis on its continuing ability to produce high quality goods for its customers. This ability continues to satisfy the demand for high quality goods for the very small and sophisticated group that can afford them. Furthermore, manufacturers have knocked off Hermes purses frequently over the last fifty years, yet Hermes's manufacturing process is still the same. The long waiting list also signifies continuing demand for Birkin and Kelly bags which are still produced in the same

¹⁵⁵ *Lederer de Paris II*, 219 F.3d at 108 (quoting *United States v. Torkington*, 812 F.2d 1347, 1353 n.6, 2 U.S.P.Q.2d (BNA) 1166, 1170 n.6 (11th Cir. 1987)).

¹⁵⁶ *Torkington*, 812 F.2d at 1353 n.6.

¹⁵⁷ See Complaint ¶ 1 (“[T]hese goods . . . have become well known . . . as being fashionable and of the finest quality available.”); *id.* ¶ 15 (“[O]nly the finest materials available are used to make Hermes’ products.”); *id.* ¶ 20 (“[T]he extraordinary high quality of Hermes’ products generally, have caused the media to give considerable attention to Hermes.”).

quality. Thus, the concerns mentioned in *Torkington* and emphasized in *Lederer de Paris II* are simply not present in *Stolman*.¹⁵⁸

Another aspect of the post-sale confusion doctrine is that it protects the purchaser of the authentic good from being harmed by knockoffs in the market that will diminish the prestige of the product for which they paid full price. The Second Circuit noted that “the purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.”¹⁵⁹ It is equally plausible, however, that the reverse is true; the presence of knockoffs in the market may only provide more publicity for a prestigious product. Here, the old axiom that “there is no such thing as bad press” easily applies. *Stolman* himself even states that he knocked off the most famous handbag in the world.¹⁶⁰ To use another cliché, “imitation is the sincerest form of flattery.” Although the Jelly Kelly does not amount to the parodies that have been discussed in trademark law,¹⁶¹ *Hermes* could have recognized that the Jelly Kelly would not affect the quality or market for their product and let it pass, possibly resulting in less press for the Jelly Kelly.

In the cases of high priced goods, the fear is that people buying the knockoff good will pass a poor quality product off as the original which it resembles. The doctrine of “illegitimate prestige” protects “unwary observers from mistakenly assuming, based on a cursory inspection, that a handbag carried by another person was a *Hermes* if she was actually toting a less expensive or elite pocket-book.”¹⁶² As the Second Circuit in *Lederer de Paris II* noted, it would go against the public interest to be “deceived . . . if it requires expertise to distinguish between an original and a knockoff.”¹⁶³ In *Lederer de Paris II*, the court found post-sale

¹⁵⁸ This Note also argues that the holding of post-sale confusion in *Lederer de Paris II* actually runs contrary to the stated goals of post-sale confusion but on a lesser scale than *Stolman*. The factual differences between the two cases, namely the material of the knockoffs and the proximity of the products, raise the level of probability of post-sale confusion higher in *Lederer de Paris II*. 219 F.3d 104. Another distinguishing fact is that *Lederer de Paris II* made it all the way to the Second Circuit, whereas in *Stolman* the litigants were not afforded the opportunity to present factual evidence about the sophistication of consumers to the court or confusion of the general public. 219 F.3d 104; *Stolman*, No. 03 Civ. 3722.

¹⁵⁹ *Lederer de Paris II*, 219 F.3d at 108.

¹⁶⁰ See Complaint ¶ 27.

¹⁶¹ See *N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, Inc.*, 293 F.3d 550, 62 U.S.P.Q.2d (BNA) 1260 (2d Cir. 2002) (holding that use of stock exchange and other famous New York City landmarks in casino did not constitute infringement because parody purpose was evident); *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 37 U.S.P.Q.2d (BNA) 1516 (2d Cir. 1996) (holding that the maker of SPAM luncheon meat did not establish likelihood of confusion in defendant’s cinematic use of a puppet named “Spa’am” because it constituted parody).

¹⁶² *Bartow*, *supra* note 40, at 774.

¹⁶³ *Lederer de Paris II*, 219 F.3d at 108.

confusion when the defendants had been knocking off Hermes handbags and selling them around the corner from the Manhattan Hermes boutique.¹⁶⁴ Relying on a 1955 case, the Second Circuit reversed the District Court, which was not convinced that the defendant's products harmed the public in the post-sale context.¹⁶⁵ The Second Circuit was convinced of the harm to the public, holding that "a loss occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price."¹⁶⁶

Are we really that worried about what a person thinks when they view a product on the side of the street? Can the law truly be shaped to cover that situation? This Note argues that protecting the public in a situation where the authentic good is expensive, rare, and prestigious contravenes the true purpose of trademark law because it protects the public from harmless copying. If, as in the *Stolman* situation, no actual harm will accrue to the trademark holder, there is no purpose in protecting the general public from harm in the post-sale arena.

2. *Protecting the Trademark Holder.* Along with protecting the general public, post-sale confusion functions to protect the trademark holder from having an infringer saturate the market with knockoffs that will lessen the scarcity and prestige of the original product.¹⁶⁷ Although Hermes International was involved in the *Lederer de Paris* cases and the litigation that is the centerpiece of this Note, the following points will distinguish the two cases and further argue that the likelihood of harm to Hermes in the *Stolman* case (and situations like it) is much less than in *Lederer de Paris*.

Just as the point-of-sale confusion analyses were heavily fact based, so are the analyses for post-sale confusion. In the *Lederer de Paris* litigation, the companies selling the knockoffs priced them as high as \$27,000, while the price of a authentic Kelly bag ranges from \$5,000 to \$30,000.¹⁶⁸ Thus, when the prices are closer in range, even a sophisticated consumer might think that they were purchasing the real thing. In contrast, Mr. Stolman sold the Jelly Kelly for \$145.¹⁶⁹

A second distinguishing factor is the material of which the bags were made in each case. In *Stolman*, the bags were made of a synthetic rubber material,¹⁷⁰ about which Mr. Stolman is quoted as saying is the "cheapest material in the world."¹⁷¹

¹⁶⁴ *Id.* at 106.

¹⁶⁵ *Id.* at 108 (relying on *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 105 U.S.P.Q. (BNA) 160 (2d Cir. 1955)).

¹⁶⁶ *Id.* at 109.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 106.

¹⁶⁹ Complaint ¶ 26.

¹⁷⁰ *Id.* ¶ 29.

¹⁷¹ *Id.*

The bags sold by Lederer de Paris are presumably made of leather and other fine materials, given that they are “indistinguishable from genuine Hermes products.”¹⁷² Although Hermes has created Birkin and Kelly bags from rubber material in the past, they claim to use only the finest rubber—Amazonia, an environmentally friendly rubber found only in the Amazon.¹⁷³ Thus, in the post-sale context, this cheap rubber is unlikely to confuse consumers who may know that Hermes has made rubber handbags in the past. Even members of the general public viewing the bag are unlikely to think that it is an original given Hermes’s self-declared high level of quality. The difference in price and material distinguishes *Lederer de Paris II* and its finding of post-sale confusion from *Stolman*.¹⁷⁴

As quoted above,¹⁷⁵ *Torkington* also deals with the harm to the trademark holder.¹⁷⁶ Just as in the harm to the public analysis, there are conditions implied regarding application of the post-sale confusion rationale to the trademark holder. Again, none of these conditions are satisfied in a situation like *Stolman*. One of the conditions is that the trafficker of the counterfeit good attract “some customers who would otherwise purchase the authentic goods.”¹⁷⁷ Given the price of the original (\$5,000+) and the price of the knockoff (about \$150), however, the wallet of a purchaser of an authentic Birkin or Kelly is unlikely to be phased by buying both. Thus, it would be incorrect to conclude that the Jelly Kelly would serve as a substitute for the real thing for a person who can afford the authentic bag and gets off the waiting list. Therefore, the “loss” to Hermes required for post-sale confusion does not occur.

Torkington also implies that a loss of business for the trademark holder is a significant factor in finding post-sale confusion.¹⁷⁸ Indeed, the Second Circuit weighed in on this issue of transferring goodwill, finding that “in the post-sale context” a buyer might be “affected by the sight of appellee’s stitching pattern on appellants’ jeans and, consequently, to transfer goodwill.”¹⁷⁹ Thus, where it would be difficult to tell the difference between the products from a cursory glance at the relevant trademark, whether it be a lock and flap closure or pocket stitching, it is possible that post-sale confusion might exist, and from this confusion, the business and goodwill the trademark holder has worked so hard to achieve will be diminished. This is not the case in a situation like *Stolman*, however, where

¹⁷² *Lederer de Paris I*, 50 F. Supp. 2d 212, 217 50 U.S.P.Q. (BNA) 1257, 1260 (S.D.N.Y. 1999).

¹⁷³ Complaint ¶ 15-16.

¹⁷⁴ Cf. *Lederer de Paris II*, 219 F.3d 104; *Stolman*, No. 03 Civ. 3722.

¹⁷⁵ See *supra* note 155 and accompanying text.

¹⁷⁶ See *Torkington*, 812 F.2d at 1353 n.6.

¹⁷⁷ *Id.*

¹⁷⁸ See *id.*

¹⁷⁹ *Lois Sportswear*, 799 F.2d at 875.

members of the general public will not transfer their goodwill because many of them did not have the money to pay for an authentic bag to begin with. Furthermore, because of the widespread knowledge of the presence of knockoff bags, it can reasonably be inferred that the general public is on the lookout for a fake and is less easily confused than the courts think.¹⁸⁰

Since *Stolman* poses an unlikely scenario for post-sale confusion, free competition in the marketplace is a better policy goal for courts in such unique trademark cases. The Second Circuit has held that courts should exercise "particular 'caution,' when extending protection to product designs."¹⁸¹ Given that trade dress claims raise the risk that relief will impermissibly afford a level of protection that "would hamper efforts to market competitive goods,"¹⁸² courts must construe the Lanham Act "in the light of a strong federal policy in favor of vigorously competitive markets."¹⁸³

3. *Other Jurisdictions and the Restatement.* Although post-sale confusion has seemingly been adopted as an actionable claim in the Second Circuit, other jurisdictions have not granted post-sale confusion this status.¹⁸⁴ Importantly, the jurisdictions that have recognized post-sale confusion have included an important limitation, namely that confusion of the general public is only actionable if it "is likely to cause harm to the commercial interests of the trademark owner."¹⁸⁵ Thus, even in a jurisdiction that allows post-sale confusion to be actionable, because the Jelly Kelly will not harm Hermes's commercial interests or goodwill, it should not be afforded the protection of post-sale confusion.

Post-sale confusion actions are based on the idea that Congress extended the scope of the Lanham Act in 1962 to cover more than just the actual or potential

¹⁸⁰ Bartow, *supra* note 40, at 773-74.

¹⁸¹ *Yurman Design, Inc. v. Paj, Inc.*, 262 F.3d 101, 114, 59 U.S.P.Q.2d (BNA) 1813, 1820 (2d Cir. 2001) (citing *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 380, 42 U.S.P.Q.2d (BNA) 1641, 1646 (2d Cir. 1997)).

¹⁸² *Landscape Forms*, 113 F.3d at 380.

¹⁸³ *Id.* at 379.

¹⁸⁴ See *Elec. Design & Sales, Inc.*, 954 F.2d 713; *Perini Corp.*, 915 F.2d 121. *But see* *Libman Co. v. Vining Indus., Inc.*, 69 F.3d 1360, 36 U.S.P.Q.2d (BNA) 1751 (7th Cir. 1995) (holding that post-sale confusion is actionable); *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 46 U.S.P.Q.2d (BNA) 1026 (7th Cir. 1998) (finding post-sale confusion actionable).

¹⁸⁵ RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 20, cmt. b, reporter's note; see *Perini Corp.*, 915 F.2d at 128 (holding that "it must be shown that public confusion will adversely affect the plaintiff's ability to control his reputation among its laborers, lenders, investors, or other group with whom the plaintiff interacts . . . [and that an] infringement case under § 43(a) of the Lanham Act cannot be made out by merely presuming that the public will be confused without an identification of how the forecasted public confusion will 'damage' the plaintiff"). *But see* *Esercizio v. Roberts*, 944 F.2d 1235, 1244, 20 U.S.P.Q.2d (BNA) 1001, 1009 (6th Cir. 1991) ("[O]nce a product is injected into commerce, there is no bar to confusion, mistake or deception occurring at some future point in time.").

purchasers when they struck out the word “purchasers” from section 43(a).¹⁸⁶ Jurisdictions adopting this broad approach have employed the notion that trademark laws “protect the general public.”¹⁸⁷ Similarly, these courts have held that trademark laws protect against cases “in which confusion or deception occurs on a subliminal or subconscious level, causing the consumer to identify the properties and reputation of one product with those of another.”¹⁸⁸

Other courts have interpreted the legislative intent differently, however, holding that “in the case of goods and services that are sold, the inquiry will turn on whether actual or potential ‘purchasers’ are confused.”¹⁸⁹ This Note does not take a position concerning whether or not to recognize post-sale confusion as an actionable claim. Rather, this Note argues that post-sale confusion may be valid in some circumstances but not in a situation similar to *Stolman* and the Jelly Kelly, where the original good is so expensive and rare that neither the general public nor the actual or prospective purchaser would be confused.

The Third Restatement of Unfair Competition also deals with post-sale confusion, recognizing the split between jurisdictions on the overall issue and adopting the view that post-sale confusion is only actionable when “likely to cause harm to the commercial interests of the trademark owner.”¹⁹⁰ This is the truly practical approach if post-sale confusion is to be actionable. If the effect on the

¹⁸⁶ See *Koppers Co. v. Krupp-Koppers GmbH*, 517 F. Supp. 836, 843, 210 U.S.P.Q. (BNA) 711, 717 (W.D. Pa. 1981) (holding that “likelihood of confusion cannot be considered in a vacuum . . . [and that the court] must broadly define the nature of the forbidden confusion and the class of people whose confusion is forbidden”); see also *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 295, 60 U.S.P.Q.2d (BNA) 1609, 1625 (3d Cir. 2001) (quoting J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition, § 23.7 (4th ed. 2002) (“In 1962, Congress struck out language in the Lanham Act which required confusion, mistake or deception of ‘purchasers as to the source of origin of such goods and services.’ Several courts have noted this expansion of the test of infringement and held that it supports a finding of infringement when even non-purchasers are deceived.”)).

¹⁸⁷ *Fleischmann Distilling v. Maier Brewing Co.*, 314 F.2d 149, 156, 136 U.S.P.Q. 508, 514 (C.A. Cal. 1963) (quoting *Stork Rest.*, 166 F.2d at 359) (holding that the general public is “that vast multitude which includes the ignorant, the unthinking and the credulous, who in making purchases, do not stop to analyze, but are governed by appearance and general impressions”).

¹⁸⁸ *Koppers*, 517 F. Supp. at 844.

¹⁸⁹ *Elec. Design & Sales*, 954 F.2d at 716.

¹⁹⁰ RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 20, cmt. b, reporter’s note. An illustration after Comment b depicts the Restatement’s approach well:

Although two competing manufacturers of printing presses use similar trademarks, persons in the printing industry can easily distinguish them. Visitors touring printing facilities, however, are confused into believing that both presses originate from the same source. Neither manufacturer is subject to liability for infringement because the confusion does not threaten the commercial interests of the trademark owners.

Id. § 20, cmt. b, illus. 1.

general public can be a source of damages based on confusion, allowing damages and injunctive relief when there has been no harm to the commercial interests of the trademark owner would be unjust. Allowing a post-sale confusion claim without a showing of harm to the trademark owner would also run against the statutory language and intent of section 43(a) of the Lanham Act.¹⁹¹

The Third Restatement also recognizes that “not every instance of potential confusion by third persons sufficiently threatens the commercial interests of the trademark owner to constitute an infringement.”¹⁹² Because the confusion “must present a significant risk to the sales or good will of the trademark owner,” it would be impossible for every situation of possible post-sale confusion to actually result in infringement liability.¹⁹³ When the facts of *Stolman* are applied to the Third Restatement standard, it is easy to see that post-sale confusion cannot exist in such situations. A one hundred and fifty dollar Jelly Kelly simply will not harm the market Hermes legitimately controls for its authentic Birkin and Kelly bags, which retail for over five thousand dollars. Furthermore, the goodwill Hermes has garnered for its high quality and excellent craftsmanship will not be harmed by post-sale confusion because, on sight, there is no way to confuse the precise stitching and lock and flap closure of an original with a knock-off Jelly Kelly. Even if members of the public are confused when purchasers are not, by adopting the Restatement’s “harm to commercial interest” approach, the trademark owner and the public are saved from an overreaching trademark regime that protects when no harm has occurred.¹⁹⁴

III. CONCLUSION

This Note has attempted to argue for a more practical and realistic standard in judging consumer sophistication under trademark law’s likelihood of confusion analysis. This new standard should only apply in a situation like *Stolman*, where the authentic goods are so expensive, rare, and unique that there is no possibility for confusion. This Note is not a call for courts to reject the likelihood of confusion standard altogether. Courts, for the past sixty years, have alluded to likelihood of confusion as the key element of trademark and trade dress infringement claims, and this should continue. It is only in a situation like *Stolman*, where the sophistication of consumers creates no likelihood of point-of-sale

¹⁹¹ See Lanham Act § 43(a), 15 U.S.C. § 1125(a) (2000) (stating that person who uses false representation is liable to a person “who believes that he or she is or is likely to be *damaged*”) (emphasis added); *Perini Co.*, 915 F.2d at 128.

¹⁹² RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20, cmt. b.

¹⁹³ *Id.*

¹⁹⁴ *Id.*

confusion and the lack of harm to the public and Hermes creates no actionable post-sale confusion, where this Note argues for a change. This change should be a move towards a more realistic and practical understanding of consumers, as in the Restatement, where a court recognizes in the point-of-sale context that consumer sophistication can trump the other confusion factors. Furthermore, a practical and realistic application of the post-sale confusion doctrine would require definitive proof of harm to the commercial interests of the trademark holder, and not merely the possibility that the general public might be harmed by the presence of knock-offs in the market. In both point-of-sale and post-sale confusion analyses, courts should recognize that consumers are not as easily fooled as many judges depict them. Application of traditional consumer sophistication analysis in these unique situations protects purchasers and the general public whom are not truly confused and unnecessarily extends the Lanham Act to protect the trademark holder. For a more justified, modernized and updated analysis, a court should allow such above-average sophistication to trump other confusion factors.

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2017

Stop Letting Wine Crash the Wedding: Craft Beer Consumers Are Sophisticated Buyers

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STOP LETTING WINE CRASH THE WEDDING: CRAFT BEER CONSUMERS ARE
SOPHISTICATED PURCHASERS

BY JUSTIN P. WEINBERG & O. JOSEPH BALTHAZOR JR. ¹

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I. INTRODUCTION

Now is the time to drink beer in the United States—craft beer, that is. Due to craft brewing's recent explosion, craft beer lovers looking for a locally produced porter² are closer than ever to finding their favorite beer.³ What even is a craft brewery, though? A craft brewery produces a small amount of beer, is not owned by a larger brewery, and uses traditional ingredients and brewing practices; it is "small, independent, and traditional."⁴ Even with the craft brewing industry's growth and popularity, craft breweries have a rival who is relentlessly preventing them from obtaining federal trademarks for their creative beer names. Most have heard of this rival. Wine.

For the sake of argument, analogize wine to someone who shows up to every family wedding, but no one really knows exactly how he is related to the rest of the family. As if he showed up uninvited years ago, but he decided over time he could continue crashing every wedding because those attending kept assuming he was "one of Uncle Ned's kids" or something.⁵ This assumed family member, however, is a nuisance. He objects during the ceremony of every wedding, and sometimes calls off a marriage entirely.

Under current trademark law, wine is craft beer's assumed related wedding guest. A trademark application is the wedding. Long ago wine showed up uninvited to a wedding and continues crashing every wedding. And the United States Patent and Trademark Office (USPTO)⁶ keeps assuming wine is a craft beer family member. The USPTO cannot issue a trademark for craft beer without wine first objecting during the ceremony.⁷

² For a detailed overview of porter-style beers, see GARRETT OLIVER, *THE OXFORD COMPANION TO BEER* 660–61 (2012) ("Today, the best renditions of porter are well balanced and aromatic, with predominant notes of rich chocolate as well as hints of coffee, caramel, nuts, and sometimes a faint smokiness, combined with an often dry, even slightly acidic, finish.")

³ See Jim Vorel, *The Expanding Demographics of Craft Beer*, PASTE MAGAZINE, Oct. 4, 2014, <http://www.pastemagazine.com/articles/2014/10/the-expanding-demographics-of-craft-beer.html> ("75% of all drinkers now live within 10 miles of a craft brewery.")

⁴ BREWERS ASSOCIATION, *CRAFT BREWER DEFINED*, <https://www.brewersassociation.org/statistics/craft-brewer-defined/> (last visited Oct. 9, 2015). The Brewers Association is the leading voice for craft brewers in the United States. See BREWERS ASSOCIATION, *PURPOSE*, <https://www.brewersassociation.org/brewers-association/purpose/> (last visited Oct. 10, 2015) ("The Brewers Association is a 501(c)(6) not-for-profit trade association. The association is an organization of brewers, for brewers and by brewers.")

⁵ See STEVE FABER & BOB FISHER, *THE WEDDING CRASHERS* 19 (2003), http://www.dailyscript.com/scripts/wedding_crashers.pdf.

⁶ The USPTO is the federal agency responsible for registering trademarks. UNITED STATES PATENT AND TRADEMARK OFFICE, *ABOUT US*, <http://www.uspto.gov/about-us> (last visited Oct. 10, 2015).

⁷ See Roger Zimmerman, *Craft Beer Trademarks: Likelihood of Confusion*, CRAFT BREWING BUSINESS (Nov. 18, 2014), <http://www.craftbrewingbusiness.com/business-marketing/trademarks-likelihood-confusion/> ("In the U.S. Trademark Office, beer and wine can be considered related products.")

For that reason craft breweries, which already face a highly regulated industry,⁸ face an uphill battle in trademarking their creative brands because a trademark for wine prohibits the same or similar trademark for craft beer.⁹ High Water Brewing, for example, recently failed to trademark NO BOUNDARY IPA¹⁰ due to a likelihood of confusion with a wine called NO BOUNDARIES.¹¹

That result seems odd considering a craft beer consumer buying at a liquor store or supermarket would see that a brewery—not a winery—makes No Boundary IPA because that is what appears on the label.¹² In registering a craft beer trademark, the USPTO considers thirteen *DuPont*¹³ factors, which are used in a balancing test to determine whether there is a likelihood of confusion between a craft beer mark and a registered wine mark.¹⁴ This balancing test currently favors wine.¹⁵ One *DuPont* factor—the sophisticated purchaser factor—should tip the scale in favor of craft beer, allowing concurrent registration.

This article begins with the history and rise of beer and craft beer in the United States, as well as recent trademark disputes facing craft brewers.¹⁶ It then explains the development of trademark law, and more precisely, how the USPTO analyzes applications for federal registration, and how courts decide cases of trademark infringement.¹⁷ Finally, it offers a solution for craft breweries that are denied registration because of wine.¹⁸

⁸ See David R. Scott, *Brewing Up a Century of Beer: How North Carolina Laws Stifle Competition in the Beer Industry and How They Should be Changed*, 3 WAKE FOREST J. L. & POL'Y 417, 422–26 (2013).

⁹ See Alastair Bland, *Craft Brewers Are Running Out Of Names, And Into Legal Spats*, NPR (Jan. 5, 2015), <http://www.npr.org/sections/thesalt/2015/01/05/369445171/craft-brewers-are-running-out-of-names-and-into-legal-spats> (“American trademark law lumps breweries together with wineries and distilleries, making the naming game even chancier.”).

¹⁰ *In re High Water Brewing, Inc.* (T.T.A.B 2014),

<http://ttabvue.uspto.gov/ttabvue/v?pno=85886282&pty=EXA&eno=8>; see U.S. Trademark Application Serial No. 85,886,282 (filed Mar. 26, 2013). India Pale Ale is ale brewed with added hops, resulting in a strong, bitter flavor. It derives its name from a practice used during the nineteenth century in England, when breweries needed a way to make pale ale last longer during shipment to its trade partners, namely India. By adding more hops, the beer remained fresh by arrival time. Brewers soon started drinking the hoppy ale before sending it abroad, finding it audaciously delicious; now the IPA is America’s favorite craft beer. See William Bostwick, *How the India Pale Ale Got Its Name: A look to the hoppy brew’s past brings us to the revolution in craft beer today*, SMITHSONIAN, Apr. 7, 2015, <http://www.smithsonianmag.com/history/how-india-pale-ale-got-its-name-180954891/?no-ist>.

¹¹ High Water Brewing is a craft brewery now distributing in nine states and over fifteen different countries. HIGH WATER BREWING, THE CREW, <http://www.highwaterbrewing.com/the-crew/> (last visited Feb. 20, 2017).

¹² Federal law requires brewers to put the source of the beer on the label of the bottle. 27 C.F.R. § 25.142 (2016) (“Each bottle of beer shall show by label or otherwise the name or trade name of the brewer . . .”); *Parent v. MillerCoors*, No. 3:15-cv-1204-GPC-WVG, 2015 WL 6455752, at *6 (S.D. Cal. Oct. 26, 2015).

¹³ *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

¹⁴ *Id.*

¹⁵ See *infra* Part IV.

¹⁶ See *infra* Part II.

¹⁷ See *infra* Part III.

¹⁸ See *infra* Part V.

For one thing, craft beer is not purchased on impulse.¹⁹ Available statistics suggest that craft beer drinkers are similar to wine drinkers, whom courts have stated make sophisticated purchases.²⁰ There are also several practical concerns to consider, one of which is trademark depletion.²¹ Because of trademark depletion, the USPTO should not deny federal registration to a craft brewery simply because a wine bears a similar name.²² Should the USPTO invite wine to the wedding, the applicant for craft beer should kindly remind the USPTO that wine is not related to craft beer, and that the factor of the conditions under which the products are purchased, or the “sophisticated purchaser” factor, should fall heavily against finding a likelihood of confusion.

II. HISTORY AND BACKGROUND

A. History of Beer

Beer has been around the block;²³ just as it is society’s alcoholic drink of choice today,²⁴ to the ancient Egyptians, “beer was king.”²⁵ Some believe the Greeks and Romans—two civilizations that traditionally associated wine with prosperity and beer with poverty²⁶—learned much from the Egyptians about the importance of beer in society.²⁷ By the Middle Ages, brewing beer had become a way to earn a living, and also attracted local governments that sought to raise revenue.²⁸

¹⁹ See *infra* Part V.

²⁰ See *infra* Part V.

²¹ See *infra* Part V.

²² See *infra* Part V.

²³ Egyptians were brewing beer as early as 5000 BC. See IAN S. HORNSEY, A HISTORY OF BEER AND BREWING 32–33 (2003).

²⁴ See Lydia Saad, BEER IS AMERICANS’ ADULT BEVERAGE CHOICE THIS YEAR, GALLUP.COM (July 23, 2014), <http://www.gallup.com/poll/174074/beer-americans-adult-beverage-choice-year.aspx>.

²⁵ HORNSEY, *supra* note 23, at 34.

²⁶ See *id.* at 35; MAX NELSON, THE BARBARIAN’S BEVERAGE: A HISTORY OF BEER IN ANCIENT EUROPE 4 (2005).

²⁷ See HORNSEY, *supra* note 23, at 33–38.

²⁸ See RICHARD W. UNGER, BEER IN THE MIDDLE AGES AND THE RENAISSANCE 8 (2004) (mentioning governments regulated brewing and viewed it as a source of taxable income).

Beer arrived in the United States with the pilgrims.²⁹ It played a pivotal role in cultural society leading up to the birth of our country.³⁰ Brewing was so popular that in 1873 there were over 4,100 breweries operating in America.³¹ But after successful lobbying by a myriad of social groups, the United States added the 18th Amendment in 1920,³² embarking on an era colloquially known as “Prohibition,” which crippled brewery operations for thirteen years.³³

The repeal of the 18th Amendment³⁴ in 1933—ending Prohibition—left the beer industry with little hope of recovery.³⁵ As a result of innovative alternatives to selling beer, only larger breweries stood to recover.³⁶ The brewing industry nonetheless experienced growth in the first few years after Prohibition.³⁷ Because of economies of scale and unprecedented demand for beer,³⁸ large-scale breweries like Anheuser–Busch and Miller dominated the industry.³⁹ But their prominence did not result from brewing a variety of unique, flavorful beers:

Ultimately, big players such as Anheuser–Busch chose to create barriers to competitors not through making a range of truly differentiated and truly superior beers that collectively appealed to all segments of the market but, rather, through massive marketing and advertising investments intended to create perceived differentiation for otherwise similar products. Smaller brewers were forced out of the industry as advertising became the single largest cost component in the production of beer in the American market, because small brewers simply did not have the resources needed to engage in national advertising campaigns.⁴⁰

²⁹ The pilgrims brought with them beer, which had a “prominent place in daily life.” GREGG SMITH, *BEER IN AMERICA: THE EARLY YEARS—1587–1840: BEER’S ROLE IN THE SETTLING OF AMERICA AND THE BIRTH OF A NATION* 9–11 (1998).

³⁰ *See id.* at 44 (“Throughout the colonial period there were so many people tied to brewing that it is hard to identify anyone who wasn’t.”).

³¹ Tammy Lam, *Brew Free or Die? A Comparative Analysis of U.S. and E.U. Craft Beer Regulations*, 23 *CARDOZO J. INT’L & COMP. L.* 197, 202 (2014); NUMBER OF BREWERIES, BREWER’S ASSOCIATION, <https://www.brewersassociation.org/statistics/number-of-breweries/> (last visited Oct. 5, 2015); *see also* Hannah Jeppsen, *Let My Brewer’s Go! A Look at Home Brewing in the U.S.*, 10 *J. FOOD L. & POL’Y* 137, 140 (2014) (“The nineteenth century saw a revitalization of brewing . . .”).

³² U.S. CONST. amend. XVIII, *repealed by* U.S. CONST. amend. XXI.

³³ *See* DANIEL OKRENT, *LAST CALL: THE RISE AND FALL OF PROHIBITION* (2010), for a detailed account on the causal events leading up to Prohibition.

³⁴ U.S. CONST. amend. XXI.

³⁵ *See* Eric K. Clemons et al., *When Online Reviews Meet Hyperdifferentiation: A Study of the Craft Beer Industry*, 23 *J. MGMT. INFO. SYS.* 149, 156 (2014) (“Prohibition came close to destroying the beer brewing industry in the United States. By the time the 21st Amendment repealed Prohibition in 1933, the number of brewers had decreased to less than three dozen.”).

³⁶ *See* Jeppsen, *supra* note 31, at 142 (“Large beer producers were able to survive Prohibition by selling malt products . . . and were in a better position to regain their footing after the repeal of Prohibition . . .”).

³⁷ *See* Lam, *supra* note 31, at 203.

³⁸ *See* Clemons et al., *supra* note 35, at 156 (stating that “mass production of standardized procedures” solved the demand issue in the United States, and that the technology of refrigeration allowed large-scale breweries to ship beer across the country).

³⁹ *Id.*

⁴⁰ *Id.*

By the 1980s, there were less than one hundred breweries in the United States and only a few varieties of beer from which to choose.⁴¹ In the 1990s the “big three” continued to control the industry.⁴² Even though big beer accounts for the largest market share, America’s craft brewers are still continuing a revolution.

B. Rise of the Craft Beer Industry in the United States

Fritz Maytag started the craft beer renaissance in 1965.⁴³ Maytag’s old-school style using real ingredients and traditional brewing practices-influenced the definition of craft beer used today.⁴⁴ Though Maytag revived traditional brewing practices, the brewing industry consolidated in the early 1980s leaving less than fifty total breweries.⁴⁵

But the industry did not consolidate for long. By 1997 there were 1,273 breweries in the United States, overtaking Germany for the first time in over two hundred years.⁴⁶ Craft beer is now one of America’s hottest industries.⁴⁷

⁴¹ See Glenn R. Carroll et al., *Why the Microbrewery Movement? Organizational Dynamics of Resource Partitioning in the U.S. Brewing Industry*, 106 AM. J. SOC. 715, 716 (2000); see Clemons et al., *supra* note 35, at 156.

⁴² See Clemons et al., *supra* note 35, at 156 (“Anheuser–Busch, Miller, and Coors . . . produced approximately 82 percent of the 190 million barrels of beer sold in the United States in 1997.”).

⁴³ Maytag, in 1965, bought a fifty-one percent stake in the Anchor Brewing Company. See STEVE HINDY, *THE CRAFT BEER REVOLUTION: HOW A BAND OF MICROBREWERS IS TRANSFORMING THE WORLD’S FAVORITE DRINK* 5 (2014) (“In the beginning there was Fritz Maytag. And for more than a decade, he stood alone.”).

⁴⁴ See CRAFT BREWER DEFINED, *supra* note 4. Maytag saw the importance of producing beer according to its original recipe, inspiring brewers to return to traditional practices in brewing beer. See TOM ACITELLI, *THE AUDACITY OF HOPS: THE HISTORY OF AMERICA’S CRAFT BEER REVOLUTION* 10 (2013) (explaining that before Maytag purchased the brewery in 1965, it often purchased cheaper, alternative ingredients such as corn syrup, a practice Maytag found so distasteful that he used only barley malt to brew his beer, the original ingredient from the brewery’s “nineteenth century roots”); ACITELLI, *supra* note 44, at 11 (explaining that Maytag created a “lab” to test different recipes of beer; he sought sustainable shipping practices without the use of preservatives; and more generally, he felt demand was there for people who cared about what they drank); HINDY, *supra* note 43, at 5 (“[Maytag] laid down the enduring principles of smallness, independence, and all malt beers . . .”).

⁴⁵ Carroll et al., *supra* note 41, at 716.

⁴⁶ See Carroll et al., *supra* note 41, at 716.

⁴⁷ See Brian Solomon, *America’s Hottest Startups Are Craft Breweries*, FORBES, June 22, 2015, (“Forget apps, the real startup gold rush is to open a brewery.”).

An American craft brewery today is small, independent, and traditional.⁴⁸ A craft brewery is small, if it produces six million barrels or less annually.⁴⁹ It is independent, if less than twenty-five percent of the brewery is owned by a company who itself is not a craft brewer.⁵⁰ A traditional brewery is one “that has a majority of its total beverage alcohol volume in beers whose flavor derives from traditional or innovative brewing ingredients and their fermentation.”⁵¹ The craft brewing industry injected \$55.7 billion into the country’s economy in 2014 and added over 424,000 jobs.⁵² The craft beer industry also accounted for \$22.3 billion of the \$107.6 billion beer industry in 2015.⁵³ Beer drinkers contribute to this growth by returning to and supporting local small, independent, and traditional breweries.⁵⁴

Craft beer’s explosion onto the brewing scene, however, has caused it some growing pains. Antiquated post-Prohibition laws favoring wholesalers, bars, liquor stores, and restaurants, restrict craft breweries from growing.⁵⁵ Depending on the state and the brewery’s size, under these laws craft breweries are limited from selling beer at the retail level—like growlers—and are subject to harmful laws restricting distributing contracts.⁵⁶ Other issues have also arisen for craft breweries amidst all this growth, such as seeking a federal trademark.⁵⁷

⁴⁸ See CRAFT BREWER DEFINED, *supra* note 4; Parent v. MillerCoors, No. 3:15-cv-1204 (GPC/WVG), 2015 WL 6455752, at *1 (S.D. Cal. Oct. 26, 2015).

⁴⁹ See CRAFT BREWER DEFINED, *supra* note 4.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² See BREWERS ASSOCIATION, ECONOMIC IMPACT STUDY (Aug. 8, 2015),

<https://www.brewersassociation.org/statistics/economic-impact-data/>.

⁵³ See BREWERS ASSOCIATION, NATIONAL BEER SALES AND PRODUCTION DATA,

<https://www.brewersassociation.org/statistics/national-beer-sales-production-data/> (last visited Feb. 20, 2017).

⁵⁴ See Carroll et al., *supra* note 41, at 716 (“Nearly every one of the breweries founded in the last 20 years is associated in some way with the self-labeled ‘microbrewery’ movement, a group of brewers and consumers concerned with craftsmanship and taste in brewing beer.”).

⁵⁵ Laws enacted at the state level after Prohibition created the “three-tier system of distribution.” See Lam, *supra* note 31, at 205–06 (advising that states created a system where “producers, distributors, and retailers exist as separate entities”).

⁵⁶ See *id.* (explaining that after Prohibition, states created a system wherein “producers, distributors, and retailers exist as separate entities”).

⁵⁷ In 2014 alone, there was a 14.9% increase in the number of craft breweries. See BREWERS ASSOCIATION, NUMBER OF BREWERIES, <https://www.brewersassociation.org/statistics/number-of-breweries/> (last visited Oct. 9, 2015).

C. Trademark Disputes for Craft Brewers

With upwards of 93,000 craft beer brands in circulation, choosing a name has become increasingly difficult for craft breweries.⁵⁸ This shortage of available trademarks results in disputes between players of all sizes.⁵⁹ Craft breweries not only have to avoid infringing other beer names, but also have to avoid infringing other drink types. For example, in 2015 Red Bull demanded the Old Ox Brewery change its name.⁶⁰ Thus, the “craft brewery industry has enough of a trademark problem as it is” without adding wine into the mix.⁶¹ The result of these disputes is an increase in the cost of trademark protection.⁶²

⁵⁸ See Andy Crouch, *The Great Beer Trademark Wars*, ALL ABOUT BEER MAGAZINE (Apr. 30, 2014), <http://allaboutbeer.com/article/beer-trademarks/> (“Managing issues involving brewery and brand names are now quickly becoming a frequent concern for brewers.”).

⁵⁹ Craft beer drinkers have a particular way of encouraging compromise. Long Trail Brewing of Vermont, for example in 2014, sued Bent Paddle Brewing of Minnesota alleging Bent Paddle’s hiker logo infringed Long Trail’s hiker logo mark. The two small breweries settled after facing public scrutiny. See Clare Kennedy, *Bent Paddle, Vermont Brewer End Trademark Dispute*, MINNEAPOLIS/ST. PAUL BUSINESS JOURNAL (Dec. 11, 2014), <http://www.bizjournals.com/twincities/news/2014/12/11/bent-paddle-vermont-brewer-end-trademark-dispute.html>. Lagunitas in 2015 sued Sierra Nevada alleging Sierra Nevada’s new IPA logo infringed Lagunitas’ IPA logo, however, Lagunitas dropped the lawsuit a few days later. Craft beer drinkers started protesting one large craft brewery attempting to enforce its trademark on another large craft brewery—especially over a term the industry should share. See Josh Noel, *Lagunitas Drops Lawsuit Against Sierra Nevada After Twitter Backlash*, CHICAGO TRIBUNE (Jan. 14, 2015), <http://www.chicagotribune.com/dining/recipes/ct-lagunitas-sierra-nevada-backlash-20150114-story.html>.

⁶⁰ Red Bull alleged consumers would likely be confused as to the source of Old Ox craft beer and Red Bull energy drinks because of Old Ox’s logo. See Firtz Hahn, *Red Bull Wants to Rename an Ashburn Brewery, Because an Ox Looks Like a Bull*, WASHINGTON POST (Feb. 9, 2015), <http://www.washingtonpost.com/news/going-out-guide/wp/2015/02/09/red-bull-wants-to-rename-an-ashburn-brewery-because-an-ox-looks-like-a-bull/>.

⁶¹ Timothy Geigner, *Trademark Dispute Between Brewery And Winery Over Northstar Brand*, TECHDIRT (May 6, 2015), <https://www.techdirt.com/articles/20150504/05340830882/trademark-dispute-between-brewery-winery-over-northstar-brand.shtml>.

⁶² Founder of Dogfish Head Brewery, Sam Calagione, stated that he spent more on trademark protection in 2013 than what he spent to open the brewery. See Keith Gibbons, *The Latest News in Craft Beer Lawsuits, Trademarks, and Name Changes*, CRAFT BREWING BUSINESS (Apr. 25, 2014), <http://www.craftbrewingbusiness.com/business-marketing/latest-news-craft-beer-lawsuits-trademarks-name-changes/>.

The disputes at issue here are those resulting from similarly branded beer and wine.⁶³ On June 20, 2012, for example, The Bruery⁶⁴ filed an application with the USPTO to federally register a craft beer called 5 GOLDEN RINGS.⁶⁵ The USPTO denied this trademark name because of a registered wine mark called GOLD RING.⁶⁶ Now this issue is extending from the filing process to infringement lawsuits, as wineries are suing craft breweries to enforce registered trademarks.⁶⁷ With a little over four thousand breweries currently operating in the United States,⁶⁸ and because there are over twice as many wineries as there are breweries,⁶⁹ it is not surprising they are running into issues trademarking their brewery and beer names.⁷⁰ And if wine continues to bully craft breweries out of trademark registration, craft breweries can only rely on common law protection of its trademarks, which provides only limited protections.⁷¹

⁶³ It is not surprising there are trademark issues with over 4,000 breweries and 8,000 wineries picking and choosing names. See BREWERS ASSOCIATION, NUMBER OF BREWERIES, <https://www.brewersassociation.org/statistics/number-of-breweries/> (last visited Nov. 7, 2015); WINE INDUSTRY METRICS, WINES VINES ANALYTICS, <http://www.winesandvines.com/template.cfm?section=wids&wideDomain=wineries> (updated as of July, 2015) (last visited Nov. 7, 2015).

⁶⁴ The Bruery is a craft brewery located in Orange County, California. See THE BRUERY, ABOUT US, <http://www.thebruery.com/about-us/> (last visited Oct. 11, 2015).

⁶⁵ U.S. Trademark Application Serial No. 85,656,671 (filed June 20, 2012).

⁶⁶ *In re The Bruery, LLC.*, (TTAB Sept. 24, 2014), <http://ttabvue.uspto.gov/ttabvue/85656671-EXA-12.pdf>; see also GOLD RING, Registration No. 3,855,037.

⁶⁷ See Vince Winkel, *Boulder's Twisted Pine Brewing Sued by Washington Winery Alleging Trademark Infringement*, DAILYCAMERA (May 1, 2015), http://www.dailycamera.com/boulder-business/ci_28031656/boulders-twisted-pine-brewing-sued-by-washington-winery ("A Washington state wine producer this week filed a lawsuit in U.S. District Court against Boulder's Twisted Pine Brewing Company, alleging trademark infringement and other unfair practices.")

⁶⁸ See BREWERS ASSOCIATION, NUMBER OF BREWERIES, <https://www.brewersassociation.org/statistics/number-of-breweries/> (last visited Nov. 7, 2015).

⁶⁹ There are over 8,000 wineries in the United States. See WINE INDUSTRY METRICS, *supra* note 63.

⁷⁰ See Bland, *supra* note 9 ("For newcomers to the increasingly crowded industry of more than 3,000 breweries, finding names for beers, or even themselves, is increasingly hard to do without risking a legal fight.")

⁷¹ See *infra* Part III.

III. TRADEMARK LAW

A. History and Development of Trademark Law in the United States

Trademarks date back thousands of years.⁷² Medieval guilds in England relied on trademarks to distinguish their goods from other sources.⁷³ Good producers later sought protection in English common law courts from “improper diversion of its trade.”⁷⁴ The original purpose of trademark law therefore is to indicate the source or origin of goods.⁷⁵

American trademark law developed from English common law.⁷⁶ Trademark law therefore has “common law concepts” that function absent any statutory protections.⁷⁷ Unlike the rights afforded by federal registration, rights at common law begin as soon as a mark is used in commerce, and not when registration is filed.⁷⁸

⁷² See SHELDON W. HALPERN, SEAN B. SEYMORE & KENNETH L. PORT, *FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW: COPYRIGHT, PATENT, AND TRADEMARK* 240 (4th ed. 2012) (“The use of a mark to identify the source of a product actually began at least 3,500 years ago when potters made scratchings on the bottom of their creations to identify the source.”) [hereinafter PORT].

⁷³ See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1850 (2007) (“Local guilds often developed reputations for the quality of their products[,] . . . requir[ing] their members to affix distinguishing marks to their products so they could police their ranks effectively.”).

⁷⁴ See *id.* at 1858.

⁷⁵ See PORT, *supra* note 72, at 240; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION: DEFINITIONS OF TRADEMARK AND SERVICE MARK § 9 cmt. c (1995) (“The protection of trademarks also functions as an indirect form of consumer protection.”).

⁷⁶ See PORT, *supra* note 72, at 240.

⁷⁷ See *Pedi-Care, Inc. v. Pedi-A-Care Nursing, Inc.*, 656 F. Supp. 449, 454 (D.N.J. 1987) (citing *Caesar’s World, Inc. v. Caesar’s Palace*, 490 F. Supp. 818 (D.N.J. 1980)); PORT, *supra* note 72, at 239. Unlike copyrights and patents, trademark protection does not originate in the United States Constitution; it is instead derived from the Commerce Clause. See U.S. CONST. art. I, § 8, cl. 8; PORT, *supra* note 72, at 239 (“Whereas the United States Constitution provides the grounding foundation for both patents and copyrights, trademarks do not enjoy such recognition.”) (citation omitted); WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 166 (2003) (“Trademarks are a distinct form of intellectual property from patents and copyrights.”).

⁷⁸ See *Pedi-Care*, 656 F. Supp. at 454 (citing *Wiener King, Inc. v. Weiner King Corp.*, 407 F. Supp. 1274 (D.N.J. 1976)); BRADLEE R. FRAZER, 22 AM. JUR. PROOF OF FACTS 3D 623, 636 (1993) (“[T]he one who first uses the mark in commerce in connection with a peculiar line of business is the first to obtain the common-law rights.”). But see PORT, *supra* note 72, at 276 (“[T]he [Intent-to-Use] registration is the singular exception to this rule.”).

B. The Lanham Act

Congress codified these common law concepts in 1946 by passing the Lanham Act.⁷⁹ A trademark under the Lanham Act is any “word, name, symbol, or device or any combination thereof . . . used . . . to indicate the source of goods”⁸⁰ An applicant who is using the mark or who has a *bona fide* intention to use the mark in commerce is eligible to earn federal trademark rights.⁸¹ A federal trademark gets nationwide protection, earning its owner the right to exclusively use that mark in commerce in connection with a product or service.⁸²

C. Common Law Rights v. Federal Registration Rights

The person to first use a mark in connection with a good or service earns the common law right to exclude others from using the same or similar mark within a certain geographic zone.⁸³ On that basis, someone who files and receives a valid federal trademark can nonetheless be barred from using that mark in a geographic area that is protected by a subsequent user who has already earned common law rights to that mark.⁸⁴

⁷⁹ See Lanham Act (Trademark Act of 1946), 15 U.S.C. §§ 1051–1141n (2012); e.g., *Pedi-Care, Inc.*, 656 F. Supp. at 454 (The Lanham Act does not create the right to a mark, it only recognizes the right acquired through use.”); PORT, *supra* note 72, at 240–41. What resulted from the Act were not only the recognition of nationwide protection for common law marks but also a creation of the rights of incontestability and dilution, both of which did not exist at common law. Interview with Kenneth L. Port, Professor of Law, Mitchell Hamline School of Law, in St. Paul, Minn. (Sept. 30, 2015); see also Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 521 (1993) [hereinafter *Trademark Incontestability*]; Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is A Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 452 (1994) [hereinafter *Trademark Dilution*]. At common law a trademark did not vest in an absolute property right; under common law one could acquire a trademark only by affixing and using the mark in commerce. The absolute property right provided by incontestability therefore challenges common law trademark principles. Interview with Kenneth L. Port, Professor of Law, Mitchell Hamline School of Law, in St. Paul, Minn. (Sept. 30, 2015); see also PORT, *supra* note 72, at 294 (“[T]he scope of trademark protection is not absolute.”). But see Daniel M. McClure, *Trademarks and Competition: The Recent History*, L. & CONTEMP. PROBS., 13, 37 (Spring 1996).

⁸⁰ 15 U.S.C. § 1127.

⁸¹ *Id.*

⁸² See PORT, *supra* note 72, at 241 (“Once a trademark is registered, nationwide protection is conferred on the owner of the registration as of the date of the filing of the registration application, even if the use has not been nationwide.”).

⁸³ *Id.* at 289.

⁸⁴ A subsequent user is someone who was in good faith using a mark before someone else registered that mark or one similar at the federal level. Common law allows a subsequent user to continue using their mark within their geographic area because they were using it first. See *Thrifty Rent-A-Car System v. Thrift Cars, Inc.*, 831 F.2d 1177 (1st Cir. 1987); *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968). See also PORT *supra* note 72, at 292.

1. Vertical & Horizontal Use—Scope of Common Law Protection

A senior common law trademark owner is provided protection subject to vertical and horizontal use.⁸⁵ Vertical use relates to how the mark is used respective to “market analysis.”⁸⁶ To the extent the senior user has shown vertical use, it may exclude others from using the same or similar mark in the same market, that is, a senior user of a common law mark that sells their product at the manufacturing level would be able to exclude others from using the same or similar mark for a manufactured product, but may not be able to exclude others from using the same or similar mark at the retail level.⁸⁷

Horizontal use refers to the geographic area in which the mark is used in commerce in connection with a good or service.⁸⁸ If a senior user has established use in Minnesota, it would not be able, under common law, to bar a subsequent user in Texas.⁸⁹ If the subsequent user intentionally chose the mark in order to cause harm to the senior user, however, the senior user may file a claim for trademark infringement. Absent an intentional action to adopt the same or similar mark, infringement is not established at common law.⁹⁰ As a result, the scope of a common law user’s protection of its mark is determined by the “degree to which the trademark owner has penetrated the market.”⁹¹

2. Federal Registration Rights

A federal trademark provides the strongest protection.⁹² This is because one of the distinguishing features of a federal registrant is constructive notice, which signals to the entire country as a matter of law that the registrant has a claim of right to use the mark.⁹³ Constructive notice renders a subsequent application invalid to the extent it attempts to register the same or similar mark in connection with the same or similar good or service as the registrant’s mark.⁹⁴ There are consequences for adopting a mark that is already federally registered.⁹⁵

⁸⁵ See PORT, *supra* note 72, at 289.

⁸⁶ Market analysis means selling at a manufacturing, distributing, or retailing level. See *id.*

⁸⁷ See *id.* (“[I]f a mark is used only in wholesale, such prior use may not be a bar to a subsequent user from adopting the same or similar mark for use on the same or similar goods or services in the retail market for those goods or services.”) (citation omitted).

⁸⁸ *Id.*

⁸⁹ *Id.* (relying on *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (U.S. 1918)).

⁹⁰ *Id.* (citation omitted).

⁹¹ PORT, *supra* note 72, at 290.

⁹² See *id.* at 241.

⁹³ 15 U.S.C. § 1072.

⁹⁴ PORT, *supra* note 72, at 292.

⁹⁵ Constructive notice, as an evidentiary device, affords the senior user the ability to establish bad faith for the purpose of infringement. See *id.* at 292–93.

D. Registration Procedure for Nationwide Protection

To register for a federal trademark, one must file an application with the USPTO and include a filing fee.⁹⁶ Any mark is registrable so long as the Lanham Act does not specifically prohibit it.⁹⁷ The applicant must also choose the international product and service classification in which it wants the mark registered.⁹⁸ Examining attorneys then determine registration according to the Lanham Act and the Trademark Manual of Examining Procedure (TMEP).⁹⁹

In determining whether or not to register the mark, the examining attorney determines whether the applicant's mark is likely to cause confusion with a previously registered mark.¹⁰⁰ The analysis does not require "actual" confusion when the marks are placed together; only that confusion is likely.¹⁰¹ If the examining attorney does not believe confusion is likely to result from registering the applicant's mark, then it will allow the marks to be registered concurrently.¹⁰²

But if the examining attorney believes the applicant's mark is likely to cause confusion according to Section 2(d) of the Lanham Act,¹⁰³ then a non-final office action will be issued to the applicant, detailing the reason for refusal.¹⁰⁴ The applicant may appeal this decision directly to the same examining attorney who initially refused registration, and cite to prior decisions by the USPTO.¹⁰⁵ Next, the examining attorney may issue registration, or refuse registration again in the form of a final office action.¹⁰⁶

If after the issuance of the final office action an applicant still feels it deserves registration, then an applicant may appeal the decision to the Trademark Trial and Appeal Board (TTAB).¹⁰⁷ At this level, both the examining attorney, who issued the non-final and final office actions, and the applicant submit briefs to the TTAB, detailing why or why not registration is required under the Lanham Act.¹⁰⁸ The appeal is reviewed by a group of judges, who either decide to register the mark, or deny the mark registration.¹⁰⁹ If after this appeal the mark is again refused registration, then the applicant may appeal to a federal district court.¹¹⁰

⁹⁶ For the list of statutory requirements for principal registration, see 15 U.S.C. § 1052(d) and FRAZER, *supra* note 78, at 638.

⁹⁷ Section 1052 prohibits several types of marks, including marks that are likely to cause confusion with a previously registered mark. See 15 U.S.C. § 1052.

⁹⁸ See generally 37 C.F.R. § 6.1 (2013) (detailing that beer is in class 032 and wine in class 033).

⁹⁹ The TMEP sets forth the guidelines for examining attorneys in the USPTO. 15 U.S.C. § 1062.

¹⁰⁰ 15 U.S.C. § 1052(d).

¹⁰¹ See *In re White Rock Distilleries Inc.*, 92 U.S.P.Q.2d 1282 (P.T.O. Oct. 5, 2009); PORT, *supra* note 72, at 317.

¹⁰² PORT, *supra* note 72, at 293.

¹⁰³ 15 U.S.C. § 1052(d).

¹⁰⁴ TMEP (8th ed. Jan. 2017) § 1207.01; see also TMEP § 1109.16(d).

¹⁰⁵ See TMEP § 705.05.

¹⁰⁶ TMEP § 715.

¹⁰⁷ 15 U.S.C. § 1070 (2016); 37 C.F.R. § 2.141 (2016).

¹⁰⁸ TMEP § 1501.

¹⁰⁹ *Id.*

¹¹⁰ TMEP § 1705.09.

E. Likelihood of Confusion

The likelihood of confusion analysis takes place at two distinct levels in trademark law: (1) when applying for federal registration with the USPTO;¹¹¹ and (2) under the test for trademark infringement under the Lanham Act.¹¹²

1. Application for federal registration

To decide whether the applicant's mark is likely to cause confusion with the registrant's mark, the examining attorney must determine if the mark so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.¹¹³

¹¹¹ The Bruery, LLC., (T.T.A.B. 2014).

¹¹² See generally PORT, *supra* note 72, at 317.

¹¹³ 15 U.S.C. § 1052(d) (2012).

The analysis uses the *DuPont* factors,¹¹⁴ which include:

- (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- (3) The similarity or dissimilarity of established, likely-to-continue trade channels.
- (4) *The conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing.*
- (5) The fame of the prior mark (sales, advertising, length of use).
- (6) The number and nature of similar marks in use on similar goods.
- (7) The nature and extent of any actual confusion.
- (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
- (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).
- (10) The market interface between applicant and the owner of a prior mark.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- (12) The extent of potential confusion, i.e., whether *de minimis* or substantial.
- (13) Any other established fact probative of the effect of use.¹¹⁵

The examining attorney determines likelihood of confusion on a case-by-case basis, determining which factors favor the registrant and which factors favor the applicant; that is, the factors are allocated according to which party they favor most.¹¹⁶ But in doing so, the examining attorney may give unequal weight to different factors.¹¹⁷ The *DuPont* factors are neither exhaustive nor dispositive.¹¹⁸ It is common for attorneys to omit some factors if they are not relevant and it may only take one factor to control the outcome of the analysis.¹¹⁹

¹¹⁴ *In re Application of E. I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1360 (C.C.P.A. 1973).

¹¹⁵ *Id.* at 1361 (emphasis added).

¹¹⁶ *See, e.g., Citigroup Inc. v. Capital City Bank Grp., Inc.*, 637 F.3d 1344, 1349 (Fed. Cir. 2011).

¹¹⁷ *See, e.g., In re Majestic Distilling Co.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003).

¹¹⁸ *See* PORT, *supra* note 72 at 317.

¹¹⁹ *Majestic Distilling*, 315 F.3d at 1315.

2. Infringement

A balancing test is also used in trademark infringement lawsuits.¹²⁰ Although different circuits employ varied versions using a combination of different factors,¹²¹ the Second Circuit in New York, which uses the following factors from *Polaroid*:¹²²

- (1) Strength of plaintiff's mark.
- (2) The degree of similarity of the marks.
- (3) The proximity of the products or services in the marketplace.
- (4) The likelihood that the plaintiff will bridge the gap (narrowing significant market differences).
- (5) Evidence of actual confusion.
- (6) Defendant's good faith in adopting the mark.
- (7) The quality of the defendant's product or service.
- (8) The sophistication of the buyers.¹²³

Like the *DuPont* factors, the *Polaroid* factors are neither exhaustive nor dispositive.¹²⁴ It is common for jurisdictions to borrow from other jurisdictions in support of their analyses of these factors.¹²⁵

Craft breweries are currently disadvantaged in the application process because the fourth *DuPont* factor is not argued well enough to tip the likelihood of confusion scale in favor of craft beer.¹²⁶ This factor favors alcoholic products in cases of wine or vodka; by extension, it should also favor craft beer. Because craft beer consumers are sophisticated, they would not be likely to confuse two similarly branded craft beer and wine marks.¹²⁷

¹²⁰ See generally PORT, *supra* note 72 at 316–17.

¹²¹ See *id.* at 317–321 (detailing the different tests used by different circuits).

¹²² See, *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492 (2d Cir. 1961).

¹²³ Port, *supra* note 72 at 317 (citing *Polaroid Corp.* at 495).

¹²⁴ See *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997).

¹²⁵ See *Roederer v. J. Garcia Carrion, S.A.*, 732 F. Supp. 2d 836, 877 (D. Minn. 2010).

¹²⁶ See Resp. Office Action, PUZZLE BREWING COMPANY, (Feb. 19, 2015), <http://ttabvue.uspto.gov/ttabvue/v?pno=86263566&pty=EXA&eno=4> (omitting the sophisticated purchaser factor); Resp. Office Action, NO BOUNDARY IPA (T.T.A.B Apr. 29, 2014), <http://ttabvue.uspto.gov/ttabvue/v?pno=85886282&pty=EXA&eno=4> (mentioning that craft beer consumers are sophisticated without providing precedential support for the proposition).

¹²⁷ See *infra* Part V.

IV. THE SOPHISTICATED PURCHASER FACTOR

Examining attorneys should find that the sophisticated purchaser factor would preclude confusion between two same or similar marks for craft beer and wine.¹²⁸ If a product's purchaser is more sophisticated, they spend more time deciding whether to purchase a product, and in doing so, will not purchase the wrong product by mistake as a result of confusingly similar trademarks.¹²⁹ Showing that the prospective purchasers of a product are sophisticated weighs against finding confusion.¹³⁰ The issue is that this factor is either omitted from the analysis, focusing more on distinguishing the similarity of the marks and the similarity of goods, or is unsupported by evidence.¹³¹

A. Level One: Registration with the USPTO

Examining attorneys use the *DuPont* factors of analysis in determining a likelihood of confusion.¹³² The sophisticated purchaser factor is not argued well enough in response to denied federal trademark applications.¹³³ In turn, the analysis has become a broken record: the applicant attempts to argue that beer and wine are not related goods, or that beer and wine do not emanate from the same source, and that the marks are distinctively different.¹³⁴ Examining attorneys then rebut by arguing beer and wine may emanate from the same source and are thus sufficiently related to warrant a likelihood of confusion,¹³⁵ even though "there is no per se rule that holds that all alcoholic beverages are related."¹³⁶

¹²⁸ See *In re Puzzle Brewing Co.*, (T.T.A.B. 2015),

<http://tabvue.uspto.gov/tabvue/v?pno=86263566&pty=EXA&eno=10>.

¹²⁹ See, e.g., *E. & J Gallo Winery v. Consorzio del Gallo Nero*, 782 F. Supp. 457, 465–66 (N.D. Cal. 1991).

¹³⁰ *Id.*

¹³¹ Resp. Office Action, PUZZLE BREWING COMPANY, *supra* note 127; *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 119 (2d Cir. 2009).

¹³² See *Citigroup Inc. v. Cap. City Bank Grp., Inc.*, 637 F.3d 1344, 1349 (Fed. Cir. 2011).

¹³³ See *Puzzle Brewing, supra* note 129; *In re The Bruery, LLC* (T.T.A.B. 2014)

<http://tabvue.uspto.gov/tabvue/v?pno=85656671&pty=EXA&eno=6>.

¹³⁴ See Resp. Office Action, NO BOUNDARY IPA, *supra* note 127; Resp. Office Action, PUZZLE BREWING COMPANY, *supra* note 127.

¹³⁵ Examining attorneys rely on cases that have held alcoholic products, including beer and wine, to be related. See *In re Majestic Distilling Co.*, 315 F.3d 1311, 1315 (Fed. Cir. 2003) (stating tequila is related to malt liquor); *In re Sailerbrau Franz Sailer*, 23 U.S.P.Q.2d 1719 (T.T.A.B. 1992) (holding beer and wine are related goods); *Schieffelin & Co. v. Molson Cos.*, 9 U.S.P.Q.2d 2069 (T.T.A.B. 1989) (holding beer and brandy are related).

¹³⁶ *White Rock Distilleries*, 92 U.S.P.Q.2d at 1285 (T.T.A.B. 2009) (citing *G.H. Mumm & Cie v. Desnoes & Geddes, Ltd.*, 917 F.2d 1292, 1295 (Fed. Cir. 2003)).

The use of “third-party registrations” may determine whether two different goods are of a type that may emanate from a single source, and in turn serve as support to say the products are sufficiently related as to likely confuse a consumer as to the source of a good.¹³⁷ In determining that beer and wine may emanate from the same source, examining attorneys rely on a short list of third-party registrations that sell beer and wine under the same mark.¹³⁸ But overall, examining attorneys rely on the fact that a small percentage of entities produce beer and wine under the same mark to say that beer and wine are of a type of product that may emanate from the same source.¹³⁹

Sometimes the applicants mention that craft beer consumers have the sophistication, but offer little to no authority in support and do not distinguish this concept as a separate *DuPont* factor, instead combining it into the similarity of products factor.¹⁴⁰ Failing to differentiate this concept as a separate factor reduces its weight in the overall balancing of the factors.¹⁴¹ If examining attorneys believe the products are related, a separate analysis under the fourth *DuPont* factor should add to the determination that the marks, notwithstanding their similarity, would not result in a likelihood of confusion, because the purchasers of craft beer are sophisticated enough to discern between two similar marks for craft beer and wine.

¹³⁷ See *In re Mucky Ducky Mustard Co. Inc.*, 6 U.S.P.Q.2d 1467, 1470 n.6, 1988 WL 252484, at 3 n.6 (T.T.A.B. 1988) (Third-party registrations have probative value to determine goods may emanate from a single source); *In re Albert Trostel & Sons Co.*, 29 U.S.P.Q.2d 1783, 1993 WL 596274 (T.T.A.B. 1993) (Third-party registrations may show relatedness of goods).

¹³⁸ See *High Water Brewing*, *supra* note 10 (offering a short list of five entities that sell beer and wine under the same mark); *Puzzle Brewing*, *supra* note 129 at 5–6 (stating that because a short list of companies sell beer and wine under the same mark, consumers have been exposed to the idea that beer and wine can emanate from the same source). In one case, an examining attorney used evidence of an online article that discussed a “hybrid” product using beer and wine in order to satisfy that beer and wine may emanate from the same source. See *Puzzle Brewing*, *supra* note 129 at 7.

¹³⁹ Examining attorneys treat the amount of third-party registrations, some as little as five, as sufficient to determine that beer and wine may emanate from a single source, even though five third-party registrations reflect less than one-percent of the total number of wineries and breweries in the United States. Cf. *In re Coors Brewing*, 343 F.3d 1340, 1347 (Fed. Cir. 2003) (holding third-party registrations for entities that provide restaurant services and beer under the same mark that represent less than one percent of the respective population were not sufficient to say the restaurant services and beer are related).

¹⁴⁰ Resp. Office Action, NO BOUNDARY IPA, *supra* note 127.

¹⁴¹ See *Starbucks Corp.*, 588 F.3d at 119.

B. Level Two: Infringement

At the infringement level, some jurisdictions view the sophisticated purchaser factor in light of the “degree of care” taken by purchasers.¹⁴² One thing courts look at in determining whether customer will exercise a degree of care is the price of the products.¹⁴³ The places in which the products are purchased are also discussed.¹⁴⁴ Courts have provided that evidence suggesting purchasers are sophisticated can weigh against finding a likelihood of confusion.¹⁴⁵ But in the absence of such evidence, courts are left to give less weight to this factor, ignore it altogether, or rely simply on the “nature of the product or its price.”¹⁴⁶ The Eighth Circuit and the Second Circuit have come to different conclusions regarding whether or not consumers of alcoholic products are sophisticated enough to preclude a finding of a likelihood of confusion.¹⁴⁷

1. Eighth Circuit

The Eighth Circuit uses the *SquirtCo* factors, and likelihood of confusion is a finding of fact.¹⁴⁸ The sophisticated purchaser factor looks at “whether the kind of product, its cost, and the condition of purchase can eliminate the likelihood of confusion that would otherwise exist.”¹⁴⁹ To do so, the court “stand[s] in the shoes of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of good.”¹⁵⁰ Courts could reason that even a purchaser who exercises a degree of care while purchasing may nonetheless wrongfully assume the product they are about to purchase is associated with another source.¹⁵¹

¹⁴² *Roederer*, 732 F. Supp. 2d at 877 (“[The degree of care] requires consideration of the type of product, its cost, and conditions of purchase.”).

¹⁴³ See, e.g., *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 386–87 (2d Cir. 2005).

¹⁴⁴ See *id.* at 390 (discussing how consumers in liquor stores act differently than consumers in grocery stores).

¹⁴⁵ *Id.* (“Consumer sophistication may be proved by direct evidence such as expert opinions or surveys.”).

¹⁴⁶ *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 119 (2d Cir. 2009) (“Given the lack of evidence provided to the District Court regarding consumer sophistication, we decline to give this factor ‘much, if any, weight’ in our *de novo* balancing of the *Polaroid* factors.”) (relying on *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 78–79 (2d Cir. 1998)); *Star Indus.*, 412 F.3d at 390.

¹⁴⁷ Compare *Roederer*, 732 F. Supp. 2d at 878 (determining purchasers of sweet wine are not sophisticated), with *Banfi Products Corp. v. Kendall-Jackson Winery, Ltd.*, 74 F. Supp. 2d 188, 199 (E.D.N.Y. 1999) (determining purchasers of wine are sophisticated).

¹⁴⁸ *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1090–91 (8th Cir. 1980).

¹⁴⁹ *Id.* at 1091.

¹⁵⁰ *General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622 (8th Cir. 1987) (citing *Scott v. Mego Int’l, Inc.*, 519 F. Supp 1118, 1133 n.17 (D. Minn. 1981)).

¹⁵¹ See *Roederer*, 732 F. Supp. 2d at 877 (citing *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Fam. Music Ctr.*, 109 F.3d 275, 286 (6th Cir. 1997)).

The *Roederer* court determined that purchasers of less expensive wines were not sophisticated.¹⁵² In determining that purchasers were not sophisticated, the *Roederer* court did not discuss the conditions under which the products are purchased and instead relied on the price.¹⁵³ The court weighed this factor in favor of finding a likelihood of confusion without meaningfully discussing that these products are purchased in liquor stores, where purchasers are more sophisticated.¹⁵⁴

2. Second Circuit

The Second Circuit follows the *Polaroid* test in determining a likelihood of confusion, and the rationale behind Second Circuit decisions acts as persuasive authority to examining attorneys during the registration process and should be used over other circuits' rationales.¹⁵⁵ Under the *Polaroid* test, consumer sophistication may be proven by direct evidence such as expert opinions or surveys, or the court may rely simply on the "nature of the product or its price."¹⁵⁶ In general, if a product is relatively inexpensive, the degree of sophistication exercised by the purchaser is lower than that of a relatively expensive product.¹⁵⁷

¹⁵² *Id.* at 877 ("In general, purchasers of wine and sparkling wine are unsophisticated and rely on familiarity with brands and the information conveyed by the labels when purchasing a less-expensive product.").

¹⁵³ *Id.*

¹⁵⁴ *See generally id.*

¹⁵⁵ *See, e.g.,* *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 384 (2d Cir. 2005).

¹⁵⁶ *Id.* at 390 (relying on *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 218–19 (2d Cir. 2003)); *But see* *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 965 (2d Cir. 1996) ("[P]rice alone is not determinative of the care a consumer will take in making purchases . . .").

¹⁵⁷ *See* *Patsy's Brand, Inc., v. I.O.B. Realty, Inc.*, 317 F.3d 209, 219 (2d Cir. 2003) (referencing *Harold F. Ritchie, Inc. v. Chesebrough-Pond's Inc.*, 281 F.2d 755 (2d Cir. 1960)); *Frank Brunckhorst Co. v. G. Heileman Brewing Co. Inc.*, 875 F. Supp 966, 983 (E.D.N.Y. 1994) (stating purchasers of more expensive products will be more careful).

The Second Circuit has held that food products purchased in a supermarket, such as bread and margarine, are purchased casually, without sophistication.¹⁵⁸ Conversely, the Second Circuit has held that products purchased in liquor stores are not purchased on impulse, and require more “careful” purchasing.¹⁵⁹ Specifically, they have held that purchasers of vodka are sophisticated enough to differentiate between two differently labeled vodkas with a similar mark, when one vodka is \$24 and the other \$12.¹⁶⁰ The Second Circuit has also accepted evidence suggesting that wine purchasers are wealthier and older, weighing the factor of sophistication in favor of not finding likelihood of confusion for two similarly branded wines.¹⁶¹ Interestingly, the Second Circuit also mentions that “premium” beer, or craft beer, would have more sophisticated purchasers than consumers of a beer made by Anheuser.¹⁶²

C. Commander Beer

The TTAB determined in *In re Sailerbrau Franz Sailer*¹⁶³ that CHRISTOPHER COLUMBUS for beer would be likely to confuse a consumer as to its source with CRISTOBAL COLON for wine.¹⁶⁴ The TTAB in *Sailerbrau* reasoned that beer and wine are products purchased by the general public at a wide range of prices on impulse.¹⁶⁵ There was no mention of the fact that these products are purchased in liquor stores.¹⁶⁶ However, this was decided in 1992, before the rise of the craft beer industry.¹⁶⁷

¹⁵⁸ See *Frank Brunckhorst Co. v. G. Heileman Brewing Co.*, 875 F. Supp. 966, 983 (E.D.N.Y. 1994); *Lever Brothers Co. v. American Bakeries Co.*, 693 F.2d 251, 259 (2d Cir. 1982); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 119 (2d Cir. 2009) (mentioning “low-cost goods” purchased in a “supermarket environment” require a low level of consumer sophistication).

¹⁵⁹ See *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005) (advising that consumers in a liquor store exercise the requisite level of sophistication to distinguish between two similar vodka marks); See also *G.H. Mumm & Cie v. Desnoes & Geddes, Ltd.*, 917 F.2d 1292, 1295 (Fed. Cir. 1990) (reasoning that because a champagne producer marketed its product as a “premium” good, the purchaser of its champagne will exercise a higher degree of focus while making a decision).

¹⁶⁰ *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005) (held that a \$24 bottle of vodka was “relatively expensive”).

¹⁶¹ See *Banfi Prod. Corp. v. Kendall-Jackson Winery, Ltd.*, 74 F. Supp. 2d 188 (E.D.N.Y. 1999) (finding no likelihood of confusion between two similar marks for wine, wherein one type of wine was more expensive than the other, relying on evidence suggesting wine purchasers are “likely to be older, wealthier, and better educated than the general population”). But see *Constellation Brands, Inc. v. Arbor Hill Associates, Inc.*, 535 F.Supp.2d 347, 371 (W.D.N.Y. 2008) (finding the sophisticated purchaser factor weighed against finding a likelihood of confusion, but the court did not believe purchasers of wine products exhibited a high level of sophistication when two wine products are both sold in liquor stores where one wine is more expensive than the other).

¹⁶² See *Frank Brunckhorst Co.* 875 F. Supp. at 983 (E.D.N.Y. 1994).

¹⁶³ *In re Sailerbrau Franz Sailer*, 23 U.S.P.Q.2d 1719 (T.T.A.B. 1992).

¹⁶⁴ *Id.* (If a final office-action refusing registration is appealed, the TTAB determines whether or not the examining attorney was correct to either refuse or grant registration); See also, *In re White Rock Distilleries*, 92 U.S.P.Q.2d 1282 (T.T.A.B. 2009).

¹⁶⁵ See *In re Kysela Pere et Fils, Ltd.*, 98 U.S.P.Q.2d 1261, *5 (T.T.A.B. 2011); *In re Sailerbrau Franz Sailer*, 23 U.S.P.Q.2d 1719 (T.T.A.B. 1992).

¹⁶⁶ *In re Sailerbrau Franz Sailer*, 23 U.S.P.Q.2d 1719 (T.T.A.B. 1992).

¹⁶⁷ See *Carroll et al.*, *supra* note 41, at 716.

A craft brewery successfully registered a trademark for beer in 2013, even though the USPTO initially refused registration because of a similarly branded wine.¹⁶⁸ Lift Bridge from Stillwater, Minnesota¹⁶⁹ applied to register COMMANDER for beer,¹⁷⁰ and was initially denied, citing a likelihood of confusion with a wine called COMANDANTE.¹⁷¹ The examining attorney issued registration after a response brief filed by Lift Bridge, which did not mention the sophisticated purchaser factor.¹⁷² Instead the applicant scrutinized the use of third-party registrations to warrant a likelihood of confusion.¹⁷³

In 2014, however, the USPTO took a step back and denied High Water Brewing a trademark for NO BOUNDARY IPA because of a wine called NO BOUNDARIES.¹⁷⁴ If COMMANDER is registrable notwithstanding COMANDANTE, then registration should be allowed for NO BOUNDARY IPA notwithstanding NO BOUNDARIES. And were the TTAB ever to revisit CHRISTOPHER COLUMBUS for beer, they should allow registration notwithstanding CRISTOBAL COLON.

V. CHANGE IN THE ANALYSIS

A. Craft Beer Consumers are Sophisticated Purchasers

1. If wine and vodka, then why not craft beer?

The Second Circuit has held, for the purpose of a likelihood of confusion analysis, that consumers of vodka and wine have the requisite sophistication to discern between two similarly branded vodka marks and two similarly branded wine marks.¹⁷⁵ In support of these findings, the Second Circuit relied on evidence suggesting wine consumers are older and wealthier, thus determining they do not purchase wine products on impulse.¹⁷⁶ The Second Circuit also relied on the determination that products purchased in liquor stores are not purchased on impulse.¹⁷⁷ Overall, the Second Circuit realizes that purchasers of alcoholic products have a higher level of sophistication.¹⁷⁸

¹⁶⁸ See Resp. Office Action, COMMANDER, (T.T.A.B. 2013), https://tsdrsec.uspto.gov/ts/cd/pdfs?F=/ROA/2013/09/16/20130916154420085168-85790849-003_001/evi_6465174130-153716684_RESPONSE_TO_Office_Action_COMMANDER_85790849.pdf.

¹⁶⁹ See LIFT BRIDGE, <http://liftbridgebrewery.com/#brewery/tap-room> (last visited Nov. 13, 2015).

¹⁷⁰ COMMANDER, Registration No. 4,483,537.

¹⁷¹ COMMANDER, *supra* note 169.

¹⁷² *Id.*

¹⁷³ *Id.*

¹⁷⁴ *In re High Water Brewing, Inc.*, 2014 WL 5282254 (T.T.A.B. 2014).

¹⁷⁵ *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005); *Banfi Prod. Corp. v. Kendall-Jackson Winery, Ltd.*, 74 F. Supp. 2d 188 (E.D.N.Y. 1999).

¹⁷⁶ *Star Industries*, 412 F.3d 373 at 390.

¹⁷⁷ *Banfi Prod. Corp. v. Kendall-Jackson Winery, Ltd.*, 74 F. Supp. 2d 188 (E.D.N.Y. 1999).

¹⁷⁸ See generally *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 390 (2d Cir. 2005).

There is evidence available showing craft beer drinkers are more sophisticated than the typical beer drinker, enough to distinguish between a beer mark and a wine mark.¹⁷⁹ This evidence suggests that the “[craft beer] demographic group possesses high disposable income with the education and life position to be comfortable in expressing discrimination and to demand their preferences.”¹⁸⁰ The results of this study mirror the findings of surveys submitted to argue wine consumers are also sophisticated.¹⁸¹ Especially in light of the fact that liquor store purchases are made with a higher level of sophistication,¹⁸² and craft beer is purchased in liquor stores.¹⁸³ Therefore, the evidence that craft beer drinkers are wealthy, smart, and passionate, should weigh heavily against finding a likelihood of confusion with a previously registered mark for wine. If sophisticated wine consumers are able to distinguish between two similarly branded wines,¹⁸⁴ and if vodka consumers yield the ability to distinguish between two similarly branded vodkas,¹⁸⁵ then a craft brewery should not be denied registration. And above all, if a craft brewery was able to register a trademark notwithstanding a similarly branded wine, without mentioning the sophisticated purchaser factor, then any future refusal should be overturned if the applicant argues this factor.¹⁸⁶

2. Requiring Craft Breweries to Submit Survey Evidence is Wrong

Although examining attorneys and judges will entertain evidence of sophisticated purchasers, they are often looking for surveys conducted by the applicant indicating there will not be a likelihood of confusion with the registrant’s product.¹⁸⁷ These surveys, however, are expensive and in many situations are not feasible for a small craft brewery owner who simply wants to register his or her name.¹⁸⁸ Should a craft brewery be expected to cover the cost of a survey when the threshold for registration is generally lower than that of an infringement lawsuit where surveys are generally used?¹⁸⁹

¹⁷⁹ See Douglas W. Murray & Martin A. O’Neill, *Craft Beer: penetrating a niche market*, 114 BRITISH FOOD J. 899, 903 (2012) (“What is striking is the overall profile of the respondent sample: approximately 72 percent . . . earned a Bachelor’s or higher graduate degree; [and] 63 percent (approximate) enjoy household annual incomes over \$75,000 . . .”).

¹⁸⁰ *Id.* (“[R]espondents were asked to self-describe their commitment level with 93 percent describing themselves as passionate or enthusiasts.”).

¹⁸¹ See *Banfi*, 74 F.Supp.2d at 195 (stating surveys of wine consumers reflect that they “tend to be older, wealthier, and better educated than the average population” and that a typical wine consumer earns at least \$60,000 in income).

¹⁸² *Star Industries*, 412 F.3d 373 at 390.

¹⁸³ Telephone Interview with David Hautman, General Manager of Franklin-Nicollet Liquor Store, (Nov. 15, 2015, 6:26 PM) (David Hautman is the General Manager of three liquor stores in Minnesota, including the Franklin-Nicollet Liquor Store in Minneapolis, and has been in the liquor industry for 38 years).

¹⁸⁴ See *Banfi*, 74 F.Supp.2d at 188.

¹⁸⁵ *Star Industries*, 412 F.3d 373 at 390.

¹⁸⁶ See Resp. Office Action, *COMMANDER*, *supra* note 169.

¹⁸⁷ *Star Industries*, 412 F.3d at 390.

¹⁸⁸ Peter Weiss, *The Use of Survey Evidence in Trademark Litigation: Science, Art or Confidence Game?*, 80 TRADEMARK REP. 71, 85 n.30 (1990) (“The cost of a major survey tends to start at around \$30,000 and can run up to \$100,000 or more.”).

¹⁸⁹ See generally *PORT*, *supra* note 72, at 256.

B. Third-Party Registrations are Not Sufficient to Find Beer and Wine are Related

It should not be enough for an examining attorney to reason that because beer and wine may emanate from the same source that their respective purchasers are not sophisticated enough to differentiate between a craft beer and wine mark.¹⁹⁰ Less than fifty companies make both beer and wine.¹⁹¹ It is misguided to say this number is significant enough to preclude craft beer trademarks considering there are over 8,000 wineries in the United States and over 3,500 breweries.¹⁹² Coors argued that restaurant services and beer may emanate from the same source, but an appeals court ruled the two were unrelated.¹⁹³

C. Craft Beer and Wine are Consistently Distinguished

Beer is not wine, and under current law each are treated differently.¹⁹⁴ Beer is also not found next to wine on store shelves.¹⁹⁵ Different players in the alcohol industry dominate beer and wine.¹⁹⁶ Not to mention breweries are required by law to place the source of the beer on the label.¹⁹⁷ It therefore seems like any confusion as to the source of the product would be eliminated by this statutory requirement; under current trademark law, however, that label requirement has little meaning.¹⁹⁸

D. Stop Giving Wine Absolute Property Rights

As a result of these decisions, examining attorneys are effectively creating a barrier for craft breweries to enjoy nationwide protection intended under the Lanham Act.¹⁹⁹ By allowing wine marks priority in trademark law, the examining attorneys are effectively giving wine marks absolute property rights in words that should otherwise be available for use by craft breweries.²⁰⁰ Trademark rights are not absolute, but they instead ensure the right to exclude others from using the same or similar mark through use.²⁰¹

¹⁹⁰ See generally *Puzzle Brewing*, *supra* note 129.

¹⁹¹ See *Resp. Office Action, COMMANDER*, *supra* note 169.

¹⁹² See *id.* (arguing successfully third-party registrations are insufficient to say beer and wine may emanate from the same source).

¹⁹³ *Coors*, 343 F.3d at 1347.

¹⁹⁴ See, e.g., MINN. STAT. § 340A.404 (affording different licenses to wineries than breweries).

¹⁹⁵ *Hautman*, *supra* note 184.

¹⁹⁶ Compare BREWERS ASSOCIATION, TOP 50 BREWERIES OF 2014, <https://www.brewersassociation.org/press-releases/brewers-association-lists-top-50-breweries-of-2014/> (last visited Nov. 9, 2015), with Colman Andrews, *101 Best Wineries in America for 2015*, THE DAILY MEAL (July 23, 2015), <http://www.thedailymeal.com/america-s-101-best-wineries>.

¹⁹⁷ 27 C.F.R. § 25.142(a).

¹⁹⁸ Even if a craft beer drinker understood that some wineries make beer and vice versa, the requirement that the source must be placed on the bottle should eliminate any confusion as to whether that specific beer is made by a winery or a brewery, because a consumer would see that the craft beer they are about to purchase is made either by a brewery or winery.

¹⁹⁹ 15 U.S.C. § 1052 (2006).

²⁰⁰ Interview with Kenneth L. Port, Professor of Law, Mitchell Hamline School of Law, in St. Paul, Minn. (Sept. 30, 2015).

²⁰¹ *Id.*

Without a federal trademark, craft breweries can rely only on common-law protection for their marks, which does not afford the greatest number the protections.²⁰² Under common law, a craft brewery can only preclude another entity from using its mark to the extent that it has used the mark in commerce within a particular geographic area.²⁰³ A craft brewery in Minnesota, for example, seeking expansion into Wisconsin or Iowa might be precluded from doing so by senior users or federal trademark owners selling similar named beers in those states.²⁰⁴ Expansion into new markets may lead to infringement suits from other trademark owners without federal protection.²⁰⁵

E. Practical Considerations

1. Wine is already advantaged

There are over twice as many wineries in the United States than there are breweries.²⁰⁶ Wineries are afforded special treatment in light of the post-Prohibition three-tier system.²⁰⁷ Craft breweries generally do not have the ability to sell bottles of beer directly to consumers.²⁰⁸ They rely on their ability to sell their beer in their taprooms, or to sell to distributors who in turn sell to bars, restaurants, and liquor stores.²⁰⁹ Moreover, craft beer drinkers find it distasteful to see a craft-brewery fight over trademarks, so why add wine to the mix?²¹⁰ Especially in light of the economic impact craft breweries have on the United States today, this is an industry worth protecting.²¹¹

2. Trademark Depletion

It is likely beer and wine names may contain similar wording.²¹² But denying craft breweries registration because of wine could lead to brewers choosing mundane, registration-proof names for their beers,²¹³ taking away from the innovation that leads to names such as, “Day Tripper.”²¹⁴ It could potentially prevent brewers from trying new recipes, new techniques, and new marketing strategies to create new beers, which would harm consumers and brewers alike.²¹⁵

²⁰² *Id.* at 241.

²⁰³ *Id.* at 289.

²⁰⁴ *Id.*

²⁰⁵ See generally *id.* at 292.

²⁰⁶ NUMBER OF BREWERIES, *supra* note 63; WINE INDUSTRY METRICS, *supra* note 63.

²⁰⁷ See Scott, *supra* note 8, at 424–25.

²⁰⁸ See generally *id.* at 423 (“Under the statute, brewers and wholesalers are prohibited from having any direct or indirect interest in a retailer.”) (citation omitted).

²⁰⁹ *Id.* at 418, 422.

²¹⁰ See Noel, *supra* note 59 and accompanying text.

²¹¹ See ECONOMIC IMPACT STUDY, *supra* note 52.

²¹² See Bland, *supra* note 9.

²¹³ Soon enough, breweries are going to start naming their beers sckj, rsdkn, ouetnv, or some other arbitrary name in hopes that it does not result in a wedding invitation to a similarly named wine.

²¹⁴ Day Tripper is a registered trademark owned by Indeed Brewing Company in Minneapolis, MN, <http://www.beatlesbible.com/songs/day-tripper/> (last visited Nov. 9, 2015).

²¹⁵ See generally Carroll et al., *supra* note 41, at 725 (discussing how craft beer drinkers prefer different products with better taste).

F. If Wine Crashes the Wedding, Kindly Ask It to Leave

In the future, should a craft brewery apply for principal registration under class 032 and subsequently receive a Section 2(d) refusal based on a likelihood of confusion with a brand of wine in class 033? The attorney should argue the “sophisticated purchaser *DuPont* factor in their response brief, relying on *Star Industries*, which determined that purchasers of two similar vodkas were sophisticated.²¹⁶ They should argue that craft beer drinkers are not only smart, but also passionate, and that if wine and vodka drinkers are sophisticated, then craft beer drinkers are too.²¹⁷

In order to weaken the other factors, the applicant should argue that third-party registrations are insufficient to warrant a likelihood of confusion, because a percentage of less than one suggests that craft beer and wine may emanate from the same source which is not enough to determine the products are related.²¹⁸ The examining attorney should see the arguments made on the basis of the sophisticated purchaser and find that this factor weighs heavily against finding a likelihood of confusion. In their balancing of the *DuPont* factors, the examining attorney should duly note the strength of the fourth factor, and allow concurrent registration.²¹⁹

VI. CONCLUSION

Therefore, the focus in the analysis subsequent to a Section 2(d) refusal for a craft beer based on a likelihood of confusion with a wine should be on the sophisticated purchaser factor. Third-party registrations should not be enough to warrant a finding that craft beer and wine are related. The Lanham Act is intended to protect users nationwide; refusing registration for craft breweries because of wine creates a barrier preventing craft breweries to enjoy the Lanham Act’s intended protections. Common law protection is not strong enough for craft breweries to expand into new markets. Because of the craft beer industry’s impact on the economy,²²⁰ it is an industry we must protect.

After all, the applicant needs to remind the examining attorney wine never received an invitation to the wedding. As of now when wine is asked at the wedding, “So, how do you know the groom?” the usual response is, “Oh, we’re . . . Uncle Ned’s kids.”²²¹ Which, like allowing wine to crash a craft beer’s trademark application, is just plain wrong. Craft beer consumers are sophisticated purchasers. They are unlikely to be confused as to whether a craft brewery or a winery makes a craft beer.

²¹⁶ *Star Industries*, 412 F.3d 373 at 390.

²¹⁷ *Id.* Banfi Products Corp., 74 F. Supp. 2d 188 at 199.

²¹⁸ See generally *In re Coors Brewing*, 343 F.3d 1340, 1347 (Fed. Cir. 2003).

²¹⁹ See generally *PORT*, *supra* note 72, at 293.

²²⁰ See *ECONOMIC IMPACT STUDY*, *supra* note 52.

²²¹ STEVE FABER & BOB FISHER, *THE WEDDING CRASHERS* 19 (2003) (script for the movie entitled, “The Wedding Crashers”), http://www.dailyscript.com/scripts/wedding_crashers.pdf.

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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 2 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith is the following treatise downloaded from the Internet in December 2018:

Casagrande, Thomas L.: WHAT MUST A FOREIGN SERVICE MARK HOLDER DO TO CREATE AND MAINTAIN TRADEMARK RIGHTS IN THE UNITED STATES?,
Volume 93, TMR pages 1354-1381 (2004).

The treatise submitted herewith concerns the issue of how a foreign entity creates and maintains rights to their service mark in the United States. Defendant is a foreign entity seeking to protect their alleged right to the HANSCOMB service mark in the United States. This is an issue that forms a central part of the issues to be decided by the TTAB in this proceeding.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 2 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel

WHAT MUST A FOREIGN SERVICE MARK HOLDER DO TO CREATE AND MAINTAIN TRADEMARK RIGHTS IN THE UNITED STATES?

*By Thomas L. Casagrande**

I. INTRODUCTION

In a typical trademark dispute involving U.S. entities, the party alleging infringement or dilution of its mark must have actually used its mark in commerce.¹ For a U.S. manufacturer of goods, proving such qualifying use of the mark rests on the straightforward determination of whether the mark had been affixed to the goods or its packaging. Service marks present more of a challenge because a mark holder cannot "affix" the mark to a service. U.S. service providers typically are required to show only that they have advertised the service using the mark. In the vast majority of cases, the nationality of the mark's owner is not in issue; the focus is on use in the United States.

In the case of foreign service providers, however, "use" of the mark "in commerce" so as to maintain rights in the United States is a critical issue, particularly the extent to which "mere advertising" in the United States suffices to bestow U.S. enforceability. Surprisingly, there is little U.S. case law on this issue, and much of what does exist seems at best unclear or confusing, and at worst, simply wrong.

This article will examine the Lanham Act's provisions and relevant case law to determine the circumstances under which foreign service providers can assert and maintain service mark rights in the United States. First, the article will discuss general principles governing the issue of "use in commerce" as they relate to questions of registration and enforcement of foreign marks. Next, the article will analyze the manner in which courts and the

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1. It is elemental that trademark rights flow from use. See, e.g., *Allard Enters., Inc. v. Advanced Programming Resources, Inc.*, 249 F.3d 564, 572 (6th Cir. 2001); *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987); *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 994 (11th Cir. 1986).

Trademark Trial and Appeal Board (TTAB) of the United States Patent and Trademark Office have dealt with the assertion of enforceable U.S. trademark rights by foreign sellers of goods and services. As will be seen in the analysis that follows, most decisions on the subject contain imprecise analysis and language, tending to exacerbate an already difficult issue. The article will then make several practical suggestions designed to avoid perpetuation of analytical errors that would flow from these troublesome precedents and to facilitate enforcement of service marks in the United States by foreign nationals to the full extent permitted by the Lanham Act. Finally, the article will assess the viability of the "famous" or "well-known" mark doctrine to provide an alternative basis for foreign service providers to assert U.S. rights.²

II. THE "USE IN COMMERCE" REQUIREMENT

A. Foreign Service Mark Owner Need Not Satisfy the "Use In Commerce" Requirement to Obtain a Registration.

One of the few clear principles that apply to foreign mark holders is that the Lanham Act³ does not require a foreign service mark owner to prove that it has "used" its mark in the United States before qualifying to register the mark. All a foreign service mark owner need prove is that it (1) owns a valid foreign registration for the mark and (2) intends to use the mark "in commerce." Specifically, "[a] mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible. . . . The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration."⁴ Interestingly, the Lanham Act thus treats foreign applicants a bit better than it treats U.S. applicants, since under sections 1(b) & (d) of the Lanham Act,⁵ a U.S. applicant who has not yet used its mark can obtain only a determination of "allowance"—not an actual issued registration—until it provides the USPTO with proof

2. The article's discussion of the "famous" or "well-known" mark doctrine, see *infra* notes 120-137 and accompanying text, is not to be confused with the issue of famousness as a statutory prerequisite for protection under the Federal Trademark Dilution Act, which specifies certain factors relevant to the issue of fame or distinctiveness under the Dilution Act at 15 U.S.C. § 1125(c)(1).

3. 15 U.S.C. § 1126(e).

4. *Id.*; see also *Imperial Tobacco Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1578 (Fed. Cir. 1990).

5. 15 U.S.C. § 1051(b) & (d).

of use.⁶ Upon receipt of acceptable specimens, a sworn statement of use, and a specification of the date of first use, the USPTO will issue the registration to the U.S. applicant.⁷

***B. To Maintain a Registration or Assert
Common Law Rights,
a Foreign Service Mark Owner Must Satisfy
the "Use In Commerce" Requirement***

While section 44(e) of the Lanham Act does not require that a foreign service mark owner have used its mark "in commerce" to obtain a U.S. registration, it says nothing about what happens after registration. However, the very next subsection provides guidance: section 44(f) states that a registration obtained under section 44(e) "shall be independent of the registration in the country of origin and the duration, validity, or transfer in the United States of such registration shall be governed by the provisions of this Act."⁸ The Federal Circuit has noted that "a section 44(e) registrant is entitled only to the same national treatment as any other registrant."⁹ Thus, after registration, the general provisions of the Lanham Act govern enforceability. For example, the concept of "abandonment"—the opposite side of the "use" coin—has been applied to foreign mark holders and U.S. mark holders alike,¹⁰ and, in fact, the Lanham Act defines "abandonment" with explicit reference to "use": "A mark shall be deemed 'abandoned' . . . [w]hen its use has been discontinued with intent not to resume such use. . . . Nonuse for 3 consecutive years shall be prima facie evidence of abandonment."¹¹

6. Imperial Tobacco, 899 F.2d at 1578.

7. 15 U.S.C. § 1051(d)(1). Pursuant to the provisions of section 1(d), once an "intent to use" application has been "allowed," the mark owner may have up to 36 months to supply proof of use to the USPTO. See 15 U.S.C. § 1051(d)(2).

8. 15 U.S.C. § 1126(f).

9. Imperial Tobacco, 899 F.2d at 1579; see also *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 908 (9th Cir. 2002) (noting that section 44 implements, among other treaties, the Paris Convention for the Protection of Industrial Property, March 20, 1883, and the Paris Convention requires only that "foreign nationals . . . be given the same treatment in each of the member countries as that country makes available to its own citizens") (citation omitted), cert. denied, 123 S. Ct. 993 (2003).

10. See, e.g., Imperial Tobacco, 899 F.2d at 1579 ("Thus, a section 44(e) registration, like any other registration may be cancelled on the ground of abandonment of the mark at any time.")

11. *Id.* Many of the decisions that address the rights of foreign mark owners arise in the context of an argument by the mark owner's adversary that the foreign mark owner, by not having performed any services or sold any goods under the mark in the U.S., has thereby "abandoned" the mark within the meaning of the Lanham Act's definition of abandonment. See, e.g., Imperial Tobacco, 899 F.2d at 1579; *Centroamericana S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021 (Fed. Cir. 1989); *Linville v. Rivard*, 26 U.S.P.Q.2d 1508 (T.T.A.B. 1993), vacated, 11 F.3d 1074, 31 U.S.P.Q.2d 1218, 1230 (Fed. Cir. 1993)

I next turn to a consideration of the meaning of “use in commerce” under the Lanham Act.

C. The Lanham Act’s Definition of “Use in Commerce”

The Lanham Act expressly defines the phrase “use in commerce” differently for goods and services. Under section 45:

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in a mark. *For purposes of this Act, a mark shall be deemed to be in used in commerce—*

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on the documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) *on services when it is used or displayed in the sale or advertising of services and 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.*¹²

Thus, this provision makes clear that a service mark is used in commerce when two conditions are satisfied: (1) the mark is used or displayed in the advertising or sale of services; *and* (2) the services “are rendered in commerce.”

(nonprecedential decision), on remand, 41 U.S.P.Q.2d 1731 (T.T.A.B. 1996), *aff’d*, 133 F.3d 1446 (Fed. Cir. 1998). In determining whether a mark has been “abandoned,” and is therefore unenforceable, under the Lanham Act, the initial burden, as set forth explicitly in the statute, is on the party asserting abandonment to show that the putative mark owner has not used the mark in the United States for three consecutive years. If the party asserting abandonment satisfies this burden, the burden then shifts to the mark owner to demonstrate either that he has, in fact, used the mark during the three year period, see, e.g., *Centroamericana S.A.*, 892 F.2d at 1026, or that the circumstances do not justify an inference that the mark owner does not intend to resume use of the mark (or, perhaps, begin use of a mark registered but alleged never to have been used). See, e.g., *Exxon Corp. v. Humble Exploration Co.*, 695 F.2d 96, 99 (5th Cir. 1983). Once the burden shifts to the putative mark owner, it is insufficient to overcome the presumption of abandonment to show, for example, the following: limited sales where the mark is used but does not serve as a true source identifier, see *id.* at 100-01; or incidental sales of other goods or services under the mark, even if part of an alleged marketing strategy preliminary to introducing the good or service at issue, see *Imperial Tobacco*, 899 F.2d at 1582.

12. 15 U.S.C. § 1127 (emphasis added).

**1. The First Inquiry:
Has the Foreign Service Provider
“Used” the Mark as Contemplated
by the Lanham Act?**

The first part of the statutory definition—whether the foreign service mark owner has made a qualifying “use” of the mark—is usually the easier requirement to satisfy. The statute is clear that advertising is the key issue in determining whether a service mark has been “used,” as one might expect, given the intangible nature of services. The Federal Circuit has noted, in a case involving an Alabama restaurant:

A service mark is different from a mark for goods, especially in the manner it is used in commerce. The legally significant use giving rise to rights in a mark for goods is derived from the placing of the mark in some manner on the goods either directly or on their containers or packaging. A service mark, on the other hand, entails use in conjunction with the offering and providing of a service. This makes all the more important the use of the mark in “sales” or “advertising” materials of different descriptions.¹³

Consistent with the statute and this observation, the Federal Circuit has twice noted that “[a]dvertisements can clearly supply proof of use of a service mark.”¹⁴ Accordingly, as to this first inquiry, it is clear that advertising can constitute the required statutory “use” in certain circumstances.

Moreover, there does not seem to be any statutory requirement that the advertising be done in the United States, so long as it is performed, as explained in the following section, in connection with qualifying commerce (the second part of the “use in commerce” requirement).¹⁵

**2. The Second Inquiry:
What Is “in Commerce” Under the Lanham Act?**

Assuming that a foreign service mark provider can show a “use” of the mark, the next inquiry under the definition of “use in commerce” in section 45 of the Lanham Act is whether that use was rendered “in commerce.” This second part of the “use in commerce” test is the most troublesome for courts and litigants.

13. *Lloyd’s Food Prods., Inc. v. Eli’s, Inc.*, 987 F.2d 766, 768 (Fed. Cir. 1993) (citation omitted; emphasis added).

14. *Stock Pot Restaurant, Inc. v. Stockpot, Inc.*, 737 F.2d 1576, 1579 n.2 (Fed. Cir. 1984); accord *West Florida Seafood, Inc. v. Jet Restaurants, Inc.*, 31 F.3d 1122, 1126 n.6 (Fed. Cir. 1994).

15. See 15 U.S.C. § 1127.

The Lanham Act's definitional section provides explicit guidance as to the types of commerce that qualify under the Act. The second definitional paragraph of Section 45 of the Lanham Act provides that: "[t]he word 'commerce' means all commerce which may lawfully be regulated by Congress."¹⁶ At the end of the definitional section, the Act re-emphasizes that "[t]he intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce."¹⁷ This language has led courts uniformly to conclude that the Lanham Act's reach is co-extensive with the limits of the Commerce Clause of the Constitution.¹⁸

The Commerce Clause sets forth the parameters of the control that Congress may lawfully exert over commerce. It provides: "The Congress shall have Power . . . To regulate Commerce [1] with foreign Nations, and [2] among the several States, and [3] with the Indian Tribes."¹⁹ Thus, the Lanham Act reaches not only interstate commerce, but also commerce "with foreign Nations."²⁰

***D. How Can Foreign Service Providers Demonstrate
That Their Uses Were in Connection
With Services Rendered "in Commerce"?***

The results of the reported decisions seem to indicate that foreign mark owners have had a difficult time convincing the courts and the TTAB that they have indeed engaged in qualifying commerce. Ironically, as will be shown below, most of the problems encountered by foreign mark owners have arisen in cases where (1) the mark owners have tried to prove qualifying use in *interstate* commerce, as opposed to qualifying use in *foreign* commerce,²¹ and (2) as a result, the courts did not focus on whether the mark owner had, in fact, used the mark in qualifying foreign commerce. Although it is not impossible for foreign service mark owners to

16. 15 U.S.C. § 1127.

17. *Id.*

18. See, e.g., *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286, 73 S. Ct. 252, 254 (1952); *International Bancorp, LLC v. Société des Bains de Mer et du Cercle des Étrangers à Monaco*, 329 F.3d 359, 363-64 (4th Cir. 2003); *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*, 128 F.3d 86, 92-93 (2d Cir.1997); *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 503 (9th Cir. 1991); *Shatel Corp. v. Mao Ta Lumber & Yacht Corp.*, 697 F.2d 1352, 1356 (11th Cir. 1983); *Purolator, Inc. v. EFRA Distributors, Inc.*, 687 F.2d 554, 558 (1st Cir. 1982).

19. U.S. Const. art I, § 8, cl. 2 (bracketed material added).

20. See, e.g., *International Bancorp*, 329 F.3d at 364; *Person's Co. v. Christman*, 900 F.2d 1565, 1568 (Fed. Cir. 1990); *Shatel Corp.*, 697 F.2d at 1356; *In re Silenius Wines, Inc.*, 557 F.2d 806, 809 (C.C.P.A. 1977).

21. See *infra* nn.22-58 and accompanying text; see also *infra* nn.74-94 and accompanying text.

prove use in interstate commerce, it is frequently—as common sense would suggest—more difficult for them than proving use in qualifying foreign commerce.

1. Proving Interstate Commerce.

As one would expect, foreign mark owners generally have encountered difficulty trying to convince tribunals that their foreign activities took place in interstate commerce. It is not impossible, however, to do so.

(a) Case Law Where the Foreign Mark Owner Failed to Prove Sufficient Interstate Commerce

In several cases, the Federal Circuit²² and the TTAB have considered whether a foreign mark owner had enforceable rights under the Lanham Act—mostly in the context of allegations that the foreign mark owner had “abandoned” its right to continued registration. As will be seen below, by explicitly focusing on the question of what goods or services were actually purchased or provided “in the United States,” these decisions have concerned whether the foreign mark holder had demonstrated qualifying *interstate* commerce. In addition, these decisions are less than a model of legal clarity. It is difficult to discern, however, whether the lack of clarity results from the failure of the foreign mark owner to raise the issue properly. Nevertheless, these decisions show the kinds of factual and legal arguments that have failed to preserve registration status for foreign mark owners.

The Federal Circuit’s three main foreign owner/abandonment decisions are *Cerveceria Centroamericana S.A. v. Cerveceria India, Inc.*,²³ *Imperial Tobacco Ltd. v. Philip Morris, Inc.*,²⁴ and *Rivard v. Linville*.²⁵ As will be shown below, none of these cases either raises or addresses the issue of the existence of a qualifying “foreign commerce” use.

In *Cerveceria Centroamericana S.A.*, a cancellation proceeding, the registrant was accused of abandoning its registered mark for beer.²⁶ The petitioner had offered proof that the beer at issue had not been imported into the United States for several years.²⁷ In

22. The United States Court of Appeals for the Federal Circuit shares judicial review responsibilities concerning trademark registration decisions of the USPTO with the United States District Courts. See 15 U.S.C. § 1071(a) (permitting appeal to the Federal Circuit); 15 U.S.C. § 1071(b) (permitting dissatisfied parties to file a “civil action”).

23. 892 F.2d 1021 (Fed. Cir. 1989).

24. 899 F.2d 1575 (Fed. Cir. 1990).

25. 133 F.3d 1446 (Fed. Cir. 1998).

26. *Cerveceria Centroamericana*, 892 F.2d at 1022.

27. *Id.*

deciding whether the registrant had rebutted this prima facie showing of abandonment, the court noted twice, without citation, that there was no evidence of use "within the United States."²⁸ Having failed to make such a showing, the registrant was held to have abandoned its mark.²⁹ Significantly, there was no mention in the decision whether the mark owner had argued use of the mark during the relevant period in qualifying "commerce with Foreign nations."³⁰ Thus, this case appears to have dealt exclusively with the issue of whether the registrant had demonstrated the quantum of *interstate* commerce needed to sustain the registration, without regard to foreign commerce.³¹

The Federal Circuit in *Imperial Tobacco Ltd. v. Philip Morris, Inc.*³² reinforced the same proposition. *Imperial Tobacco* involved cigarettes, and the registrant, an English company, had not sold any of its product in the United States from the time it obtained its registration until the time the petition for cancellation began.³³ Citing *Cerveceria Centroamericana*, the court stated that the terms "use" and "nonuse," in the abandonment context,³⁴ "mean use and nonuse in the United States."³⁵ As in *Cerveceria Centroamericana*, the registrant in *Imperial Tobacco* apparently made no argument that it had used the mark in qualifying foreign commerce.³⁶ Instead, it tried to demonstrate qualifying use in

28. *Id.* at 1024.

29. *Id.* at 1027-28.

30. U.S. Const. art I, § 8, cl. 2.

31. Since the mark owner apparently did not argue that it had used the mark in regulable foreign commerce in response to the claim of abandonment in the case, this decision should not be construed as requiring sales occurring within the United States in order to support a registration. See, e.g., *Tompkins v. United States*, 946 F.2d 817, 820 (11th Cir. 1991) ("a case is not binding precedent for any proposition that was not then before the court"); see also *Korwek v. Hunt*, 827 F.2d 874, 877 (2d Cir.1987) ("The issue never was briefed, argued, or decided. Instead, it was assumed sub silentio. . . . Such a sub silentio holding is not binding precedent. . . .") (citations omitted).

As will become apparent later in this article, the principle of sub silentio holdings is particularly relevant in analyzing the effect of several other relatively opaque decisions concerning the rights of foreign mark owners.

32. 899 F.2d 1575 (Fed. Cir. 1990).

33. *Id.* at 1577.

34. See *supra* n.11 and accompanying text.

35. *Id.* (citing *Cerveceria Centroamericana*, 892 F.2d at 1024-25). The Federal Circuit also held that, although the Lanham Act defines abandonment in terms of an intent "not to resume" use, in the case of a foreign registrant under section 44(e), the proper question is whether the registrant had an "intent to begin use" during the period of nonuse in the United States. 899 F.2d at 1582.

36. Given that the foreign commerce issue was not before the court, this case should not be viewed as rejecting, sub silentio, the principle that qualifying foreign commerce is sufficient to maintain a registration. See, e.g., *Tompkins*, 946 F.2d at 820; *Korwek*, 827 F.2d at 877.

interstate commerce by arguing that its mark was known by reputation in the United States.³⁷

Eight years later, the Federal Circuit again faced this issue, but, this time, in the context of a foreign service provider. In *Rivard v. Linville*,³⁸ a Canadian individual registered the mark ULTRACUTS for hair dressing and beauty salon services based on a Canadian registration of the mark.³⁹ Five years later, Linville petitioned to cancel the mark based on abandonment.⁴⁰ In the meantime, the registrant had not provided any services under the mark in any U.S. location, but only in Canadian salons.⁴¹ The Federal Circuit held that this factual showing established a *prima facie* case of abandonment.⁴² This shifted the burden of proof to the registrant to show, in the Federal Circuit's words, and citing *Imperial Tobacco*, that "under the particular circumstances, his activities [were] those that a reasonable businessman, who had a bona fide intent to use the mark *in United States commerce*, would have undertaken."⁴³

To try to meet its burden to show use "in United States commerce," the registrant testified that he had made several trips to various U.S. cities over the five-year period to scout out potential locations for an ULTRACUTS salon, had discussions with property managers and franchise consultants, and conducted investigations of salons already established in those areas.⁴⁴ The Federal Circuit, however, without mentioning that the registrant

37. *Id.* at 1580. This argument appears to represent the registrant's attempt to maintain its registration under the famous or well-known mark doctrine, which is discussed *infra*, at notes 120-137 and accompanying text. The Federal Circuit, while conceding that the doctrine may, in its view, have validity in cases of unfair competition, found no applicability in cases concerning maintenance of a federal registration. See *id.*

38. 133 F.3d 1446 (Fed. Cir. 1998) (hereinafter referred to as *Rivard IV*). The case resulted in two decisions of the Trademark Trial and Appeal Board, both of which were appealed to the United States Court of Appeals for the Federal Circuit. The full history of the case is: *Linville v. Rivard*, 26 U.S.P.Q.2d 1508 (T.T.A.B. 1993) [*Rivard I*], vacated, 11 F.3d 1074, 31 U.S.P.Q.2d 1218, 1230 (Fed. Cir. 1993) (nonprecedential decision) [*Rivard II*], on remand to T.T.A.B., 41 U.S.P.Q.2d 1731 (T.T.A.B. 1996) [*Rivard III*], *aff'd*, 133 F.3d 1446 (Fed. Cir. 1998) [*Rivard IV*].

39. *Id.* at 1447.

40. *Id.* at 1447-48.

41. *Id.* at 1448.

42. *Id.* at 1449.

43. *Id.* (emphasis added) (citing *Imperial Tobacco*, 899 F.2d at 1575). Compare the court's phrase "bona fide intent to use the mark in United States commerce" with the language in section 44(e) of the Lanham Act, "bona fide intent to use the mark in commerce." The court's insertion of the term "United States" to modify the statute's use of "commerce" was apparently gratuitous, and the case cannot validly stand for the proposition that the only way a foreign registrant can avoid a finding of abandonment is to use the mark in interstate (i.e., United States) commerce.

44. *Rivard IV*, 133 F.3d at 1448.

serviced American customers in its Canadian locations,⁴⁵ held that the TTAB's conclusion of abandonment was not clearly erroneous.⁴⁶ In affirming the Board's decision, the Federal Circuit repeatedly emphasized the lack of any evidence from which the TTAB could have reasonably inferred that the registrant had the required intent to commence use *in the United States*.⁴⁷

The Second Circuit also rejected a foreign service mark owner's claim of U.S. rights in *Buti v. Impresa Perosa, S.R.L.*⁴⁸ In *Buti*, the foreign mark owner, Impresa Perosa, operated a "bar with a cafeteria" in Milan, Italy.⁴⁹ The owner of Impresa had personally distributed t-shirts, keychains, promotional coupons and other items at fashion shows in the United States, but had never operated a restaurant under the mark in the United States or engaged in any formal advertising or public relations in the United States.⁵⁰ The Second Circuit held that Impresa had no right to register its mark (and no common law rights) because these promotional activities did not rise to the level of a "use in commerce."⁵¹ The court reasoned that "mere advertising or promotion of a mark in the United States is insufficient to constitute 'use' of the mark 'in commerce. . .'"⁵²

The TTAB has also dealt with the assertion of rights by foreign service providers. In *Mother's Restaurants Inc. v. Mother's Other Kitchen, Inc.*,⁵³ the issue concerned primarily whether a

45. While the registrant had proffered evidence to the TTAB in *Rivard I* and *Rivard III* that its Canadian salons had serviced some American customers, the Federal Circuit in neither *Rivard II* nor *Rivard IV* made any mention of this fact. In both *Rivard II* and *Rivard IV*, however, the Federal Circuit quoted *Imperial Tobacco*, 899 F.2d at 1575, for the same proposition that only "use and nonuse in the United States" are relevant. Thus, the Federal Circuit's failure to mention this evidence (i.e., its *sub silentio* ruling on this point) cannot be taken to restrict foreign registrants to proof of interstate commerce to the exclusion of foreign commerce in an action challenging the registration of the foreign mark. See, e.g. *Tompkins*, 946 F.2d at 820; *Korwek* 827 F.2d at 877.

46. *Id.* at 1449.

47. See, e.g., *id.* at 1449 (using the qualifying phrase "in the United States" or "in United States commerce" no fewer than six times).

48. 139 F.3d 98 (2d Cir. 1998).

49. See *id.* at 100.

50. See *id.*

51. Although the court used the broader phrase "use in commerce," it appears that the court was not considering the issue of qualifying foreign commerce because earlier in its opinion the court had noted Impresa's concession that "the food and drink services of [its bar/cafeteria] form no part of the trade between Italy and the United States." *Id.* at 103; see also *International Bancorp, LLC v. Société des Bains de Mer et du Cercle des Étrangers à Monaco*, 329 F.3d 359, 369 (4th Cir. 2003) (noting that *Buti* did not concern qualifying foreign commerce).

52. *Buti*, 139 F.3d at 105.

53. 218 U.S.P.Q. 1046 (T.T.A.B. 1983).

Canadian restaurant had established rights in the United States.⁵⁴ The Canadian restaurant introduced evidence that it had transmitted radio advertisements that reached U.S. listeners and that Americans had dined in the Canadian restaurants and mailed written comments and business inquiries about franchise opportunities to the restaurants.⁵⁵ The Board, however, held that “prior use and advertising of a mark in connection with goods and services marketed in a foreign country (whether said advertising occurs inside or outside the United States) creates no priority rights in said mark in the United States....”⁵⁶ Curiously, the Board made no mention of the evidence that Americans had both dined at the Canadian restaurants and made inquiries about franchise opportunities to the mark owner in its resolution of the legal issue, referring only to “prior use and advertising . . . in a foreign country.”⁵⁷ Nor did the Board indicate that the Canadian restaurant had argued that it had engaged in qualifying foreign commerce.

* * *

Three conclusions can be discerned from these cases:

- These cases do not concern assertions of qualifying “foreign commerce,” but only whether qualifying use in interstate commerce was established;⁵⁸
- Mere advertising that reaches Americans is not enough to demonstrate that the mark is being used in qualifying *interstate commerce*; and
- That Americans purchase goods or services under the mark abroad does not, by itself, demonstrate *interstate* commerce.

54. See *id.* at 1047.

55. *Id.* at 1047-48. However, the Board suggested there might be an exception in the case of “famous” marks owned by a foreign national.

56. *Id.* (citing *Vaudable v. Monmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y. Supp. 2d 332, 123 U.S.P.Q. 357 (Supr. Ct. 1959)). In so holding, the Board noted that a possible exception would apply to “famous” marks. The infrequently-invoked “famous mark” doctrine, which is discussed in more detail *infra* at nn.120-137 and accompanying text, holds that common law marks that, while not technically “used” in the United States, are nevertheless well-known or famous within a particular market in the United States, may be protectable under state common law and the Lanham Act’s unfair competition provisions.

57. See *id.* There are several other TTAB decisions that use similar language, but, as pointed out by the court in the recent decision in *International Bancorp, LLC v. Société des Bains de Mer et du Cercle des Étrangers à Monaco*, 329 F.3d 359, 378 n.11 (4th Cir. 2003), these decisions concerned either “use” on foreign soil directed only at foreigners, not at Americans, or no “use” at all.

58. The issue of qualifying “foreign commerce”—as opposed to interstate commerce—will be discussed *infra*, at nn.70-83 and accompanying text.

**(b) Penta Hotels:
A Case Where the Foreign Service Mark Owner
Proved Sufficient Interstate Commerce**

In one district court decision involving hotel services, the court held that the foreign service mark owner presented facts⁵⁹ sufficient to persuade the court that it had engaged in *interstate* commerce, despite the fact that its hotels were located abroad.

In *Penta Hotels Ltd. v. Penta Tours Reisen GmbH*,⁶⁰ the plaintiff owned and operated a number of European hotels under the PENTA mark.⁶¹ Although the hotels themselves were located in Europe, the mark owner established sales offices at various times in New York and two other U.S. cities to work with travel agents, tour operators, corporations, airlines and tourist boards.⁶² The sales offices would advertise and promote the hotels in the United States, as well as take, make, and confirm reservations at the hotels.⁶³ Payment for the reservations, however, was made directly to the individual European hotels.⁶⁴ The U.S. sales offices also contracted with various entities for tours, conferences, banquets, and similar gatherings to take place at the hotels.⁶⁵

The mark holder had also entered into a contractual relationship with a New York-based hotel, the Barbizon.⁶⁶ Through this relationship, the Barbizon and the mark holder's European hotels promoted each other's hotel services, and as part of that effort, the Barbizon made use of the mark holder's PENTA mark in promotional items in its New York hotel.⁶⁷ While the Barbizon did not hold itself out as one of the hotels in the mark holder's group, the mark holder promoted the Barbizon as a member of its group.⁶⁸ In addition, although the business agreement between the mark holder and the Barbizon did not provide for the mark holder to exert any quality control over the Barbizon, there was some

59. The question of what "use" is adequate to give rise to enforceable trademark rights is uniquely an issue of fact. See, e.g., *Lucent Information Mgmt., Inc. v. Lucent Tech., Inc.*, 186 F.3d 311, 315 (3d Cir. 1999); *New West Corp. v. NYM Co. of Cal., Inc.*, 599 F.2d 1194, 1200 (9th Cir. 1979).

60. 9 U.S.P.Q.2d 1081 (D. Conn. 1988).

61. *Id.* at 1083.

62. *Id.* at 1085.

63. *Id.* at 1085-86.

64. *Id.* at 1085. The court did not say whether the payment was made while the guest was at the hotels or whether any guests sent such payment from the United States to the European hotels by mail or other means.

65. *Id.*

66. *Id.* at 1086.

67. *Id.*

68. *Id.*

evidence that the mark holder's management occasionally inspected rooms in the Barbizon.⁶⁹

On these facts, the district court held that the mark holder had "used" the PENTA mark "in commerce" and, as a result, had established trademark rights in the United States.⁷⁰ Specifically, as to "use," the mark owner persuaded the court that it had used the PENTA mark in advertising and promotion.⁷¹ As to the second aspect of the criteria under Section 45 of the Lanham Act, the Court found that the mark holder's services were rendered in interstate commerce even though the mark holder's hotels were all located outside the United States. The critical finding, in the court's view, was that the mark holder's U.S. sales office had taken and confirmed reservations for the mark holder's non-U.S. hotels.⁷²

In summary, one way to show that services performed abroad are nevertheless rendered in U.S. (interstate) commerce is to proffer proof that reservations for those services were taken and confirmed in the United States.⁷³

69. *Id.* at 1087.

70. The Penta court held that the foreign mark owner had "rendered services 'in commerce' 'in more than one state' and 'in commerce in the United States and a foreign country' through the taking and confirming of hotel reservations" by their sales offices in the United States. See *id.* at 1094. Despite using the phrase "and in the United States and a foreign country," the court's analysis focused exclusively on what activities the mark owner had engaged in in the United States. See, e.g., *id.* at 1093 ("As a threshold matter, the court must consider the use of the service mark Penta *in the United States* to determine whether such use by the plaintiff was sufficient to support its trademark registration for hotel, restaurant and bar services. . . .") (emphasis added); *id.* at 1095 ("One must actually use the claimed mark *in the United States* in connection with services provided in order to register U.S. ownership rights in such mark.") (emphasis added). From these and other statements, it is clear that the court focused its analysis on commerce in the United States (i.e., interstate commerce) rather than qualifying foreign commerce.

71. *Id.* at 1093-94.

72. *Id.* at 1094. The court explained that the TTAB had previously held that taking and confirming hotel reservations, by itself, constitutes services rendered in commerce. *Id.* (citing *In re G.J. Sherrard Co.*, 150 U.S.P.Q. 311 (T.T.A.B. 1966)).

73. The TTAB, in *Rivard I*, 26 U.S.P.Q.2d 1508, 1512 (T.T.A.B. Mar. 3, 1993), vacated on other grounds, 11 F.3d 1074, 31 U.S.P.Q.2d 1218, 1230 (Fed. Cir. 1993) (nonprecedential decision), distinguished *Penta Hotels* on the ground that the services in *Penta* were rendered in part in a hotel located in New York, The Barbizon Plaza. This would appear to be an inaccurate characterization of the facts in *Penta*, however, for the *Penta* court made clear that the services that the mark holder advertised in the United States were not provided in the Barbizon, but in the PENTA hotels in Europe. See *Penta*, 9 U.S.P.Q.2d at 1086. Given that the mark holder's PENTA hotels were actually situated abroad, *Rivard I* cannot properly be understood to construe the services at issue in *Penta*—taking and confirming reservations in the United States—as "use in commerce" for U.S. hotels but not foreign hotels. The "use in commerce" requirement cannot be more stringent for a foreign hotel than it is for a domestic hotel. The Paris Convention for the Protection of Industrial Property of March 20, 1883, 21 U.S.T. 1583, as amended on September 28, 1979 ("Paris Convention"), (enacted through 15 U.S.C. § 1126)—which *Rivard I* does not mention—is specifically intended to put foreign mark holders and U.S. mark holders on equal footing. See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 907-08 (9th Cir. 2002), cert.

2. Proving Qualifying *Foreign Commerce*

It is curious that there appears to be only one decision that clearly and explicitly focuses on the issue of whether a foreign service mark owner proved use of its mark in qualifying foreign commerce, as opposed to interstate commerce. Perhaps this is because, as explained above, most of the published decisions concerning whether foreign mark holders used their marks in qualifying commerce state the "requirement" that the mark be "used in the United States" without making clear that these decisions were focused on interstate, rather than foreign, commerce. Now, however, the Fourth Circuit has explicitly ruled that "foreign commerce" is properly within the scope of qualifying use under the Lanham Act. That court's recent decision in *International Bancorp, LLC v. Société des Bains de Mer et du Cercle des Étrangers à Monaco*⁷⁴ may well have important implications for foreign mark owners seeking to assert trademark rights in the United States, particularly if its holding is adopted by other circuits or upheld by the Supreme Court.

International Bancorp concerned a dispute about who could use the mark CASINO DE MONTE CARLO for gambling services. The defendant (the mark owner) operated a casino and resort facility in Monaco under the mark, and the plaintiff used the same mark for Internet gambling.⁷⁵ The Monaco mark owner advertised and promoted the mark worldwide, including spending \$1 million annually in the United States, and even operated a New York office for its U.S. advertising and promotion.⁷⁶ The New York office also booked reservations for the mark owner's resorts (but not for its casino).⁷⁷ Finally, there was evidence that United States citizens went to the mark owner's casino and gambled.⁷⁸

The parties apparently did not disagree that the mark owner had "used" the mark.⁷⁹ Instead, their main disagreement was whether the "use" took place in connection with services rendered in regulable commerce.⁸⁰

The court held that the mark owner's services were rendered in regulable foreign commerce. The court reasoned: (1) "commerce'

denied, 123 S. Ct. 993 (2003); *International Café, S.A.L. v. Hard Rock Café Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001).

74. 329 F.3d 359 (4th Cir. 2003), cert. filed Oct. 21, 2003 (No. 03-612).

75. *Id.* at 360.

76. *Id.*

77. *Id.* at 365.

78. See *id.* ("the plaintiff companies conceded that the record contained evidence that United States citizens went to and gambled at the casino").

79. *Id.* at 363.

80. See *id.*

under the Lanham Act is coterminous with that commerce that Congress may regulate under the Commerce Clause of the United States Constitution";⁸¹ (2) "commerce" therefore includes "all the explicit variants of interstate commerce, foreign trade, and Indian commerce";⁸² (3) the Supreme Court has defined foreign trade as "trade between subjects of the United States and subjects of a foreign nation,"⁸³ regardless of where that trade occurs;⁸⁴ and (4) the mark owner used the mark CASINO DE MONTE CARLO "in commerce" "because United States citizens purchase casino services sold by a foreign nation, which purchases constitute trade with a foreign nation that Congress may regulate under the Commerce Clause."⁸⁵ The Fourth Circuit thus became the first U.S. federal court to base a finding of trademark rights explicitly on "foreign commerce."

The International Bancorp decision was not unanimous. The dissenting judge rejected the majority's holding that the Lanham Act encompasses commerce transacted abroad between U.S. citizens and subjects of foreign countries.⁸⁶ Perhaps the most unusual aspect of the disagreement between the majority and the dissent is that it was not over statutory construction or the scope of the Constitution's commerce clause, as the dissenting judge did not disagree with (or even address) *any* of the steps in the majority's statutory construction or its analysis of the scope of the Constitution's Commerce Clause.⁸⁷ Instead, the dissent focused exclusively upon the prior decisions of the various courts and the TTAB that appeared to require that the service itself be rendered in the United States.⁸⁸

The author agrees with the statutory and constitutional analysis set forth in the majority opinion in *International Bancorp*. In the author's view, if the dissent did not disagree with any aspect

81. *Id.*

82. *Id.* at 364.

83. *Id.* at 365.

84. *Id.* at 366.

85. *Id.* Interestingly, the court did not find it significant that the mark owner had set up U.S. sales offices that booked reservations for the mark owner's resorts because the mark in issue was a mark for casino services. See *id.* at 365. If the case had concerned resort services, under the rationale of the district court decision in *Penta Hotels Ltd. v. Penta Tours*, 9 U.S.P.Q.2d 1081 (D. Conn. 1988); see *supra* at nn.59-73 and accompanying text, the court might have found that the mark had been used in interstate commerce as well.

86. *International Bancorp*, 329 F.3d at 383-94 (Motz, J., dissenting).

87. *Id.* at 372-73.

88. *Id.* at 385-94 (Motz, J., dissenting). The majority in *International Bancorp* also discussed, and meticulously analyzed, and, in many instances, distinguished each of the cases the dissenting judge relied upon. See *International Bancorp*, 329 F.3d at 374-81. I discuss many of the cases relied upon by the dissenting judge in *International Bancorp* in a later section of this article. See *infra* nn.106-116 and accompanying text.

of the majority's statutory and constitutional analysis, which held that the Lanham Act's statutory text did not require that the service be rendered in the United States, then it should be irrelevant that previous decisions appeared nevertheless to impose this additional requirement. While it is certainly good policy for courts to be chary of issuing rulings that contradict previous rulings of other courts, it is ultimately the primary job of each court to construe the law. If a court believes that its legal analysis, though different from that of other courts, is correct, it is better to rule in accordance with that analysis than to perpetuate an error.⁸⁹ This is particularly true in view of the Supreme Court's certiorari jurisdiction, one of whose primary targets is to finally resolve questions on which the lower courts have disagreed.⁹⁰ The International Bancorp majority's decision that the law required it to analyze this issue in a way different from that of other courts thus serves the important goal of bringing a conflict on an important issue of federal law to the attention of the Supreme Court. In turn, if Congress later disagrees with either the Supreme Court's statutory construction or the policy implications of its ruling, it can change the law.

As mentioned, this appears to be the first published decision holding that a foreign mark owner may satisfy the Lanham Act's "in commerce" requirement by proving that United States citizens purchased the mark owner's services abroad⁹¹ (assuming that a qualifying "use" occurred).⁹² Assuming it is not overturned by the Supreme Court, it may open up a previously overlooked avenue for

89. It is noteworthy, however, that the International Bancorp majority believed that several of the previous decisions relied upon by the dissent either were factually distinguishable or did not squarely address the issue of whether qualifying commerce had occurred. See *International Bancorp*, 329 F.3d at 374-81 (discussing the cases relied upon by the dissent).

90. See S. Ct. Rule 10(a) (explicitly listing a "conflict" between federal courts of appeals "on the same important matter" as one of the guides the Supreme Court uses in choosing which petitions for certiorari to grant).

91. See also the Eleventh Circuit's statement in *Shatel Corp. v. Mao Ta Lumber and Yacht Corp.*, 697 F.2d 1352, 1356 (11th Cir. 1983), that "solicitation or sales . . . between citizens of the United States and citizens and subjects of a foreign nation is . . . commerce within the meaning of the Lanham Act." (footnote omitted). While *Shatel* nominally presented a different issue—whether the accused infringer had used the allegedly infringing mark in commerce, see *id.*—the issue implicated the same Lanham Act definitional provision: "use in commerce."

92. The International Bancorp majority did not explicitly address the issue of whether the "use" (i.e., the advertising) of the hotel service was required to have taken place on U.S. soil, apparently because that issue was not contested. See *International Bancorp*, 329 F.3d at 363 (stating that both parties agreed that the "critical question" was whether the services provided by the mark owner were "rendered in commerce.") It would appear, however, based on a reading of the plain language of the relevant statutory text, that the Lanham Act imposes no such requirement. It requires only use or display "in the sale or advertising of services." It does not impose a territorial requirement on that phrase. See 15 U.S.C. § 1127.

foreign mark owners to preserve and assert U.S. rights.⁹³ However, trademark owners should be careful not to place blind reliance on International Bancorp in federal district courts outside of Maryland, Virginia, West Virginia, North Carolina, and South Carolina, the states in which federal district courts are bound by Fourth Circuit law.⁹⁴

3. The Effect of the Internet on a Foreign Mark Owner's Ability to Prove That Its Services Were Rendered "in Commerce"

The Internet has greatly expanded and facilitated the transaction of commerce worldwide. As a result, courts have begun to take into account the effect of Internet commerce in determining whether a litigant has satisfied the "use in commerce" requirement. Indeed, the USPTO now appears to have acknowledged that "[o]ffering services via the Internet" satisfies the commerce requirement.⁹⁵ Although, to date, the only reported court decisions have involved U.S. companies, courts have consistently held that maintenance of an Internet website to offer

93. The author has heard many trademark practitioners echo the concern voiced by the dissenting judge in *International Bancorp* that the holding of that decision, if adopted by the Supreme Court or other circuit courts, may have far-reaching implications in other areas of trademark practice, such as trademark clearance. See *International Bancorp*, 329 F.3d at 388 (Motz, J., dissenting). Specifically, the concern is that the scope of trademark clearance searches and analyses would be greatly expanded if the person interested in clearing and adopting a given mark had to look at global, not just U.S., uses. Given the parameters used by commonly-used, reputable trademark search firms, however, the author believes that such concerns may be overstated. Typically, comprehensive searches, such as those traditionally obtained in U.S. clearance searches, encompass a wide variety of databases and publications, including the Internet, scanning for references to marks within the search criteria. Given the global nature of many trade and business publications, as well as the geographically unbounded nature of the Internet, it would seem unlikely that a foreign service mark, used in advertising to sell services either in the United States or abroad, would escape notice of such a search. Moreover, given the responsiveness of the free market, it seems likely as well that search firms would be able to quickly take steps to add additional databases, if necessary, to accommodate any need to expand the breadth of their searches, either as an optional upgraded search, or as standard practice.

94. See 28 U.S.C. § 41.

95. See Trademark Manual of Examining Procedure § 901.03 (2002) (TMPEP) ("Offering services via the Internet has been held to constitute use in commerce, since the services are available to a national and international audience who must use interstate telephone lines to access a website.") (citation omitted). While this statement seems to indicate that the USPTO acknowledges that services offered via the Internet can satisfy the commerce requirement, in the same section the USPTO appears to take an overly narrow view of the requirement by stating: "Use of a mark in a foreign country does not give rise to rights in the United States if the goods or services are not sold or rendered in the United States." (citing *Buti v. Impresa Perosa S.R.L.*, 139 F.3d 98 (2d Cir. 1998); *Mother's Restaurants Inc. v. Mother's Bakery, Inc.*, 498 F. Supp. 847 (W.D.N.Y. 1980); *Linville v. Rivard*, 41 U.S.P.Q.2d 1731 (T.T.A.B. 1996), *aff'd*, 133 F.3d 1446 (Fed. Cir. 1998)).

services—because it provides a means to communicate a message to a worldwide audience instantaneously—satisfies the “use in commerce” requirement of the Lanham Act.⁹⁶ Although there have been no reported decisions concerning whether Internet activities of a *foreign* service provider constitute regulable commerce, there would appear to be no reason why a foreign service provider should be treated differently than a U.S. service provider if both offer their services over the Internet that are directed, at least in part, to U.S. customers.⁹⁷

An assessment of whether the Internet activities of a foreign service provider constitute regulable commerce should begin with the nature and quantum of the Internet activities, taking a cue from those reported decisions that have analyzed the Internet’s impact on personal jurisdiction issues. Personal jurisdiction is determined by the defendant’s relationship with, among other things, the particular forum where the case is pending, especially focusing on whether, in light of that relationship, it is reasonable for a court in that forum to exercise its judicial power over the defendant.⁹⁸

In general, Internet personal jurisdiction cases have assessed the “nature and quantity of commercial activity that an entity conducts over the Internet.”⁹⁹ This type of analysis appears appropriate, as there are a wide variety of ways that businesses use the Internet to advance their commercial aims. Using a “sliding scale,”¹⁰⁰ courts have noted that there are three basic categories of cases. At one end of the spectrum, there are circumstances where a defendant clearly and actively transacts business over the Internet by, for example, entering into contracts with residents of other jurisdictions that require the “knowing and repeated transmission of computer files over the Internet.” In these cases, personal jurisdiction usually exists.¹⁰¹

96. See, e.g., *Mirage Resorts, Inc. v. Stirpe*, 152 F. Supp. 2d 1208, 1217 (D. Nev. 2000); *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, 42 U.S.P.Q.2d 1430, 1434 (S.D.N.Y. 1997); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1239-40 (N.D. Ill. 1996).

97. Indeed, as noted earlier, the Paris Convention is specifically intended to put foreign mark holders and U.S. mark holders on equal footing. See, e.g., *Mattel, Inc.*, 296 F.3d at 907-08; *International Café*, 252 F.3d at 1278.

98. See, e.g., *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977).

99. *Mink v. AAAA Dev. LLC*, 190 F.3d 333, 336 (5th Cir. 1999) (quoting *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997); see generally *Trademark Law & the Internet*, 219-44 (Lisa E. Cristal and Neal S. Greenfield eds.) (INTA 1999).

100. See, e.g., *Soma Med. Int’l v. Standard Chartered Bank*, 196 F.3d 1292, 1296 (10th Cir. 1999); *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp. 2d 824, 837 (N.D. Ill. 2000); *Roche v. Worldwide Media, Inc.*, 90 F. Supp. 2d 714, 718 (E.D. Va. 2000).

101. See, e.g., *Soma Med.*, 196 F.3d at 1296; *Mink*, 190 F.3d at 336; *Citigroup*, 97 F. Supp. 2d at 565; *Sports Auth. Mich., Inc. v. Justballs, Inc.*, 97 F. Supp. 2d 806, 813 (E.D. Mich. 2000); *Zippo Mfg.*, 952 F. Supp. at 1124.

At the other end of the spectrum are those cases involving defendants who operate purely passive websites that do little more than make information available to those who wish to view it. In these cases, courts have refused to exercise personal jurisdiction over the defendant.¹⁰² Occupying the vast middle ground are situations in which the defendant's website permits various levels of interaction with potential customers. In these cases, the courts have focused on "the level of interactivity and commercial nature of the exchange of information that occurs on the website."¹⁰³

It is reasonable to use this personal jurisdictional analysis to determine whether Internet usage of a service mark qualifies as a use "in commerce."¹⁰⁴ A foreign service provider's mere advertising of his service mark on the Internet—i.e., a purely passive, informational website—would be insufficient, by itself, to prove that the mark holder's services were rendered in regulable commerce under the Lanham Act. On the other end of the spectrum are foreign service providers who maintain an interactive website on the Internet that, like Amazon.com,¹⁰⁵ for example, allows users to look at items the owner sells, place orders over the Internet, and exchange payment via credit cards or electronic debiting of U.S. bank accounts. The foreign service provider would need to show that it provides services to U.S. subjects and that some part of those services—for example, the taking of reservations or the receipt of payment—took place over the Internet. As to interstate commerce, the foreign service provider may be able to prove that its U.S. customers or clients have chosen the foreign service provider's goods or services over those of, presumably, an American company's, and the U.S. dollars its customers spend is money that is unavailable to U.S. companies. Such Internet activities would appear to have a direct and substantial effect on interstate commerce.

102. See, e.g., *Soma Med.*, 196 F.3d at 1296; *Mink*, 190 F.3d at 336; *Citigroup*, 97 F. Supp. 2d at 565; *Sports Auth. Mich.*, 97 F. Supp. 2d at 813; *Zippo Mfg.*, 952 F. Supp. at 1124.

103. See, e.g., *Soma Med.*, 196 F.3d at 1296; *Mink*, 190 F.3d at 336; *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 419 (9th Cir. 1997); *Citigroup*, 97 F. Supp. 2d at 565; *Sports Auth. Mich.*, 97 F. Supp. 2d at 813; *Zippo Mfg.*, 952 F. Supp. at 1124.

104. The author has previously suggested similar use of an assessment of the breadth and extent of Internet usage by a business in determining whether there is an actual controversy between a senior user and an allegedly infringing junior user. See Thomas L. Casagrande, *The "Dawn Donut Rule": Still Standing (Article III, That Is) Even With the Rise of the Internet*, 90 TMR 723, 742-45 (2000).

105. Amazon.com, of course, is a U.S.-based service provider. Its first issued U.S. registration, No. 2,078,496, was in International Class 42 (services), and the services described are "computerized on line ordering service featuring the wholesale and retail distribution of books."

4. Key Analytical Points: Keeping the "Use" and "In Commerce" Requirements Separate; and Knowing Whether the Issue Is Qualifying Interstate or Foreign Commerce

To prove "use in commerce," as well as to be able to distinguish any of the cases examined earlier that have ruled against foreign service mark owners, such owners should: (1) keep the issue of "use" separate from the issue of whether the service has been rendered in regulable commerce; and (2) when trying to convince a court that the service was rendered in commerce, treat foreign commerce separately from interstate commerce.

If a foreign service provider does not carefully tailor its argument to keep these issues separate, there is loose language in several prior decisions that could be fatal. The three cases previously discussed are illustrative.

In *Buti v. Impresa Perosa, S.R.L.*,¹⁰⁶ for example, the Second Circuit held that a Milan restaurant had no right to register the mark FASHION CAFÉ (and had no common law rights) because it had never used the mark in the United States, on the ground that "mere advertising or promotion of a mark in the United States is insufficient to constitute 'use' of the mark 'in commerce. . .'"¹⁰⁷ But it is important to point out that the Buti court found it critical that the mark owner had expressly conceded that his food and drink services—which he provided in Milan, Italy—"form[ed] no part of the trade between Italy and the United States."¹⁰⁸ In other words, he (perhaps unnecessarily) conceded he had not offered his restaurant services in regulable foreign or interstate commerce with the result that the court simply did not address the question whether U.S. advertising of a foreign service is a use "in commerce."¹⁰⁹

*Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc.*¹¹⁰ is another decision that can be easily misinterpreted as holding that

106. 139 F.3d 98 (2d Cir. 1998). The facts of the Buti case and the two immediately following cases are discussed in more detail *supra* at nn. 38-57 and accompanying text.

107. *Id.* at 105.

108. See *Buti*, 139 F.3d at 103; see also *International Bancorp*, 329 F.3d at 369-70 (finding Buti "not persuasive" on this basis).

109. See *International Bancorp*, 329 F.3d at 369 (discussing this concession in Buti). Conversely, but equally dispositive as in Buti, the mark owner in the Federal Circuit's decision in *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), although he offered evidence that of a single sale of a clothing item to a U.S. citizen abroad (arguably satisfying the foreign commerce requirement), offered no evidence that he had used or displayed the mark at issue to help sell to U.S. customers. Together, Buti and *Person's* thus starkly illustrate the difference between the two requirements, "use" and "in commerce," in the context of a foreign mark owner.

110. 218 U.S.P.Q. 1046 (T.T.A.B. 1983).

a foreign service provider—even where it advertises in the United States—cannot obtain U.S. trademark rights without actually setting up shop in the United States. In *Mother's Restaurants*, the issue was whether a Canadian restaurant had established enforceable rights in the United States. The Canadian restaurant introduced evidence that it had transmitted radio advertisements that reached U.S. listeners and that Americans had dined in the Canadian restaurants and mailed written comments and business inquiries about franchise opportunities to the restaurants,¹¹¹ but apparently failed to point out that such actions implicated foreign commerce. The Board, for its part, failed to mention whether it was assessing if the mark owner had proven interstate commerce or foreign commerce,¹¹² possibly because the Canadian mark owner neglected to make foreign commerce an issue. In addition, the Board in *Mother's Restaurants* uncritically and confusingly mixed together the “use” requirement with the regulable commerce requirement.¹¹³

Similar observations could be made about a third decision, *Rivard I*,¹¹⁴ where the Board first seemed to indicate—incorrectly and in dictum—that only interstate commerce could satisfy the “use in commerce” requirement, stating that “[t]he terms ‘use’ and ‘nonuse’ in the statute mean use and nonuse in the United States.”¹¹⁵ Yet a closer analysis of the TTAB’s decision indicate

111. *Mother's Restaurants, Inc.*, 218 U.S.P.Q. at 1047-48.

112. See *International Bancorp*, 329 F.3d at 380 (“the Board never addressed the question of whether commerce that Congress could regulate was at issue”; “the Board seems . . . to conflate the ‘commerce’ element of the ‘use in commerce’ requirement with the ‘use or display of the mark’ element of that same requirement”); cf. *Tompkins v. United States*, 946 F.2d 817, 820 (11th Cir. 1991); *Korwek v. Hunt*, 827 F.2d 874, 877 (2d Cir.1987) (both cautioning that decisions cannot be read as precedent as to issues not explicitly decided).

113. See *International Bancorp*, 329 F.3d at 380 (“the Board seems . . . to conflate the ‘commerce’ element of the ‘use in commerce’ requirement with the ‘use or display of the mark’ element of that same requirement”).

114. 26 U.S.P.Q.2d 1508 (T.T.A.B.), vacated on other grounds, 11 F.3d 1074 (Fed. Cir. 1993) (nonprecedential decision) (text available in WESTLAW and at 31 U.S.P.Q.2d 1218).

115. 26 U.S.P.Q.2d at 1512 (citing *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 1579 (Fed. Cir. 1990)). It is clear that the Board’s statement that the terms “use” and “nonuse” mean use and nonuse in the United States is open to serious dispute. Section 45 of the Lanham Act makes clear that “commerce” means all commerce that can be regulated by Congress, and that is undoubtedly broader than just commerce that takes place within the territorial confines of the United States. See *supra*, note 19 and accompanying text (citing U.S. Const. Art. I § 8, cl. 2, which provides, in pertinent part, that “Congress shall have the Power . . . [t]o regulate Commerce with foreign Nations. . . .”) In the author’s opinion, therefore, this statement of the law is, at best, inapplicable to a case involving services; at worst, erroneous.

There is yet another reason to question the *Rivard I* decision’s precedential significance: it was vacated by the Federal Circuit on appeal. Although the Federal Circuit repeated the Board’s language that the terms “use” and “nonuse” mean use and nonuse in the United States, the registrant had apparently conceded on appeal that he hadn’t used the

that the Board never actually addressed the issue of whether qualifying commerce was present, because it held that there was no "use" of the mark.¹¹⁶

Whether they are wrong or not, there is no doubt that these decisions—especially the Board's decisions in *Mother's Restaurants* and *Rivard*—are confusing and subject to misapplication, constituting potential impediments that could unnecessarily exclude protection for certain foreign mark owners who are entitled to it.

To avoid perpetuation of the troubling lack of clarity in these decisions, foreign mark owners must be rigorous in keeping the two requirements of section 1127—"use" and "in commerce"—separate and to keep the often difficult proof of interstate commerce separate from the less difficult proof of foreign commerce. In addition, it would appear important to provide proof of all the commercial interactions involved in the mark owner's advertising, sales, and provision of the service to U.S. subjects. Such facts may include, for example: evidence that U.S. customers, while in the United States, make and confirm reservations or arrangements to obtain the services in the United States; evidence that the service provider has made contractual arrangements with U.S. companies to help make and confirm reservations or otherwise directly arrange for the services to be provided to U.S. customers;¹¹⁷ evidence that U.S. customers purchase the services with funds from U.S.-based sources, such as payment with their U.S. credit cards or with funds obtained directly from U.S. financial institutions;¹¹⁸ or evidence that the service provider permits Internet users to make or confirm reservations or other arrangements, or pay for, services, over the Internet. All of these activities clearly have a direct effect on U.S. commerce. Quite

mark in the United States. See 31 U.S.P.Q.2d at 1219. In addition, the Federal Circuit designated its decision nonprecedential.

116. *Rivard I*, 26 U.S.P.Q.2d at 1512 ("The mere fact that residents of the United States have availed themselves of respondent's services while in Canada does not constitute technical trademark use of respondent's service mark. . ."). This statement also reflects that the Board confused the "commerce" requirement with the "use" requirement, holding that the fact that U.S. subjects availed themselves of the mark owner's services (the "foreign commerce") cannot satisfy the "use" requirement. See *International Bancorp*, 329 F.3d at 379-80.

117. Under *Rivard I*, however, it would appear that contracts to have related *goods* made in the United States—even if they are re-sold and shipped to U.S. customers—would not support registration of a *service* mark in the U.S. See 26 U.S.P.Q.2d at 1512-13.

118. Concerning the issue of interstate commerce, the distinction between the situation involving a foreign service mark provider who solicits and accepts payment from U.S. customers while they are in the United States and one who simply accepts payment from U.S. customers while they are traveling abroad is supported by the different outcomes in *Penta Hotels Ltd. v. Penta Tours*, 9 U.S.P.Q.2d 1081 (D. Conn. 1988), and *Rivard I*, respectively.

simply, when a U.S. customer, while in the United States, spends, or commits to spend, a dollar abroad on a foreign service, that dollar will not be spent in the United States. In addition, there does not appear to have been a TTAB or federal court decision concerning the situation where a *substantial* percentage of the foreign service provider's revenues are derived from U.S. citizens, even in the absence of the other factors listed above. Such a situation would appear to support an inference that regulable interstate commerce has occurred, whether on the basis of the effect this spending has on U.S. commerce, or possibly even on the basis that this indicates that the service mark is well-known (or perhaps even famous) as an indicator of source to a substantial number of U.S. customers.¹¹⁹

III. A POSSIBLE ALTERNATE WAY TO PROVE ENFORCEABLE RIGHTS IN THE UNITED STATES— THE "FAMOUS" OR "WELL-KNOWN" MARK DOCTRINE

There is possibly yet another way for a foreign service mark holder to demonstrate rights sufficient to maintain a registration or to demonstrate priority: the "famous" or "well-known" mark doctrine. As noted earlier,¹²⁰ the TTAB, in the *Mother's Restaurants* decision, stated that advertising activities that take place in foreign countries cannot create trademark rights in the United States. The TTAB went on to qualify that statement by suggesting in dictum that the precept may not apply if "it can be shown that the foreign party's mark was, at the time [at issue], a 'famous' mark within the meaning of *Vaudable v. Monmartre, Inc.*"¹²¹ *Vaudable*, which involved the service mark MAXIM'S, used

119. See the immediately following section for a discussion about the possibility of using "famous mark doctrine" as an alternative basis to assert U.S. rights.

120. See *supra* text accompanying n.56.

121. *Mother's Restaurants*, 218 U.S.P.Q. at 1047-48 (citing *Vaudable v. Monmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y. Supp. 2d 332, 123 U.S.P.Q. 357 (N.Y. Sup. Ct. 1959)). It is important to be aware that the difference between trademarks and service marks may dictate different results in application of the famous/well-known mark doctrine. While the TTAB suggested in *Mother's Restaurants* that the famous/well-known mark doctrine may support the registration of a foreign service mark that is famous in the United States, the Federal Circuit, in a subsequent decision involving a trademark for goods sold abroad, seemed to indicate that famous/well-known mark doctrine did not apply. With no mention of *Vaudable*, *Mother's Restaurants*, or any authority for the famous/well-known mark doctrine, the court said:

Imperial argues that because its mark was alleged to be known here, it could not at the same time be abandoned. While superficially appealing, the argument is without merit. The question here is a right to registration. A foreign trademark may be known by reputation in this country and may even be protectable under concepts of unfair

by a Parisian restaurant, is considered the seminal case for the "famous mark doctrine."¹²² The plaintiff in *Vaudable* was a Parisian restaurant that enjoyed a "unique and eminent position as a restaurant of international fame and prestige" and was "well-known in this country, particularly to the class of people residing in the cosmopolitan city of New York who dine out."¹²³ Based on this and other findings, the New York court entered an injunction, under the common law, against the use of the MAXIM'S mark by a New York restaurant.¹²⁴

The "famous mark doctrine" that has emerged from this decision has been restated by one trademark scholar as follows: "[I]f a mark used on products or services sold abroad is so famous that its reputation is known in the United States, then that mark should be legally recognized."¹²⁵ More importantly, two of perhaps the most influential trademark commentators agree that "famous mark doctrine" is not so much a *sui generis* rule as it is an international application of the traditional concept that priority of rights may be established through advertising and reputation.¹²⁶ That underlying concept has its genesis in the Supreme Court's

competition, but such mark is not entitled to either initial or continued registration where the statutory requirements for registration cannot be met.

Imperial Tobacco Ltd. v. Philip Morris, Inc., 899 F.2d 1575, 1580 (Fed. Cir. 1990) (footnote omitted). There was no mention in the case that the registrant had argued that its mark was famous, only "known by reputation in this country." See *id.* The lack of explicit mention of the famous/well-known mark doctrine, coupled with the lack of citation to any legal authority for the doctrine, would seem to indicate that the issue of the viability of the famous/well-known mark doctrine was not, in fact, before the court. If not, then the decision seems ill-suited to serve as authority for the argument that the Federal Circuit rejected "famous/well-known mark doctrine." See, e.g., *Tompkins v. United States*, 946 F.2d 817, 820 (11th Cir. 1991) ("a case is not binding precedent for any proposition that was not then before the court"); see also *Korwek v. Hunt*, 827 F.2d 874, 877 (2d Cir.1987) ("The issue never was briefed, argued, or decided. Instead, it was assumed *sub silentio*. . . . Such a *sub silentio* holding is not binding precedent. . . .") (citations omitted). Moreover, the Lanham Act itself defines "use" differently for goods and services. See *supra* n.12 and accompanying text. Together, these legal and factual circumstances suggest that the *Imperial Tobacco* decision did not foreclose application of the famous/well-known mark doctrine to the enforceability of, and perhaps even to the maintenance of a registration for, service marks.

122. See 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 29.4 (4th ed.) (West 2002).

123. *Vaudable*, 20 Misc. 2d at 758, 193 N.Y. Supp. 2d at 334, 123 U.S.P.Q. at 358.

124. *Id.* at 759-60, 193 N.Y. Supp. 2d at 335-36, 123 U.S.P.Q. at 358. In an earlier case, a different New York court had suggested that another Parisian restaurant, PRUNIER, that was well-known in the United States, was similarly entitled to assert trademark rights against a New York restaurant of the same name. See *Maison Prunier v. Prunier's Restaurant & Café, Inc.*, 159 Misc. 551, 288 N.Y. Supp. 529 (N.Y. Sup. Ct. 1936).

125. 4 McCarthy, *supra* n.113, § 29.4.

126. See *id.*; 3 Rudolf Callman, *The Law of Unfair Competition, Trademarks and Monopolies*, § 19.24 (Supp.) (4th ed.) (West 1998); see also *Grupo Gigante S.A. De C.V. v. Dallo & Co.*, 119 F. Supp. 2d 1083, 1089-90 (C.D. Cal. 2000).

oft-cited decision in *Hanover Star Milling Co v. Metcalf*.¹²⁷ In *Hanover Star Milling*, the Supreme Court, among other things, held that a trademark "acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by the use of his mark."¹²⁸

Applying the *Hanover Star Milling* decision to a dispute involving a foreign fur company whose trademark was being used by a Dallas fur seller, the Fifth Circuit in *Buckspan v. Hudson's Bay Co.*¹²⁹ protected the foreign plaintiff's mark from infringement despite noting that the plaintiff Hudson Bay Company had no place of business in the United States, sold its raw furs only at auction in London, England, had no customers in Dallas, did not advertise its auction sales in Dallas, and that there were no importers of raw furs in Dallas at the time.¹³⁰ The Fifth Circuit noted, however, that because the Canadian company was generally known for its furs throughout the United States (and some of its furs eventually made their way to Dallas), its mark could be protected there.¹³¹ Summarizing the effect of *Hanover Star Milling* and *Buckspan*, the Second Circuit later stated that, regardless of where the mark holder is physically located, "[t]he place of the reputation is the protected territory. . . ."¹³²

Since deciding the *Mother's Restaurant* case, the TTAB has not had another opportunity to address whether it will still adhere to the rule that a mark not "used" in the United States may nevertheless have enforceable common law rights (or possibly even maintain a registration) if it is famous or well-known within the meaning of the *Vaudable* decision.¹³³ However, it is clear that the

127. 240 U.S. 403, 36 S. Ct. 357 (1916).

128. *Id.* at 415-16, 36 S. Ct. at 361 (citation omitted).

129. 22 F.2d 721 (5th Cir. 1927).

130. *Id.* at 721-22. The court did note that the plaintiff did sell other goods in Dallas, however, although the court's decision did not appear to turn in any way on this fact. See *id.* at 722.

131. See *id.* at 722-23.

132. *Hiram Walker & Sons, Inc. v. Penn-Maryland Corp.*, 79 F.2d 836 (2d Cir. 1935).

133. The Federal Circuit's predecessor court, the United States Court of Customs and Patent Appeals, relied on both the international renown of the British mark SHEFFIELD for tableware and cutlery, as well as on the provisions of the Paris Convention that provide for the rights of residents of foreign signatories to the Convention, in holding that a British company had a sufficient protectable interest in the mark in the United States to permit the mark holder to maintain opposition proceedings. See *Masters, Wardens, Searchers Assistants and Commonality of Co. of Cutlers in Hallamshire, York County v. Cribben & Sexton Co.*, 202 F.2d 779, 781-84 (C.C.P.A. 1953). The TTAB has also similarly relied on the famous or well-known mark doctrine in several cases to provide the basis to maintain an opposition or cancellation proceeding in the U.S. Patent and Trademark Office. See, e.g., *All England Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069, 1072 (T.T.A.B. 1983) (opposer, the owner of the WIMBLEDON mark for tennis

doctrine of well-known or famous marks continues to be accepted by the courts, which have held that the doctrine provides foreign owners of marks that are famous or well-known in the relevant market in the United States with enforceable U.S. trademark rights.¹³⁴

Moreover, the Paris Convention for the Protection of Industrial Property of March 20, 1883 (the "Paris Convention")¹³⁵ provides further support for the assertion of trademark rights of foreign nationals of signatory countries whose marks are "well-known" in the United States. In particular, Articles 6bis & 10bis of the Paris Convention have been held to permit foreign markholders whose marks are well-known in the relevant U.S. market to sue for unfair competition under state and federal law and to oppose and cancel federal trademark registrations.¹³⁶

tournament services, had "acquired fame and notoriety . . . within the meaning of Vaudable" to have "acquired rights in the term 'WIMBLEDON' in the United States," and therefore was permitted to oppose U.S. registration of a similar mark); *Techem, Ltd. v. Dvorkovitz*, 220 U.S.P.Q. 81, 83 (T.T.A.B. 1983) (foreign markholder entitled to assert priority right, for purposes of opposing or canceling a registration, if its mark was "famous" within the meaning of Vaudable); *Stein v. Drost*, 189 U.S.P.Q. 547, 548-49 (T.T.A.B. 1975) (Canadian beauty contest promoter may assert priority and oppose an application based solely on her advertising in the United States and Canada of the Canadian-based contest and her company's loose association with other beauty contests, operating under different names, in the United States).

Such cases, however, are properly understood to concern standing to oppose a registration, a concept that is based on a different statutory definition than "use in commerce." Accordingly, these decisions are not directly relevant to the issue of the circumstances under which a foreign service provider can maintain a U.S. registration. Compare 15 U.S.C. § 1063 (opposition may be maintained by "[a]ny person who believes he would be damaged by the registration of the mark") with 15 U.S.C. § 1127 (a mark shall be deemed to be in used in commerce . . . on services when it is used or displayed in the sale or advertising of services and 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").

134. See, e.g., *Emmpresa Cubana del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247 (S.D.N.Y. 2002) ("As discussed above, under the 'well-known marks' doctrine, a party with a well-known mark at the time another party starts to use the mark has priority over the party using the mark."); *Grupo Gigante S.A. De C.V. v. Dallo & Co.*, 119 F. Supp. 2d 1083 (C.D. Cal. 2000) ("The Court finds that, in order to establish that a foreign mark is sufficiently famous to qualify for protection in the United States, the foreign user need only show that the mark is sufficiently known to potential customers in the area of the United States in which it seeks protection."); *Blumenfeld Dev. Corp. v. Carnival Cruise Lines, Inc.*, 669 F. Supp. 1297, 1321 (E.D. Pa. 1987) ("Where a mark is known in the United States, or where it is advertised in the United States and the acts of an American trademark infringer constitute[] unfair competition against the foreign trademark owner, American courts will grant protection.")

135. 21 U.S.T. 1583, as amended on September 28, 1979.

136. See, e.g., *Phillips v. Governor & Co. of Adventurers of England Trading Into Hudson Bay*, 79 F.2d 971, 972 (9th Cir. 1935); *Masters, Wardens, Searchers, Assistants and Commonality of Co. of Cutlers in Hallamshire, York County v. Cribben & Sexton Co.*, 202 F.2d 779, 782-83 (C.C.P.A. 1953); *Emmpresa Cubana del Tabaco v. Culbro Corp.*, 213 F. Supp. 2d 247, 283-84 & n.57 (S.D.N.Y. 2002); *General Motors Corp. v. Ignacio Lopez de*

The practical import of this doctrine, however, is another question. If the Fourth Circuit's holding in *International Bancorp* were to be adopted by other circuits or the Supreme Court, it would be difficult to envision how this "well-known/famous mark doctrine" adds anything of value to a foreign service mark owner. Whether the foreign service mark owner tries to prove that it has engaged in regulable "foreign commerce" as sanctioned by the Fourth Circuit in *International Bancorp* or whether it tries to prove its foreign mark is well known or famous in the United States, it will do so by showing that it markets and sells its services to Americans. It may even be *more* difficult to prove that a mark qualifies for protection under the "famous/well-known mark doctrine" than that qualifying use in foreign commerce has occurred.¹³⁷ Theoretically, however, the doctrine does still look to be viable as a means of providing a foreign service mark an alternate basis to assert or maintain U.S. rights.

IV. CONCLUSION

It is particularly important for foreign service mark holders seeking to assert rights under the Lanham Act to help the tribunal assessing their claims to understand the governing concepts in their full and accurate context. Beyond taking care in dealing with the confusing case law precedents in this area, there are several analytical constructs that the service mark owner can use to maximize the tribunal's understanding of the governing principles:

- Analyze and prove qualifying "use" separate from qualifying "commerce." Many of the cases where foreign mark owners fared badly were cases in which the tribunal conflated these two elements.
- Advertising—both traditional and Internet—is a qualifying "use" under the Lanham Act.

Arriotua, 948 F. Supp. 684, 689 (E.D. Mich. 1996); *Laboratorios Roldan C. por A. v. Tex Int'l, Inc.*, 902 F. Supp. 1555, 1568 (S.D. Fla. 1995); cf. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 907-08 (9th Cir. 2002), cert. denied, 123 S. Ct. 993 (2003) (holding that the Paris Convention creates no substantive rights per se, but only mandates equal treatment for foreign and U.S. companies).

137. Recent court decisions concerning famous/well-known mark doctrine have been less clear about how the owner of a foreign mark alleged to be famous or well-known in this country should go about proving the required level of renown. One court has suggested that a recognition survey, performed in the relevant geographic market area, may be the most persuasive type of evidence on this point. See *Grupo Gigante S.A. De C.V. Dallo & Co.*, 119 F. Supp. 2d 1083, 1091 (C.D. Cal. 2000) (survey evidence most persuasive). As with proof of regulable foreign commerce, foreign mark owners seeking to establish the renown of their marks would also do well to demonstrate numerically any sales and marketing figures that could bear on the subject of how well Americans are familiar with their marks.

- Keep any argument of qualifying “interstate” commerce separate and distinct from qualifying “foreign” commerce.
 - To prove interstate commerce, the taking and confirming of reservations in the United States (whether through a physical sales office or via U.S. computer users accessing an interactive Internet website) for the service, wherever it is provided, should be considered sufficient.
 - Follow the money. Analyze and prove how and why U.S. customers decide to purchase foreign services and how they arrange to pay for and obtain the services. Many different aspects of these actions involve choices about how to spend U.S. dollars that otherwise would be available for use in other forms of interstate commerce. These dollars may also flow from and through U.S. financial institutions and credit providers. These and other facts may help demonstrate a substantial effect on interstate commerce.
 - To establish qualifying “foreign” commerce, document the business the foreign national receives from U.S. customers at the foreign location.
 - If a foreign service mark is well-known in the U.S., that fact should be proved. Gather press clippings and other publicity in the U.S., show how much the foreign owner has spent on advertising and promotion in the U.S., how far-reaching and frequent it has been, and how long it has been done. Maybe even consider a survey.
-

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 3 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith are the following documents downloaded from the Internet in
December 2018:

Fed. R. Evid. 701 (Opinion Testimony by Lay Witnesses) with Advisory Committee
Notes.

Fed. R. Evid. 702 (Testimony by Expert Witnesses) with Advisory Committee Notes.

Cappellino, Anjelica: Objections to Expert Testimony During a Federal Trial, from the
Blog at <https://www.theexpertinstitute.com/blog>, June 19, 2018.

The documents submitted herewith concern the issue of opinion testimony by fact
witnesses. During Defendant's testimony period, Defendant presented the testimony of 12
witnesses by submitting their signed declarations. Ten of the declarations included their legal
conclusions concerning the issue of likelihood of confusion which is a central issue in this

proceeding. The question of admissibility of opinion testimony by 10 of Defendant's fact witnesses will be considered by the TTAB.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

By H. Jay Spiegel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 3 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel

Federal Rules of Evidence › ARTICLE VII. OPINIONS AND EXPERT TESTIMONY › Rule 701. Opinion Testimony by Lay Witnesses

Rule 701. Opinion Testimony by Lay Witnesses

If a witness is not testifying as an expert, testimony in the form of an opinion is limited to one that is:

- (a) rationally based on the witness's perception;
- (b) helpful to clearly understanding the witness's testimony or to determining a fact in issue; and
- (c) not based on scientific, technical, or other specialized knowledge within the scope of Rule 702.

NOTES

(Pub. L. 93–595, §1, Jan. 2, 1975, 88 Stat. 1937; Mar. 2, 1987, eff. Oct. 1, 1987; Apr. 17, 2000, eff. Dec. 1, 2000; Apr. 26, 2011, eff. Dec. 1, 2011.)

NOTES OF ADVISORY COMMITTEE ON PROPOSED RULES

The rule retains the traditional objective of putting the trier of fact in possession of an accurate reproduction of the event.

Limitation (a) is the familiar requirement of first-hand knowledge or observation.

Limitation (b) is phrased in terms of requiring testimony to be helpful in resolving issues. Witnesses often find difficulty in expressing themselves in language which is not that of an opinion or conclusion. While the courts have made concessions in certain recurring situations, necessity as a standard for permitting opinions and conclusions has proved too elusive and too unadaptable to particular situations for purposes of satisfactory judicial administration. McCormick §11. Moreover, the practical impossibility of determining by rule what is a "fact," demonstrated by a century of litigation of the question of what is a fact for purposes of pleading under the Field Code, extends into evidence also. 7 Wigmore §1919. The rule assumes that the natural characteristics of the adversary system will generally lead to an acceptable result, since the detailed account carries more conviction than the broad assertion, and a lawyer can be expected to display his witness to the best advantage. If he fails to do so, cross-examination and argument will point up the weakness. See Ladd, *Expert Testimony*, 5 *Vand.L.Rev.* 414, 415–417 (1952). If, despite these considerations, attempts are made to introduce meaningless assertions which amount to little more than choosing up sides, exclusion for lack of helpfulness is called for by the rule.

The language of the rule is substantially that of Uniform. Rule 56(1). Similar provisions are California Evidence Code §800; Kansas Code of Civil Procedure §60–456(a); New Jersey Evidence Rule 56(1).

The amendments are technical. No substantive change is intended.

COMMITTEE NOTES ON RULES—2000 AMENDMENT

Rule 701 has been amended to eliminate the risk that the reliability requirements set forth in Rule 702 will be evaded through the simple expedient of proffering an expert in lay witness clothing. Under the amendment, a witness' testimony must be scrutinized under the rules regulating expert opinion to the extent that the witness is providing testimony based on scientific, technical, or other specialized knowledge within the scope of Rule 702. See generally *Asplundh Mfg. Div. v. Benton Harbor Eng'g*, 57 F.3d 1190 (3d Cir. 1995). By channeling testimony that is actually expert testimony to Rule 702, the amendment also ensures that a party will not evade the expert witness disclosure requirements set forth in Fed.R.Civ.P. 26 and Fed.R.Crim.P. 16 by simply calling an expert witness in the guise of a layperson. See Joseph, *Emerging Expert Issues Under the 1993 Disclosure Amendments to the Federal Rules of Civil Procedure*, 164 F.R.D. 97, 108 (1996) (noting that "there is no good reason to allow what is essentially surprise expert testimony," and that "the Court should be vigilant to preclude manipulative conduct designed to thwart the expert disclosure and discovery process"). See also *United States v. Figueroa-Lopez*, 125 F.3d 1241, 1246 (9th Cir. 1997) (law enforcement agents testifying that the defendant's conduct was consistent with that of a drug trafficker could not testify as lay witnesses; to permit such testimony under Rule 701 "subverts the requirements of Federal Rule of Criminal Procedure 16 (a)(1)(E)").

The amendment does not distinguish between expert and lay witnesses, but rather between expert and lay testimony. Certainly it is possible for the same witness to provide both lay and expert testimony in a single case. See, e.g., *United States v. Figueroa-Lopez*, 125 F.3d 1241, 1246 (9th Cir. 1997) (law enforcement agents could testify that the defendant was acting suspiciously, without being qualified as experts; however, the rules on experts were applicable where the agents testified on the basis of extensive experience that the defendant was using code words to refer to drug quantities and prices). The amendment makes clear that any part of a witness' testimony that is based upon scientific, technical, or other specialized knowledge within the scope of Rule 702 is governed by the standards of Rule 702 and the corresponding disclosure requirements of the Civil and Criminal Rules.

The amendment is not intended to affect the "prototypical example[s] of the type of evidence contemplated by the adoption of Rule 701 relat[ing] to the appearance of persons or things, identity, the manner of conduct, competency of a person, degrees of light or darkness, sound, size, weight, distance, and an endless number of items that cannot be described factually in words apart from inferences." *Asplundh Mfg. Div. v. Benton Harbor Eng'g*, 57 F.3d 1190, 1196 (3d Cir. 1995).

For example, most courts have permitted the owner or officer of a business to testify to the value or projected profits of the business, without the necessity of qualifying the witness as an accountant, appraiser, or similar expert. See, e.g., *Lightning Lube, Inc. v. Witco Corp.* 4 F.3d 1153 (3d Cir. 1993) (no abuse of discretion in permitting the plaintiff's owner to give lay opinion testimony as to damages, as it was based on his knowledge and participation in the day-to-day affairs of the business). Such opinion testimony is admitted not because of experience, training or specialized knowledge within the realm of an expert, but because of the particularized knowledge that the witness has by virtue of his or her position in the business. The amendment does not

purport to change this analysis. Similarly, courts have permitted lay witnesses to testify that a substance appeared to be a narcotic, so long as a foundation of familiarity with the substance is established. *See, e.g., United States v. Westbrook*, 896 F.2d 330 (8th Cir. 1990) (two lay witnesses who were heavy amphetamine users were properly permitted to testify that a substance was amphetamine; but it was error to permit another witness to make such an identification where she had no experience with amphetamines). Such testimony is not based on specialized knowledge within the scope of Rule 702, but rather is based upon a layperson's personal knowledge. If, however, that witness were to describe how a narcotic was manufactured, or to describe the intricate workings of a narcotic distribution network, then the witness would have to qualify as an expert under Rule 702. *United States v. Figueroa-Lopez, supra*.

The amendment incorporates the distinctions set forth in *State v. Brown*, 836 S.W.2d 530, 549 (1992), a case involving former Tennessee Rule of Evidence 701, a rule that precluded lay witness testimony based on "special knowledge." In *Brown*, the court declared that the distinction between lay and expert witness testimony is that lay testimony "results from a process of reasoning familiar in everyday life," while expert testimony "results from a process of reasoning which can be mastered only by specialists in the field." The court in *Brown* noted that a lay witness with experience could testify that a substance appeared to be blood, but that a witness would have to qualify as an expert before he could testify that bruising around the eyes is indicative of skull trauma. That is the kind of distinction made by the amendment to this Rule.

GAP Report—Proposed Amendment to Rule 701. The Committee made the following changes to the published draft of the proposed amendment to Evidence Rule 701:

1. The words "within the scope of Rule 702" were added at the end of the proposed amendment, to emphasize that the Rule does not require witnesses to qualify as experts unless their testimony is of the type traditionally considered within the purview of Rule 702. The Committee Note was amended to accord with this textual change.
2. The Committee Note was revised to provide further examples of the kind of testimony that could and could not be proffered under the limitation imposed by the proposed amendment.

COMMITTEE NOTES ON RULES—2011 AMENDMENT

The language of Rule 701 has been amended as part of the general restyling of the Evidence Rules to make them more easily understood and to make style and terminology consistent throughout the rules. These changes are intended to be stylistic only. There is no intent to change any result in any ruling on evidence admissibility.

The Committee deleted all reference to an "inference" on the grounds that the deletion made the Rule flow better and easier to read, and because any "inference" is covered by the broader term "opinion." Courts have not made substantive decisions on the basis of any distinction between an opinion and an inference. No change in current practice is intended.

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Federal Rules of Evidence › ARTICLE VII. OPINIONS AND EXPERT TESTIMONY › Rule 702. Testimony by Expert Witnesses

Rule 702. Testimony by Expert Witnesses

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

- (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
- (b) the testimony is based on sufficient facts or data;
- (c) the testimony is the product of reliable principles and methods; and
- (d) the expert has reliably applied the principles and methods to the facts of the case.

NOTES

(Pub. L. 93-595, §1, Jan. 2, 1975, 88 Stat. 1937; Apr. 17, 2000, eff. Dec. 1, 2000; Apr. 26, 2011, eff. Dec. 1, 2011.)

NOTES OF ADVISORY COMMITTEE ON PROPOSED RULES

An intelligent evaluation of facts is often difficult or impossible without the application of some scientific, technical, or other specialized knowledge. The most common source of this knowledge is the expert witness, although there are other techniques for supplying it.

Most of the literature assumes that experts testify only in the form of opinions. The assumption is logically unfounded. The rule accordingly recognizes that an expert on the stand may give a dissertation or exposition of scientific or other principles relevant to the case, leaving the trier of fact to apply them to the facts. Since much of the criticism of expert testimony has centered upon the hypothetical question, it seems wise to recognize that opinions are not indispensable and to encourage the use of expert testimony in non-opinion form when counsel believes the trier can itself draw the requisite inference. The use of opinions is not abolished by the rule, however. It will continue to be permissible for the experts to take the further step of suggesting the inference which should be drawn from applying the specialized knowledge to the facts. See Rules 703 to 705.

Whether the situation is a proper one for the use of expert testimony is to be determined on the basis of assisting the trier. "There is no more certain test for determining when experts may be used than the common sense inquiry whether the untrained layman would be qualified to determine intelligently and to the best possible degree the particular issue without enlightenment from those having a specialized understanding of the subject involved in the dispute." Ladd, *Expert Testimony*, 5 *Vand.L.Rev.* 414, 418 (1952). When opinions are excluded, it is because they are unhelpful and therefore superfluous and a waste of time. 7 *Wigmore* §1918.

The rule is broadly phrased. The fields of knowledge which may be drawn upon are not limited merely to the “scientific” and “technical” but extend to all “specialized” knowledge. Similarly, the expert is viewed, not in a narrow sense, but as a person qualified by “knowledge, skill, experience, training or education.” Thus within the scope of the rule are not only experts in the strictest sense of the word, e.g., physicians, physicists, and architects, but also the large group sometimes called “skilled” witnesses, such as bankers or landowners testifying to land values.

COMMITTEE NOTES ON RULES—2000 AMENDMENT

Rule 702 has been amended in response to *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), and to the many cases applying *Daubert*, including *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167 (1999). In *Daubert* the Court charged trial judges with the responsibility of acting as gatekeepers to exclude unreliable expert testimony, and the Court in *Kumho* clarified that this gatekeeper function applies to all expert testimony, not just testimony based in science. See also *Kumho*, 119 S.Ct. at 1178 (citing the Committee Note to the proposed amendment to Rule 702, which had been released for public comment before the date of the *Kumho* decision). The amendment affirms the trial court's role as gatekeeper and provides some general standards that the trial court must use to assess the reliability and helpfulness of proffered expert testimony. Consistently with *Kumho*, the Rule as amended provides that all types of expert testimony present questions of admissibility for the trial court in deciding whether the evidence is reliable and helpful. Consequently, the admissibility of all expert testimony is governed by the principles of Rule 104(a). Under that Rule, the proponent has the burden of establishing that the pertinent admissibility requirements are met by a preponderance of the evidence. See *Bourjaily v. United States*, 483 U.S. 171 (1987).

Daubert set forth a non-exclusive checklist for trial courts to use in assessing the reliability of scientific expert testimony. The specific factors explicated by the *Daubert* Court are (1) whether the expert's technique or theory can be or has been tested—that is, whether the expert's theory can be challenged in some objective sense, or whether it is instead simply a subjective, conclusory approach that cannot reasonably be assessed for reliability; (2) whether the technique or theory has been subject to peer review and publication; (3) the known or potential rate of error of the technique or theory when applied; (4) the existence and maintenance of standards and controls; and (5) whether the technique or theory has been generally accepted in the scientific community. The Court in *Kumho* held that these factors might also be applicable in assessing the reliability of nonscientific expert testimony, depending upon “the particular circumstances of the particular case at issue.” 119 S.Ct. at 1175.

No attempt has been made to “codify” these specific factors. *Daubert* itself emphasized that the factors were neither exclusive nor dispositive. Other cases have recognized that not all of the specific *Daubert* factors can apply to every type of expert testimony. In addition to *Kumho*, 119 S.Ct. at 1175, see *Tyus v. Urban Search Management*, 102 F.3d 256 (7th Cir. 1996) (noting that the factors mentioned by the Court in *Daubert* do not neatly apply to expert testimony from a sociologist). See also *Kannankeril v. Terminix Int'l, Inc.*, 128 F.3d 802, 809 (3d Cir. 1997) (holding that lack of peer review or publication was not dispositive where the expert's opinion was supported by “widely accepted scientific knowledge”). The standards set forth in the amendment are broad enough to require consideration of any or all of the specific *Daubert* factors where appropriate.

Courts both before and after *Daubert* have found other factors relevant in determining whether expert testimony is sufficiently reliable to be considered by the trier of fact. These factors include:

(1) Whether experts are “proposing to testify about matters growing naturally and directly out of research they have conducted independent of the litigation, or whether they have developed their opinions expressly for purposes of testifying.” *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 43 F.3d 1311, 1317 (9th Cir. 1995).

(2) Whether the expert has unjustifiably extrapolated from an accepted premise to an unfounded conclusion. See *General Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997) (noting that in some cases a trial court “may conclude that there is simply too great an analytical gap between the data and the opinion proffered”).

(3) Whether the expert has adequately accounted for obvious alternative explanations. See *Claar v. Burlington N.R.R.*, 29 F.3d 499 (9th Cir. 1994) (testimony excluded where the expert failed to consider other obvious causes for the plaintiff's condition). Compare *Ambrosini v. Labarraque*, 101 F.3d 129 (D.C.Cir. 1996) (the possibility of some uneliminated causes presents a question of weight, so long as the most obvious causes have been considered and reasonably ruled out by the expert).

(4) Whether the expert “is being as careful as he would be in his regular professional work outside his paid litigation consulting.” *Sheehan v. Daily Racing Form, Inc.*, 104 F.3d 940, 942 (7th Cir. 1997). See *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1176 (1999) (*Daubert* requires the trial court to assure itself that the expert “employs in the courtroom the same level of intellectual rigor that characterizes the practice of an expert in the relevant field”).

(5) Whether the field of expertise claimed by the expert is known to reach reliable results for the type of opinion the expert would give. See *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1175 (1999) (*Daubert's* general acceptance factor does not “help show that an expert's testimony is reliable where the discipline itself lacks reliability, as, for example, do theories grounded in any so-called generally accepted principles of astrology or necromancy.”); *Moore v. Ashland Chemical, Inc.*, 151 F.3d 269 (5th Cir. 1998) (en banc) (clinical doctor was properly precluded from testifying to the toxicological cause of the plaintiff's respiratory problem, where the opinion was not sufficiently grounded in scientific methodology); *Sterling v. Velsicol Chem. Corp.*, 855 F.2d 1188 (6th Cir. 1988) (rejecting testimony based on “clinical ecology” as unfounded and unreliable).

All of these factors remain relevant to the determination of the reliability of expert testimony under the Rule as amended. Other factors may also be relevant. See *Kumho*, 119 S.Ct. 1167, 1176 (“[W]e conclude that the trial judge must have considerable leeway in deciding in a particular case how to go about determining whether particular expert testimony is reliable.”). Yet no single factor is necessarily dispositive of the reliability of a particular expert's testimony. See, e.g., *Heller v. Shaw Industries, Inc.*, 167 F.3d 146, 155 (3d Cir. 1999) (“not only must each stage of the expert's testimony be reliable, but each stage must be evaluated practically and flexibly without bright-line exclusionary (or inclusionary) rules.”); *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 43 F.3d 1311, 1317, n.5 (9th Cir. 1995) (noting that some expert disciplines “have the courtroom as a principal theatre of operations” and as to these disciplines “the fact that the expert has developed an expertise principally for purposes of litigation will obviously not be a substantial consideration.”).

A review of the caselaw after *Daubert* shows that the rejection of expert testimony is the exception rather than the rule. *Daubert* did not work a “seachange over federal evidence law,” and “the trial court’s role as gatekeeper is not intended to serve as a replacement for the adversary system.” *United States v. 14.38 Acres of Land Situated in Leflore County, Mississippi*, 80 F.3d 1074, 1078 (5th Cir. 1996). As the Court in *Daubert* stated: “Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence.” 509 U.S. at 595. Likewise, this amendment is not intended to provide an excuse for an automatic challenge to the testimony of every expert. See *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1176 (1999) (noting that the trial judge has the discretion “both to avoid unnecessary ‘reliability’ proceedings in ordinary cases where the reliability of an expert’s methods is properly taken for granted, and to require appropriate proceedings in the less usual or more complex cases where cause for questioning the expert’s reliability arises.”).

When a trial court, applying this amendment, rules that an expert’s testimony is reliable, this does not necessarily mean that contradictory expert testimony is unreliable. The amendment is broad enough to permit testimony that is the product of competing principles or methods in the same field of expertise. See, e.g., *Heller v. Shaw Industries, Inc.*, 167 F.3d 146, 160 (3d Cir. 1999) (expert testimony cannot be excluded simply because the expert uses one test rather than another, when both tests are accepted in the field and both reach reliable results). As the court stated in *In re Paoli R.R. Yard PCB Litigation*, 35 F.3d 717, 744 (3d Cir. 1994), proponents “do not have to demonstrate to the judge by a preponderance of the evidence that the assessments of their experts are correct, they only have to demonstrate by a preponderance of evidence that their opinions are reliable. . . . The evidentiary requirement of reliability is lower than the merits standard of correctness.” See also *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 43 F.3d 1311, 1318 (9th Cir. 1995) (scientific experts might be permitted to testify if they could show that the methods they used were also employed by “a recognized minority of scientists in their field.”); *Ruiz-Troche v. Pepsi Cola*, 161 F.3d 77, 85 (1st Cir. 1998) (“*Daubert* neither requires nor empowers trial courts to determine which of several competing scientific theories has the best provenance.”).

The Court in *Daubert* declared that the “focus, of course, must be solely on principles and methodology, not on the conclusions they generate.” 509 U.S. at 595. Yet as the Court later recognized, “conclusions and methodology are not entirely distinct from one another.” *General Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997). Under the amendment, as under *Daubert*, when an expert purports to apply principles and methods in accordance with professional standards, and yet reaches a conclusion that other experts in the field would not reach, the trial court may fairly suspect that the principles and methods have not been faithfully applied. See *Lust v. Merrell Dow Pharmaceuticals, Inc.*, 89 F.3d 594, 598 (9th Cir. 1996). The amendment specifically provides that the trial court must scrutinize not only the principles and methods used by the expert, but also whether those principles and methods have been properly applied to the facts of the case. As the court noted in *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d 717, 745 (3d Cir. 1994), “any step that renders the analysis unreliable . . . renders the expert’s testimony inadmissible. *This is true whether the step completely changes a reliable methodology or merely misapplies that methodology.*”

If the expert purports to apply principles and methods to the facts of the case, it is important that this application be conducted reliably. Yet it might also be important in some cases for an expert to educate the factfinder about general principles, without ever attempting to apply these principles to the specific facts of the case. For example, experts might instruct the factfinder on the principles of thermodynamics, or bloodclotting, or on how financial markets respond to corporate reports, without ever knowing about or trying to tie their testimony into the facts of the case. The amendment does not alter the venerable practice of using expert testimony to educate the factfinder on general principles. For this kind of generalized testimony, Rule 702 simply requires that: (1) the expert be qualified; (2) the testimony address a subject matter on which the factfinder can be assisted by an expert; (3) the testimony be reliable; and (4) the testimony “fit” the facts of the case.

As stated earlier, the amendment does not distinguish between scientific and other forms of expert testimony. The trial court's gatekeeping function applies to testimony by any expert. See *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1171 (1999) (“We conclude that *Daubert's* general holding—setting forth the trial judge's general ‘gatekeeping’ obligation—applies not only to testimony based on ‘scientific’ knowledge, but also to testimony based on ‘technical’ and ‘other specialized’ knowledge.”). While the relevant factors for determining reliability will vary from expertise to expertise, the amendment rejects the premise that an expert's testimony should be treated more permissively simply because it is outside the realm of science. An opinion from an expert who is not a scientist should receive the same degree of scrutiny for reliability as an opinion from an expert who purports to be a scientist. See *Watkins v. Telsmith, Inc.*, 121 F.3d 984, 991 (5th Cir. 1997) (“[I]t seems exactly backwards that experts who purport to rely on general engineering principles and practical experience might escape screening by the district court simply by stating that their conclusions were not reached by any particular method or technique.”). Some types of expert testimony will be more objectively verifiable, and subject to the expectations of falsifiability, peer review, and publication, than others. Some types of expert testimony will not rely on anything like a scientific method, and so will have to be evaluated by reference to other standard principles attendant to the particular area of expertise. The trial judge in all cases of proffered expert testimony must find that it is properly grounded, well-reasoned, and not speculative before it can be admitted. The expert's testimony must be grounded in an accepted body of learning or experience in the expert's field, and the expert must explain how the conclusion is so grounded. See, e.g., American College of Trial Lawyers, *Standards and Procedures for Determining the Admissibility of Expert Testimony after Daubert*, 157 F.R.D. 571, 579 (1994) (“[W]hether the testimony concerns economic principles, accounting standards, property valuation or other non-scientific subjects, it should be evaluated by reference to the ‘knowledge and experience’ of that particular field.”).

The amendment requires that the testimony must be the product of reliable principles and methods that are reliably applied to the facts of the case. While the terms “principles” and “methods” may convey a certain impression when applied to scientific knowledge, they remain relevant when applied to testimony based on technical or other specialized knowledge. For example, when a law enforcement agent testifies regarding the use of code words in a drug transaction, the principle used by the agent is that participants in such transactions regularly use code words to conceal the nature of their activities. The method used by the agent is the

application of extensive experience to analyze the meaning of the conversations. So long as the principles and methods are reliable and applied reliably to the facts of the case, this type of testimony should be admitted.

Nothing in this amendment is intended to suggest that experience alone—or experience in conjunction with other knowledge, skill, training or education—may not provide a sufficient foundation for expert testimony. To the contrary, the text of Rule 702 expressly contemplates that an expert may be qualified on the basis of experience. In certain fields, experience is the predominant, if not sole, basis for a great deal of reliable expert testimony. See, e.g., *United States v. Jones*, 107 F.3d 1147 (6th Cir. 1997) (no abuse of discretion in admitting the testimony of a handwriting examiner who had years of practical experience and extensive training, and who explained his methodology in detail); *Tassin v. Sears Roebuck*, 946 F.Supp. 1241, 1248 (M.D.La. 1996) (design engineer's testimony can be admissible when the expert's opinions “are based on facts, a reasonable investigation, and traditional technical/mechanical expertise, and he provides a reasonable link between the information and procedures he uses and the conclusions he reaches”). See also *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1178 (1999) (stating that “no one denies that an expert might draw a conclusion from a set of observations based on extensive and specialized experience.”).

If the witness is relying solely or primarily on experience, then the witness must explain how that experience leads to the conclusion reached, why that experience is a sufficient basis for the opinion, and how that experience is reliably applied to the facts. The trial court's gatekeeping function requires more than simply “taking the expert's word for it.” See *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 43 F.3d 1311, 1319 (9th Cir. 1995) (“We've been presented with only the experts' qualifications, their conclusions and their assurances of reliability. Under *Daubert*, that's not enough.”). The more subjective and controversial the expert's inquiry, the more likely the testimony should be excluded as unreliable. See *O'Conner v. Commonwealth Edison Co.*, 13 F.3d 1090 (7th Cir. 1994) (expert testimony based on a completely subjective methodology held properly excluded). See also *Kumho Tire Co. v. Carmichael*, 119 S.Ct. 1167, 1176 (1999) (“[I]t will at times be useful to ask even of a witness whose expertise is based purely on experience, say, a perfume tester able to distinguish among 140 odors at a sniff, whether his preparation is of a kind that others in the field would recognize as acceptable.”).

Subpart (1) of Rule 702 calls for a quantitative rather than qualitative analysis. The amendment requires that expert testimony be based on sufficient underlying “facts or data.” The term “data” is intended to encompass the reliable opinions of other experts. See the original Advisory Committee Note to Rule 703. The language “facts or data” is broad enough to allow an expert to rely on hypothetical facts that are supported by the evidence. *Id.*

When facts are in dispute, experts sometimes reach different conclusions based on competing versions of the facts. The emphasis in the amendment on “sufficient facts or data” is not intended to authorize a trial court to exclude an expert's testimony on the ground that the court believes one version of the facts and not the other.

There has been some confusion over the relationship between Rules 702 and 703. The amendment makes clear that the sufficiency of the basis of an expert's testimony is to be decided under Rule 702. Rule 702 sets forth the overarching requirement of reliability, and an analysis of the sufficiency of the expert's basis cannot be divorced from the ultimate reliability of the expert's

opinion. In contrast, the “reasonable reliance” requirement of Rule 703 is a relatively narrow inquiry. When an expert relies on inadmissible information, Rule 703 requires the trial court to determine whether that information is of a type reasonably relied on by other experts in the field. If so, the expert can rely on the information in reaching an opinion. However, the question whether the expert is relying on a *sufficient* basis of information—whether admissible information or not—is governed by the requirements of Rule 702.

The amendment makes no attempt to set forth procedural requirements for exercising the trial court's gatekeeping function over expert testimony. See Daniel J. Capra, *The Daubert Puzzle*, 38 Ga.L.Rev. 699, 766 (1998) (“Trial courts should be allowed substantial discretion in dealing with *Daubert* questions; any attempt to codify procedures will likely give rise to unnecessary changes in practice and create difficult questions for appellate review.”). Courts have shown considerable ingenuity and flexibility in considering challenges to expert testimony under *Daubert*, and it is contemplated that this will continue under the amended Rule. See, e.g., *Cortes-Irizarry v. Corporacion Insular*, 111 F.3d 184 (1st Cir. 1997) (discussing the application of *Daubert* in ruling on a motion for summary judgment); *In re Paoli R.R. Yard PCB Litig.*, 35 F.3d 717, 736, 739 (3d Cir. 1994) (discussing the use of *in limine* hearings); *Claar v. Burlington N.R.R.*, 29 F.3d 499, 502–05 (9th Cir. 1994) (discussing the trial court's technique of ordering experts to submit serial affidavits explaining the reasoning and methods underlying their conclusions).

The amendment continues the practice of the original Rule in referring to a qualified witness as an “expert.” This was done to provide continuity and to minimize change. The use of the term “expert” in the Rule does not, however, mean that a jury should actually be informed that a qualified witness is testifying as an “expert.” Indeed, there is much to be said for a practice that prohibits the use of the term “expert” by both the parties and the court at trial. Such a practice “ensures that trial courts do not inadvertently put their stamp of authority” on a witness's opinion, and protects against the jury's being “overwhelmed by the so-called ‘experts’.” Hon. Charles Richey, *Proposals to Eliminate the Prejudicial Effect of the Use of the Word “Expert” Under the Federal Rules of Evidence in Criminal and Civil Jury Trials*, 154 F.R.D. 537, 559 (1994) (setting forth limiting instructions and a standing order employed to prohibit the use of the term “expert” in jury trials).

GAP Report—Proposed Amendment to Rule 702. The Committee made the following changes to the published draft of the proposed amendment to Evidence Rule 702:

1. The word “reliable” was deleted from Subpart (1) of the proposed amendment, in order to avoid an overlap with Evidence Rule 703, and to clarify that an expert opinion need not be excluded simply because it is based on hypothetical facts. The Committee Note was amended to accord with this textual change.
2. The Committee Note was amended throughout to include pertinent references to the Supreme Court's decision in *Kumho Tire Co. v. Carmichael*, which was rendered after the proposed amendment was released for public comment. Other citations were updated as well.
3. The Committee Note was revised to emphasize that the amendment is not intended to limit the right to jury trial, nor to permit a challenge to the testimony of every expert, nor to preclude the testimony of experience-based experts, nor to prohibit testimony based on competing methodologies within a field of expertise.

4. Language was added to the Committee Note to clarify that no single factor is necessarily dispositive of the reliability inquiry mandated by Evidence Rule 702.

COMMITTEE NOTES ON RULES—2011 AMENDMENT

The language of Rule 702 has been amended as part of the restyling of the Evidence Rules to make them more easily understood and to make style and terminology consistent throughout the rules. These changes are intended to be stylistic only. There is no intent to change any result in any ruling on evidence admissibility.

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evidence

◀ Rule 701. Opinion Testimony by Lay Witnesses

up

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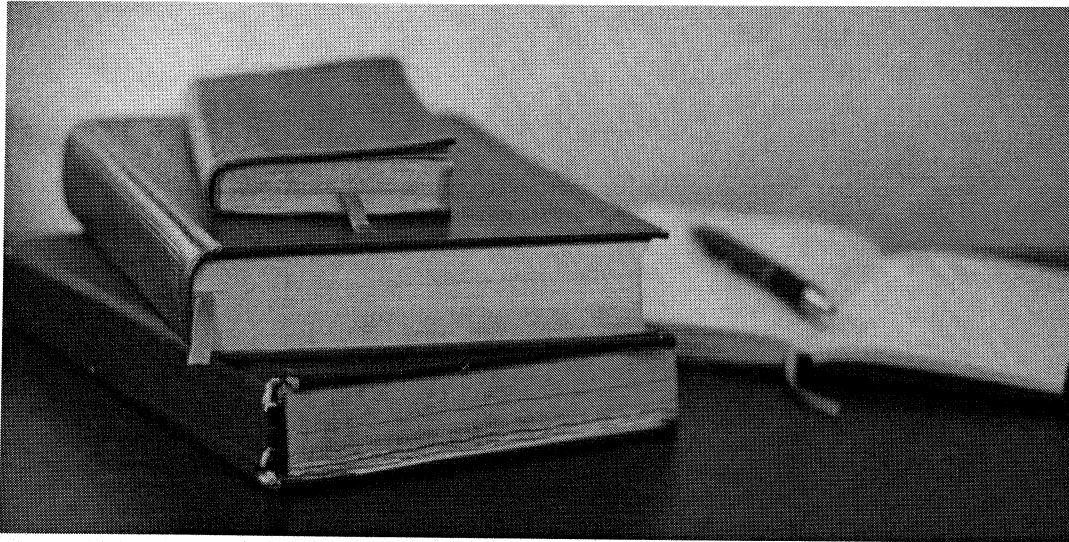


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Objections to Expert Testimony During a Federal Trial

by Anjelica Cappellino (<https://www.theexpertinstitute.com/author/anjelica-cappellino/>) - June 19, 2018

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The admissibility of expert testimony can be a game changer during trial. This is particularly true in federal court, which has its own rules and evidentiary standards. In federal court, an expert's testimony can be challenged on a number of grounds. Typically, objections can be made during the pre-trial stage through motions *in limine*, particularly as they relate to expert disclosure obligations and written report requirements under [Rule 26](#)

(<https://www.law.cornell.edu/rule>

[s/frcp/rule_26](#)) of the Federal Rules of Civil Procedure and [Rule 16](#) (https://www.law.cornell.edu/rules/frcrmp/rule_16) of the Federal Rules of Criminal Procedure. It is through these discovery requirements that an adversary is first put on notice of the expert's identity and opinions and thus, can accordingly file any necessary motions to seek preclusion or limitation of the expert's testimony. However, not all issues are handled via written motions *in limine* and oftentimes, objections need to be made in real time during trial, in front of the jury. In order to properly prepare and avoid unnecessary surprises at trial, it is incumbent that both the **attorney** (<https://www.theexpertinstitute.com/expert-witness/attorney/>) and expert are aware of any potential objections that may be raised at trial.

1) The Expert is a Lay Witness

Because there are different standards of admissibility for experts and lay witnesses, an expert needs to be properly designated as such prior to providing any testimony. Under [Rule 701](#) (https://www.law.cornell.edu/rules/fre/rule_701) of the Federal Rules of Evidence, if a witness is not testifying as an expert, opinion testimony must be:

- a) rationally based on the witness's perception
- b) helpful to clearly understanding the witness's testimony or to determining a fact in issue
- c) not based on scientific, technical (<https://www.theexpertinstitute.com/expert-witness/technical/>), or other specialized knowledge within the scope of [Rule 702](#) (https://www.law.cornell.edu/rules/fre/rule_702)

In other words, a lay witness' testimony needs to be based on first-hand knowledge or observation that is important to understanding a fact at issue, opposed to scientific knowledge on which an expert's opinion is based. Because lay opinions must rely on facts personally observed, a witness offering **lay opinion testimony** (<http://digitalcommons.pepperdine.edu/cgi/viewcontent.cgi?article=1365&context=plr>) must show that their opinion is based on personal knowledge, rationally related to the facts, and is helpful to the jury. Unlike a lay witness, an expert's opinion need not be based on personal observation. But sometimes, a lay witness' opinion is presented under the guise of an expert, or vice versa. Because the admissibility of expert testimony is, in many ways, more lenient than that of lay testimony, it is critical to object to any witness offering testimony beyond the scope of their designation. Likewise, if an expert is testifying to knowledge that more rightfully falls under the strictures of lay opinions, it is important to object accordingly.

2) The Expert is Not Sufficiently Qualified to Pass the *Voir Dire* Process

The purpose of the *voir dire* process is to establish the expert's qualifications before the jury. At the beginning of an expert's direct examination, counsel typically questions the witness about their educational background, work experience, training (<https://www.theexpertinstitute.com/expert-witness/training/>), and any other factor that goes to his qualifications within his specific field. A witness should be qualified through (<http://www.forensicmag.com/article/2007/01/qualifying-expert-witness-practical-voir-dire>) "knowledge, skill, practical experience, training, education (<https://www.theexpertinstitute.com/expert-witness/education/>), or a combination of these factors" and most importantly, be competent in the subject matter (<http://www.forensicmag.com/article/2007/01/qualifying-expert-witness-practical-voir-dire>) at hand. After the preliminary inquiry is complete, opposing counsel has the opportunity to question the witness' qualifications and object to the witness if necessary. While the exact objections raised are dependent upon the specific qualifications (or lack thereof) of the witness, the *voir dire* process presents opposing counsel their first opportunity to expose the weaknesses in the witness' credentials before a jury.

3) An Unwaivable Conflict Exists

Conflicts of interest oftentimes arise when an expert has an ongoing duty of loyalty to the opposing party, such as being a former employee, consultant, or expert for the other side. Ideally, potential conflicts of interest are addressed prior to trial. However, it is possible that an expert's past associations or affiliations are not fully disclosed until he is testifying. At which point, an objection on conflict grounds would be appropriate. In order to successfully object (https://www.hunton.com/images/content/3/2/v2/3285/VSBS_Expert_of_My_Enemy.pdf) to an expert's testimony on these grounds, the moving party needs to establish that the expert had a previous, confidential relationship with the adversary, that the party disclosed privileged information to the expert, and that there is a public interest in excluding the testimony.

Surprisingly, there is scant case law regarding expert disqualification, as it is often seen as a drastic last measure. Nonetheless, courts throughout the country generally follow a three-prong analysis (https://www.hunton.com/images/content/3/2/v2/3285/VSBS_Expert_of_My_Enemy.pdf) when deciding whether an expert should be disqualified from testifying based on his previous relationship with the opposing party. The Court asks:

1. Was it reasonable for the opposing party to believe a confidential relationship existed with the expert?;
2. Was confidential or privileged information disclosed by the opposing party to the expert?; and
3. What is the public interest in admitting (or excluding) the expert's testimony?

Generally, an expert will not be disqualified (https://www.hunton.com/images/content/3/2/v2/3285/VSBS_Expert_of_My_Enemy.pdf) if he was not retained or otherwise employed by the opposing party and/or not provided any confidential information relevant to the case. However, if a party feels that the adversary's expert has any duty of loyalty to them due to a previous relationship, an objection should be duly raised to preserve the issue and potentially exclude the testimony.

4) The Expert's Testimony Fails to Fulfill the Standards Set Forth in *Daubert* and Rule 702 of the Federal Rules of Evidence

Although admissibility challenges are typically handled during pre-trial motions, a number of objections may be raised during trial testimony concerning the reliability of the expert. Rule 702 (https://www.law.cornell.edu/rules/fre/rule_702) of the Federal Rules of Evidence, which codified the standard set forth in *Daubert v. Merrell Dow Pharmaceuticals, Inc.* (<https://www.law.cornell.edu/supct/html/92-102.ZO.html>), 509 U.S. 579 (1993) (<https://www.law.cornell.edu/supct/html/92-102.ZO.html>), guides federal court analysis in determining admissibility of expert testimony. Rule 702 states that an expert's opinion is admissible if:

- a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue
- b) the testimony is based on sufficient facts or data (<https://www.theexpertinstitute.com/expert-witness/data/>)
- c) the testimony is the product of reliable principles and methods
- d) the expert has reliably applied the principles and methods to the facts of the case

Rule 702 focuses on the reliability of the expert's methods, rather than the actual conclusions. Therefore, the main question when determining admissibility of an expert's testimony is whether the witness based his conclusions on sufficient facts or data and is the product of reliable principles and methods applied to the facts of the case. Because experts need not disclose all of the information on

which they rely, whether their opinions are reliably drawn may not always be readily apparent from pretrial notices. Thus, opposing counsel should inquire as to an expert's methods and object on reliability grounds, if necessary.

5) The Expert's Opinion is Not Based on Reasonable Information

As a continuation to Rule 702, Rule 703 (https://www.law.cornell.edu/rules/fre/rule_703) of the Federal Rules of Evidence establishes the bases on which experts may form their opinions, and notably, allows experts to base their opinions on information that is inadmissible at trial.

As Rule 703 states:

"An expert may base an opinion on facts or data in the case that the expert has been made aware of or personally observed. If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted. But if the facts or data would otherwise be inadmissible, the proponent of the opinion may disclose them to the jury only if their probative value in helping the jury evaluate the opinion substantially outweighs their prejudicial effect."

Under Rule 703, experts may base their opinions on inadmissible evidence so long as such information is reasonable to rely upon. In addition, the inadmissible evidence can only be disclosed to the jury if its helpful in aiding the jury's understanding and its probative value substantially outweighs any prejudicial effect.

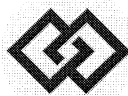
In other words, experts may rely on hearsay or other types of evidence inadmissible by the other rules of evidence and the Constitution (<http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=4675&context=flr>). Experts may be permitted (<http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=4675&context=flr>) to disclose inadmissible evidence to the jury for the limited purpose of evaluating the expert's testimony. However, whenever otherwise inadmissible evidence runs the risk of being presented to the jury, opposing counsel should tread carefully and object to anything that can create a prejudicial effect.

6) The Expert's Testimony is Not Relevant or Unduly Prejudicial

Expert testimony, like all testimony in a trial, must be relevant otherwise an objection should be raised to exclude. Rule 401 (https://www.law.cornell.edu/rules/fre/rule_401) of the Federal Rules of Evidence permits the introduction of relevant evidence—that is, evidence that "has any tendency to make a fact more or less probable than it would be without the evidence; and . . . is of consequence in determining the action." As stated in Rule 402 (https://www.law.cornell.edu/rules/fre/rule_402), "Irrelevant evidence is not admissible." Even if evidence is relevant and admissible for a proper purpose, it may still be excluded at the Court's discretion under Rule 403. Under Rule 403 (https://www.law.cornell.edu/rules/fre/rule_403), "The court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence."

An expert's testimony should be relevant to the issues at hand. If an expert is testifying to facts that have no bearing on the case, an objection should be raised. However, even if an expert's testimony can be deemed relevant, the probative value still must outweigh any prejudicial effect or other adverse dangers that the testimony could cause.

ABOUT THE AUTHOR



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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 4 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith is the following treatise downloaded from the Internet in December 2018:

Greene, Timothy Denny et al.: UNDERSTANDING TRADEMARK STRENGTH, Stanford Technology Law Review, Volume 16, Number 3, Spring 2013, pages 535-582.

The treatise submitted herewith concerns the issue of the strength of trademarks and service marks. The strength of marks is typically described as ranging from the unprotectable generic marks to, in increasing strength, descriptive, suggestive, and arbitrary and fanciful marks. Marks including a surname are typically characterized in the "descriptive" category of strength and are often refused registration under 15 U.S.C. § 1052(e)(4). The two marks at issue in this proceeding include the surname "HANSCOMB." While the two marks at issue in this proceeding were not refused registration on that basis, the question of the strength of the

respective marks is an issue in the likelihood of confusion analysis that will be performed by the TTAB.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 4 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel

STANFORD TECHNOLOGY LAW REVIEW
VOLUME 16, NUMBER 3 SPRING 2013

UNDERSTANDING TRADEMARK STRENGTH

Timothy Denny Greene & Jeff Wilkerson*

CITE AS: 16 STAN. TECH. L. REV. 535 (2013)

<http://stlr.stanford.edu/pdf/understandingtrademarkstrength.pdf>

ABSTRACT

Trademark strength, properly understood, refers to the scope of protection afforded a trademark by courts based on that mark's inherent and acquired: (1) tendency to signify to consumers a consistent source of the products to which the mark is affixed; and (2) ability to influence a consumer's purchasing decisions. The stronger the mark, the more uses the mark's owner may exclude from the marketplace through a trademark infringement or dilution action. We argue that the acquired strength prong is insufficiently theorized and lacking in analytical rigor, which results in inconsistent results as judges in each jurisdiction (and indeed, each judge within a jurisdiction) rely on their own peculiar heuristics for determining whether a trademark is strong or weak. Our goal in this Article is to develop a better understanding of what is at stake when judges and practitioners think about trademark strength and to provide analytical guideposts that judges and practitioners can use to improve outcomes. By describing mark strength in a more articulate, consistent manner we can work towards eliminating inconsistency across circuits, thereby promoting more uniform national application of the Lanham Act. And by predicting accurately how strong a court will hold a mark to be in litigation, practitioners and markholders can better calculate the risk of bringing suit against an alleged infringer (or diluter).

* We thank Uli Widmaier and Chad Doellinger for providing vital comments and encouragement in early drafts of this Article. We similarly thank Professors William Landes, Barton Beebe, Jake Linford, Laura Heymann, Irina Manta, Jonathan Masur, Aziz Huq, Lisa Larrimore Ouellette, and Alexandra Roberts, as well as James Fallows Tierney, Charles Woodworth, Gabrielle Holburt, Eitan Hoenig, and participants in the Trademark Scholarship Symposium at the INTA Annual Meeting, May 2012, for their valuable comments and criticisms.

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INTRODUCTION

The doctrine of trademark strength is broken. There once existed a fairly straightforward analysis for determining a trademark's scope of exclusion. That analysis has now turned into a judicial Gordian knot. Judges and practitioners fail to come to grips with what should be a relatively easy question: how many other trademark uses can the mark-at-issue keep out of the stream of commerce (that is, how large or small is the mark's exclusive scope)? We propose the failings of trademark-strength doctrine have arisen largely from backlash against the *Abercrombie* taxonomy.¹ That now-classic taxonomy divides marks into five categories, based on the mark's inherent strength—its natural ability to signify source and distinguish itself from other marks.² The stronger the mark, the larger its exclusive scope, and thus the more inherently strong the mark is, the more uses the markholder can exclude from the stream of commerce at the beginning of the mark's life. *Abercrombie* recognizes five categories: (1) generic (apple for apples); (2) descriptive (TOTAL MOISTURE for hair conditioner); (3) suggestive (GOOGLE for a search engine, suggesting a large number of search results); (4) arbitrary (APPLE for computers); and (5) fanciful (KODAK for photographic equipment).³

Scholars and judges have long lambasted the taxonomy for its seeming

1. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976) (Friendly, J.).

2. See *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 210 (2000) (“[A] mark is inherently distinctive [or strong] if ‘[its] intrinsic nature serves to identify a particular source.’” (third alteration in original) (citation omitted)).

3. See *Abercrombie*, 537 F.2d at 9.

oversimplification of trademark strength.⁴ Most of these critics argue that the taxonomy can often obscure what's important, losing the forest for the trees: a mark's strength at its adoption is important, but what matters most is how consumers *in the marketplace* react to the mark.⁵ Most courts have recognized these drawbacks and instituted a second prong of the trademark strength test, which focuses on a mark's commercial strength. In the marketplace, the strongest marks aren't necessarily fanciful or arbitrary; they are often suggestive or descriptive. The distinctiveness of a mark isn't dispositive of its strength. For example, marks in the laundry detergent market include TIDE (suggestive), ALL (arbitrary),⁶ and DREFT (fanciful). Modern readers are unlikely to consider DREFT more distinctive than TIDE or ALL.⁷ They are similarly unlikely to consider CHEERWINE (suggestive) more distinctive—and thus a stronger mark for a soft drink—than COCA-COLA (descriptive).⁸ This is to say nothing of the problem of distinguishing a mark from the generic descriptor of the product on which the mark is used. How does the *Abercrombie* doctrine account for consumers' use of IPAD (suggestive) synonymously with "tablet"?⁹

As noted above, courts have recognized *Abercrombie*'s drawbacks. These courts—some of which had relied exclusively and erroneously on *Abercrombie* in determining mark strength—have shed *Abercrombie*'s formalism in favor of a more capacious inquiry, focusing on the mark's acquired commercial strength

4. The late Beverly Pattishall wrote that the "artificial and regrettable 'four pigeon hole' rule" of *Abercrombie* is "[o]ne of the worst blights [on trademark law] . . . which has spread from the Second Circuit into others and now appears to be settling in generally." Beverly W. Pattishall, *The Lanham Trademark Act—Its Impact over Four Decades*, 76 TRADEMARK REP. 193, 220 (1986).

5. See, e.g., *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423 (7th Cir. 1985) (Easterbrook, J.).

We have said before that "arbitrary," "suggestive" and the other words in the vocabulary of trademark law may confuse more readily than they illuminate . . . a caution litigants should take seriously before arguing cases so that everything turns on which word we pick. It is better to analyze trademark cases in terms of the functions of trademarks. That frees the arguments from the clutches of Webster's Third and the conflicting advice of text writers.

Id. at 1431 n.3.

6. We assume here that ALL is arbitrary, although an argument can be made that it is suggestive. For the purposes of this exercise, all that matters is whether ALL is less inherently strong than DREFT.

7. Unless perhaps the reader is a time-traveler from the 1950s. Note that DREFT is still being used in commerce today for detergents. See PG.COM ALL BRANDS: VENUS, DAWN, CHEER, PUMA, HAIR COLOR, http://www.pg.com/en_US/brands/all_brands.shtml (listing DREFT as a current brand) (last visited June 18, 2012). See also DREFT LAUNDRY DETERGENT, <http://www.dreft.com/> (last visited June 18, 2012).

8. Depending on one's view of the current top-secret formula for Coca-Cola, the mark COCA-COLA may be better explained as having once described those primary ingredients.

9. See Erika Morphy, *The iPad as a Generic Name for Tablet? Here Comes the Cease-and-Desist Brigade*, FORBES (Apr. 8, 2012 5:20PM), <http://www.forbes.com/sites/erikamorphy/2012/04/08/the-ipad-as-a-generic-name-for-tablet-here-comes-the-cease-and-desist-brigade/>.

in addition to its inherent strength. This began as a sensible (and, we contend, normatively correct) shift towards a focus on actual market strength. It has resulted, however, in a relatively unbounded free-for-all in which beleaguered judges are asked to examine any evidence that *might* be probative of acquired strength. As Barton Beebe has shown, a plaintiff's likelihood of success in a trademark infringement suit closely tracks the inherent strength of the mark being asserted.¹⁰ But Beebe's work also shows that where the mark's acquired strength outweighs its inherent strength, the likelihood of success nearly universally turns on its acquired strength.¹¹

We posit that this conundrum arises because courts take one of two approaches when confronted with unmanageable evidence of strength in infringement cases. Courts may sometimes let their estimations of inherent strength dictate the outcomes of the acquired strength analysis. Other times, they fudge the inherent strength analysis in order to buttress their conclusions as to acquired strength. We assess these possible judicial shortcuts below; as we explain, each is problematic in its own way.

Our goal in this Article is to develop a better understanding of what's at stake when judges and practitioners think about trademark strength. We provide analytical guideposts that judges and practitioners can use and that can improve mark strength outcomes in two related ways: first, by describing mark strength in a more reasoned, consistent manner we can work towards eliminating inconsistency across circuits; and second, by predicting accurately how strong a court will hold a mark to be in litigation, practitioners and markholders can better calculate the risk of bringing suit against an alleged infringer (or diluter). Part I begins by outlining the typical two-prong test for trademark strength. We argue that the acquired strength prong is insufficiently theorized and lacking in analytical rigor, however, which results in inconsistent rulings across judges and jurisdictions as judges in each jurisdiction (indeed, each judge within a jurisdiction) relies on their own heuristics for determining which evidence is relevant. Part II shows the factors that courts tend to apply to mark strength and offers several points on which the courts appear to be disregarding (or overrelying on) evidence relevant to the mark strength inquiry. Our goal is to lay out clearly the analytical guideposts, and identify the types of evidence most suitable in assessing trademark strength. Finally, in Part III, we conclude with some observations on the analysis and its implications for trademark law.

10. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1637-39 (2005).

11. *Id.* Indeed, in only four of the seventy-four cases in Beebe's data where a mark was found commercially weak, did the plaintiff prevail, accounting for a roughly 5% win rate. *Id.*

I. TRADEMARK STRENGTH AND INFORMATION OVERLOAD

A. *Trademark Strength vs. Brand Strength: The Ouroboros and the Pyramid*

We take a moment at the outset to define the scope of our inquiry. Trademark theory does not sufficiently distinguish *trademark* strength from *brand* strength—what we term “trademark hybridity.”¹² Our argument is closely tied to Professor Deven Desai’s brand-based theory of trademark law.¹³ As he recognizes, a trademark is a subset of an overall brand concept.¹⁴ Inchoate in the brand are several different aspects, including the word mark, an “emotional, symbolic component,” and various types of trade dress associated with the mark, including product packaging and product design.¹⁵

As one of us argues in *Trademark Hybridity and Brand Protection*, consumers can simultaneously understand a term as both a source identifier (THERMOS-brand vacuum bottle) and a generic product identifier (thermos). The product, the term (the mark), and the brand are interconnected: the brand includes the term, which in turn is attached to a product (or service).¹⁶ Consumers react to these connections in different ways.

We posit when consumers see the term in isolation, they are likely to assume the term is being used as a badge for the brand associated with the product. We use the term “brand strength” (or “brand significance”) to describe

12. Timothy Denny Greene, *Trademark Hybridity and Brand Protection 2* (May 7, 2013) (unpublished manuscript) (on file with authors) (applying psycholinguistics research on lexical ambiguity (and lexical ambiguity resolution) to the issue of trademark meaning). *Accord* Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981 (2012) (noting that in many cases what trademark doctrines—including the idea of goodwill and house marks, the merchandising right, and dilution—protect is not the classical “source identifying” trademark concept, but rather the more amorphous “brand” concept). *See also id.* at 988 (“Trademarks and brands are not the same.”).

13. Desai, *supra* note 12; Deven R. Desai & Spencer Waller, *Brands, Competition, and the Law*, 2010 B.Y.U. L. REV. 1425 (2011). A “brand” is the “agglomeration of meaning—identity, loyalty, and social meaning” that arises from, and constitutes the aura around, a trademarked term. Timothy Denny Greene & Jeff Wilkerson, *The Circular Nature of Trademark Control 1* (May 7, 2013) (unpublished manuscript) (on file with authors). *See also* ADAM ARVIDSSON, *BRANDS: MEANING AND VALUE IN MEDIA CULTURE 3* (2006) (since the 1980s, brands have become “something of an omnipresent tool by means of which identity, social relations and shared experiences . . . [can] be constructed.”).

14. Desai, *supra* note 12 at 983.

15. *Id.* (“[P]art of Coke’s power comes from Coke the brand. Coke’s label with the words ‘Coca-Cola’ flowing across a red field in white cursive script or Coke’s iconic glass bottle are aspects of Coke’s brand. Coke’s brand also has an emotional, symbolic component, as the brand evokes a sense of being all-American, ‘Classic,’ and the perfect refreshing drink, whether it is the Fourth of July or Christmas. A sip of Coke means imbibing an entire culture.”). *See also* Greene & Wilkerson, *supra* note 13.

16. *Cf.* ARVIDSSON, *supra* note 13, at 8 (“[B]rands do not so much stand for products, as much as they provide a part of the context in which products are used. This is the core component of the use-value that brands provide consumers with.”).

the connection between the term and the brand for which it is used as a badge.¹⁷ Brand significance measures the extent to which consumers identify the term with a consistent source or seek it for its peculiar commercial magnetism—for example, the THERMOS thermos.¹⁸ Brand strength can be further disaggregated into quantitative and qualitative dimensions. The quantitative dimension of brand strength refers to the proportion of consumers who use the mark as a source-identifier.¹⁹ Brand strength's qualitative dimension refers to the mark's commercial magnetism—that is, in Professor Robert Bone's words, a mark is qualitatively stronger “when the average consumer feels more strongly about the mark so that it has a more powerful grip on her purchasing decisions.”²⁰

17. To a large extent, brand strength tracks the expanded property-based definition of “goodwill” that has made its way into the law over the last century. As explained by Professor Robert Bone, the property-based theory of goodwill:

... focused on the goodwill that a mark symbolized and protected that goodwill as the seller's property. This goodwill-as-property theory was flexible enough to support broad trademark protection provided “goodwill” was defined to include goodwill that attached to the firm as well as to the particular brand. . . . The goodwill-as-property theory was capable of reconciling seller protection with the dominant and persistent consumer protection strand of trademark law. The way a defendant injured or appropriated a plaintiff's firm goodwill was by confusing consumers about sponsorship. Therefore, protecting a mark against sponsorship confusion prevented harm to the seller at the same time as preventing harm to the consumer.

Robert G. Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469, 493 (2008); accord Desai & Waller, *supra* note 13, at 1453-56. Our take on the normative propriety on the goodwill-as-property theory is beyond the scope of this Article, but for an overview, see Greene, *supra* note 12, at 28-29.

18. This idea is linked with the brand theory idea of “brand awareness.” As Desai describes it, brand awareness is “the idea that consumers will remember a brand and purchase a product for reasons beyond the functional aspects of a product and even possibly pay a higher price for a good regardless of quality.” Desai, *supra* note 12, at 996 (citing Kevin Lane Keller, *Conceptualizing, Measuring, and Managing Customer-Based Brand Equity*, 57 J. MARKETING 1, 8-9 (1993) (“Fundamentally, high levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer (and retailer) loyalty and decrease vulnerability to competitive marketing actions. Thus, the view of brand loyalty adopted here is that it occurs when favorable beliefs and attitudes for the brand are manifested in repeat buying behavior. Some of these beliefs may reflect the objective reality of the product, in which case no underlying customer-based brand equity may be present, but in other cases they may reflect favorable, strong, and unique associations that go beyond the objective reality of the product.”)).

19. Robert G. Bone, *Taking the Confusion Out of “Likelihood of Confusion”: Toward a More Sensible Approach to Trademark Infringement*, 106 NW. L. REV. 1307, 1344 (2012).

20. *Id.* This commercial magnetism is relatively synonymous with the concept of *brand equity* in the marketing literature. See, e.g., DAVID A. AAKER, *MANAGING BRAND EQUITY* 15 (1991) (defining brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.”). Aaker divides brand equity into five discrete dimensions: (1) brand loyalty, the existence of a relatively loyal consumer base; (2) name (brand) awareness, the extent to which consumers are generally familiar with the brand; (3) perceived quality, consumers' general perception of the brand's overall quality; (4) brand associations, the attitudes or feelings a brand generates; and (5) other proprietary brand assets, which includes intellectual properties like trademarks, patents, and so on. We

“Product significance” describes the connection between the term and the product. That is, it measures the extent to which consumers identify the mark with the genus (rather than the species) of the product on which it’s used—for example, the thermos. Marks with strong brand significance often also acquire, or retain, significant product significance. For example, where the term is used in conjunction with a different brand designation—for example, COLEMAN thermos—the consumer is unlikely to be confused as to the product she will be purchasing. Indeed, she would be more confused were she to get a camping barbecue or tissues when purchasing a COLEMAN thermos. Because of the clear brand designation, the consumer knows of the product’s source provenance as well.

Product significance and brand significance are inextricably tied together in our conception of “trademark strength.” But it is only by decoupling them that it is possible to see just how much confusion in the doctrine they create.

Brand strength has a pyramidal character: a brand can continue to grow until the point at which every relevant consumer knows it, or it can shrink as consumers’ awareness of the brand dwindles. Brand strength expands or contracts as consumers become aware of the brand. KLEENEX is a good example of this phenomenon. Many people consider it a generic term for tissues—for example, “can you please hand me a kleenex?” Despite this usage, KLEENEX’s brand recognition is exceedingly high, and seems only to be growing; even though the product significance of KLEENEX is high, so too is its brand significance.²¹

Consumers sometimes use marks, like KLEENEX, in this generic sense. Trademark theory traditionally frets about what happens to a mark when consumers adopt this generic usage. Our theory questions that traditional wisdom, positing that generic usage significantly negatively affects the strength of the overall brand only if two conditions occur in conjunction: (1) the brand is used only on a single product (i.e., the mark is used only on a single flagship product)²²; and (2) there is no widely-accepted alternative generic signifier for the product.²³ Yet even when those conditions occur, trademark theory should not be concerned about consumer confusion, so long as third parties use appropriate disclaimers.²⁴ It is possible to visualize this understanding of brand

would modify this taxonomy slightly, noting that the trademark, whether word or logo, will often act as the reservoir in which such brand equity resides.

21. See INTERBRAND—BEST GLOBAL BRANDS 2012, <http://www.interbrand.com/en/best-global-brands/2012/Best-Global-Brands-2012-Brand-View.aspx> (last visited Feb. 28, 2013) (listing KLEENEX as the 80th most valuable global brand, with a valuation of \$4.3B).

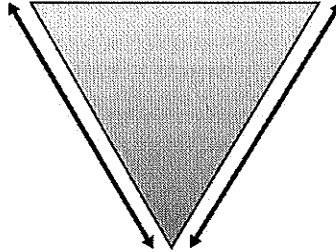
22. For example, KLEENEX tissues, IPAD tablet computers, BEANIE BABIES bean-stuffed animals, WALKMAN portable cassette players, and so on.

23. For example, trampoline, cellophane, aspirin, and so on. Even POST-IT and STICKY NOTE arguably fall into this bucket. Although WIKIPEDIA notes that “repositional note” and “repositionable note” are acceptable alternative generic signifiers, we have never heard these terms used.

24. See *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 204 (1896). In *Singer*, the Supreme Court found “singer” to be generic for sewing machines. Nonetheless, the Court

strength, as shown by the inverted pyramid in Figure 1 below. The thicker the pyramid, the greater is consumer awareness of the brand.

FIGURE 1: BRAND STRENGTH PYRAMID



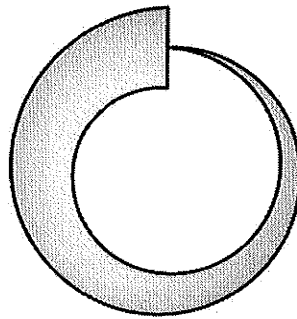
Unlike brand strength, which has the pyramidal character shown in Figure 1, we contend that product significance and overall trademark strength have a circular character. The factors that tend to make a mark strong will also tend to make the mark totally weak; those factors raise the risk of pushing the mark into genericness. The stronger the mark, the more likely it is that a broad swath of the consuming public will come to see it as describing the genus of the product, rather than a species of it. There is a point at which an extremely strong mark risks falling into genericness.

Just as we can visualize brand strength, we can also visualize this model of trademark strength and product significance. In a separate article, *The Circular Nature of Trademark Control*, we described this model as an Ouroboros, reflecting the model's resemblance to the ancient symbol of a snake eating its own tail:

ordered the court below to enter a decree in favor of Singer as follows:

"[R]evers[er]ed, and the cause be remanded, with directions to enter a decree in favor of [Singer], with costs, perpetually enjoin[ing] [June], its agents, servants and representatives, - First, from using the word 'Singer,' or any equivalent thereto, in advertisements in relation to sewing machines, *without clearly and unmistakably stating in all said advertisements that the machines are made by [June], as distinguished from the sewing machines made by [Singer]*; second, also perpetually enjoin[ing] [June] from marking upon sewing machines or upon any plate or device connected therewith or attached thereto the word 'Singer,' or words or letters equivalent thereto, *without clearly and unmistakably specifying in connection therewith that such machines are the product of [June] or other manufacturer, and therefore not the product of [Singer].*"

Id. (emphasis added).

FIGURE 2: THE OUROBOROS²⁵

The closer the mark sits toward the thicker end of the Ouroboros, the more consumers will identify the mark with the product—for example, by thinking “thermos” is generic for “vacuum flasks,” and so on. As mark strength grows, there is a related greater risk that the mark will fall into genericness. This result is what markholders fear, because it means they may lose all ability to control and protect the mark for that product. But as we will show below, it is not clear that loss of control necessarily entails loss of value.

B. *What is Trademark Strength?*

The theory we just described helps explain what mark strength is intended to measure, but not what it is intended to do. An acceptable functional definition has proved tricky for trademark theorists to develop.

Judge Pierre Leval defined trademark strength as the amount of “legal muscle” possessed by a given mark.²⁶ Under this definition, marks having more muscle are able to exclude from the marketplace a wider scope of third-party uses of the mark.²⁷ Such increases in scope can happen along two fronts: terms and products. The stronger a senior mark is on the “terms” dimension, the less similar in sound and spelling a third-party’s mark must be in order to risk being excluded by the senior mark. The stronger a senior mark is on the “products” dimension, the less similar the goods or services offered by a

25. Greene & Wilkerson, *supra* note 15, at 13-19.

26. Pierre N. Leval, *Trademark: Champion of Free Speech*, 27 COLUM. J.L. & ARTS 187, 191 (2004).

27. *Id.* Leval writes:

A mark with zero muscle—one as to which the prior user cannot in any circumstances exclude other would-be users—is at the very bottom, at the point of the [pyramid], where the [pyramid]’s section occupies zero surface area. A mark which has legal validity but is weak is at the low end of the [pyramid], where it occupies only a narrow circle. It can exclude others only within a very narrow scope. . . . A mark which has substantial muscle (a strong mark) is at the top of the [pyramid] where it occupies the widest [area]. It will have power to exclude not only the identical mark in the identical area, but also confusingly similar marks in broad areas, especially areas of commerce that are related to the area in which the owner operates and into which the owner might be expected to expand.

competitor²⁸ using the same (or similar) mark must be in order to risk being excluded by the senior mark. In short, the stronger a mark, the wider its scope of protection and thus the more third-party uses it can block from the stream of commerce.²⁹

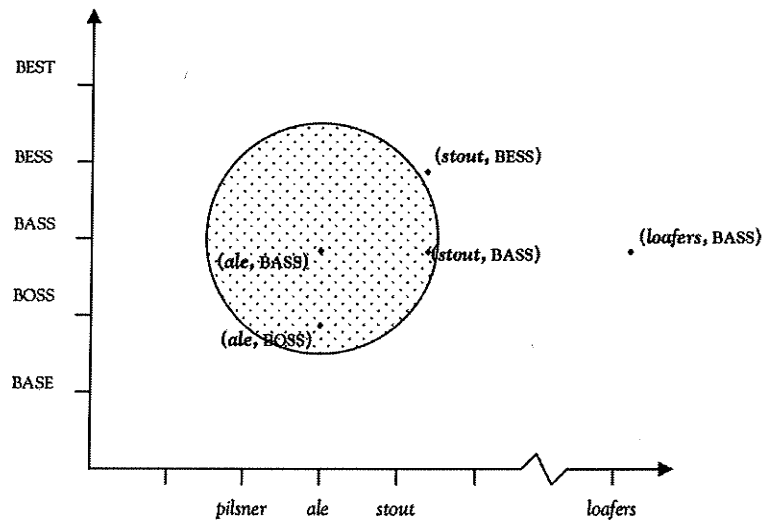
Consider an example involving a book publisher that adopts the mark THE AXEFORD PRESS. If that mark is weak along the dimensions of products and terms, the markholder may be able to prevent use of THE AXEFORD PRESS or perhaps THE AXFORD PRESS by a small handful of third parties in closely-related markets. If another book publisher—or perhaps a magazine publisher—started using such a mark, the original markholder could easily intervene and exclude the junior use of the mark. But that weak mark only excludes a use implicating both the product and the terms. If the mark is weak, it might not exclude a use with only an attenuated connection to the product or the term. Thus if THE AXEFORD PRESS is weak, its markholder could not exclude a maker of exercise machines from marketing a bench press machine called THE AXEFORD PRESS, which would be outside the scope of protected products. And similarly, the markholder likely could not exclude another publisher from adopting the mark THE OXFORD PRESS, which would be outside the scope of protected terms. The holder of the senior mark—in our scenario, the owner of THE AXEFORD PRESS—would have great difficulty winning on an infringement theory. By contrast, if the mark were strong on both the dimensions of products *and* terms, its markholder might be able to exclude all of these uses.

Beebe's *The Semiotic Analysis of Trademark Law* provides a visual explanation of trademark strength that captures the two-dimensional space of products and terms well³⁰:

28. We can measure "offered by a competitor" here as meaning actual competition through marketing channels, packaging, and all the other ways in which one firm differentiates its products from a competitor firm's products.

29. Though we primarily use infringement examples throughout this Article, strength affects the dilution inquiry as well. The stronger the mark, the more plausible the markholder's claim of dilution and thus the more products and terms the markholder can exclude from the marketplace on a dilution theory.

30. Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004).

FIGURE 3: BEEBE'S SPATIAL MODEL OF TRADEMARK STRENGTH³¹

Beebe imagines a mark as a circle that can be plotted in this two-dimensional space—what he terms “product space”—and plots an example, BASS (for ale), to illustrate. The area of a mark’s circle grows as the mark grows stronger.³²

While Leval and Beebe’s explications are useful, they are ultimately unsatisfying because they offer only legal conclusions about a mark’s strength. They leave open the question of what precisely it is that makes a mark strong—what causes trademark law to award a mark “legal muscle.” As courts describe the concept, the strength of a given mark is “measured by its distinctiveness or the degree to which it indicates the source or origin of the product . . . examined in its commercial context.”³³ Thus, the familiar concepts of trademark strength and trademark distinctiveness are largely coextensive:³⁴ a mark’s strength is commensurate with the extent to which it, in the eyes of consumers, conveys the affiliation, connection, or association of such person

31. *Id.* at 655 Fig. 5 (note that the titles of the X and Y axes have been removed in this copy of Beebe’s chart).

32. *Id.* We note that the strongest marks are probably better thought of as ovals rather than circles. A very strong mark will be able to exclude the same term being used on nearly any product, but protection will always be limited by the similarity of terms. For example, Nike Inc. could probably keep another company from making NIKE toilet scrubbers (most likely on a dilution theory, though many courts would likely credit an infringement theory as well), but it would probably not be able to keep a company from making MIKY basketball shoes.

33. *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1044 (2d Cir. 1992).

34. Mark McKenna, *Teaching Trademark Strength Through the Lens of Distinctiveness*, 52 ST. LOUIS UNIV. L.J. 843, 846 (2008) (“The concept of distinctiveness . . . overlaps significantly with that of trademark strength.”).

with another person—or as to the origin, sponsorship, or approval (which we refer to as the “source”³⁵) of the product purchased.³⁶ But as noted above, source-identification is only half of the story. Trademark strength also incorporates the idea of a mark’s commercial magnetism—the goodwill that “congeals” in the mark through the accretion of consumer loyalty and “good feeling.”³⁷ Putting all this together, we define overall trademark strength as the scope of protection afforded a trademark by courts based on: (1) the mark’s tendency to signify to consumers the source of the products to which the mark is affixed; and (2) the mark’s ability to influence a consumer’s purchasing decisions.³⁸

The doctrine of trademark strength operates at two different moments in any trademark infringement action. First, before courts analyze the likelihood that the defendant’s use will cause consumer confusion, courts uniformly require as a threshold matter that the plaintiff’s mark have some minimum combination of inherent and acquired strength. We refer to this throughout this Article as “Step 1.” If during this step the court determines that the plaintiff’s putative trademark simply is not understood by consumers to designate the source of the plaintiff’s products or services, the court will dismiss the suit.³⁹

35. We use “source” to denote the various types of designations a mark might have against which the Lanham Act protects the markholder. *See* 15 U.S.C. § 1125(a)(1)(A), which provides a cause of action for “[a]ny person who, on or in connection with any goods or services, or any container for goods, 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 . . . 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.”

36. *See, e.g., Exxon Corp. v. Texas Motor Exch. of Houston, Inc.*, 628 F.2d 500, 504 (5th Cir. 1980) (“In short, the more distinctive a trademark, the greater its ‘strength.’”).

37. ROSEMARY J. COOMBE, *THE CULTURAL LIFE OF INTELLECTUAL PROPERTIES: AUTHORSHIP, APPROPRIATION, AND THE LAW* 174 (1998) (“The legal basis for the claim that [a trademark] is a form of property is the old mercantile notion of goodwill. The mark that accompanies all of one’s goods and makes them recognizable attracts the ‘loyalty’ of consumers, and this loyalty and good feeling is a valuable asset: goodwill. The positive value of one’s trade is congealed in the exchange value of the sign.”).

38. *See Bone, supra* note 19, at 1344. *But see* Jake Linford, *Trademark Owner as Adverse Possessor: Productive Use and Property Acquisition*, 63 CASE W. L. REV. 703, 729 (2013) (“[S]trength of the mark is really about the extent to which the trademark owner has claimed the right to use the trademark, shown by the breadth and length of her use of the mark in commerce”). While Linford’s argument is compelling, it is ultimately misguided. To take his property metaphor literally in the mark strength context would elide mark strength’s impermanence. In other words, mark strength is something that constantly shifts; a mark can be more or less strong at different times in its life. Linford’s formulation, as we understand it, would treat mark strength as a hurdle that need only be jumped once. Rather, mark strength properly understood allows the scope of protection to wax and wane with time.

39. *See* MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 11:2 (2013); *Two Pesos Inc. v. Taco Cabana Inc.*, 505 U.S. 763, 769 (1992). A similar phenomenon occurs in the registration context. The Lanham Act allows examiners to treat five years of substantially exclusive and continuous use of a descriptive mark as *prima facie* evidence of secondary

Step 1, therefore, can be thought of as focused on the mark's validity as a mark. Instead of "strength," courts generally speak of Step 1 as the requirement of secondary meaning (for descriptive marks) or inherent distinctiveness (for suggestive, arbitrary, or fanciful marks).

Second, if the lawsuit survives this threshold inquiry, courts uniformly look to the strength of plaintiff's marks as a factor in the likelihood of confusion analysis.⁴⁰ We refer to this throughout this Article as "Step 2." It should come to no surprise that courts uniformly consider the plaintiff's mark's strength as a factor in the likelihood of confusion analysis. As Justice John Paul Stevens has pointed out, albeit in dissent, the public must associate the plaintiff's mark with plaintiff's product before a defendant's use of the plaintiff's mark can cause consumer confusion.⁴¹ Indeed, as Beebe has shown, "strength"—however applied in each circuit—is one of the few likelihood of confusion factors that has predictive weight in forecasting the outcomes of infringement suits.⁴² Step 2 can be thought of as an inquiry into a valid mark's scope of protection.

Step 1 and Step 2 refer to how mark strength is incorporated into the overall infringement inquiry. First, courts look to the mark's inherent strength—its natural ability to signify source. Second, courts look to the mark's acquired (or commercial) strength—its *actual* ability to signify source in the marketplace. In the next part, we address the first of these prongs. In Figure 4, we provide a flowchart to provide some clarification on this somewhat messy analysis.

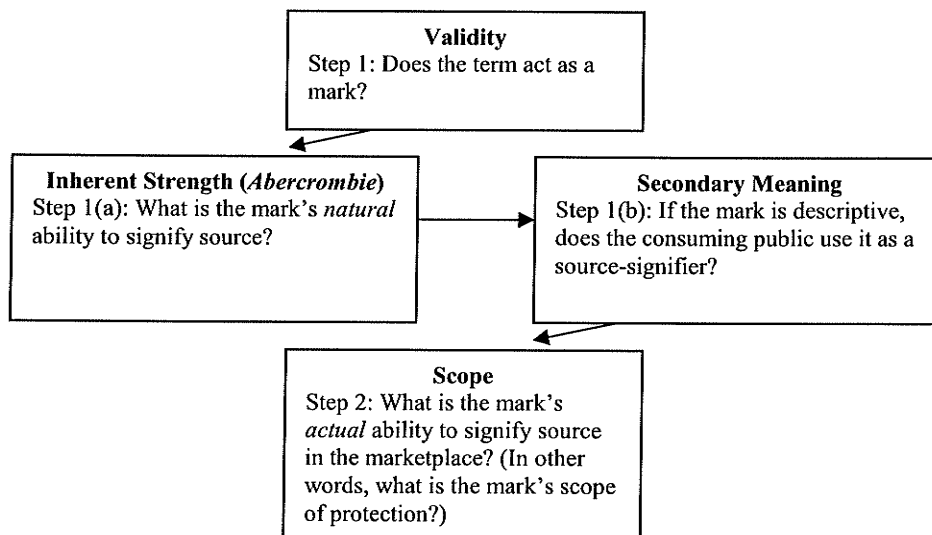
meaning. 15 U.S.C. § 1052(f); TMEP § 1202.05(a). But as Linford notes, at least in the context of trade dress, trademark examiners tend to require a longer period of use for marks that are thought "less inherently capable of providing notice to the public." Linford, *supra* note 38, at 724.

40. See, e.g., *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979); *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961).

41. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 214 (1985) (Stevens, J., dissenting). See also *MCCARTHY*, *supra* note 39, at § 15:11 ("[T]he buyer, to be deceived, must be looking for some symbol which she thinks identifies a single, albeit anonymous, source."); *Spangler Candy Co. v. Crystal Pure Candy Co.*, 235 F. Supp. 18, 27 (N.D. Ill. 1964) ("The buyer, to be deceived, must be looking for something."), *aff'd*, 353 F.2d 641 (7th Cir. 1965).

42. Beebe, *supra* note 10, at 1612 ("The outcomes of the similarity factor enjoy the strongest correlation with the overall test outcomes. Additionally, the outcomes of the other four core factors also each correlate fairly strongly with the larger test outcomes, with strength and intent correlating slightly more strongly than actual confusion and proximity").

FIGURE 4: STEP 1 AND STEP 2 ANALYSIS



C. *Inherent Strength: The Abercrombie Taxonomy*

Recall that the *Abercrombie* taxonomy typically governs the first prong of the strength inquiry. That taxonomy identifies five categories of marks: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; and (5) fanciful. Other commentaries contain lengthy explanations of each category, but it suffices for our purposes to simply provide a basic overview, starting with generic terms and moving through descriptive, suggestive, and arbitrary marks, then finishing with fanciful marks.⁴³

Generic terms refer to the genus of which the particular product is a species.⁴⁴ The generic term for the apple fruit is “apple,” for example, and the generic terms for acetylsalicylic acid include that chemical name itself as well as the more common term “aspirin.”⁴⁵ Whether a term is generic turns on the public’s usage of the term. The public has adopted “aspirin” to refer generically to all types of acetylsalicylic acid—not simply the Bayer product that originally bore the mark ASPIRIN—so “aspirin” is now the generic term for that category of pain reliever.⁴⁶ Marks can become generic over time, as has happened in

43. See, e.g., MCCARTHY, *supra* note 39, at §§ 11-12; Laura Heymann, *The Grammar of Trademarks*, 14 LEWIS & CLARK L. REV. 1313, 1313 (2010).

44. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

45. See *Bayer Co. v. United Drug Co.*, 272 F. 505, 513 (2d Cir. 1921) (“aspirin”).

46. *Id.* Accord 15 U.S.C. § 1064(c) (“The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.”).

several well-known cases.⁴⁷ And under limited circumstances, a term that was once generic can later come to signify source, and thus become protected as a trademark.⁴⁸ (Although marks that ‘return’ to source significance are better understood as terms that became standardized and then lost their standardized character.)⁴⁹

Descriptive terms “merely describe” some aspect of the good or service.⁵⁰ Unlike generic terms, descriptive terms can become protectable at Step 1 as marks only if they acquire “secondary meaning.” This occurs when the term, through use over time, begins to act as a source identifier for the markholder’s goods in the minds of consumers.⁵¹

Suggestive marks, by contrast, “suggest” some attribute of the product, rather than merely describing it.⁵² Professor J. Thomas McCarthy notes that “[t]he exact position of the line between descriptive and suggestive marks is almost impossible to define in the abstract.”⁵³ But finding this line has serious

47. Bayer, 272 F. at 513 (“aspirin”); DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir. 1936), *cert. denied*, 299 U.S. 601 (1936) (“cellophane”); King-Seeley Thermos Co. v. Aladdin Indus., 321 F.2d 577 (2d Cir. 1963) (“thermos”).

48. See Goodyear’s India Rubber Glove Mfg. Co. v. Goodyear Rubber Co., 128 U.S. 598, 602-03 (1888) (finding GOODYEAR generic or descriptive); Goodyear Tire & Rubber Co. v. H Rosenthal Co., 246 F. Supp. 724, 728-30 (D. Minn. 1965) (finding secondary meaning for GOODYEAR on raincoats). Some courts are skeptical whether this should occur, at least where the term proposed to be a trademark is generic *ex ante*. See Microsoft, Inc. v. Lindows, Inc., 64 U.S.P.Q.2d 1397, 1408 (W.D. Wash. 2002) (“A particularly high burden rests on the holder of the trademark who is advancing an argument that the mark has been ‘reclaimed from the public domain by a change in consumer usage over a long period of time.’”); Harley-Davidson, Inc. v. Grottanelli, 164 F.3d 806, 812 (2d Cir. 1999) (holding that *Abercrombie* and its progeny forbid markholders from gaining protection in a mark that was generic prior to its use as a mark, regardless of secondary meaning). Compare Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 204 (1896) (finding SINGER generic), with Singer Mfg. Co. v. Briley, 207 F.2d 519 (5th Cir. 1953) (finding that SINGER had been reclaimed from the public domain due to change in public usage).

49. See Greene & Wilkerson, *supra* note 13, at 6.

50. *Abercrombie*, 537 F.2d at 10. See also 15 U.S.C. § 1052(e) (forbidding the registration of “merely descriptive” marks); 15 U.S.C. § 1052(f) (approving registration of “merely descriptive” marks that “become distinctive of the applicant’s goods in commerce”).

51. *Id.* See also MCCARTHY, *supra* note 39, at § 15 (outlining the “secondary meaning” doctrine).

52. *Abercrombie*, 537 F.2d at 10.

53. MCCARTHY, *supra* note 39, at § 11:64. The lines between generic terms and descriptive marks—for example, WINDOWS—and suggestive and fanciful marks—for example, KLEENEX—are in many cases equally difficult to discern. A judicial error with respect to line-drawing between suggestive and fanciful marks has no ill effects, but where a court mistakes a descriptive mark for a generic term (often despite a finding of some source significance), there is not much the markholder can do to fix it. In the registration context, the Federal Circuit has approved of an absolute bar on registering “highly descriptive” marks. See *In re Boston Beer Co. Ltd. P’ship*, 198 F.3d 1370, 1373-74 (Fed. Cir. 1999) (In a case where Boston Beer Co. Ltd. sought to register the mark BEST BEER IN AMERICA, the court wrote: “As in this case, a phrase or slogan can be so highly laudatory and descriptive as to be incapable of acquiring distinctiveness as a trademark. . . . Indeed, [the mark at issue] is so highly laudatory and descriptive of the qualities of its product that the slogan does not and

consequences for markholders because suggestive marks, unlike descriptive marks, are protectable without proof of secondary meaning.

Indeed, despite decades of line-drawing in individual cases, the space between descriptive and suggestive terms remains quite fluid. It is very difficult to predict with any accuracy how a court will classify a given term. Examples of marks that have been held descriptive include: MARCH MADNESS for an annual basketball tournament taking place in March;⁵⁴ NATURE'S MEDICINE for vitamins and food supplements;⁵⁵ and RAISIN BRAN for raisin and bran cereal.⁵⁶ Marks that courts have found to be suggestive include: CITIBANK for an urban bank;⁵⁷ COPPERTONE for sun tan oil;⁵⁸ PLAYBOY for an adult men's magazine;⁵⁹ and ORANGE CRUSH for orange-flavored soda.⁶⁰ Differentiating MARCH MADNESS and ORANGE CRUSH on these grounds thus seems incredibly difficult, if not impossible. One could easily argue that the outcomes should be flipped; with MARCH MADNESS found suggestive (perhaps suggesting the mania attendant to the highly competitive college basketball tournament) and ORANGE CRUSH found descriptive (perhaps describing the flavor of squeezed oranges).

Arbitrary and fanciful marks, like suggestive marks, are accorded protection without a showing of secondary meaning.⁶¹ Arbitrary terms are words that may serve no function other than source identification when used on some goods, but serve no source identification function on others—think APPLE for computers (vs. apples) or PENGUIN for a publishing house (vs. penguins). A fanciful term is one that is invented for the sole purpose of serving as a source-identifier. Examples of marks courts have found fanciful include: CLOROX for bleach,⁶² EXXON for gas,⁶³ and KODAK for photographic

could not function as a trademark to distinguish Boston Beer's goods and serve as an indication of origin." See generally Alexandra Roberts, *How to Do Things with Word Marks: A Speech-Act Theory of Distinctiveness* (Oct. 29, 2012) (unpublished manuscript) (on file with authors) (describing the many tests used to permit trademark registration and to distinguish inherently distinctive marks from merely descriptive marks).

54. *March Madness Athletic Ass'n, L.L.C. v. Netfire, Inc.*, 310 F. Supp. 2d 786 (N.D. Tex. 2003) (finding secondary meaning in MARCH MADNESS mark), *aff'd* 120 Fed. Appx. 540 (5th Cir. 2005).

55. *Nature's Way Prods., Inc. v. Nature's Herb, Inc.*, 9 U.S.P.Q.2d 2077 (T.T.A.B. 1989) (finding that NATURE'S MEDICINE describes a category of "natural herbal remedies").

56. *Skinner Mfg. Co. v. Kellogg Sales Co.*, 143 F.2d 895 (8th Cir. 1944).

57. *Citibank, N.A. v. Citibanc Group, Inc.*, 724 F.2d 1540 (11th Cir. 1984); *Citigroup Inc. v. City Holding Co.*, 171 F. Supp. 2d 333 (S.D.N.Y. 2001).

58. *Douglas Labs. Corp. v. Copper Tan, Inc.*, 210 F.2d 453 (2d Cir. 1954).

59. *Playboy Enters., Inc. v. Chuckleberry Pub'g, Inc.*, 486 F. Supp. 414 (S.D.N.Y. 1980) (holding that PLAYBOY "evokes the aspirations" of the reader).

60. *Orange Crush Co. v. California Crushed Fruit Co.*, 297 F. 892 (D.C. Cir. 1924).

61. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976) ("It need hardly be added that fanciful or arbitrary terms enjoy all the rights accorded to suggestive terms as marks without the need of debating whether the term is 'merely descriptive' and with ease of establishing infringement.").

62. *Clorox Chem. Co. v. Chlorit Mfg. Corp.*, 25 F. Supp. 702 (E.D.N.Y. 1938).

supplies.⁶⁴ However, many terms courts have held fanciful are likely more properly classified as suggestive (such as EXXON, which is a creative respelling of “S.O.,” the initials of its predecessor Standard Oil) or perhaps even descriptive (such as CLOROX, a portmanteau of chlorine and oxygen, the two primary active chemicals present in the hypochlorite molecule known as bleach).⁶⁵ A true fanciful term suggests nothing except a positive aura owing to the word’s natural attractiveness—for example, KODAK.⁶⁶

Marks are placed into a category by reference to their inherent strength or distinctiveness.⁶⁷ As we noted above, this inherent strength or inherent distinctiveness turns on the likelihood that consumers—without knowing anything of the particular trademark at issue, and upon seeing the putative mark attached to a given product—will understand the mark stands for the product’s source, even if consumers cannot actually identify the specific producer. *Abercrombie* instructs judges to determine a putative mark’s inherent distinctiveness by determining the extent to which the term used as a mark naturally associates itself in the public mind with the product to which the mark is affixed. Some commentators have described this as an inquiry into how “imaginative” the mark is in relation to the product.⁶⁸ If the public does not normally associate the term with the product to which it is affixed, then when a consumer sees that term affixed to the product, he or she will infer that the term is being used to signify the product’s source.

Recall our earlier observation that courts address trademark strength at two distinct stages of trademark litigation, which we called Step 1 and Step 2.⁶⁹ Courts operationalize the *Abercrombie* taxonomy differently depending on whether they are dealing with mark strength at Step 1 or Step 2, but at both steps the doctrine is relatively well established. At Step 1, courts place the mark into a category by reference to how imaginative the term used as a mark is thought to be. If the court determines that the mark is generic, or the mark is

63. *Exxon Corp. v. XOil Energy Res., Inc.*, 552 F. Supp. 1008 (S.D.N.Y. 1981).

64. *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116, 117 (W.D.N.Y. 1989) (“The KODAK trademark is perhaps one of the strongest and most distinctive trademarks in this country, if not in the world.”).

65. See *supra* n. 53-60 and accompanying text.

66. See HISTORY OF KODAK—GEORGE EASTMAN, http://www.kodak.com/ek/US/en/Our_Company/History_of_Kodak/George_Eastman.htm (last visited May 5, 2013) (“[George Eastman] explained: ‘I devised the name myself. The letter “K” had been a favorite with me—it seems a strong, incisive sort of letter. It became a question of trying out a great number of combinations of letters that made words starting and ending with “K.” The word “Kodak” is the result.’”). Of course, our conclusion that KODAK is a true fanciful mark presumes George Eastman’s story is or approximates how he derived the term.

67. Note that, as with “trademark” and “mark,” we use “inherent distinctiveness” and “inherent strength” somewhat interchangeably, although we intend the terms to have the same meaning.

68. See, e.g., Heymann, *supra* note 43, at 1333 (“The more imaginative the trademark is determined to be, according to the *Abercrombie* hierarchy, the more protection it receives.”); *id.* at 1333 n.67 (citing cases).

69. See *supra* text accompanying notes 39-42.

descriptive but lacks the minimum required inherent and acquired strength, the mark is entitled to no legal protection. The case is dismissed. If the court determines that the mark is descriptive (with the minimum level of required strength), suggestive, arbitrary, or fanciful, Step 1 is finished; the mark is entitled to at least some level of protection, and the court moves on to Step 2. The court's inquiry at Step 1 thus functions to weed out generic and non-distinctive descriptive marks, conserving scarce judicial resources by negating any need to further consider any problems about protection.

At Step 2, courts seek to determine what quantum of strength the mark actually possesses, as a factor in determining whether the defendant's use is likely to cause confusion. In theory if not in reality, courts are tasked with assessing not only the mark's "inherent distinctiveness," but also the mark's "acquired distinctiveness."⁷⁰

There exists in the commentary some support for the relative importance of inherent distinctiveness. In Leval's view, for example, a trademark's "legal muscle" is determined primarily—if not solely—by the mark's inherent distinctiveness. Under the strong version of this approach, a fanciful mark would always be entitled to more protection than a descriptive mark, for example.⁷¹ Most courts, quite rightly, have not adopted the strong version of this approach.⁷²

But the approach adopted in its place (or in addition to it)—the acquired strength test—has proved exceedingly difficult for many courts to manage.

Overreliance on the *Abercrombie* taxonomy at either Step 1 or Step 2 can be problematic. (This may be because courts often get the analysis completely wrong.⁷³) Primarily, trademark strength is far more fluid than the taxonomy

70. Somewhat confusingly, "secondary meaning" and "acquired distinctiveness" essentially refer to the same concept; as McCarthy has noted, "[t]he two terms are synonymous and are often used interchangeably by the courts." MCCARTHY, *supra* note 39, at § 15:10.

71. Leval, *supra* note 26, at 191-95. Leval categorically states that generic marks are at the bottom of the pyramid, with descriptive marks not much higher. He argues that above those marks lie suggestive marks and then "strong, arbitrary marks" at the top of the pyramid. *See also* Heymann, *supra* note 43, at 1333 (arguing that *Abercrombie* suggests that "the more imaginative [that is, inherently distinctive] a trademark is deemed to be . . . the more protection it receives.").

72. *See Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 487 (2d Cir. 1988) ("placing a mark in one of [the inherent strength] . . . categories is . . . a tricky business at best[.]"); *Anheuser-Busch, Inc. v. Holt*, No. 91180119, 2009 WL 3078027, at *5 (T.T.A.B. Sept. 16, 2009) (stating that inherent strength determinations are "often made on an intuitive basis rather than as a result of precisely logical analysis"). *See also* Lisa Larrimore Ouellette, *The Google Shortcut to Trademark Law*, 102 CALIF. L. REV. *4 (forthcoming 2014), available at <http://ssrn.com/abstract=2195989>. *But see, e.g., Davis v. Walt Disney Co.*, 430 F.3d 901, 903 (8th Cir. 2005) (finding the strength factor to weigh against plaintiff's descriptive EARTH PROTECTOR mark, because the descriptive category is "the weakest protectable mark") (citations and internal quotation marks omitted).

73. *See* Beebe, *supra* note 10, at 1633-34 n. 211 (collecting cases applying the mark strength tests erroneously). *See also* M2 Software, Inc. v. Madacy Ent'mt. Co., 421 F.3d 1073, 1081 (9th Cir. 2005) ("[W]e have never held that an arbitrary or fanciful mark (i.e., a

presupposes.⁷⁴ Descriptive marks (like WINDOWS or COCA-COLA) can outpace suggestive, arbitrary, and fanciful marks in terms of *overall* strength—taking into account inherent as well as acquired distinctiveness. In fact, this phenomenon happens quite often. It is this fluidity that the acquired strength prong is intended to capture, and that our model approximates using the Ouroboros model.⁷⁵ *Abercrombie*'s rigid formalism contrasts with this fluidity; it is this unnecessary formalism that has led many courts to scrap use of the *Abercrombie* taxonomy altogether, as Beebe has shown empirically.⁷⁶

To a large extent, the courts that have stopped using the *Abercrombie* taxonomy have gone too far in the opposite direction. This phenomenon is problematic for two reasons. First, to the extent that these courts have previously adopted *Abercrombie*, courts risk making illegitimate decisions and upsetting settled expectations by not employing the analysis called for by prior precedent. Second, the “acquired strength” inquiry (described below) that courts use in its place, while theoretically more probative of actual overall mark strength in the commercial marketplace, is almost infinitely open-ended, and furthermore is doctrinally underdeveloped.⁷⁷ This anemic doctrine means it is

conceptually strong mark) can have its overall strength diminished by feeble commercial success. We decline to do so today. Rather, we hold that a lack of commercial strength cannot diminish the overall strength of a conceptually strong mark so as to render it undeserving of protection.”); MCCARTHY, *supra* note 39, at § 11:83 n.5 (collecting cases by circuit, and noting that the Second, Third, Fourth, Fifth, Seventh, Ninth, Tenth and Eleventh Circuits all use some version of the two-prong test).

74. See Thomas R. Lee et al, *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033, 1090-92, 1094, 1098-99 (2009) (discussing results of three different studies in which the authors concluded that descriptive marks, when used in commercial context, are not statistically less likely to be source-distinctive than suggestive, arbitrary, or fanciful marks). We note, however, that the authors' studies involved a modified version of the *Teflon* survey, which one of us argued in *Trademark Hybridity and Brand Protection* is fundamentally flawed in that it fails to adequately disaggregate brand significance from product significance. See Greene, *supra* note 12, at 18-20.

75. See *supra* Figure 2 (the Ouroboros model).

76. Beebe, *supra* note 10, at 1635 (noting that only 44% of the opinions sampled made some use of the *Abercrombie* taxonomy).

77. For example, in one case from the District Court of Massachusetts, the court focused only on three factors: (1) the length of time the mark had been used (which is problematic for reasons we detail below); (2) the mark's renown in the plaintiff's field of business; and (3) the plaintiff's actions to promote the mark. *Northern Light Tech., Inc. v. Northern Lights Club*, 97 F. Supp. 2d 96, 114-15 (D. Mass. 2000). The court contrasted “the accolades the Plaintiff has received, the registration of the mark with the United States Patent and Trademark Office, and the seven million dollars the Plaintiff [had] recently spent advertising” with the mark's “limited active life of two and a half years and a modest aided and unaided brand awareness among Internet users of twenty percent and less than five percent, respectively” and concluded that the plaintiff's mark was “moderately strong.” This analysis is flawed for many of the reasons set forth below in Part II, but namely: (1) registration cannot shed light on how strong a mark is in practice, but can only show that the mark was sufficiently inherently strong to be registered; (2) the amount of money spent by the plaintiff in the abstract doesn't matter if it doesn't affect consumer awareness of the mark (and, in any event, it's unclear whether \$7,000,000 was a significant amount to spend on

very difficult for litigants to predict accurately how their marks will fare. So far, no clear doctrinal method for determining trademark strength that takes account of acquired strength has stepped in to take *Abercrombie*'s place.

When courts do consider acquired strength, they provide few guideposts or legitimately helpful heuristics for subsequent courts and litigants to use in considering acquired strength—an analytical failing we detail further below. Given that “distinctiveness” per se is not readily observable, this failure leaves markholders in a bind.

The *Abercrombie* taxonomy is a mediocre measure of overall mark strength: it is not entirely consistent or clear, especially at the margins. But it is at least clearer than the acquired strength inquiry some courts apply. That is, however poor a heuristic the taxonomy may be for predicting actual consumer understanding, it is at least relatively easy for a litigant to predict what category her mark falls into—although discriminating at the margins is difficult, not many markholders or observers fluent in American English will think an arbitrary mark (such as APPLE) is *inherently* generic when used on non-fruit goods.

D. *Acquired Strength: The Unbounded Inquiry*

After determining that the mark ‘functions as a mark’ in what we have called Step 1, most courts move on in Step 2 to evaluate the mark’s acquired strength—that is, the mark’s level of commercial marketplace recognition in both the qualitative and quantitative senses.⁷⁸ This focus is sensible, for it

advertising in the plaintiff’s competitive context); (3) a mark’s short lifespan need not prejudice a finding of strength, as many marks can rocket to prominence over a very short period of time (for example, TWITTER went from marginally strong to incredibly strong in the course of a single year); and (4) it’s unclear what the tipping point for “aided and unaided brand awareness” is or should be (that is, in a heavily contested market, 20% aided brand awareness may be very significant). While accounting for inherent strength would not fix many of these issues, it can at least anchor the analysis by setting a starting point.

78. See Bone, *supra* note 19, at 1344. See MCCARTHY, *supra* note 39, at § 11:83. Most circuits apply a two-pronged test. See, e.g., *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 385-86 (2d Cir. 2005); *Fisons Horticulture v. Vigoro Indus., Inc.*, 30 F.3d 466, 478-79 (3d Cir. 1994); *George & Co. LLC v. Imagination Entm’t Ltd.*, 575 F.3d 383, 395 (4th Cir. 2009); *Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass’n*, 651 F.2d 311, 315-17 (5th Cir. 1981); *Sullivan v. CBS Corp.*, 385 F.3d 772 (7th Cir. 2004); *Lahoti v. Vericheck, Inc.*, 636 F.3d 501, 508 (9th Cir. 2011); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1093 (10th Cir. 1999); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 973-75 (11th Cir. 1983); *In re Chippendales USA, Inc.*, 622 F.3d 1346, 1352 (Fed. Cir. 2010). District courts in the other circuits tend to use the two-pronged approach as well. See *ConAgra, Inc. v. George A. Hormel & Co.*, 784 F. Supp. 700, 713-14 (D. Neb. 1992), *aff’d* 990 F.2d 368, 371 (8th Cir. 1993). But sometimes the courts of appeals in these circuits err in their review of the strength factor by stopping after Step 1 and failing to analyze commercial strength. See, e.g., *Davis v. Walt Disney Co.*, 430 F.3d 901, 903 (8th Cir. 2005) (finding the strength factor to weigh against plaintiff because a descriptive mark is “the weakest protectable mark”) (citations and quotations omitted). In one case, the First Circuit held that Step 1 inherent strength should not be considered *at all*. *Attrezzi, LLC v. Maytag*

seems the higher the mark's level of marketplace recognition, the more likely consumers will identify the mark with the stakeholder.⁷⁹ Courts differ, however, on what evidence they find tends to establish acquired strength—and differ further on the factors they use to analyze the mark's exclusive scope (that is, the mark's ability to exclude third-party uses of similar terms on specific products).⁸⁰

As McCarthy notes, courts consider similar kinds of evidence with respect to acquired strength and secondary meaning.⁸¹ We argue that the evidence relevant to those two inquiries—acquired strength and secondary meaning—is not just similar but in fact identical.⁸² Both inquiries seek to show that consumers recognize the mark as a mark and identify it with a particular source. At Step 1, courts determine whether a mark is eligible for protection in the first place. With respect to Step 2—acquired strength—courts' purpose is, as McCarthy has put it, determining “a matter of degree: is the mark strong enough that the junior user's mark is likely to cause confusion?”⁸³

Courts consider many kinds of evidence in determining acquired strength and secondary meaning under a functionally identical rubric. Most courts agree that direct evidence of consumer recognition—including survey evidence—is, or at least should be, probative of these issues.⁸⁴ Likewise, most courts agree

Corp., 436 F.3d 32, 40 (1st Cir. 2006) (stating that consideration of inherent strength was “a proposition [not] supported by any First Circuit case law and its logic is not apparent to us”).

79. *See, e.g.,* Playtex Prods., Inc. v. Georgia-Pacific Corp., 390 F.3d 158, 163 (2d Cir. 2004) (“When there is widespread recognition of a mark among consumers, there is an increased likelihood that consumers will assume it identifies the previously familiar user, and therefore an increas[ed] . . . likelihood of consumer confusion if the new user is in fact not related to the first.”) (alteration in original) (internal citation and quotation marks omitted). That is, if MARK A is very strong for one good or service (for example, GOOGLE on internet-based services), people will assume the source of different goods or services (for example, GOOGLE on car parts) may be related to the first. This fact is especially important given the ubiquity of logo-based merchandising and corporate sponsorship.

80. *See* COOMBE, *supra* note 37, at 63 (“Sources of evidence accepted for establishing the existence of . . . secondary meaning, however, rely more upon the manufacturer's investments and profits and his or her competitor's activities, than they do upon any actual knowledge or beliefs of the consuming public.”).

81. MCCARTHY, *supra* note 39, § 11:83 (“This evidentiary process is similar to that used to determine if a non-inherently distinctive designation has acquired distinctiveness through secondary meaning.”).

82. *Accord* Linford, *supra* note 38, at 726-30.

83. *Id.*

84. MCCARTHY, *supra* note 39, § 11:83 (“Determining the strength of any mark requires weighing either or both circumstantial evidence of advertising and promotion and direct evidence of consumer recognition, such as by a survey.”). *See, e.g.,* Brown v. Quiniou, 744 F. Supp. 463, 470 (S.D.N.Y. 1990). The *Quiniou* court in discussing the plaintiff's failure to provide to the court a consumer survey showed how valuable this evidence can be. The court said: “although failure to undertake a consumer survey concerning recognition of the [mark-at-issue] is not by itself fatal to plaintiffs' assertion of secondary meaning . . . where the other evidence of consumer recognition is hardly overwhelming, the absence of survey evidence weighs heavily against plaintiffs' position.” *Id.* On the question whether survey evidence is actually reliable, *see* Ouellette, *supra* note 72, at n.49-56 and

that extensive third-party uses of the mark, successful sales under the mark, and unsolicited media coverage referencing the mark are strong evidence of trademark strength and secondary meaning.⁸⁵

The different federal circuit courts of appeals splinter when it comes to other factors relevant to what we argue is their unified analysis of trademark strength and secondary meaning. The Second Circuit, for example, has considered several factors in addition to those listed above: advertising expenditures, attempts to plagiarize the mark, and length and exclusivity of the mark's use.⁸⁶ The Ninth Circuit has considered the testimony of a trademark plaintiff's employees (although the court gave the evidence little weight).⁸⁷ The idea, generally understood, is that all seemingly relevant evidence will be considered—even if it is not *actually* relevant to whether *consumers* are likely to be confused. And, as some scholars have noted, it's not clear the evidence is weighed appropriately considering the question sought to be answered: do consumers *actually* consider this mark a source identifier?⁸⁸

Some factors courts weigh heavily—surveys, third-party uses, sales success, and unsolicited media coverage—are valuable means of ascertaining a mark's acquired strength when applied correctly. Sales success, for example, shows that consumers are actually interacting with the stakeholder's products and are therefore more likely to tie the mark to that stakeholder. Lisa Larrimore Ouellette has argued that Google search rankings could provide additional valuable information about a mark's distinctiveness.⁸⁹ But many of the more peripheral factors are either irrelevant or downright confusing.⁹⁰ The fact that a

accompanying text (arguing survey evidence is insufficiently reliable and overly expensive).

85. See *Thompson Med. Co. Inc. v. Pfizer Inc.*, 753 F.2d 208, 217 (2d Cir. 1985) (sales success and unsolicited media coverage); *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 125 (4th Cir. 1990) (adopting the *Thompson* test). See also *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 32 (1st Cir. 1989) (length of use, "renown in [the mark]'s field, third party uses," and "the plaintiff's actions in promoting its mark"); *Rockland Mortg. Corp. v. Shareholders Fund'g, Inc.*, 835 F. Supp. 182, 193 (D. Del. 1993) (noting the relevance of third-party uses of the same or similar marks); *Marilyn Miglin Model Makeup, Inc. v. Jovan, Inc.*, 224 U.S.P.Q. 178, 180 (N.D. Ill. 1984) (listing as relevant factors "the amount and manner of advertising, volume of sales, length and manner of use, direct consumer testimony and consumer surveys").

86. See *Thompson Med. Co. Inc.*, 753 F.2d at 217.

87. See *Filipino Yellow Pages, Inc. v. Asian Journal Publ'n, Inc.*, 198 F.3d 1143, 1152 (9th Cir. 1999) (citing *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59 F.3d 902, 910 (9th Cir. 1995)).

88. See COOMBE, *supra* note 37, at 63 ("Although consumer surveys may be used, they are no more probative [*sic*] than evidence of a competitor's intentional copying, large advertising expenditures, sales success, or the length of time of exclusive use.") (citing Willajeanne F. McLean, *The Birth, Death, and Renaissance of the Doctrine of Secondary Meaning in the Making*, 42 AM. UNIV. L. REV. 737, 749-50 (1993)).

89. See *generally* Ouellette, *supra* note 72.

90. See *id.* at 13. Ouellette writes:

When direct evidence from surveys (or unrepresentative consumer testimony) is unavailable or unreliable, courts can evaluate trademark strength and secondary meaning only through circumstantial evidence such as sales volume and advertising expenditures. But these factors

stakeholder spent money—even hundreds of millions of dollars—on advertising doesn't tend to prove anything except that the stakeholder had money to spend.⁹¹ Despite the millions of dollars Coca-Cola spent on advertising it⁹², does anyone remember VAULT soda—or for that matter any of the slogans used with the drink like “The Taste. The Quench. The Kick.” or “Chug & Charge?” That little-known drink, with its expensive advertising campaign, was only discontinued in 2011, after six years on the market.

Like advertising expenditures, the length of a company's use of a term as if it were a mark can matter little. Whether the company began using a mark in 2012 or 1912 is irrelevant to the trademark strength inquiry if consumers don't recognize the mark as a source identifier and are not persuaded to purchase goods bearing the mark.⁹³ Some courts have found length of use to be dispositive. For example, in *Marilyn Miglin Model Makeup, Inc. v. Jovan, Inc.*, a district court concluded that fewer than four years of use was insufficient to show secondary meaning despite strong evidence of yearly sales.⁹⁴ When used

are weak proxies for consumer perceptions, and courts often discount this evidence when they conclude that it does not indicate the necessary association in consumers' minds between the mark and the product or service. As with surveys, there is little for judges to rely on in determining whether to credit this evidence besides their own intuition.

91. *Accord* *Minn. Specialty Crops, Inc. v. Minn. Wild Hockey Club, LP*, No. Civ. 00-2317 JRTFLN, 2002 WL 1763999, at *6 (D. Minn. Jul. 26, 2002) (stating that “[a]lthough advertising is a ‘relevant factor in determining whether a mark has acquired a secondary meaning, it is the effect of such advertising that is important, not its extent’”) (citing *Co-Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.*, 780 F.2d 1324, 1332 (8th Cir. 1985)); *Fossil Inc. v. Fossil Grp.*, 49 U.S.P.Q.2d 1451, 1457 (T.T.A.B. 1998) (“If a party plaintiff in a Board proceeding is to rely simply on sales and advertising figures in an effort to establish that its mark is famous, then it is incumbent upon that party plaintiff to place the sales and advertising figures in context, for example, by showing that the product is the leading product in its category, the second leading product in its category etc.”).

92. Coca-Cola Inc.'s marketing expenditures averaged roughly \$2.5 billion in the period 2004-2006 and have likely remained in that ballpark since that time. *See FAQs (Frequently Asked Questions)*, THE COCA-COLA COMPANY, <http://www.cocacolacompany.com/contact-us/faqs> (last visited Aug. 29, 2012).

93. *See, e.g., Walt-W. Enters., Inc. v. Gannett Co.*, 695 F.2d 1050, 1060 (7th Cir. 1982) (“The facts that [plaintiff] used the term for ten years and spent large sums of money in advertisements containing the term are simply not germane unless [plaintiff] can show that the way in which it employed the term dispelled the tendency of listeners to regard the term as [descriptive] and instead regard the primary significance of the term as designating a single . . . source . . .”). The test for dilution contains a slightly more palatable formulation of this factor, focusing on “[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.” 15 U.S.C. § 1125(c)(2)(B)(iii). This formulation focuses on the here and now, as opposed to years past and is therefore more probative. However, its relevance to dilution is as a proxy for proving harm, not for proving consumer recognition—if the stakeholder is using the mark exclusively and the defendant “tarnishes” it, then the stakeholder is the only one likely to be harmed by the tarnishment.

94. *Marilyn Miglin Model Makeup, Inc. v. Jovan, Inc.*, 224 U.S.P.Q. 178, 180 (N.D. Ill. 1984) (“In the instant case, the most telling factor to be considered is the length of Miglin's use of the mark. Although the court can envision extraordinary circumstances under which a mark could obtain secondary meaning within a short period of time, nothing of that magnitude is evident in this case.”).

in this way, length of use as a factor can lead to flawed outcomes. But length of use *can* be a worthwhile proxy when measured by the length of time of *substantially exclusive* use—that is, the amount of time in the market where the mark in question is exclusively used by a single producer as a source signifier for that product or similar products.

More to the point, panels within the circuit courts, as well as district courts, differ wildly as to which factors apply in specific cases and in how to weigh the factors. Some courts, for example, have focused only on third-party uses to the exclusion of any other relevant factor.⁹⁵ In yet other circuits, courts have relied solely on advertising expenditures and a “steady increas[e]” in sales to conclude that a mark is “strong.”⁹⁶ Yet others, like the *Marilyn Miglin* court, find that length of use (or lack thereof) is dispositive.⁹⁷ An infinitely open-ended inquiry, then, is reduced to meaninglessness by a focus on marginally relevant factors.

We propose courts reconsider their wide evidentiary focus, which tends to encompass all available evidence, whether or not such evidence is directly relevant. While a free-flowing “weigh-all-the-evidence” review of trademark strength might sound palatable in theory, it can pose significant problems. Simply put, such standards provide *too much* information for the factfinder to adequately weigh. As shown in the cognitive psychology literature, when asked to answer a difficult question people will often substitute an easier question in that question’s place.⁹⁸ Here, the difficult question is, “to what extent does the class of relevant consumers actually identify this mark with a given source?” Judges (and their clerks) are no less susceptible to these types of cognitive errors.⁹⁹ Careful observers of trademark opinions can see the substitution effect, with judges exchanging that difficult source-identification question for the easier questions of whether the marks are facially similar or used on similar products, playing out in the cases.

In *An Empirical Study of the Multifactor Tests for Trademark Infringement*, Beebe shows that when a court’s assessment of inherent strength conflicts with its assessment of acquired strength, acquired strength usually wins out.¹⁰⁰ But Beebe also shows that where courts place plaintiffs’

95. See *Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass’n*, 651 F.2d 311, 316-17 (5th Cir. 1981).

96. See *A&H Sportswear Co. v. Victoria’s Secret Stores, Inc.*, 57 F. Supp. 2d 155, 165-66 (E.D. Pa. 1999), *aff’d in relevant part*, 237 F.3d 198, 224 (3d Cir. 2000).

97. See *Marilyn Miglin Model Makeup*, 224 U.S.P.Q. at 180.

98. See DANIEL KAHNEMAN, THINKING, FAST AND SLOW ch. 9 (Farrar, Straus & Giroux 2011); Fritz Strack, Leonard L. Martin & Norbert Schwarz, *Priming and Communication: Social Determinants of Information Use in Judgments of Life Satisfaction*, 18 EUR. J. OF SOCIAL PSYCH. 429-42 (1988).

99. See generally Chris Guthrie, Jeffrey J. Rachlinski & Andrew J. Wistrich, *Blinking on the Bench: How Judges Decide Cases*, 93 CORNELL L. REV. 1 (2007) (illustrating judges’ susceptibility to common cognitive errors).

100. Beebe, *supra* note 10, at 1635.

trademarks in the *Abercrombie* taxonomy heavily affects the chances that the plaintiff will be successful: the likelihood of success rises in lock-step as a mark moves higher from descriptive to suggestive, and so on, in the taxonomy.¹⁰¹ Beebe hypothesizes that this finding is just evidence that the *Abercrombie* taxonomy is relatively accurate at predicting the ability of the markholder to develop a successful and distinctive mark: those marks that fall higher on the *Abercrombie* scale have more potential for distinctiveness, and thus end up garnering more acquired strength.

There is likely some truth to Beebe's hypothesis, although some scholars have argued otherwise.¹⁰² His data, however, do not support the strongest form of his argument about the relative unimportance of inherent distinctiveness. In particular, Beebe's data showed that plaintiffs suing for infringement of suggestive marks were successful more than twice as often as those suing for infringement of descriptive marks.¹⁰³ And given the virtual consensus among commentators that it is nearly impossible to determine whether a mark should be considered descriptive or suggestive¹⁰⁴, it seems extremely unlikely that success rates reflect an actual difference in the ease with which descriptive and suggestive marks become distinctive (or are inherently distinctive) in the consumer's mind. Rather, it seems more likely that courts' placement of marks in the taxonomy is either: (a) affecting outcomes in the strength analysis even at Step 2; or (b) an ex post rationalization made by the court (if for no other reason than to simplify the analysis necessary for the opinion).

We hypothesize that this finding may be an example of the confluence of two related psychological phenomena: information overload and the substitution effect. Information overload is a cognitive effect that occurs where an excess of information worsens predictive accuracy, because high value information cannot be discerned from a glut of low value information.¹⁰⁵ Information overload in the evidence-gathering process may trigger a substitution effect. It may push decision-makers to ask not whether the mark

101. *Id.* at 1638.

102. See Linford, *supra* note 38, at 729 ("It may be equally likely that courts recognize that successful use in commerce, rather than inherent strength, provides the strongest indicator of trademark ownership."). See generally Lee, et al., *supra* note 74.

103. Beebe, *supra* note 10, at 1637.

104. See text accompanying note 35.

105. See BARRY SCHWARTZ, *THE PARADOX OF CHOICE: WHY MORE IS LESS* (2004) (discussing how an overabundance of options can compromise decisional quality); Guthrie et al., *supra* note 99. See also ALVIN TOFFLER, *FUTURE SHOCK* 350-51 (1970) ("When the individual is plunged into a fast and irregularly changing situation, or a novelty-loaded context . . . his predictive accuracy plummets. He can no longer make the reasonably correct assessments on which rational behavior is dependent."). Cf. SOREN KIERKEGAARD, *THE SICKNESS UNTO DEATH* 36 (Howard V. Hong & Edna H. Hong trans., 1980) (on the hyperbolic development of ideas, stating "[t]hus possibility seems greater and greater to the self; more and more becomes possible because nothing becomes actual. Eventually everything seems possible, but this is exactly the point at which the abyss swallows up the self.").

has actually acquired strength in the marketplace sufficient to exclude the specific use being challenged, but rather whether the mark is inherently strong in the first instance.¹⁰⁶ The answer to the latter question is (seemingly) more easily ascertainable and quantifiable, and generally much easier to wrap one's head around than analyzing and accurately measuring a truckload of (more often than not, ineffectively presented) evidence. Again, while the analysis may be difficult at the margins, not many are likely to confuse a fanciful mark with a descriptive one. The answer to the inherent strength question may thereafter tend to drive the analysis, which can lead to significant judicial error in close cases, even if outcomes may be correct in most cases.¹⁰⁷

Similarly, Beebe's empirical work has shown that judges applying the overall likelihood of confusion analysis tend to permit certain factors to "stampede" other factors.¹⁰⁸ While trademark strength is one of only five factors that tend to predict outcomes, other factors have more predictive capacity. These other factors are less difficult to understand, and include the similarity of the marks and the market proximity (or similarity) of the goods.¹⁰⁹ If Beebe's data is credited, this judicial tendency to allow certain factors to stampede the others is highly problematic: it is trademark strength that defines the exclusive scope of a senior user's mark. That is, trademark strength tells us *how* similar marks may be or *how* proximate goods may be before a finding of trademark infringement is compelled. It would be easy for a court to conclude two marks are very similar and used on closely related goods, so there's infringement. It would be harder for that court to conclude that despite similar marks and proximity of goods, there is no likelihood of confusion because the senior user's mark is weak. The former conclusion oversimplifies the latter conclusion's analysis as to trademark strength.

The tendency to oversimplify in close cases may actually be stronger than

106. See, e.g., Guthrie et al., *supra* note 99, at 35 ("Judges facing cognitive overload due to heavy dockets or other on-the-job constraints are more likely to make intuitive rather than deliberative decisions because the former are speedier and easier. Furthermore, being cognitively 'busy' induces judges to rely on intuitive judgment.").

107. Some researchers have termed these types of heuristics "fast and frugal" procedures. See SIMPLE HEURISTICS THAT MAKE US SMART (Gerd Gigerenzer, Peter M. Todd & ABC Research Group eds., Oxford Univ. Press 1999); Beebe, *supra* note 10, at 1601 n.88 (citing Mandeep K. Dhami & Peter Ayton, *Bailing and Jailing the Fast and Frugal Way*, 14 J. BEHAV. DECISION MAKING 141 (2001); Vladimir J. Konečni & Ebbe B. Ebbesen, *The Mythology of Legal Decision Making*, 7 INT'L J. L. & PSYCHIATRY 5, 7, 15 (1984); Adam J. Hirsch, *Cognitive Jurisprudence*, 76 S. CAL. L. REV. 1331 (2003); Stephen M. Bainbridge & G. Mitu Gulati, *How Do Judges Maximize? (The Same Way Everybody Else Does—Boundedly): Rules of Thumb in Securities Fraud Opinions*, 51 EMORY L.J. 83 (2002); Hillary A. Sale, *Judging Heuristics*, 35 U.C. DAVIS L. REV. 903 (2002); Chris Guthrie et al., *Inside the Judicial Mind*, 86 CORNELL L. REV. 777 (2001); Jeffrey J. Rachlinski, *Heuristics and Biases in the Courts: Ignorance or Adaptation?*, 79 OR. L. REV. 61 (2000); Jeffrey J. Rachlinski, *A Positive Psychological Theory of Judging in Hindsight*, 65 U. CHI. L. REV. 571 (1998)).

108. Beebe, *supra* note 10, at 1620-21.

109. *Id.*

we might like to think. Specialists in the trademark bar typically agree with judges' decisions in the mine run of cases, but there is reason to be skeptical in the close cases. Article III judges are generalists, not specialists.¹¹⁰ Some judges may have a particular area of expertise; Judge Leval is one such example in the copyright fair use context.¹¹¹ Most judges, by and large, lack such an area of expertise. Adding another layer to this generalist character is the fact that most judges outsource the writing of opinions to their law clerks, who are even *less* likely to be specialists in any given area of law.¹¹² These two generalist trends may account for the many flagrant misapplications of trademark law that arise from a misunderstanding of the purposes and values embedded in the trademark law and a fundamental misconception of how some tricky trademark doctrines apply to facts.¹¹³

110. We note here that we are primarily focused on trademark litigation in federal courts. Trademark examiners, Trademark Trial and Appeal Board judges, and Federal Circuit judges all make determinations about likelihood of confusion as well, although only in the context of registration—that is, these examiners and judges only consider Step 1 strength. The Federal Circuit reviews significantly fewer types of cases than the typical federal Court of Appeals and is therefore in some sense specialized, or at least less generalized than the average Court of Appeals. However, even in the area in which Federal Circuit judges are supposed to be the most expert—patent law—criticisms abound regarding the jurisprudence arising from the court. *See, e.g., Jed Rakoff, Are Federal Judges Competent—Dilettantes in an Age of Economic Expertise*, 17 *FORDHAM J. CORP. & FIN. L.* 4, 11 (2012) (noting the Federal Circuit's obliviousness to the values-balancing engaged in by generalist courts and the incredibly high rate of Supreme Court reversals of Federal Circuit opinions between 1996 and 2010).

111. *See* Pierre N. Leval, *Toward a Fair Use Standard*, 103 *HARV. L. REV.* 1105 (1989); Pierre N. Leval, *Campbell v. Acuff-Rose: Justice Souter's Rescue of Fair Use*, 13 *CARDOZO ARTS & ENT. L.J.* 19 (1994); Pierre N. Leval, *Nimmer Lecture: Fair Use Rescued*, 44 *UCLA L. REV.* 1449 (1997).

112. RICHARD D. POSNER, *HOW JUDGES THINK* 221 (2007) (“[T]oday most judicial opinions are written by law clerks, which was not true a century ago, when very few judges even *had* law clerks . . . and was less true decades ago, when judges had fewer law clerks and law still had a writing culture. Students are taught to approach judicial opinions as if every word were written by the nominal author—that is, the judge—and the effect is to imbue them with a legalistic outlook, an effect reinforced by their youth . . . and by an understandable desire to believe that their steep law tuition is buying them a set of powerful analytical tools.”). *See also* William Domnarski, Op-Ed., *Judges Should Write Their Own Opinions*, *N.Y. TIMES*, May 31, 2012 (in an op-ed, characterizing the writing of judicial opinions by clerks as “a crisis in the federal appellate judiciary”).

113. Here are some recent examples:

On the doctrine of aesthetic functionality, *see* *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 636 F.3d 1115, 1124-25 (9th Cir. 2011) (finding the Betty Boop character to be aesthetically functional). The offending opinion was withdrawn several months later after fierce opposition arose in the trademark community, and an opinion that contained no reference to aesthetic functionality was substituted in its place. *See* *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011). In November 2012, the district court found the BETTY BOOP word mark to be aesthetically functional as well, arguing that barring the defendants from using the words would impose a significant non-reputation-related competitive disadvantage. *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 2:06-cv-06229 (C.D. Cal. Nov. 14, 2012). *See also* Rebecca Tushnet, *Boop-oop-a-do-over*, *REBECCA TUSHNET'S 43(B)LOG* (Nov. 15, 2012, 5:11 PM), <http://tushnet.blogspot.com/2012/11/boop->

Further, courts' misweighing of relevant evidence and consideration of irrelevant evidence may have significant distributive consequences. As Deven Desai has noted, trademark law has come to protect the broader idea of the 'brand' rather than the simple source-identifying trademark.¹¹⁴ He identified three strands in the marketing literature on brand theory: (1) the corporate view, in which the firm owns and controls the brand, with consumers passively receiving brand information; (2) the noncorporate view, in which consumers and communities construct brand value; and (3) a synthesized view, in which all these stakeholders co-create brand value by using the brand as a communal information resource.¹¹⁵ He notes that as courts have expanded trademark law to incorporate brand concepts, they have mostly done so by implementing the corporate view, which funnels the trademark's 'surplus value'¹¹⁶ to the markholder.¹¹⁷ This diversion of value to markholders at the expense of competitors and consumers is not compelled by anything in the law. Rather, it seems to be another instance of the "if value, then right" fallacy—the value has to belong to someone, right? But, as we note elsewhere, this diversion has significant costs, including markholder overreach (and the attendant chilling of speech) and anticompetitive behavior.¹¹⁸ And to permit this surplus value to flow into markholders' hands without due regard for consumers' and

oop-do-over.html.

On the doctrine of functionality, see *Rosetta Stone Ltd. v. Google Inc.*, 732 F. Supp. 2d 528, 545 (E.D. Va. 2010), *rev'd*, No. 10-2007 (4th Cir. Apr. 9, 2012) (the district court's opinion held that, in the context of Google's AdWords program, the word mark ROSETTA STONE was functional; the court of appeals rightly reversed).

On dilution, see *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012). For cogent discussions of all of the issues in the *Louis Vuitton v. Hyundai* case and the district court's bungling of those issues, see Rebecca Tushnet, *Delayed but Long Post on LV v. Hyundai*, REBECCA TUSHNET'S 43(B)LOG (May 30, 2012, 9:20 AM), <http://tushnet.blogspot.com/2012/05/delayed-but-long-post-on-lv-v-hyundai.html>; Eric Goldman, *Brief Brand Reference in TV Ad Constitutes Trademark Dilution—Louis Vuitton v. Hyundai*, TECH. & MKTG. L. BLOG (Apr. 2, 2012, 8:55 AM), http://blog.ericgoldman.org/archives/2012/04/brief_brand_par.htm.

On secondary meaning and trademark strength, see *Microsoft Corp. v. Lindows.com Inc.*, 69 U.S.P.Q.2d 1863, 1864 (W.D. Wash. 2004) (in a pretrial ruling, the trial judge stated that, based on evidence submitted by Lindows.com Inc., he would instruct the jury to consider whether "windows" was a generic term despite consumer recognition levels of upwards of 90%). The *Lindows* court argued that a term that was generic before adoption could not—indeed, cannot—thereafter achieve source significance. As a matter of simply weighing the evidence, the proposed outcome seems ill-considered. See generally Marc C. Levy, *From Genericism to Trademark Significance: Deconstructing the De Facto Secondary Meaning Doctrine*, 95 TRADEMARK REP. 1197 (2005).

114. See Desai, *supra* note 12.

115. *Id.* at 988-1008.

116. By "surplus value," we mean the positive (or negative) affect and excess of meaning that congeals around a mark over time. See Greene, *supra* note 12. This surplus value is what many consumer psychology and marketing scholars consider "the brand." See, e.g., ARVIDSSON, *supra* note 13.

117. Desai, *supra* note 12, at 988-1008.

118. See Greene, *supra* note 12, at 23-27.

competitors' interests is to provide the markholder a windfall out of proportion to its contribution to the mark's value.¹¹⁹

The evidentiary issues we note in this Part further exacerbate the courts' tendency to divert surplus value into markholders' hands. Many of the factors courts weigh in the analysis—including advertising expenditures, successful sales (without additional evidence as to size of the market), and, to some extent, length of use—tend to reify the idea of the 'corporate' relationship of the consumer to the brand. In other words, these factors are means the markholder has of consciously manipulating the level of goodwill and brand awareness that sticks to the mark over time. By weighing these factors significantly in the acquired strength analysis, courts risk further embedding the 'corporate' view in the law, a view that is insufficiently calibrated to deal with communicative and competitive concerns.

Clarity is needed. The doctrine of trademark strength, in particular, is crying out for clarification. Judges will be well-served by a test that includes guideposts to relevant factors (and facts) to help analyze the trademark's exclusive scope. Practitioners would benefit from tools to more accurately predict case outcomes. In the next part, we seek to provide just such a clarification.

II. A WAY FORWARD FOR TRADEMARK STRENGTH

Courts, scholars, and practitioners must constantly be aware of two types of significance a trademarked term may carry: *brand* significance is the means by which we determine how many (and which) products using the same or a similar term as a mark can be excluded from the market, while *product* significance is the means by which we determine how strong the mark's connection to its product-referent is, and thus how we determine whether a mark is—or is likely to become—generic. The more pronounced the mark's product significance, the more likely that term is to be (or become) generic for the product or service on which it used.

In the following subparts II.B.1-6 we lay out a multi-part analysis to assist in determining overall trademark strength—that is, a given trademark's overall exclusive scope. This analysis will account for both brand and product significance.

A. Preface and Clarification

We do not wish to dismiss completely the *Abercrombie* taxonomy's

119. See ARVIDSSON, *supra* note 13, at 82 (“Brand managers do of course contribute to the construction of brand image—through smart marketing or media placements. But most of their work consists in managing the autonomous production process that consumers engage in: to make sure that the common social world that they produce by means of the brand . . . adds to the brand by either innovating or reproducing its desired set of qualities.”).

relevance. That case's differentiation between generic, descriptive, suggestive, arbitrary, and fanciful terms provides a set of useful placeholders judges and practitioners can use as rough proxies for inherent strength. As a rough proxy, a fanciful mark will usually occupy an area near the Ouroboros' thicker end at its time of adoption, suggesting its relative strength. A descriptive mark, by contrast, will generally begin its life at the thinner end of the Ouroboros, suggesting its weakness. Absent other factors affecting consumers' understanding of a mark, we posit consumers are likely to understand a more inherently distinctive mark under *Abercrombie* to be a trademark when used in connection with goods, compared to a less inherently distinctive mark. This means the categories have value and should not be discarded; we merely suggest that they should not be the focal point of the overall trademark strength analysis. Over the years, courts have been moving steadily in this direction.

Rather, courts carrying out the mark strength analysis have engaged in, and should engage in, a wide variety of inquiries, all aimed at ferreting out the extent to which consumers consider the mark distinctive. Important here are two separate, but related, types of distinctiveness. First, there is source distinctiveness (corresponding to Step 1 strength as identified above), "which a trademark must possess to fall within the *subject matter* of trademark protection."¹²⁰ Source distinctiveness is a binary, yes/no question, merely excluding from trademark protection descriptive terms (or their equivalents) lacking secondary meaning, and generic terms. As we have argued elsewhere, this bar should probably be even lower.¹²¹ Second, there is differential distinctiveness, "which prescribes the *scope* of trademark protection when protection is given."¹²² Differential distinctiveness is a spectrum that refers to the mark's ability to distinguish itself from its competitors. The more distinctive a mark is by reference to both of these metrics, the stronger it is.

Both source distinctiveness and differential distinctiveness can change over time. Source distinctiveness is rendered null when a mark falls into genericness. Marks may become more or less differentially distinctive over time in accordance with the public's understanding of those marks, which we will discuss more fully below.

120. Barton Beebe, *Search and Persuasion*, 103 MICH. L. REV. 2020, 2028 (2005).

121. Greene, *supra* note 12, at 20-21. One of us argues that stylized generic terms may be permitted more protection than they are while noting the difficulty a markholder would have in policing use of its mark given the markholder's inability to prevent any third-party uses of the term itself. Adopting such a mark is probably not the best business decision, but it is theoretically defensible if one sets aside the problem of owner overenforcement.

122. *Id.*

B. *The Factors*

1. *Inherent strength*

Inherent strength means the combination of source distinctiveness and differential distinctiveness that a mark has at its adoption. This is an important factor in the strength analysis, although we do not contend inherent strength should—or does—entirely dictate a mark's strength.¹²³ The reasoning behind inherent strength is fairly straightforward: if the public already relates the term used as a mark to the type of product to which the putative mark is affixed, then consumers are not likely to infer that the mark is serving a source-identifying function. Instead, consumers are likely to infer it is serving a product-identifying function. Empirical work suggests that this relation holds true.¹²⁴ Inherent strength thus has some value as a proxy for consumer understanding. The Second Circuit has explained:

The more arbitrary and fanciful the mark in relation to the goods on which it is used, the more the consumer is likely to assume that a similar mark designates the owner of the first as the source of the goods. The arbitrariness of the mark in relation to those goods makes it unlikely that an unrelated merchant would select a similar mark for closely related goods. Conversely, the more descriptive the mark is of the goods, the less likely a consumer is to assume that a similar mark used on related goods came from the same source.¹²⁵

Inherent strength, we argue, affects only the initial determination of overall mark strength. As the mark is used in commerce and the public develops further connection with it, the mark's overall strength waxes and wanes.

Inherent strength can be envisioned as a sort of buffer zone for newly minted marks. Even a product that will eventually gain great success on the market needs some time to grow. Through inherent strength doctrine, the law properly creates incentives for trademark adoption and brand-building. Brands and marks, as we explain below, do much to improve manufacturer accountability. If the putative mark served some competitive or communicative function, there would be social costs if other manufacturers could not use it. Absent such functions, law properly offers a minimum level of protection based on inherent strength alone (for those marks that possess inherent strength).

Any putative mark will have a different initial outlay of strength. That

123. See Beebe, *supra* note 10, at 1637. Beebe writes:

In the ninety dispositive opinions in which the court placed the plaintiff's mark in one of the five *Abercrombie* categories, the plaintiff multifactor test win rate steadily declined with the inherent strength of its mark: fanciful marks enjoyed the highest win rate, followed by arbitrary marks, suggestive marks, descriptive marks, and then generic [terms]. More specifically still, and underlying these win rate results, inherently distinctive marks did better on each of the core factors, and the degree of their inherent distinctiveness often closely tracked the proportion of opinions in which each of the core factors favored a likelihood of confusion.

124. See Lee et al., *supra* note 74, at 1079-80 (finding that generic terms are less source-distinctive for consumers than descriptive marks).

125. *TCPIP Holding Co. v. Haar Commc'ns, Inc.*, 244 F.3d 88, 93 (2d Cir. 2001).

outlay will depend on a variety of linguistic factors that predispose a given mark to become entrenched in our language more easily than others; this is what the *Abercrombie* taxonomy attempts to capture. The types of marks that do not require secondary meaning for protectability—fanciful (KODAK), or so subtly suggestive as to almost be fanciful (the former THERMOS), and bracketing arbitrary marks for a moment—are much more likely to fall into genericness than the most inherently strong descriptive marks.¹²⁶

Products that are first in their class are often not easily describable in brief, trademark-size form. These typically include those products that were previously patented. Manufacturers and marketers may come up with random words to attach to the product that then come to describe the thing in a less costly way. For example, “thermos” is a much easier way to say “vacuum-sealed bottle” and can easily encapsulate the salient characteristics of the product. The POLAROID camera, similarly, was conceivably something altogether different than a regular camera. How else would you describe those differences without using “POLAROID” (or, indeed, any other fanciful or short, crisp suggestive or descriptive term the company may have chosen) to embody them?

Because of this inability to describe the products in short, immediate ways, fanciful and subtly suggestive terms take over the descriptive component. That is, the trademark becomes the default term for the product precisely because there are no other popularized words to describe the specific product. A thermos is a “thermos” (not a “vacuum flask”) and a yo-yo is a “yo-yo” (not a “return top”). If an alternative generic signifier becomes popular, then the effect is mediated.¹²⁷

Lightly suggestive marks are those on the border of descriptive and suggestive. These marks might still fall into genericness. To do so, however, the trademark must entirely overtake the conventional descriptor in the product identification function. In order for KLEENEX to become a generic term, for example, it would have to become the public’s default term—or at least a default term—for “facial tissues.” KLEENEX is lightly suggestive because it is not fully descriptive of “facial tissues.” But it is also suggestive, because it brings to mind something other than tissue (“clean” or the idea of being clean). The fall into genericness would take a level of fame—and whatever else might factor in—above and beyond that required for a fanciful term.¹²⁸

Arbitrary marks are difficult to categorize in this way. The term behind an

126. *But see* William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 296 (1988) (arguing that descriptive and suggestive marks are the most likely to fall into genericness). In comments to a draft version of this paper, Jake Linford noted that descriptive marks and fanciful marks are the most likely to fall into genericness—the former because “they may never escape the descriptive pull” and the descriptive meaning and brand meaning will not tend to diverge in most situations, and the latter because fanciful marks are more likely than others to be “nOUNed” or “verbed.”

127. For example, SANKA-brand decaffeinated coffee, XEROX-brand photocopiers.

128. We argue that KLEENEX likely has hit this threshold.

arbitrary mark already describes something else sufficiently popular to warrant its usage as a mark. If the primary meaning of “apple” were not *malus domestica* (and the word had no alternative definition), for example, then Apple Inc.’s use of the term would be fanciful rather than arbitrary. It is the very fact that the term signifies something other than consumer electronics that makes its use on unrelated goods “arbitrary.” Arbitrary marks might nonetheless fall into genericness upon overtaking (or challenging)¹²⁹ the alternative generic designation—for example, “apple” for use on the fruit—in the public’s consciousness.¹³⁰ But the likelihood of an arbitrary mark so falling seems low enough as to heavily incentivize stakeholders to adopt arbitrary marks instead of other types of marks.

Inherent strength does not generally change over time, although we can imagine it doing so. A mark may not become *more* arbitrary, but a mark could conceivably start out suggestive or descriptive and, once the consuming public forgets what the mark suggested or described because of the passage of time, may theoretically become arbitrary.¹³¹

A mark’s inherent strength essentially sets the initial lower threshold below which the mark’s strength will not drop, unless the mark becomes so “strong” that it turns generic, in which case it is no longer protectable as a mark with respect to the goods for which it is generic. We hypothesize that, for example, a truly fanciful mark such as KODAK is unlikely to backslide into less protection—or, in our model, the thinner part of the Ouroboros. Consider an example in which a putative mark is registered or at least adopted prior to competing uses. Regardless of that putative mark’s fame, the markholder should likely still be able to preclude those uses that it could have precluded at its adoption. Simply put, “relinquished strength” cannot exist. A trademark may

129. In comments on a draft of this Article, Alexandra Roberts noted a recent Saturday Night Live sketch in which President Obama takes questions at a town hall meeting. A constituent says she “sells apples” and the President thinks she means computers—she later clarifies that she sells fruit by the side of the road. *Saturday Night Live: Joseph Gordon-Levitt/Mumford & Sons* (NBC television broadcast Sept. 22, 2012).

130. Admittedly, it is difficult to find examples of arbitrary marks falling into genericness. The closest example we have found is TEDDY for stuffed bears. See *Alchemy II v. Yes! Ent. Corp.*, 844 F. Supp. 560 (C.D. Cal. 1994) (finding TEDDY generic for stuffed toy bears). Though we note that the original story behind the teddy bear involves President Theodore “Teddy” Roosevelt refusing to shoot a confined black bear, it’s unclear whether the consuming public ever made the appropriate connection. This fact highlights the importance of determining *to whom* the mark is arbitrary, descriptive, suggestive, and so on. Different categories of persons—that is, judges, the mark’s adopters, and the consuming public—all likely have different ideas about a mark’s etymology. The question of whose idea matters is therefore highly important.

131. We differentiate here between terms for which the genesis of the mark is forgotten because of the mark’s high level of acquired product significance—that is, cases in which a mark has become (or is about to become) generic—and terms for which the mark’s genesis is forgotten because of time or other reasons. In the former case, we are simply dealing with an application of mark strength principles. In the latter case, it may not be the case that the term has become generic for use on a specific product—consumers have simply forgotten an alternative meaning of the word.

be famous or infamous; in either case the mark will be stronger than it was initially. The mark may alternatively lack acquired strength (or secondary meaning) entirely, in which case the mark's overall strength is as if it were in its natural state. For example, although Ford Motor Company's arbitrary PINTO mark is not famous in a positive sense—that is, consumers' understanding of the mark is likely largely negative—it is likely sufficiently well known to be protectable against infringement or dilution were Ford to seek to enforce its rights.

In determining inherent distinctiveness, courts should not hesitate to consider aspects of a mark other than how imaginative the word used as a mark is in relation to its corresponding product. When a mark is likely to be viewed as a trademark by consumers—because, for example, it is stylized in a way that quickly communicates its function as a brand name—then the mark is more inherently distinctive, and should be considered so by courts and examining attorneys at the Patent and Trademark Office. (Although the factfinder must explicitly consider the stylization's relationship to the word mark's inherent strength in order to avoid overbroad enforcement of rights in the word mark.)

Since a mark higher on the *Abercrombie* taxonomy starts out stronger than a mark lower, the inherently stronger mark will need less acquired strength than the weaker in order to be entitled to the same scope of protection. Inherent distinctiveness is thus important—but it is not the alpha and omega of the analysis. As our illustration below nonetheless shows, only the most successful marks will obtain the strongest protection; even the most inherently distinctive marks have much room to grow after adoption. The overall strength of marks that have breached the protectability threshold—whether through secondary meaning or through designation as arbitrary, fanciful or suggestive—varies with time according to the other factors outlined below and is influenced by those other factors in existence at the time of creation.¹³²

Courts' analysis of inherent strength need not change much from the doctrine's present state. The law would certainly benefit, however, from clarity regarding the relevant perspective from which to measure into which *Abercrombie* category a given mark might fall. In the registration context, the stakeholder's interpretation—often quite far-fetched—usually suffices.¹³³ But

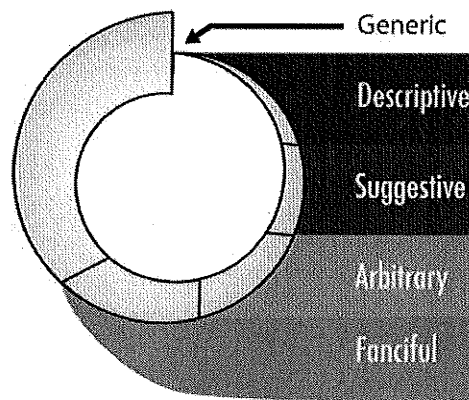
132. If a firm adopts a descriptive mark that has no similar third-party uses, then that mark will be more inherently distinctive than a mark that is used in a crowded field of similar terms, like AMERICAN.

133. See generally Roberts, *supra* note 53 (describing the many tests used to permit trademark registration). In particular, Roberts notes the "creativity fallacy": the TTAB is often swayed by mark owners' use of rhyme, allusion, assonance, and alliteration in mark adoption. For example, marks that the TTAB has held not merely descriptive include: AIR CARE for maintenance of oxygen-administration equipment, *Airco, Inc. v. Air Prods. & Chems., Inc.*, 196 U.S.P.Q. 832 (T.T.A.B. 1977), BEST REST for mattresses, *Dreamwell, Ltd. v. Kittrich Corp.*, 2011 WL 1495462 (T.T.A.B. 2011), and CLASSIC COLA for a cola-flavored beverage, *In re Classic Beverage Inc.*, 6 U.S.P.Q.2d 1383, 1387 (T.T.A.B. 1988). But see *In re Ginc UK Ltd.*, 90 U.S.P.Q.2d 1472, 1477 (T.T.A.B. 2007) (finding the rhyming quality of ZOGGS TOGGS "does not infuse TOGGS with any separate and distinct meaning apart from its

in litigation, it's quite unclear whose perception matters in determining whether the mark is generic, descriptive, suggestive, arbitrary, or fanciful: the litigants, the judge, or the public? To return to the COCA-COLA example, that term may have been descriptive of the primary ingredients in the drink during the early years. Assuming the company's current statements about the lack of coca leaf and kola nut in the drink are objectively true, the term COCA-COLA may no longer describe anything specific about the product. As a result, it may be that COCA-COLA should now and hereafter be considered arbitrary.¹³⁴

In Figure 5, we provide a rough visualization of the areas given types of marks will inhabit in terms of inherent strength, before taking into account the other factors, while leaving a significant portion of the Ouroboros available to denote the time required for any type of mark to fall into genericness:

FIGURE 5: OUROBOROS WITH INHERENT DISTINCTIVENESS OVERLAY



With respect to brand strength, the idea is somewhat similar, although in a different shape that mostly corresponds to the traditional pyramidal visualization of the *Abercrombie* taxonomy.¹³⁵ We note that brand strength has certain boundaries as well—for example, the owner of a mark that is arbitrary for one use but generic for another—for example, APPLE—will not be able to exclude the generic use despite an extremely high level of brand awareness.¹³⁶

generic meaning”).

134. In the infamous *KOKE* case, the Supreme Court reversed a Ninth Circuit decision that found that Coca-Cola Co. (Coca-Cola, Inc.'s predecessor) had, by continuing use of the name COCA-COLA after jettisoning cocaine as an ingredient, made fraudulent representations about the product's ingredients because, apparently, consumers expected the drink to have cocaine in it. *See Coca-Cola Co. v. Koke Co. of Am.*, 254 U.S. 143 (1920). Thus, as a matter of law, it is likely incorrect to say COCA-COLA is now misdescriptive.

135. *See infra* Part I.A.

136. *See Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1381 (Fed. Cir. 2012) (finding that Coach had failed to prove a likelihood of confusion or dilution between Triumph's COACH mark for educational software and publications, and Coach's registered COACH mark for handbags, luggage, and so on).

2. *Fame*

“Fame” is highly important within trademark doctrine for determining the scope of protection available to a mark, because remedies for dilution are available only to “famous” marks.¹³⁷ But fame in the sense we use it here should be distinguished from “fame” in the dilution context. In our terms, fame is a product of reputation and recognition.¹³⁸ A mark does not simply have fame or lack it; fame exists on a spectrum. In the Lanham Act sense, “famous” denotes a threshold showing of the high level of reputation necessary to garner protection against blurring and tarnishment. All trademarks used in commerce acquire a reputation of some sort, whether negative or positive. But not all trademarks acquire such a significant reputation as to avail their owners of protection against blurring and tarnishment under the Lanham Act. We can imagine that our version of “fame” exists on a 0-10 scale; dilution protection would require the mark to be an 8 on this scale—a “household name.”

Fame, in the way we use it, is measured by reference to a variety of factors. These factors correspond, in part, with those examined by judges in the context of overall trademark strength and secondary meaning. To recap some of our earlier discussion in Part I.D, evidence relevant to determining fame includes: dictionary definitions, unsolicited media coverage, testimony of persons in the trade, sales success, and, most importantly, accurate, unbiased consumer surveys.¹³⁹ Additionally, Lisa Larrimore Ouellette has persuasively argued that Google search rankings can be a valuable means of making a determination as to a word mark’s level of overall distinctiveness.¹⁴⁰ She likewise argues, and we agree, that Twitter followers, Facebook “Likes,” and Alexa rankings of

137. 15 U.S.C. § 1125(c) (dilution only actionable for the “owner of a famous mark”).

138. See Laura A. Heymann, *The Law of Reputation and the Interest of the Audience*, 52 BOSTON COLL. L. REV. 1341, 1342 (2011) (“At its core, then, reputation is the result of the collective act of judging another and the potential use of that result to direct future engagements.”). Landes and Posner argue that the law’s protection of reputation in trademark law incentivizes companies to maintain consistent quality. Landes & Posner, *supra* note 126, at 271-72. McCarthy argues that this is true only at a high level of generality. MCCARTHY, *supra* note 39, § 17:24 (while “a substantial change in the nature or quality of the goods sold under a mark may so change the nature of the thing symbolized that the mark becomes fraudulent and/or that the original rights are abandoned,” consumers generally expect only minor changes). See also Heymann, *supra*, at 1357 n.56.

139. On consumer surveys, see generally Irina D. Manta, *In Search of Validity: A New Model for the Content and Procedural Treatment of Trademark Infringement Surveys*, 24 CARDOZO ARTS & ENT. L.J. 1027 (2007) (arguing for surveys that engage “the mindset[s] of actual or potential customers” and that evaluate “subconscious cognitive processes” and proposing substantive guidelines for survey admissibility).

140. See generally Ouellette, *supra* note 72. More specifically, Ouellette argues that Google collapses the prongs of the traditional two-prong test so that it measures overall distinctiveness. That is, Google cannot tell the difference between a descriptive but commercially strong mark (such as AMERICAN airlines) and a fanciful but commercially weak mark (such as IZIK, a brand new search engine), but it can say that they are both very distinctive, protectable marks.

website traffic may also be relevant evidence of commercial strength.¹⁴¹ Analysis of fame should *not* include: advertising expenditures (without corresponding evidence of consumer response, the amount of money spent is irrelevant); length of use (except for distinguishing junior and senior users and, sometimes, where the senior user's use was substantially exclusive for a significant length of time); attempts to plagiarize—that is, to copy—the mark (without corresponding evidence of why the plagiarizer did so, the fact of such an attempt is irrelevant); and anything else that does not directly (or by accurate proxy) measure whether consumers actually identify a mark with some consistent source. The goal is to measure a mark's fame at the time of trial, not to gum up the analysis with evidence that is more appropriately reviewed in other contexts. For example, while intent to copy may give rise to a practical presumption of a likelihood of confusion,¹⁴² it does *not* provide relevant evidence of mark strength, absent other corroborating evidence.

To summarize, in terms of mark strength and product significance, the more famous a mark, the more it is pushed along the spectrum toward the Ouroboros' thicker end and thus closer to genericness. As marks lose fame, they receive less protection against similar marks. Courts look to various types of evidence in determining whether a descriptive mark has achieved secondary meaning, such as media usage or dictionary entries. These types of evidence are equally helpful for determining how deeply embedded into the public consciousness a mark has become—and therefore how broadly protectable the mark is.¹⁴³ The more famous a mark, the more it distinguishes itself from other marks.

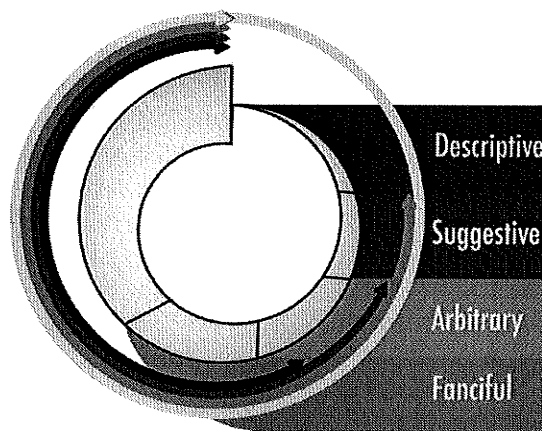
As fame increases, overall mark strength increases, and vice versa. In other words, the more people recognize the mark in connection with a source and a product, the more likely that mark is to fall into genericness; the less public recognition, the less likely is the fall (though we note that fame is directly connected with Factor 5 (lack of competition), as we will explain below). In Figure 6, we provide a visual of how fame pushes marks towards the Ouroboros's "head" and how lack of fame pulls them back:

141. *Id.* at 62 n.282.

142. *See* Bone, *supra* note 19, at 1337-38 n.178 (noting the courts' gradual expansion of the intent factor to include intent to copy as well as intent to deceive) (citing Beebe, *Multifactor Tests*, *supra* note 10, at 1628 ("[A] finding of bad faith intent creates, if not in doctrine, then at least in practice, a nearly un-rebuttable presumption of a likelihood of confusion.")).

143. *See supra* Part I.B.

FIGURE 6: OUROBOROS WITH FAME OVERLAY



Fame likewise causes brand strength to increase or decrease depending on how famous the mark has become. The more differentially distinctive the mark is in a brand strength sense, the more likely consumers are to be confused when the same or similar marks are used in related markets—or for very famous marks with a high level of brand significance, sometimes completely unrelated markets.¹⁴⁴

Somewhat paradoxically then, assuming the mark is used on relatively few products, the more famous the mark, the more likely people are to know of it, and the more likely they are to equate that mark with a given product, thus predisposing the mark to a fall into genericness.

3. *Third-party uses*

Another factor courts regularly consider in determining mark strength is, with good reason, the number of third party uses of marks employing the same (or similar) term as the mark at issue.¹⁴⁵ Regardless of a mark's inherent

144. Beebe distinguishes two types of confusion—identity confusion and inferential confusion—both of which are relevant to overall trademark strength. He writes:

Trademark law, and the marketing literature with it, has long recognized that the more distinctive a trademark is from other marks, the greater is consumers' "awareness" of it and the more immediately "accessible" it is in their memory. If a new mark appears that is similar to a preexisting and otherwise highly accessible mark, consumers are more likely to mistake that new mark for the mark they already know, i.e., to perceive the two marks as identical (which I will call "*identity confusion*"). This problem is exacerbated by consumers' tendency to devote less attention to the process of search when they are searching for what they consider to be a familiar brand. Alternatively, having successfully distinguished the new mark from the old, consumers may nevertheless infer incorrectly that, in light of their similarities, the two marks originate from and designate the same source (which I will call "*inferential confusion*").

Beebe, *supra* note 120, at 2032.

145. See, e.g., *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 259-60 (5th Cir.

strength, the mark is entitled to less protection when the term is used widely by other markholders. This is the “crowded field” theory: where there exists a plethora of similar marks on similar goods, each mark’s exclusive scope is correspondingly smaller.¹⁴⁶ For example, the court in *Bliss Salon & Day Spa v. Bliss World L.L.C.*¹⁴⁷ held that the mark BLISS was entitled only to narrow protection because “[d]efendant submitted evidence showing that four third-parties market and sell hair or skin care products either containing the word BLISS in the product’s name or use the term in the company name, and other evidence that various hair salons also use the name BLISS.”¹⁴⁸

The more third-party uses, the more likely it is that a court (or the Patent and Trademark Office) will permit additional uses of similar marks in a given product area. In economic terms, the costs to competitors of prohibiting the use of terms already in use by a variety of third-parties are simply too high to justify the benefits to consumers of having only a single trademark using the same or a similar mark.¹⁴⁹

The more third-party uses already in existence at the trademark’s adoption, or later permitted by the original markholder, the weaker her mark becomes.¹⁵⁰

1980) (“The greater the number of identical or more or less similar trade-marks already in use on different kinds of goods, the less is the likelihood of confusion.” (quoting Restatement of Torts § 729 (1938)).

146. MCCARTHY, *supra* note 39, at § 11:85 (“In a ‘crowded’ field of look-alike marks, each member of the crowd is relatively ‘weak’ in its ability to prevent use by others in the crowd.”). See, e.g., *In re Broadway Chicken Inc.*, 38 U.S.P.Q.2d 1559, 1565-66 (T.T.A.B. 1996) (“Evidence of widespread third-party use, in a particular field, of marks containing a shared term is competent to suggest that purchasers have been conditioned to look to other elements of the marks as a means of distinguishing the source of goods or services in the field.”).

147. *Bliss Salon Day Spa v. Bliss World LLC*, No. 00C2344, 2000 WL 1898597 (N.D. Ill. Dec. 22, 2000), *aff’d* 268 F.3d 494 (7th Cir. 2001).

148. *Id.* at *4.

149. See, e.g., *Miss World (UK) Ltd. v. Mrs. Am. Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir. 1988) (“In a crowded field of similar marks, each member of the crowd is relatively weak in its ability to prevent use by others in the crowd.”). See also Geoffrey K. Pullum, *It Wasn’t Lexus, It Was Lexis!*, LANGUAGE LOG (Mar. 24, 2004, 1:57 PM), <http://itre.cis.upenn.edu/~myl/languagelog/archives/000632.html>. Pullum writes:

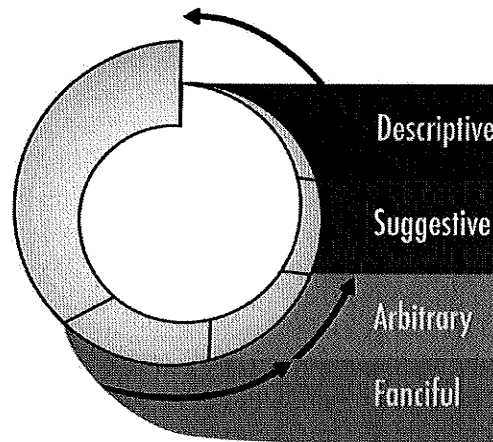
[I]f Starbucks says that everyone associates the name “Starbucks” with coffee and pastries from a distinctive source, and their opponent, an upstart company called Starbucks, is able to point to a whole bunch of similarly named establishments from which coffee, pastries or similar goods can be obtained, then it becomes much harder for Starbucks to argue that their name is so distinctive that consumer confusion will result. That is, if there’s already a Star Bach’s Restaurant and a Sta-Brucks Coffeeshouse and a Star Bucky’s and a Starbukes Pastries’n’Beer out there, then factor (3) starts to weigh against Starbucks when they go after Starbucks—because Starbucks is now what those in the trademark biz call a “crowded field”.

Even discounting Pullum’s analysis to account for the fact that he is a linguist and not a lawyer, his words are nonetheless sound.

150. This point highlights the difficulty of formulating an appropriate approach to trademark protection and why many trademark owners choose a scorched earth approach, sending cease and desist letters to all those who use their marks, whether in a communicative or commercial capacity. In the authors’ view, the most sensible approach would likely be to permit all communicative uses while simultaneously actively asserting one’s rights against

In Figure 7, we show how this effect works on the Ouroboros:

FIGURE 7: OUROBOROS WITH THIRD-PARTY USES OVERLAY



Third-party uses have practical effects on brand strength as well, although the basis for these effects is slightly different. Brand strength corresponds to the axis of products: the stronger the term's brand strength, the more likely consumers will assume the stakeholder has moved into other markets.¹⁵¹ But where the term used is relatively common, the scope of brand strength is accordingly circumscribed; overall trademark strength lessens correspondingly. For example, AMERICAN for airlines is a fairly well-established mark, but in terms of overall trademark strength, it is extremely weak. The reasoning for this corresponds to the classic reasoning given with regard to geographic marks and marks that incorporate signals of quality (like ACME or GOLD STAR). First, the term is common enough that consumers are not likely to be confused into assuming a common source when suppliers in diverse (or even related) markets use the mark. Second, and related, there are simply too many stakeholders out in the world already using the term precisely *because* it's so common. Again, take AMERICAN: the term is used on airlines, tobacco, cars, a university, a record label, and so on. Not many are likely to be confused by any of these uses. Likewise, GOLD STAR is (or was) used for two record labels, a recording studio, innumerable bars,¹⁵² and an Ohio-based purveyor of Cincinnati-style chili.¹⁵³ Each mark's scope is limited essentially only to the product on which

competing (and, depending on the plausibility of the claim, some or all non-competing) commercial uses. This is obviously more easily said than done. *Ex ante* crowding is difficult to stop; *ex post* crowding may at least somewhat be in the markholder's control.

151. See *supra* Par I.B.

152. Authors' Note: Gold Star Bar is a hipster meat market bar in Chicago's Ukrainian Village neighborhood. Among other assets, it has a great pool table.

153. Authors' Note: For the uninitiated, Cincinnati-style chili, or Cincinnati chili, is a

it is used and usually only in that market.

4. *Alternative generic signifiers*

Stakeholders wishing to prevent their marks from falling into genericness should consistently use a generic signifier along with the mark.¹⁵⁴ This is axiomatic advice from trademark practitioners. Judge Richard Posner writes:

Sometimes a trademark owner will sponsor a generic term precisely in order to avoid its mark becoming generic. Xerox succeeded with 'copier,' and Sanka was saved from becoming generic by the emergence of 'decaf' to denote the product of which Sanka was for long the best-known brand.¹⁵⁵

Though psychologists do not have a complete theory for *why* some generic terms are adopted over others,¹⁵⁶ Professor William Landes and Judge Posner offer an economic theory suggesting that good generic signifiers save on what we might call "imagination costs:" a good generic signifier requires less mental energy both to remember and to repeat the product's name, than a bad one.¹⁵⁷ Compare, for example, "aspirin" and "acetylsalicylic acid." Aspirin has fewer syllables, seems less "technical," and requires less mental energy to remember. For the typical consumer, "aspirin" is an easier way to find and remember the generic product category of acetylsalicylic acid she wishes to purchase.

The existence of an alternative generic signifier is *necessary* for a mark to be protectable in the first instance. Consumers must adopt that signifier at a sufficient level to make plausible its consideration by a court.¹⁵⁸ We can thus

close relative of Greek moussaka: it includes a chili generally spiced with cinnamon, cloves, allspice or chocolate, which is poured over the top of spaghetti noodles. It can be ordered in various "ways": bowl (just chili), two-way (chili and spaghetti), three-way (chili, spaghetti, and about a pound of shredded cheddar cheese), four-way (chili, spaghetti, cheese, and diced onions), and five-way (chili, spaghetti, cheese, onions, and kidney beans). It is delicious.

154. See, e.g., MCCARTHY, *supra* note 39, at § 12:27.

155. Ty Inc. v. Softbelly's Inc., 353 F.3d 528, 532 (7th Cir. 2003) (reversing a judgment that defendant's use of the word "beanies" infringed Ty's BEANIE BABIES mark for beanbag toys).

156. See, e.g., Paula Chesley & R. Harald Baayen, *Predicting New Words from Newer Words: Lexical Borrowings in French*, available at <http://www.tc.umn.edu/~ches0045/ChesleyBaayen2010LexicalBorrowings.pdf> (discussing the concept of lexical entrenchment); Paula Chesley & Dawn Lerman, *Consumer Memory for Easy-to-Pronounce Non-Word Brand Names: The Effect of Attitudes*, available at <http://www.tc.umn.edu/~ches0045/consumerMemoryChesleyLerman.pdf>. But see John Colapinto, *Famous Names*, THE NEW YORKER, Oct. 3, 2011 (profiling the brand-naming firm Lexicon and detailing its approach to creating popular brand-names).

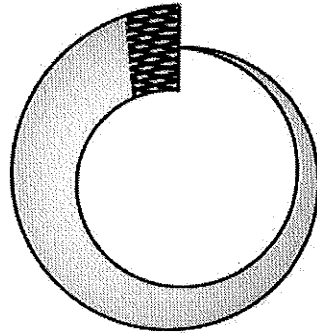
157. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268-69 (1987) (comparing "Sanka" and "the decaffeinated coffee made by General Foods"). See also MCCARTHY, *supra* note 39, at § 12:26 (discussing the benefits of adopting generic terms at the time of the mark's adoption).

158. Compare Donald F. Duncan, Inc. v. Royal Tops Mfg. Co., 343 F.2d 655, 655 (7th Cir. 1965) (finding "yo-yo" generic, despite plaintiff's attempts to popularize "return top" as an alternative generic signifier because of little public adoption of the term) with Ty Inc., 353 F.3d at 532 (giving "copiers" for Xerox and "decaf coffee" for Sanka as examples of

think of the adequate alternative generic signifier as a buffer at the thickest part of the Ouroboros, keeping the mark from falling into genericness. The thermos hypothetical helps to illustrate this effect. Vacuum bottle surely is a generic signifier for the product known as a "thermos." But, as shown by survey evidence in the *Thermos* case, the term "thermos" so outpaced "vacuum bottle" as a descriptor for the product that "vacuum bottle" was rendered meaningless by comparison. For all intents and purposes, the product *is and was* "a thermos." Now imagine that the public had also latched onto the term "vacuum bottle" to describe the class of products of which "THERMOS" was a part. "THERMOS" might still have become the generic signifier for its class, but it would take much more to push it over the hill, as it were, and off the cliff into genericness than if the public had never used "vacuum bottle" to describe that class of products.

In Figure 8, we show how an adequate alternative generic signifier affects the mark strength inquiry. Because an alternative generic signifier makes it more difficult for a term to become generic, an alternative term erects a boundary at the edge of the Ouroboros that protects a mark from falling into genericness. This boundary is not impenetrable; we can imagine consumers adopting both KLEENEX and 'tissue' as generic terms.¹⁵⁹ The boundary, however, can make the fall into genericness less likely:

FIGURE 8: OUROBOROS WITH ALTERNATIVE GENERIC SIGNIFIER OVERLAY



A solid alternative generic signifier not only buffers the dreaded fall into genericness, but also increases the mark's strength. This is actually rather intuitive. Imagine that we adopt a mark that is descriptive. At adoption, it is relatively weak, and will only be afforded minimal protection. To the extent we can cultivate (or consumers cultivate for us) a strong generic term that refers to our type of product, the public's (and competitors') linguistic "need" for our trademark drops. The mark is thus likely to be more strongly associated with the source, rather than the goods. In other words, an alternative generic

successful alternative generic signifiers).

159. In fact, we have argued elsewhere that KLEENEX likely is a generic term for tissues. See Greene & Wilkerson, *supra* note 13.

signifier creates linguistic space for competitive uses and permits a greater degree of control over the term used as mark.

With respect to brand strength, an alternative generic signifier has little practical value. The reader can refer back to our KLEENEX and THERMOS examples from Part I.A.: even if a mark becomes *the only* name for a given product—the sole generic term—that fact does not necessarily mean that the *brand* is weaker. Thermos LLC continues to operate a strong brand under the THERMOS label despite the de jure genericness of “thermos” for vacuum flasks, and Kimberly-Clark Worldwide, Inc. operates a very strong brand under the KLEENEX label despite that term’s (likely) de facto genericness.¹⁶⁰ In fact, de facto genericness is often a company’s goal in managing its brand.¹⁶¹

5. Brand extension and licensing

At the outset, it is helpful to again consider trademark hybridity and what it means with regard to how we should think about trademark strength. As a practical matter, trademark strength becomes null if and when the mark becomes generic for the class of goods on which it is used. At that point, the initial markholder can no longer control the term’s use in commerce by competitors. By contrast, brand strength can continue on until every relevant consumer recognizes the mark. This difference is subtle, and it is easy to confuse the two. Courts and scholars have been understandably confused about the relationship between brand significance and product significance, although not explicitly. If a markholder extends its brand from product *A* onto products *B* and *C*, for example, courts will often say that this extension makes it more likely that the mark will be used on yet other products (*D*, *E*, *F*, and so on ad infinitum). As a result, the mark’s exclusive scope grows to encompass additional related product markets.¹⁶² The cases typically call this “bridging the

160. See Greene, *supra* note 12, at 14 n.79 (citing INTERBRAND BEST GLOBAL BRANDS 2012, <http://www.interbrand.com/en/best-global-brands/2012/Best-Global-Brands-2012-Brand-View.aspx> (last visited Feb. 6, 2013) (listing KLEENEX as the 80th most valuable global brand)).

161. See Bill Morris, *Explosion of Brands and Erosion of Soul*, N.Y. TIMES, Dec. 21, 2012 (quoting Evin Ellis, Weed Eater’s marketing communications manager as stating “We consider WEED EATER the KLEENEX of weed whacking.”), available at http://www.nytimes.com/2012/12/22/sports/ncaafotball/putting-the-brand-before-the-football-game.html?_r=1&. See also *id.* (“There you have it: the art of brand management distilled to its essence. Corporations are now willing to shell out up to \$5 million a year to have their name attached to a college football bowl game because they want the brand to become so common and recognizable that it enters the language as the thing itself. The dream is to become . . . generic.”)

162. See Desai, *supra* note 12, at 1019-21 (detailing how the recognition of “house marks”—that is, marks like SONY that are used on a variety of related or unrelated goods—increases the ubiquity and, ultimately the strength, of a brand). See also *Han Beauty, Inc. v. Alberto-Culver Co.*, 236 F.3d 1333, 1336 (Fed. Cir. 2001) (house marks exist *only* if and when “the purchasing public recognizes that the common characteristic is indicative of a common origin of the goods”).

gap," a phenomenon we detail below. But the analysis should not be quite that simple. Extending a brand into new markets may strengthen *the brand*, but the practical effect—and indeed, one of the primary goals for many brand extensions—may be to reduce *the mark's* strength as a signifier of a specific product and its manufacturer, thereby effectively weakening the mark in order to prevent it from falling into genericness.¹⁶³ Put more succinctly, weakening the mark by broadening its product base may help in insulating against genericness.¹⁶⁴

Take VASELINE as an example. VASELINE was originally used as a trademark for petroleum jelly, and continues to be used as such. But over the years, the mark's owner, Unilever, had extended it into various related product markets like lotions and soaps. The owner's goal was likely, at least in part, to dilute VASELINE's product significance: to encourage consumers to think of VASELINE not simply as a synonym for "petroleum jelly," but rather as a free-floating brand signifier for products of whatever kind manufactured by the stakeholder (in addition to luring customers of VASELINE petroleum jelly to other VASELINE products). The owners were likely banking on a theory that as the brand significance of VASELINE grew, the product significance of VASELINE would wane.¹⁶⁵ The theory hardly panned out. Many consumers continue to recognize VASELINE for its original product significance, while simultaneously recognizing its existence as a house mark used on various products. The brand extension was not particularly successful in keeping the mark from becoming generic for petroleum jelly.¹⁶⁶

BIC is another example. Société Bic, the owner of the BIC brand, has marketed all sorts of disposable consumer goods using the term BIC: lighters, magnets, ballpoint pens, razors, and even watersport products. But because the

163. The traditional theory for house marks provides "a house mark serves as an umbrella for all of the product marks and merchandise emanating from a single source." *In re Royal BodyCare, Inc.*, 83 U.S.P.Q.2d 1564, 1568 (T.T.A.B. 2007). As should be fairly obvious, this idea conflicts with trademark law's general presumption that marks must be attached to goods. See MCCARTHY, *supra* note 39, § 9:13 ("[A] term used only as a trade name is not registrable. For example, a corporate name cannot be registered on the Principal Register unless that name is also used in a trademark or service mark sense"). As Desai has noted, the protection of house marks is more consistent with brand theory—house marks are ways in which companies can build "one coherent, centrally controlled identity to drive consumer purchases, rather than focusing on single products." Desai, *supra* note 12, at 1020. The house mark doctrine is the way in which the law protects markholders' interests in extending their marks in this way.

164. In other words, brand extension, in theory, *ambiguates* the term's meaning in order to reduce the likelihood of a mark's becoming a standardized, generic term. See Lawrence Lessig, *The Regulation of Social Meaning*, 65 U. CHI. L. REV. 943, 1011-12 (1995) (discussing ambiguation as a means of controlling social meanings).

165. Although we fully note that this may have been a secondary consideration in light of the potential benefits of brand extension outlined in the marketing literature. See Desai, *supra* note 12, at 1019-21.

166. See, e.g., "Vaseline," MERRIAM-WEBSTER DICTIONARY, available at <http://www.merriam-webster.com/dictionary/vaseline> ("used for petroleum jelly").

products are so ubiquitous, BIC is arguably generic for three separate disposable items: razors, lighters, and ballpoint pens.¹⁶⁷ Bridging the gap may make *the brand* stronger in the sense of expanding the mark's exclusive scope into related markets, but it may have little effect on the public's identification of the mark as generic for a specific type of product.

6. *Lack of competition*

We state this factor negatively because the existence of qualified competitors directly affects both product and brand significance, but in very different ways.

In terms of trademark strength, a lack of adequate competition is much of what drives certain terms into genericness. We see this happen most often with trademarks for use on previously-patented products, such as "cellophane," "thermos," and "escalator."¹⁶⁸ The period of exclusivity for patented products creates an artificial monopoly during which there is no competition—in both the fiscal and linguistic senses. Absent the creation and wide-scale adoption of an adequate alternative generic signifier, consumers as a result tend to identify the term with the product. Google Inc.'s market-share in the search engine market is so substantial that, for most intents and purposes, "internet searching" is "googling" and vice versa. Likewise, Kimberly-Clark Worldwide, Inc.'s market-share in the tissue market under the KLEENEX label is so significant that a "kleenex" is a "tissue" and consumers understand the terms' use as such. Lack of competition in the southern United States is a large reason why "coke" is a generic term for soft drinks there: there is no other relevant option for the thing about which the person is speaking.¹⁶⁹ Although PEPSI is certainly sold in the South, its market-share is (or at least was when "coke" as a generic signifier came into vogue) miniscule by comparison to COKE.

The less competition there is, as measured by market-share in the relevant product market and the number of competitors, the more likely it is that the mark will accelerate in strength until it falls off the cliff into genericness. Likewise, lack of competition can be measured by consumer access to options. For example, do most stores stock one brand of a product or five? Does Florida have ten WHATABURGER restaurants for every other hamburger-based fast-food chain? Do people buy the product online (where there are many options) or locally (where there are fewer options)? Does one company have an exclusive right to sell the product, regardless of the trademark (for example, a patented or

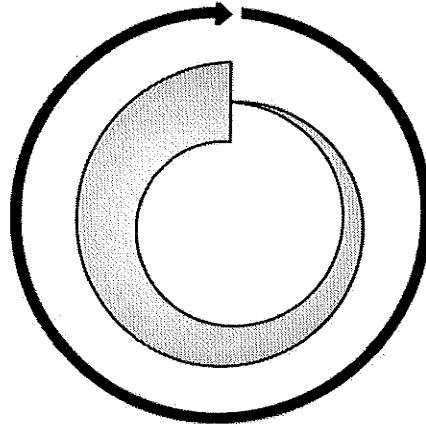
167. See, e.g., *Bic*, URBANDICTIONARY, <http://www.urbandictionary.com/define.php?term=bic> (last visited May 6, 2013) (among other definitions, "[a] 'Bic' is the most common type of lighter available[.]" "[t]he act of taking someones [sic] lighter and not giving it back[.]" and "to shave with any wet razor (disposable and/or cartridge)").

168. See *supra* Part I.C.

169. In a similar vein, many immigrants have anecdotes about using "hoovers" (vacuum cleaners) and "windex" (glass cleaner) because those were simply the only brand options available for those products.

copyrighted product)? Are the available substitutes very similar or dissimilar?¹⁷⁰ In Figure 9, we provide a visualization:

FIGURE 9: OUROBOROS WITH COMPETITION OVERLAY



By contrast, a lack of competition in a popular market can lead to a drastic jump in brand strength. In such conditions, the term becomes so ubiquitous as to make nearly any somewhat-related product plausible. For example, Google Inc.'s stranglehold on the search market is such that it was able to leverage its brand awareness into other related spheres, like document creation (GOOGLEDOCS) and social networking (GOOGLE+) without any discernable negative effect on its brand strength. If a company other than Google Inc. did *anything* computer-related using GOOGLE as a trademark, it seems likely that consumers would be confused as to the source of the new product, thinking that it came from Google Inc.

Thus, somewhat obviously, a lack of competition will tend to increase the mark's brand strength.

C. Caveats: Exogenous Trademark Doctrines

There exist certain trademark doctrines that prevent a term from being registrable or protectable, despite a term's functioning (or potential to function)

170. Market definition is very important to get correct but, as Professors Mark Lemley and Mark McKenna have shown, courts consistently fudge the analysis. Defining a relevant product market is quite difficult. See Desai & Waller, *supra* note 13, at 1468-76 (discussing various theories of market definition and noting their inability to properly account for brand loyalty); Mark P. McKenna, *(Dys)functionality*, 48 Hous. L. Rev. 823, 830-32 (2011). See also Mark A. Lemley & Mark P. McKenna, *Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP*, 100 GEO. L.J. 2055 (2012). We do not propose here that the options we have suggested are exclusive, but rather highlight them to illustrate the types of evidence that may tend to prove whether the market, however broadly or narrowly defined, is competitive.

as a trademark. The mark may somehow become registered on the principal register by virtue of the mark's inherent or acquired distinctiveness (which is not uncommon) or a party may claim common-law rights in the mark. We give two examples in this part—(1) the doctrine of foreign equivalents¹⁷¹ and (2) foreign generic terms¹⁷²—but do not claim that these are the only relevant doctrines.¹⁷³ Doctrines like these effectively overtake the overall mark strength inquiry for non-consumer-related policy reasons.

CONCLUSION

We have argued that the doctrine of trademark strength is broken. In large

171. Under the doctrine of foreign equivalents, a foreign word and its English equivalent may be held to be confusingly similar, thereby resulting in either liability for infringement or the Patent and Trademark Office's declining to register the mark in the first instance. TRADEMARK MANUAL OF EXAMINATION PROCEDURE ("TMEP") § 1207.01(b)(vi) (2011). See, e.g., *In re Thomas*, 79 U.S.P.Q.2d 1021 (T.T.A.B. 2006) (holding MARCHE NOIR for jewelry likely to be confused with BLACK MARKET MINERALS for retail jewelry store services); *In re Am. Safety Razor Co.*, 2 U.S.P.Q.2d 1459 (T.T.A.B. 1987) (holding BUENOS DIAS for soap likely to be confused with GOOD MORNING and design for latherless shaving cream); *In re Hub Distrib., Inc.*, 218 U.S.P.Q. 284 (T.T.A.B. 1983) (holding EL SOL for clothing and footwear likely to be confused with SUN and design for footwear).

172. The rule against protecting foreign generic terms does what it says. The doctrine arises from the Seventh Circuit's decision in *Donald F. Duncan v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965) (the "yo-yo" case). In that case, the circuit court held that the plaintiff's "yo-yo" trademarks were invalid on two grounds: first, that well before it was introduced in the United States, the toys at issue were in use in the Philippines, and their generic name was "yo-yo;" and second, that "yo-yo" had become the generic term for the toy in the United States as well. The court stated that it believed registration of the name was improper in the first instance, but out of an abundance of caution went forward with its more general genericness analysis. *Id.* at 662 ("Assuming, therefore, contrary to what we think, that the marks were properly registered, there remains the issue as to whether 'Yo-Yo' in use became known to members of the public as the descriptive name of the toy."). The rule is not always applied reciprocally. For example, while it is generic in the United States, ASPIRIN remains a registered trademark, owned by Bayer AG, in Germany, Canada, and Mexico, among other countries. See *Aspirin*, WIKIPEDIA, <http://en.wikipedia.org/wiki/Aspirin> (last modified Dec. 5, 2012) (citing Tsung O. Cheng, *The History of Aspirin*, 34 TEX. HEART INST. J. 392-93 (2007)).

173. Note that we do not include expired patents here because we agree with McCarthy's assessment of cases like *June* and *Kellogg*. He writes first that *June*:

[D]oes not state that the name became generic because the patents expired, but merely that if the name had already become generic during the patented "single source" period, then when others were free to copy the public domain product, they of course, could use the generic name. The alleged mark became generic wholly independent of patent rights.

MCCARTHY, § 12:53, *supra* note 39. Furthermore, he argues that, in the *Kellogg* case, "shredded wheat" had already become generic before the patent expired. *Id.* ("Upon expiration of patent rights, anyone was free to make biscuits in that shape and with that machinery. But the right to use the name 'shredded wheat' had *already* passed into the public domain because of public usage even before anyone else could make this shape of biscuit."). Thus, through more careful policing of the name and promoting alternative generic signifiers, patentees can hold onto their trademarks after the patent expires. The fact of the patent's existence creates a strong likelihood that the trademarked term will fall into the public domain along with the patent, that's not necessarily a compulsory conclusion.

part, this is so because of several fundamental misunderstandings about overall mark strength: (1) judges, scholars, and practitioners do not fully understand trademark hybridity and its implications for determining a mark's exclusive scope; (2) judges, scholars, and practitioners often misunderstand the relationship between trademark strength (that is, the differentiation between brand significance and product significance) and genericness, which leads to courts finding non-generic many marks that may be de facto generic and the mindset prevalent among practitioners that these same marks *cannot* be generic because consumers recognize them as brands;¹⁷⁴ and (3) the existing analysis courts apply to determine overall mark strength is needlessly open-ended, which acts to the detriment of those attempting to apply it and results in opinions that may be driven more by heuristics and proxies than a careful, rational analysis of the evidence.

We outlined the difference between product significance and brand significance, the former of which applies to determine whether a challenged mark can be excluded along the dimension of terms, the latter to determine the same on the dimension of products. We showed that the character of each type of significance differs, with product significance being circular and brand significance being pyramidal. Finally, we set forth a multi-part analysis that we believe can help judges, practitioners, and scholars to accurately evaluate overall mark strength, thereby leading to more reasoned conclusions and better predictive accuracy in trademark litigation.

Normatively, the recalibration of trademark strength doctrine we suggest in this paper has several benefits. First, while it might seem paradoxical to conclude that limiting the amount of evidence available would lead to better-reasoned conclusions, it is actually quite sensible. By separating the evidentiary wheat from the chaff, courts can more easily and effectively seek the answer to the question of how consumers actually (or are likely to) interpret marks in the marketplace. Second, the Ouroboros model provides a relatively easy visual explanation of how overall trademark strength actually works in practice. Third, the more we recognize the disconnection between product significance and brand significance, the more we can promote the goals of free communication and fair competition that lie at the heart of trademark law. After all, if consumer confusion is a proxy for these values, and if there's no confusion, most would likely agree that there's no harm (cabining, of course, trademark dilution doctrine, which has particular problems identifying the harm to which it's addressed).¹⁷⁵ By better understanding trademark strength, we can more easily ensure that consumers' and communicators' interests are accounted for in trademark doctrine.

174. See generally Greene, *supra* note 12.

175. See generally Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008) (arguing that the harm to which dilution is addressed falls directly within the First Amendment's protective ambit); Bone, *supra* note 19; Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029 (2006).

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 5 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith are the following documents downloaded from the Internet in
December 2018:

TMEP § 901-901.05 concerning use in commerce of a mark.

Adams, Genevieve et al.: Federal Circuit Clarifies "Use in Commerce" Requirement,
Publication of the Law Firm Brinks Gilson & Lione, April 2015.

Siesel, Nikki: What Constitutes Use in Commerce For A Service Mark?, January 27,
2014.

Maynard, Kimberly M.: Use of Service Marks in Commerce: Making Good on Your
Promises, Baker Hostetler, IP Intelligence, Insight on Intellectual Property, March 20, 2015.

Heavner, B. Brett: 'Use in Commerce' Problems in U.S. Trademark Cases, Published on
Law360, June 14, 2010.

Sacks, Ira S.: Federal Circuit Confirms That Advertising Your Services On A Website Is Not Use In Commerce, akerman, Marks, Works and Secrets, Akerman Insights on the Latest Developments in Intellectual Property Law, March 3, 2015.

The documents submitted herewith concern the issue of use in commerce of a service mark. Defendant has submitted a large volume of evidence concerning alleged advertising and promotion of its mark. The TTAB will be determining whether this advertising and promotion complies with the use requirements of 15 U.S.C. § 1127.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ H. Jay Spiegel

By H. Jay Spiegel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 5 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel

901 Use in Commerce

In an application based on use in commerce under §1(a) of the Trademark Act, 15 U.S.C. §1051(a), the applicant must use the mark in commerce on or in connection with all the goods and services listed in the application as of the application filing date.

See 37 C.F.R. §2.34(a)(1)(i). The application must include a statement that the mark is in use in commerce, verified in an affidavit or declaration under 37 C.F.R. §2.20. If the verification is not filed with the original application, it must also allege that the mark was in use in commerce on or in connection with the goods or services listed in the application as of the application filing date. 37 C.F.R. §2.34(a)(1)(i). See **TMEP §§804 et seq.** regarding verification.

In an application based on "intent-to-use" under §1(b) of the Trademark Act, 15 U.S.C. §1051(b), the applicant typically begins use in commerce after the filing date. The application must include a verified statement that the applicant has a bona fide intention to use the mark in commerce on or in connection with the goods or services listed in the application as of the application filing date. Prior to registration, the applicant must actually use the mark in commerce on or in connection with all the goods or services specified in the application and file an allegation of use (i.e., either an amendment to allege use under 15 U.S.C. §1051(c) or a statement of use under 15 U.S.C. §1051(d)). See **TMEP §902.**

A §1 applicant must use the mark in commerce even if the applicant asserts §44(d) or §44(e), 15 U.S.C. §1126(d) or §1126(e), as a second basis for filing. See **TMEP §§806.02 et seq.** regarding filing on more than one basis.

Applicants relying *solely* on a foreign registration as the basis for registration under §44(e) of the Trademark Act are not required to assert actual use of the mark prior to registration in the United States. **TMEP §1009.** See *Crocker National Bank v. Canadian Imperial Bank of Commerce*, 223 USPQ 909 (TTAB 1984). However, to retain a valid registration, the registrant must file an affidavit or declaration of use of the mark in commerce under 15 U.S.C. §1058 at the appropriate times, and establish use in commerce or excusable nonuse. See **TMEP §§1604 et seq.** regarding the affidavit or declaration of continued use or excusable nonuse.

Similarly, applicants requesting an extension of protection of an international registration to the United States under §66(a) of the Trademark Act are not required to assert actual use of the mark prior to registration in the United States. However, to retain a valid registration, the registrant must file an affidavit or declaration of use of the mark in commerce under 15 U.S.C. §1141k at the appropriate times, and establish use in commerce or excusable nonuse. See **TMEP §1613.**

901.01 Definitions

The power of the federal government to register marks comes from the commerce clause of the Constitution. Section 1 of the Trademark Act, 15 U.S.C. §1051, permits application for registration of "a trademark used in commerce" (15 U.S.C. §1051(a)) or of a trademark that a person has a bona fide intention to use in commerce (15 U.S.C. §1051(b)).

Section 45 of the Trademark Act, 15 U.S.C. §1127, defines "commerce" as "all commerce which may lawfully be regulated by Congress." Section 45 defines "use in commerce" as follows:

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. For purposes of this Act, a mark shall be deemed to be in use in commerce--

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and 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.

901.02 Bona Fide Use in the Ordinary Course of Trade

The definition of use in commerce (**TMEP §901.01**) was amended by the Trademark Law Revision Act of 1988 (TLRA), Public Law 100-667, 102 Stat. 3935, to add the phrase "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." The primary purpose of the amendment was to eliminate the practice of "token use," or use made solely to reserve rights in a mark.

The legislative history of the TLRA makes it clear that the meaning of "use in the ordinary course of trade" will vary from one industry to another. The report of the House Judiciary Committee stated that:

While use made merely to reserve a right in a mark will not meet this standard, the Committee recognizes that "the ordinary course of trade" varies from industry to industry. Thus, for example, it might be in the ordinary course of trade for an industry that sells expensive or seasonal products to make infrequent sales. Similarly, a pharmaceutical company that markets a drug to treat a rare disease will make correspondingly few sales in the ordinary course of its trade; the company's shipment to clinical investigators during the Federal approval process will also be in its ordinary course of trade....

H.R. Rep. No. 1028, 100th Cong. 2d Sess. 15 (1988).

The report of the Senate Judiciary Committee stated:

The committee intends that the revised definition of "use in commerce" be interpreted flexibly so as to encompass various genuine, but less traditional, trademark uses, such as those made in test markets, infrequent sales of large or expensive items, or ongoing shipments of a new drug to clinical investigators by a company awaiting FDA approval....

S. Rep. No. 515, 100th Cong. 2d Sess. 44-45 (1988). See also *Paramount Pictures Corp. v. White*, 31 USPQ2d 1768, 1774 n.8 (TTAB 1994), *aff'd*, 108 F.3d 1392 (Fed. Cir. 1997) (Table).

Therefore, some factors to consider when determining compliance with the statutory requirement for a "bona fide use of a mark in the ordinary course of trade" are: (1) the amount of use; (2) the nature or quality of the transaction; and (3) what is typical use within a particular industry. See *Automedx Inc. v. Artivent Corp.*, 95 USPQ2d 1976 (TTAB 2010) (finding sales of demonstration models of portable medical ventilators to military constituted bona fide use of mark in commerce); see also *Clorox Co. v. Salazar*, 108 USPQ2d 1083, 1086 (TTAB 2013) (finding that applicant had not made bona fide use of its mark in commerce, as applicant had not sold or transported goods bearing the mark in commerce as of the application filing date).

901.03 Commerce That May Be Lawfully Regulated By Congress

The scope of federal trademark jurisdiction is commerce that may be regulated by the United States Congress. The types of commerce encompassed in this definition are interstate, territorial, and between the United States and a foreign country.

"Territorial commerce" is commerce within a territory of the United States (e.g., Guam, Puerto Rico, American Samoa, or the United States Virgin Islands) or between the United States and a territory of the United States.

Purely intrastate use does not provide a basis for federal registration. However, if intrastate use directly affects a type of commerce that Congress may regulate, this constitutes use in commerce within the meaning of the Act. See *Larry Harmon Pictures Corp. v. Williams Restaurant Corp.*, 929 F.2d 662, 18 USPQ2d 1292 (Fed. Cir. 1991), *cert. denied* 502 U.S. 823 (1991) (mark used to identify restaurant services rendered at a single-location restaurant serving interstate travelers is in "use in commerce"); *In re Silenus Wines, Inc.*, 557 F.2d 806, 194 USPQ 261 (C.C.P.A. 1977) (intrastate sale of imported wines by importer constitutes "use in commerce," where goods bearing labels supplied by applicant were shipped to applicant in United States); *In re Gastown, Inc.*, 326 F.2d 780, 140 USPQ 216 (C.C.P.A. 1964) (automotive service station located in one state was rendering services "in commerce" because services were available to customers travelling interstate on federal highways); *U.S. Shoe Corp. v. J. Riggs West, Inc.*, 221 USPQ 1020, 1022 (TTAB 1984) (billiard parlor services satisfy the "use in commerce" requirements, where the record showed that applicant's billiard parlor services were advertised in both Kansas and New York); *In re G.J. Sherrard Co.*, 150 USPQ 311 (TTAB 1966) (hotel located in only one state has valid use of its service mark in commerce because it has out-of-state guests, has offices in many states, and advertises in national magazines); *In re Federated Department Stores, Inc.*, 137 USPQ 670 (TTAB 1963) (mark used to identify retail department store services located in one state was in use in commerce, where the mark was used on credit cards issued to out-of-state residents, and on catalogs and advertisements shipped to out-of-state customers).

In some cases, services such as restaurant and hotel services have been deemed to be rendered in commerce because they are activities that have been found to be within the scope of the 1964 Civil Rights Act, which, like the Trademark Act, is predicated on the commerce clause. See *In re Ponderosa Motor Inns, Inc.*, 156 USPQ 474 (TTAB 1968); *In re Smith Oil Corp.*, 156 USPQ 62 (TTAB 1967).

The term "foreign" is not acceptable to specify the type of commerce in which a mark is used, because it does not clearly indicate that the mark is in use in a type of commerce that Congress can lawfully regulate. Unless the "foreign commerce" involves the United States, Congress does not have the power to regulate it. Use of a mark in a foreign country does not give rise to rights in the United States if the goods or services are not sold or rendered in the United States. *Buti v. Impresa Perosa*

S.R.L., 139 F.3d 98, 45 USPQ2d 1985 (2d Cir. 1998); *Mother's Restaurants Inc. v. Mother's Bakery, Inc.*, 498 F. Supp. 847, 210 USPQ 207 (W.D.N.Y. 1980); *Linville v. Rivard*, 41 USPQ2d 1731 (TTAB 1996), *aff'd*, 133 F.3d 1446, 45 USPQ2d 1374 (Fed. Cir. 1998); *Aktieselskabet af 21. November 2001 v. Fame Jeans Inc.*, 77 USPQ2d 1861 (TTAB 2006). See also *Honda Motor Co., Ltd. v. Winkelmann*, 90 USPQ2d 1660 (TTAB 2009) ("[T]he evidence that applicant relies upon through its foreign registrations and Internet printouts does not demonstrate trademark use for the claimed goods. Further, these documents do not show that applicant has an intent to use the mark in the United States.")

Offering services via the Internet has been held to constitute use in commerce, since the services are available to a national and international audience who must use interstate telephone lines to access a website. See *Planned Parenthood Federation of America, Inc. v. Bucci*, 42 USPQ2d 1430 (S.D.N.Y. 1997), *aff'd*, 152 F.3d 920 (2d Cir. 1998) (Table), *cert. denied*, 525 U.S. 834 (1998).

An applicant is not required to specify the type of commerce in which the mark is used. The USPTO presumes that an applicant who states that the mark is in use in commerce is stating that the mark is in use in a type of commerce that Congress can regulate, unless there is contradictory evidence in the record. See **TMEP §901.04** regarding the circumstances where an examining attorney should inquire as to whether the mark is in use in commerce that can be regulated by Congress.

901.04 Inquiry Regarding Use in Commerce

It is the responsibility of the applicant and the applicant's attorney to determine whether an assertion of use in commerce is supported by the relevant facts. The validity of an applicant's assertion of use in commerce generally does not arise in *ex parte* examination. The examining attorney will normally accept the applicant's verified claim of use in commerce without investigation into whether the use referred to constitutes "use in commerce."

An applicant is not required to specify the type of commerce in which the mark is used. See **TMEP §901.03**. However, if the applicant specifically states that the mark is in use in commerce that cannot be regulated by Congress (e.g., "intrastate commerce" or "foreign commerce"), the applicant has not met the statutory requirement for a verified statement that the mark is in use in commerce, and a specification of the date of first use in commerce, as defined in §45 of the Trademark Act.

Accordingly, the examining attorney must advise the applicant that it appears that the mark is not in use in a type of commerce that can be regulated by Congress and must require that the applicant either submit a verified statement that "the mark is in use in commerce that can be regulated by Congress," or amend the basis of the application to a bona fide intention to use the mark in commerce under §1(b) of the Act, if permitted by 37 C.F.R. §2.35. See **TMEP §806.03(c)** regarding amendment of the basis from §1(a) to §1(b).

If the application record contains evidence or information indicating that the mark may not be in use in commerce that "may lawfully be regulated by Congress," the examining attorney must ask the applicant whether there is use in commerce that may lawfully be regulated by Congress and require a satisfactory explanation or showing of such use. When necessary, the examining attorney may also require additional information or evidence concerning the use of the mark to permit full consideration of the issue. 37 C.F.R. §2.61(b); **TMEP §814**.

901.05 Use Only by Related Company

If the applicant is not itself using the mark in commerce but the mark is being used by one or more related companies whose use inures to the applicant's benefit (15 U.S.C. §§1055 and 1127), this must be stated in the application or allegation of use. 37 C.F.R. §2.38(b); **TMEP §1201.03(a)**. See **TMEP §903.05** regarding first use by a predecessor in title or related company.

See **TMEP §§1201.03 et seq.** regarding use by related companies.

April, 2015

Federal Circuit Clarifies “Use in Commerce” Requirement

By: Genevieve Adams and Nicholas de la Torre

In a precedential opinion decided on March 2, 2015, the U.S. Court of Appeals for the Federal Circuit affirmed the Trademark Trial and Appeal Board’s (TTAB’s) decision sustaining a cancellation action against Appellant’s trademark registration for PLAYDOM. For the first time the Federal Circuit directly addressed whether the offering of a service, without the actual provision of the service, is sufficient to constitute “use in commerce” under the Lanham Act § 45. Under the Lanham Act, a service mark is “used in commerce” 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.” 15 U.S.C. § 1127

On May 30, 2008, the Appellant David Couture filed a use-based service mark application for the mark PLAYDOM covering a variety of entertainment-related services. On that same day Appellant created a website consisting of a single page, which stated, “Welcome to PlaydomInc.com. We are proud to offer writing and production services for motion picture film, television, and news media. Please feel free to contact us if you are interested: playdominc@gmail.com”. The web page also included the notice: “Website Under Construction.” Appellant submitted a screen shot of the web page as evidence of use, and the PLAYDOM mark registered on January 13, 2009. Appellant did not actually provide any services under the mark until 2010.

Appellee Playdom, Inc. subsequently filed an application to register the identical mark. After being refused registration based upon Appellant’s registered mark, Appellee petitioned to cancel the cited registration. Appellee argued that Appellant’s proffered use of its mark did not give rise to “use in commerce” under the Lanham Act as of the May 30, 2008 application filing date and, therefore, the underlying application was void *ab initio*.

The TTAB granted the cancellation petition, noting that the Appellant “had not rendered his services as of the filing date of his application” because Appellant “merely posted a website advertising his readiness, willingness and ability to render said services.” As a result the TTAB held that the application was void *ab initio*, and the resulting registration should be cancelled. Appellant appealed the TTAB decision to the Federal Circuit.

Reviewing the TTAB’s legal conclusions *de novo*, and factual findings for substantial evidence, the Federal Circuit affirmed the decision. After considering the evidence of record, the Federal Circuit noted the Lanham Act’s clear language in stating 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...’” (citing 15 U.S.C. § 1127). Because there was no evidence in the record indicating that Appellant actually rendered services to any customer before 2010, the Federal Circuit determined that the mark was not in use in commerce as of the May 30, 2008 filing date and, consequently, the registration is void. In so holding, the Federal Circuit adopted the views of several other circuits, such as the Second, Fourth and Eighth Circuits, that have similarly interpreted Lanham Act § 45 as requiring the actual provision of services. Thus, merely advertising or publicizing a service that an applicant intends to perform at some point in the future will not support a use-based registration.

[Click to view additional information regarding the case.](#)

If you have any questions or wish to discuss how the revised guidelines will impact your business, please contact an attorney in the [Trademark practice group](#) at Brinks Gilson & Lione.

This article is intended to provide information of general interest to the public and is not intended to offer legal advice about specific situations or problems. Brinks Gilson & Lione does not intend to create an attorney-client relationship by offering this information and review of the information shall not be deemed to create such a relationship. You should consult a lawyer if you have a legal matter requiring attention. For further information, please contact a Brinks Gilson & Lione lawyer.

Nikki Siesel

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JANUARY 27, 2014

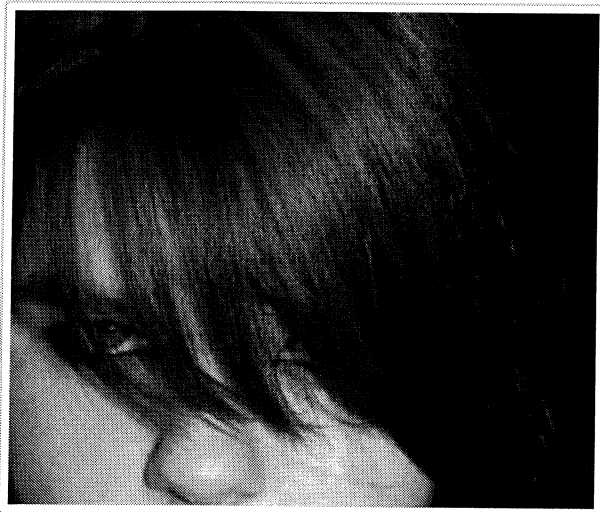
What Constitutes Use In Commerce For A Service Mark?



The Trademark Trial and Appeal Board (TTAB) recently answered this question on January 2, 2014, in the case of *Blast Blow Dry Bar LLC v. Blown away LLC d/b/a Blast Blow Dry Bar*, Opposition No. 91204769 (January 2, 2014). The applicant is a hair salon located in Minnesota marketing its services under the trademark BLAST BLOW DRY BAR for hair care services. The opposer is located in Texas, and is using the mark BLAST BLOW DRY for hair salon services that include wash and blow-dry services. The Board held that the trademarks were highly similar. The only difference was a diacritic circle and the disclaimed word "bar". Apparently, the applicant did not conduct its due diligence. It is critical to conduct a clearance search prior to filing a trademark application so that you can avoid encountering similar marks for identical services during your trademark prosecution.

The Board concluded that the services were essentially identical. Therefore, it held that there was a likelihood of confusion between the trademarks. Since the issue of likelihood of confusion was determined, the case turned into a question of priority. To resolve this issue, one party must demonstrate they used the mark in commerce before the other party, thereby entitling that party to register the trademark at the United States Patent & Trademark Office (USPTO). The legal definition of "use in commerce" will be discussed as well as what types of action rise to this level.

To establish priority a party can rely on their trademark registration, trademark filing date, trade name use, trademark or service mark use, use equivalent to service mark or trademark mark use, or demonstrate another use that rises to this level. The opposer pleaded rights based on use and use tantamount to service mark use. For a service mark to be legally used in commerce, it must be used in advertising or in the sale of the services and the services must be rendered. The opposer used its trademark in advertising and specifically on a banner as early as December 5, 2011. The opposer also attended a party as a promotional effort and styled several guests' hair while distributing marketing brochures. However, the hair styling services were rendered as a courtesy and the opposer was never paid for such services. The TTAB held that this was sufficient for use in commerce under the Trademark Act. See 15 U.S.C. §1127 for the legal definition of commerce.



Payment for services is not necessary to qualify as “use in commerce”. See *Capital Speakers Inc. v. Capital Speakers Club of Washington D.C. Inc.*, 41 USPQ2d 1030, 1034 (TTAB 1996). The intended purpose of the revised definition of “use in commerce” was to allow for flexibility and for a broad application. The legislative intention was to provide for a liberal interpretation of the statute to include commercial use that is common to a specific industry. Even though only four clients received services on the day in question, due to the local nature of the business and low cost of the services, the Board held that this warranted finding commercial use, under the circumstances. The Board held that the opposer established use in commerce as of December 8, 2011.

The applicant was entitled to rely on its trademark application filing date for its first use date, December 10, 2011. An applicant’s filing date is considered the first use date unless it can be shown that earlier use in commerce occurred. See *Cent. Garden & Pet Co. v. Doskocil Mfg. Co.*, 108 USPQ2d 1134 (TTAB 2013). (See also [our blog post entitled Trademark Applicants Have Another Reason To File For Federal Protection](#) where Central Garden & Pet Co. was the focus of the update). Both parties tried to assert that its purchases of its domain names could constitute use in commerce. However, the Board found that this was insufficient to qualify as neither website was operational at the time of purchase and services were not being rendered. Applicant also claimed that he formed his limited liability company at a time prior to his trademark filing at the USPTO. But the mere formation of a business entity will not be sufficient to satisfy the Trademark Act’s definition of use in commerce.

There was also discussion by the opposer that the negotiation and execution of his commercial lease may qualify for an earlier use in commerce date. The Board held that the lease execution did not constitute public use of the trademark. Lastly, opposer attempted to establish an earlier first use date by informing the Board that there was distribution of business cards and other marketing material. However, the opposer could not prove how many potential customers were reached by this promotional effort or that it had a significant impact on the public. Therefore, this too failed to rise to the level of use in commerce.

In summary, The TTAB held that opposer established a first use date on December 8, 2011, while the applicant had to rely on his trademark application filing date of December 10, 2011. Therefore, the TTAB sustained the opposition and refused to register the applicant’s trademark. The common law rights of the opposer prevailed. If you have any questions, regarding whether your trademark use will satisfy the legal definition of use in commerce, please feel free to contact our Office in Westchester County, New York. One of our New York trademark lawyers will be happy to assist you.

Posted in: [Common Law Rights & Priority](#)

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Use of Service Marks in Commerce: Making Good on Your Promises



By **Kimberly M. Maynard** on March 20, 2015
Posted in **Uncategorized**

In order to register a service mark—a trademark used to promote and sell services, as opposed to goods—with the United States Patent and Trademark Office (USPTO), the owner of the service mark must be using the mark in interstate commerce. A service mark is “used in commerce” when “it is used or displayed in the sale or advertising of services and 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.” Lanham Act, 15 U.S.C. § 1127.

On March 2, 2015, in *Couture v. Playdom, Inc.*, the United States Court of Appeals for the Federal Circuit ruled that the owner of a service mark who has used the mark only to advertise its services cannot prove use in commerce. Instead, the service mark owner must both use the mark in its advertising and promotion of the services *and* make good on its advertising offer through actual sales of those services. When deciding this issue, the Federal Circuit considered a registration for the service mark PLAYDOM, obtained by David Couture in January 2009. In his application for registration, Couture claimed he used the mark in commerce as least as early as May 30, 2008, and based this claim on his ownership of a single-page website, 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.” At this time, Couture had not actually sold any of his services. His first sale did not occur until 2010.

In February 2009, Playdom, Inc., applied to register PLAYDOM with the USPTO. The USPTO denied the PLAYDOM application, saying that because Couture already had a registration for the same mark on similar services, Playdom, Inc.’s PLAYDOM was likely to be confused with Couture’s PLAYDOM. Thereafter, Playdom, Inc., petitioned to cancel Couture’s registration, arguing that because Couture had not actually sold his services as of May 30, 2008, his application was void *ab initio*, or from its inception.

The Federal Circuit agreed with Playdom, Inc., and found Couture's application void *ab initio* because, as of May 30, 2008, Couture had not actually sold his services. In doing so, the Federal Circuit clarified earlier case law and clearly stated that an "open and notorious public offering of services," while required, is not sufficient alone to establish the use necessary to obtain a service mark registration. Rather, "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." The Federal Circuit canceled Couture's registration, paving the way for Playdom, Inc., to secure its own registration.

The takeaway: when it comes to service mark use, actions speak louder than words. You must have rendered your services to obtain a registration. The corollary to this is that you should always save copies of any purchase orders, invoices, receipts, etc., from your first sales, as these can be very important for defeating a challenge to the first use date of your service mark.

Of course, had Couture filed an intent-to-use application, rather than a use-based application, the case may have had a different outcome. Once his application was approved, he would have had three years to actually start using the mark. Assuming he then did use the mark, a registration would have been issued and his filing date would have become his constructive first use date, thereby trumping the later use/filing by Playdom, Inc. This highlights the importance of seeking good trademark counsel when creating and then protecting a brand.

FINNEGAN

ARTICLE

'Use in Commerce' Problems in U.S. Trademark Cases

June 14, 2010

Law360

By B. Brett Heavner

Authored by B. Brett Heavner

In the United States, trademark rights are created only when goods or services are offered within the geographic borders of the United States. This fundamental doctrine is referred to as the "Territoriality Principle."

The rise of international tourism, the globalizing marketplace, and the borderless Internet have all combined to present significant challenges for the Territoriality Principle by raising serious questions about what "use in the U.S." means.

Recently, foreign casinos have stood at the forefront of U.S. litigation where the meaning of "use in the United States" is a central issue. The results in the two casino cases were surprisingly different given the similarity of the facts.

Nevertheless, the two decisions suggest certain "use-related" strategies that foreign trademark owners can use to improve their odds of winning disputes over U.S. trademark enforcement.

Common Law and Statutory Underpinnings

Ultimately, use is necessary to establish and maintain U.S. trademark rights. At common law, trademark ownership is established by prior use of the mark. In *re Trade-Mark Cases*, 100 U.S. 82, 94 (1879). "Use" is not a uniform concept in the statutory references, however. Federal trademark registration traditionally requires use of the trademark "in U.S. commerce" to obtain a registration. 15 U.S.C. § 1051. Even federal registrations obtained under international treaty, such as the Paris Convention or Madrid Protocol, can be maintained only if the mark is "used in commerce." 15 U.S.C. §§ 1058, 1141k.

The definition of the term "mark," however, refers merely to general "use" of the mark rather than "use in commerce" 15 U.S.C. § 1127. In the case of both trademark oppositions and cancellations, plaintiffs asserting prior trademark rights must either own a previously registered trademark or an unregistered mark "previously used in the United States." 15 U.S.C. § 1052(d).

The statute defines "use in commerce" in separate sections. "Commerce" is defined as all commerce that may be regulated by Congress. 15 U.S.C. § 1127. Traditionally, this is interpreted as interstate commerce within the United States and commerce between the United States and a foreign country.

The statute defines "use" differently depending on whether the mark pertains to goods or services. For goods, "use" entails placing the mark on the goods or on packaging for the goods, and selling

or transporting the goods in commerce. Id. For services, the mark must be displayed in the sale or advertising for the services, and the services must be "rendered in commerce." Id.

What Is 'Use in Commerce'?

According to these statutory definitions, use of a mark solely outside the United States creates no trademark rights within the United States. For goods, the statute clearly indicates that "use in commerce" requires the physical movement of the product in, or to, the United States.

Therefore, for example, the importation and resale of French-made wine into the United States would be "use in commerce" sufficient to protect the mark on the wine label. In re Silenus Wines Inc., 557 F.2d 806 (CCPA 1977).

But the mere advertising of a cigar brand in European-based periodicals and web sites (potentially viewable by U.S. residents) is not "use in commerce" in the absence of actual evidence of U.S. sales. *Guantanamo Cigar Co. v. Corporacion Habanos SA*, 2009 U.S. Dist. LEXIS 1115127 (D.D.C. Dec. 10, 2009).

Services require a more difficult analysis since there may not be a clear physical location where the services "are rendered." Increasingly, U.S. courts encounter disputes over services promoted to U.S. residents, but primarily performed outside the United States.

Unsurprisingly, minimal U.S. activities typically are insufficient to establish "use in commerce." Thus, U.S. spillover from Canadian advertising, coupled with evidence of sporadic visits by U.S. residents to a Canadian hair salon, was insufficient to establish "use in commerce" for the Canadian salon's mark in the absence of any U.S. locations. *Linville v. Rivard*, 41 USPQ2d 1731 (TTAB 1996).

Similarly, the ad hoc distribution of promotional T-shirts, key chains and coupons during the trademark owner's occasional U.S. business trips was insufficient to provide "use in commerce" for a cafe with a single location in Italy. *Buti v. Impresa Perosa S.R.L.*, 139 F.3d 98 (2d Cir. 1998).

On the other hand, when at least a part of a trademark owner's services are U.S. based, there may be "use in commerce" even though the principal service is actually performed abroad. For example, a European hotel chain's PENTA mark was considered to be "used in commerce" because its New York sales office (a) targeted U.S. residents with a significant advertising campaign, (b) took hotel reservations for the European PENTA hotels from U.S. residents, and (c) placed PENTA group promotional materials in the chain's U.S. affiliate hotel (which operated under the BARBIZON mark). *Penta Hotels Limited v. Penta Tours*, 9 USPQ2d 1081 (D. Conn. 1988) ("taking and confirming of hotel reservations is an integral part of the service").

The Two Casino Cases

In 2003 and again in 2009, U.S. courts considered whether a foreign casino had sufficient use of its mark in U.S. commerce for protection.

In the first case, *International Bancorp LLC v. Societe des Bains de Mer et du Cercle de Etrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003), the Casino de Monte Carlo in Monaco had prevailed in arbitration against International Bancorp, the owner of gambling Web sites operating under various MONTE CARLO-formative domain names.

In response, International Bancorp sought a declaratory judgment of noninfringement in U.S. federal court, claiming that the Casino de Monte Carlo had not used its CASINO DE MONTE CARLO mark in U.S. commerce. Casino de Monte Carlo did not operate any casino establishments in the United States, although thousands of U.S. residents enjoyed its casino services when visiting Monaco. The casino did operate a New York office that actively advertised Casino de Monte Carlo to U.S. residents, and booked reservations for U.S. residents traveling to Monaco.

The court determined that the booking service related solely to Casino de Monte Carlo's hotel services, and thus was not "use in commerce" for the casino's gambling services.

With respect to the casino's gambling services, the Second Circuit broke down the "use in commerce" analysis into two inquiries: (1) Was the mark displayed in U.S. advertising? and (2) Were the services rendered in commerce that may be regulated by Congress?

Given Casino de Monte Carlo's substantial U.S.-based advertising, it had clearly met the first part of the test. As to the second part of the test, the Second Circuit determined that the geographic locality of the gambling was irrelevant. Rather, regulation by Congress depended on the characteristics of the individuals doing the gambling.

Congress has the power to regulate "foreign trade" between the subjects of the United States and subjects of a foreign nation, frequently enacting laws that regulate the commercial interactions of U.S. citizens and the subjects of foreign nations, such as The Trading with the Enemy Act, the International Emergency Economic Powers Act, and Cuban embargo regulations. These laws specifically extend to transactions that occur solely on the foreign sovereign's soil. Accordingly, the evidence of U.S. residents gambling at Casino de Monte Carlo's Monaco location is sufficient to constitute "foreign trade" regulated by Congress.

The second casino case, *Kerzner International Ltd. v. Monarch Casino & Resort Inc.*, 2009 U.S. Dist. LEXIS 116622 (D. Nev. Dec. 14, 2009), involved a dispute over U.S. rights to the mark ATLANTIS between the owners of casinos in the Bahamas and in Reno, Nev.

The Nevada casino attacked the Bahamas casino's claimed prior U.S. rights on the ground that it had not used the ATLANTIS mark in U.S. commerce. The Bahamas casino did not have a U.S. location but did have substantial U.S. clientele who traveled to the Bahamas to gamble at the ATLANTIS casino. The Bahamas casino engaged in substantial U.S. advertising and had U.S.-based operations for casino accounting, casino treasury, and casino credit activities.

First, relying on the Penta holding, the Bahamas casino argued that its U.S.-based casino financial operations were integral to its principal casino services performed in the Bahamas and thus supplied the requisite "use in commerce." But the Nevada District Court distinguished the Penta decision (perhaps questionably) as basing "use on commerce" on the promotion of the U.S. affiliate BARBIZON hotel as part of the PENTA group.

Second, the Bahamas casino relied on the holding in *Casino de Monte Carlo*, arguing that U.S.-based promotion, combined with sales to U.S. residents visiting the Bahamas, constitutes use in commerce as "foreign trade." However, the Nevada District Court declined to follow *Casino de Monte Carlo* because it conflicted with earlier precedent (such as *Linville*, *Buti*, and others) and would therefore not be adopted by the Ninth Circuit. Thus, the Nevada District Court held that the Bahamas casino had not used ATLANTIS in commerce.

Oppositions and Cancellations

Two recent opposition decisions have created further confusion about the Territoriality Principle. In *First Niagara Ins. v. First Niagara Financial Group Inc.*, 476 F.3d 867 (Fed. Cir. 2007), the Federal Circuit determined that while a Canadian opposer's spillover U.S. advertising and minor insurance sales to U.S. citizens were insufficient to constitute "use in commerce," they were sufficient to meet the less onerous "previously used in the United States" standard of 15 U.S.C. § 1052(d).

The TTAB's March 15, 2010, decision in *Fiat Group Automobiles S.p.A. v. ISM Inc.*, 2010 WL 956670 (Opp. No. 91190607 TTAB Mar. 15, 2010), further complicates the Territoriality Principle. Opposer Fiat argued that ISM's PANDA application for automobiles diluted Fiat's famous European automotive PANDA marks.

ISM moved to dismiss the opposition because Fiat did not allege any use of the PANDA marks in the U.S. Fiat argued that its pleading was sufficient since the anti-dilution statute, 15 U.S.C. § 1125(c), does not contain any specific requirement for "use in commerce" or "use in the United States."

The TTAB held that the concept of "use" was part of the definition of "mark," 15 U.S.C. § 1127, thus requiring either (1) "use in the U.S." (but not necessarily "use in commerce") or (2) an "intention to

use" coupled with a pending U.S. application. Accordingly, the TTAB dismissed the opposition (with leave to amend) as neither requirement was alleged in Fiat's pleading.

How to Play the Odds

While the Territoriality Principle presents a serious challenge to foreign trademark owners with no U.S. operations, there are some steps they may take to improve the odds of successful U.S. trademark protection.

1. Document orders and shipments of goods to U.S. residents, as well as purchases of services by U.S. residents, even if the services are performed largely outside the U.S.
2. Document any advertising or press coverage specific to the U.S. public. Mere spillover foreign advertising viewable by U.S. residents will not count as "use in commerce" for infringement, but might count for "use in the U.S." in an opposition.
3. If possible, retain a U.S.-based agent to specifically promote your goods and services within the United States. Similarly, if possible, handle any supporting services for the principal foreign service (such as bookings, ticketing, planning and consulting for U.S. customers) through a U.S.-based employee or agent.
4. For Internet sales, specifically indicate that the goods and services are available to U.S. residents and offer pricing in U.S. dollars.
5. Include foreign marks in the promotional materials of any U.S. affiliate or U.S. sister's company's goods and services.
6. Take affirmative steps to increase awareness of famous foreign marks in the U.S. By following this approach, foreign trademark owners should significantly improve their chances of winning U.S. trademark litigation by meeting the statutory "use" requirements.

By following this approach, foreign trademark owners should significantly improve their chances of winning U.S. trademark litigation by meeting the statutory "use" requirements.

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Federal Circuit Confirms That Advertising Your Services On A Website Is Not Use In Commerce

By Ira S. Sacks on March 3, 2015

Posted in Trademarks, TTAB

In *Couture v. Playdom, Inc.*, the Federal Circuit held that the use of a mark on a website to offer services is not use in commerce sufficient to support an actual-use service mark application. As a result, the Court affirmed the Trademark Trial and Appeals Board's ("TTAB") cancellation of the mark. This highlights the risk in prematurely applying for an actual use, rather than an intent to use, mark.

David Couture appealed from a TTAB decision granting a petition by Playdom, Inc. ("Playdom") to cancel Couture's PLAYDOM service mark. On May 30, 2008, Couture filed an application to register the service mark PLAYDOM and attached a specimen showing alleged use of the mark – a screen capture of a website offering entertainment services in commerce. The website had been created the same day and 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 also indicated that it was "under construction." The PLAYDOM mark was registered by the United States Patent and Trademark Office ("PTO") on January 13, 2009, as Registration No. 3,560,701. No services under the mark were actually provided until 2010.

On February 9, 2009, Playdom filed an application to register the identical mark, PLAYDOM. Couture's registered mark was cited by the examining attorney as a ground for rejecting Playdom's application. Playdom filed a petition to cancel the registration of Couture's mark, arguing, *inter alia*, that Couture's registration was void *ab initio* because Couture had not used the mark in commerce as of the date of the application. The TTAB agreed and granted the cancellation petition. The Federal Circuit affirmed.

As a starting point, the Federal Circuit observed that to apply for registration under Lanham Act § 1(a), a mark must be "used in commerce", which requires – as to services – that, as of the filing date, the mark [1] 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. 15 U.S.C. § 1127; *Aycock Eng'g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1357 (Fed. Cir. 2009). The Court also noted that a registration of a mark that does not meet the use in commerce requirement is *void ab initio*, and mere preparations to use a mark in commerce are insufficient to constitute use in commerce.

The Federal Circuit then explained the fundamental proposition that “[w]ithout 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).

The Court recognized as a question of first impression in the Federal Circuit whether the offering of a service in commerce, without the actual provision of a service, is sufficient to constitute use in commerce. In *Aycock*, the Court found 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,” which was not met there. *Id.* (internal quotation marks and citation omitted). But the Federal Circuit noted that it had not suggested in *Aycock* that an open and notorious public offering alone is sufficient to establish use in commerce.

Rejecting Couture’s reliance on *In re Sones*, the Federal Circuit counseled that *Sones* merely held that “the test for an acceptable website-based specimen, just as any other specimen, is simply that it must in some way evince that the mark is ‘associated’ with the goods and serves as an indicator of source.” No cases or TTAB decisions cited by Couture held that mere offering of services constitutes use in commerce, and other circuits have interpreted the use in commerce requirement of 15 U.S.C. § 1127 as requiring actual provision of services. *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); *Sensient Techs. Corp. v. SensoryEffects Flavor Co.*, 613 F.3d 754, 759–63 (8th Cir. 2010); *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98, 100–03 (2d Cir. 1998); see McCarthy on Trademarks and Unfair Competition § 19:103 (4th ed. Supp. 2013) (“To qualify for registration, the Lanham Act requires that the mark be both used in the sale or advertising of services *and* that the services themselves have been rendered in interstate or foreign commerce.” (emphasis in original)). The Federal Circuit, noting that there was no evidence in the record showing that Couture rendered services to any customer before 2010, affirmed cancellation of Couture’s registration.

The Circuit also rejected Couture’s effort to change his application after the fact to an intent-to-use application. The Court noted that 37 C.F.R. § 2.35(b) provides procedures for substitution of a basis in an application either before or after publication, but explained that 37 C.F.R. § 2.35(b) 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”).

Thus, the lesson here is clear: any doubt about actual use should lead to the filing of an intent-to-use application, and not risk an actual use application: if an intent-to-use application had been filed by Couture, he would have gotten the benefit of the earlier filing date when the mark was actually used in commerce and issued as an actual use mark. See 15 U.S.C. § 1057(c).

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 6 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith are the following documents downloaded from the Internet in
December 2018:

TMEP § 1613.11, "Excusable Nonuse" of Mark..

Siesel, Nikki: [How Do You Prove Abandonment Of A Trademark?](#), January 13, 2017.

The documents submitted herewith concern the issues of abandonment of a mark and what constitutes excusable non-use of a mark. Defendant has submitted evidence of use of its mark in various territories more than three years ago and does not appear to have provided any evidence of excusable non-use of the mark in those territories subsequent to its most recent use. The TTAB will be determining in this proceeding whether Defendant ever established common law rights in the territories in question and whether its subsequent unexcused non-use in those territories resulted in loss of any common law rights Defendant may have earlier acquired.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

By H. Jay Spiegel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 6 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

torourke@bodnerorourke.com

Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
H. Jay Spiegel

1613.11 "Excusable Nonuse" of Mark

37 C.F.R. §7.37 (Extract)

A complete affidavit or declaration under section 71 of the Act must:

...

(f) . . .

(2) If the registered mark is not in use in commerce on or in connection with all the goods, services, or classes specified in the registration, set forth the date when such use of the mark in commerce stopped and the approximate date when such use is expected to resume; and recite facts to show that nonuse as to those goods, services, or classes is due to special circumstances that excuse the nonuse and is not due to an intention to abandon the mark[.]

The purpose of Section 71 of the Trademark Act is to remove from the register those registrations that have become deadwood. See *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 160 USPQ 715 (C.C.P.A. 1969). It is not intended, however, to cancel registrations because of a temporary interruption in the use of the mark due to circumstances beyond the control of the holder of the registration. See *In re Moorman Mfg. Co.*, 203 USPQ 712 (Comm'r Pats. 1979).

Thus, if the mark is not in use in commerce but the holder believes the registration should not be cancelled, the holder may file an affidavit or declaration showing that nonuse is due to special circumstances that excuse the nonuse, and is not due to any intention to abandon the mark. 15 U.S.C. §1141k(b)(2); see *Ex parte Kelley-How-Thomson Co.*, 118 USPQ 40 (Comm'r Pats. 1958).

Requirements for Affidavit or Declaration

Because Section 8(b)(2)(B) of the Trademark Act provides that the affidavit "shall ... include a showing"—language that implies proof—merely stating that special circumstances exist and there is no intention to abandon the mark is not sufficient. See *In re Conusa Corp.*, 32 USPQ2d 1857 (Comm'r Pats. 1993); *In re Moorman Mfg. Co.*, *supra*; *Ex parte Astra Pharm. Prod., Inc.*, 118 USPQ 368 (Comm'r Pats. 1958); *Ex parte Denver Chem. Mfg. Co.*, 118 USPQ 106 (Comm'r Pats. 1958). Sufficient facts must be set forth to demonstrate clearly that nonuse is due to some special circumstance beyond the holder's control or "forced by outside causes." See *In re Conusa Corp.*, *supra*; *In re Moorman Mfg. Co.*, *supra*; *Ex parte Kelley-How-Thomson Co.*, *supra*.

The affidavit or declaration must state when use in commerce stopped and give the approximate date when use is expected to resume. 37 C.F.R. §7.37(f)(2). If the holder was unable to commence use due to special circumstances beyond the holder's control that excuse the nonuse, the holder should state that the mark was never in use and give the approximate date when use is expected to begin. The affidavit or declaration must also specify the reason for nonuse, the specific steps being taken to put the mark in use, and any other relevant facts to support a finding of excusable nonuse.

The goods/services/classes for which excusable nonuse is claimed must be specified. See **TMEP §§1613.09 et seq.** regarding proper specification of the goods/services/collective membership organization.

In a multiple-class registration, there must be a recitation of facts as to nonuse for each class to which the affidavit or declaration pertains, or it must be clear that the facts recited apply to all the classes.

Presumption of Abandonment

If the mark has not been in use for three consecutive years and the holder has done nothing to try to resume use of the mark, the USPTO may presume that the holder has abandoned the mark. 15 U.S.C. §1127; see *Imperial Tobacco Ltd. v. Phillip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390 (Fed. Cir. 1990); *Yazhong Investing Ltd. v. Multi-Media Tech. Ventures, Ltd.*, 126 USPQ2d 1526, 1533 (TTAB 2018); *Dragon Bleu (SARL) v. VENM, LLC*, 112 USPQ2d 1925 (TTAB 2014); *Stromgren Supports Inc. v. Bike Athletic Co.*, 43 USPQ2d 1100 (TTAB 1997).

Examples of Special Circumstances that Do and Do Not Excuse Nonuse

In addition to a showing that there is no intention to abandon the mark, the holder must show that nonuse is due to special circumstances beyond the holder's control that excuse nonuse. The following examples provide general guidelines as to what is considered to be a special circumstance that excuses nonuse:

Business Decision. Nonuse related to a business decision is not beyond the holder's control and does not excuse nonuse.

Decreased Demand. Decreased demand for the product sold under the mark, resulting in its discontinuance for an indefinite period, does not excuse nonuse. The purpose of the requirement for an affidavit or declaration of use or excusable nonuse is to eliminate registrations of marks that are not in use due to ordinary changes in social or economic conditions. See *In re Conusa Corp.*, *supra*; *In re Parmalat S.p.A.*, 32 USPQ2d 1860 (Comm'r Pats. 1991); *Ex parte Astra Pharm. Prod., Inc.*, *supra*; *Ex parte Denver Chem. Mfg. Co.*, *supra*.

Trade Embargo or Other Circumstance Beyond Holder's Control. Nonuse may be considered excusable where the holder of the registration is willing and able to continue use of the mark in commerce, but is unable to do so due to a trade embargo.

Sale of a Business. Temporary nonuse due to the sale of a business may be considered excusable.

Retooling. The mark might be out of use temporarily because of an interruption of production for retooling of a plant or equipment, with production possible again at a scheduled time. However, nonuse due to retooling is excusable only if the holder shows that the plant or equipment being retooled was essential to the production of the goods and that alternative equipment was unavailable on the market. See *In re New Eng. Mutual Life Ins. Co.*, 33 USPQ2d 1532 (Comm'r Pats. 1991).

◀ 160 *Orders on Hand.* If the product is of a type that cannot be produced quickly or in large numbers (e.g., airplanes), yet there are orders on hand and activity toward filling them, nonuse might be considered excusable.

Illness, Fire, and Other Catastrophes. Illness, fire, and other catastrophes may create situations of temporary nonuse, with the holder being able to outline arrangements and plans for resumption of use. Such nonuse is often excusable.

However, a mere statement that the holder is ill and cannot conduct his or her business will not in itself excuse nonuse; the holder must show that the business is an operation that could not continue without his or her presence. See *New Eng. Mutual Life Ins.*, *supra*.

Negotiations with Distributors. A recitation of efforts to negotiate agreements that would allow for resumption of use of the mark, or a statement that samples of the goods have been shipped to potential distributors, may establish lack of intention to abandon the mark, but does not establish the existence of special circumstances that excuse the nonuse.

See *In re Parmalat*, *supra*; *In re Moorman*, *supra*.

Use in Foreign Country. Use of the mark in a foreign country has no bearing on excusable nonuse of a mark in commerce that can be regulated by the United States Congress. See *In re Conusa*, *supra*.

Use of Mark on Different Goods/Services. Use of the mark on goods/services other than those recited in the registration does not establish either special circumstances or lack of intention to abandon the mark. See *Ex parte Kelley-How-Thomson Co.*, *supra*.

Use of Mark in Another Form. Use of a mark as an essential part of a materially different composite mark does not excuse the failure to use the mark at issue. See *In re Cont'l Distilling Corp.*, 254 F.2d 139, 117 USPQ 300 (C.C.P.A. 1958).

Supplementary Evidence or Explanation of Nonuse

If the USPTO determines that the facts set forth do not establish excusable nonuse, the holder may file supplementary evidence or explanation, within the response period set forth in the Office action. If the affidavit or declaration included a claim of excusable nonuse when filed, no deficiency surcharge will be required for supplementing this claim with additional evidence or an explanation.

New Affidavit or Declaration Claiming Use

If there is time remaining in the statutory filing period (including the grace period) and the holder responds to the Office action by submitting a new affidavit or declaration with a claim of use, specimen, and filing fee, the USPTO will examine the new affidavit or declaration of use.

Nikki Siesel

New York trademark attorney whose practice focuses on U.S. and International trademark prosecutions and trademark portfolio management.

- [Justia](#)

JANUARY 13, 2017

How Do You Prove Abandonment Of A Trademark?



In the case of *Christian M. Ziebarth v. Del Taco, LLC*, Cancellation No. 92053501 (March 31, 2015) [not precedential], the Trademark Trial and Appeal Board set forth the standards for trademark abandonment. Christian Ziebarth (the “Petitioner”) filed a petition to cancel the mark NAUGLES, a standard character mark for restaurant services. In the 1970s, Naugles, Inc. operated a chain of restaurants under the NAUGLES service mark. In 1988, Del Taco, LLC (the “Respondent”) purchased all the assets of Naugles restaurant business, including the brand name. The last restaurant using the NAUGLES name closed in 1995 and Respondent has not re-opened a NAUGLES restaurant since that time.

Petitioner believed that the mark was legally abandoned. Petitioner is an on-line blogger who writes about food and restaurants. He noted that his blog post about the NAUGLES restaurant received a lot of comments from people who loved the food. This inspired him to open a restaurant named NAUGLES. Soon thereafter, he filed an application with the United States Patent & Trademark Office to register the mark. The Examining Attorney refused the application under Section 2(d) of the Trademark Act citing the registration for NAUGLES owned by the Respondent. The Petition to cancel was then filed on grounds of abandonment.

The Trademark Act defines abandonment under 15 U.S.C. §1127. It states in part that a mark is abandoned, “[w]hen its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from the circumstances. Nonuse for three consecutive years shall be prima facie evidence of abandonment.” The burden of proof initially rests with the petitioner and once a prima facie showing is made the burden of production shifts to the trademark owner. The owner must show that the mark was used during the three-year period or that they intended to resume use within the reasonably foreseeable future. See *Silverman v. CBS Inc.*, 870 F.2d 40, 9 USPQ2d 1778 (2d Cir. 1989).

In this case, during cross-examination of the Vice-President of Marketing of Del Taco, it was revealed that Del Taco stopped using the NAUGLES trademark as the actual name of the restaurant in 1995. The Vice-President of Marketing further stated that from the years of 1995-2010, it did not own a restaurant named NAUGLES. When asked if he currently owned a restaurant named NAUGLES, he responded no. However, the Respondent testified that use of the mark NAUGLES did continue in advertising and for clothing although it was not used for restaurants. Use of a mark on promotional goods such as

clothing does not constitute service mark use. For more information on service marks, see our web page, [What Is A Service Mark And How Can It Be Protected?](#) The services identified in the trademark registration (restaurant services) must be rendered in commerce. Use of a mark for services requires more than merely advertising with the mark. Advertising a service is not the same as rendering the service. Therefore, the Respondents cannot rely on the sale of clothing even if such sale was considered advertising and the clothes were branded with the mark NAUGLES.

There was no evidence of record of Respondent's use of the mark or its intent to resume use of the mark for restaurant services prior to 2003. Petitioner's prima facie showing of abandonment for the years 1995-2003 was not rebutted. Although there was some evidence of use of the NAUGLES mark in 2003, these activities would start the use clock running again, but cannot cure the abandonment of the mark. In other words, later use of a trademark cannot retroactively cure a prior abandonment. In addition, Respondent was unable to provide any evidence of advertising dollars invested in advertising the NAUGLES brand for restaurant services after 1995.

Lastly, the Respondent argued that the NAUGLES brand maintained "considerable goodwill" from prior use. The Board has never found residual goodwill to be a sufficient defense to trademark abandonment. See *Hornby v. TJX*, 87 USPQ2d 1421 (2d Cir 1989). In the end, the Petition for Cancellation was granted. The Board determined that the Petitioner successfully proved a prima facie case of abandonment and the Respondent was unable to prove use or intent to resume use for restaurant services. Once a mark is determined to be legally abandoned, it goes back into the public domain for adoption by any third party. If you have questions regarding trademark abandonment, please [contact our office for a courtesy consultation](#).

Posted in: [Trademark Trial and Appeal Board Proceedings](#)

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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

HANSCOMB CONSULTING, INC.,)	
)	
Plaintiff,	)	Concurrent Use No. 94002720
)	
v.	)	Mark: HANSCOMB CONSULTING
	)	Serial No. 87/100,385
HANSCOMB, LTD.,	)	Filed: July 12, 2016
	)	Published: December 27, 2016
Defendant.)	
_____)	

**PLAINTIFF'S NOTICE OF RELIANCE NO. 7 UNDER
37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.**

Submitted herewith are the following documents downloaded from the Internet in December 2018:

Toikka, Richard S.: COMMON LAW RIGHTS IN A TRADEMARK USED IN COMMERCE, Toikka Law Group LLP, December 19, 2017.

Colman, Charles E.: Beware the "territorial" nature of trademark rights, June 2, 2011.

Tarabichi, Bruno: Proving Market Penetration: Another Reason to Federally Register Your Trademark, (<https://trademarkwell.com/author/btadmin/>), July 17, 2017.

The documents submitted herewith concern the question of establishment of common law rights in a mark territory by territory. In this proceeding, the TTAB will be determining in which territories the respective parties have established common law rights in and to their marks.

Respectfully submitted,

HANSCOMB CONSULTING, INC.

/s/ *H. Jay Spiegel*

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF'S NOTICE OF RELIANCE NO. 7 UNDER 37 C.F.R. 2.122 AND TBMP § 704.02 ET. SEQ.** was served on the Defendant's Counsel via e-mail this 14th day of December, 2018, addressed to the following e-mail address of record:

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Date: December 14, 2018

By: /s/ *H. Jay Spiegel*
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GOVERNMENT CONTRACTING (/PRACTICE/GOVERNMENT-CONTRACTING/)
BLOG (/BLOG/)

CONTACT (/CONTACT/)

December 19, 2017 (/blog/common-law-rights-in-a-trademark-used-in-commerce)

COMMON LAW RIGHTS IN A TRADEMARK USED IN COMMERCE (/blog/common-law- rights-in-a-trademark-used-in-commerce)

In a prior blog post, I explained that the United States Patent and Trademark Office (USPTO) registers proper trademarks and service marks, but it does not issue them as it issues patents. However, even if a company does not apply to register a mark, it will generally have common law rights in a proper mark used in commerce. The common law rights are less extensive and less clearly articulated in case law than those for registered marks.

Benefits and Presumptions Acquired by Registration

As discussed in my prior post, registration on the Principal Register of the USPTO affords the registrant certain benefits in disputes with other entities, including (1) a statutory presumption that (a) the mark is valid, (b) the registrant is the owner of the mark, and (c) the registrant has the exclusive right to use the registered mark; (2) constructive notice of a claim of ownership, eliminating any justification or defense of good faith adoption and use made by a third party after

the registration date; (3) nationwide priority based on the filing date. None of these benefits accrues to the user of an unregistered mark, who in an enforcement action has the burden of proof on issues of validity, ownership and right to exclude.

The owner of a registered mark also has the right to file a trademark infringement lawsuit in federal court and to obtain monetary remedies, including infringer's profits, damages, costs, and, in some cases, treble damages and attorneys' fees. Instead, the owner of an unregistered mark must sue for infringement under state common law, which might not afford the recovery rights offered under the federal Lanham Act.

Common Law Rights in Unregistered Marks

However, a longstanding common law rule is that the first party to use a designation as a trademark acquires intellectual property rights in that designation, irrespective of registration.^[1] (file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn1) But, both before and after the Lanham Act creating federal registration of trademarks, courts have recognized valid concurrent use of the same unregistered trademark by different entities. A key to understanding concurrent use is the nature of the territorial limits of common-law marks.

There are two basic principles established in the common law. First, the scope of protection for common-law marks is limited to the geographic area where the mark is both known and recognizable by an articulable segment of possible customers.^[2] (file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn2) The scope of protection is limited to (1) the zone of actual goodwill (usually encompassing sales, advertising and reputation) and (2) the zone of natural expansion.^[3]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn3)

The zone of actual goodwill is usually split into (1) the zone of actual market penetration and (2) the zone of reputation. The zone of actual market penetration is where products have been sold, but there generally must be more than a *de minimis* amount of sales. The U.S. Court of Appeals for the Third Circuit has articulated a multi-factor test for actual market penetration including (1) amount of sales using the mark; (2) positive and negative growth trends in the area; (3) number of purchasing consumers compared with total number of possible consumers; (4) amount of advertising; and (5) trademark owner's market share;^[4]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn4) and other courts use similar tests.

The zone of reputation is tested by goodwill created through media, including Internet, advertising and word of mouth.[5]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn5) The zone of natural expansion covers areas untouched by the trademark owner. Courts have differing tests but they all require that the owner's development efforts must be articulable and concrete.[6]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn6)

Second, a senior user with nationwide common-law rights may not preclude a junior user who adopted the mark in good faith and without knowledge of the senior user in a geographically remote territory where the junior user was the first to adopt the mark.[7]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn7)

Thus, both senior and junior user of an unregistered mark have common law rights, but neither enjoys the benefits or presumptions that come with registration of the mark.

The Role of the Internet

The advent of the Internet has created new issues, which have not yet been resolved fully by the courts. Thus, the role of the Internet in establishing common-law trademark rights is still in legal flux. According to one commentator, U.S. trademark law has "neither clearly articulated the scope of protection for common-law trademarks used online nor provided sufficient guidance for companies that find themselves in legal conflicts over the use of such trademarks." [8]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn8) However, the courts have tried to apply pre-Internet principles regarding concurrent use, as explained above.

It is clear that merely establishing a website featuring a trademark does not establish common-law rights in that trademark.[9]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn9) As indicated above, a website may be one factor used to prove a zone of reputation, but to establish common-law rights, advertising (or sales) in a particular jurisdiction is required rather than just a website that can be accessed there. To establish "use" through advertising, via the Internet or otherwise, the use "must be open and notorious and of such a nature

and extent that the mark has become popularized in the public mind with the product or service's provider.”[10]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn10) But common-law rights may be established even if there is neither “deep market penetration” nor “widespread recognition.”[11]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn11) Use needs to be “consistent and continuous.”[12]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn12)

There is also an unresolved legal issue regarding concurrent use of Internet websites by senior and junior users of a mark. At least two courts have protected the use of the Internet by junior users of a mark having geographically limited common-law rights[13]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn13), while the Fourth Circuit has noted in *dictum* that it could not image a situation in which such concurrent users of a common-law mark can simultaneously exist on the Internet.[14]

(file:///F:/Blog/Common%20Law%20Trademark%20Rights/FINAL%20RST%20Blog%20post%20on%20Common%20Law%20Trademark%20Rights.docx#_ftn14)

Conclusion

While unregistered marks are afforded some protection for both senior and junior users under common law, the protection is more limited and less clearly articulated in case law than for registered marks. A word to the wise: if you are considering branding your goods or services with trademarks or service marks, you would be better served by applying to the USPTO for registration, rather than relying on common law protections.

Toikka Law Group is ready to assist you with advice and filing for registrations.

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[1]

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LEGAL GUIDE

By Charles E. Colman

Jun 2, 2011

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Beware the "territorial" nature of trademark rights

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One of the most common misconceptions about trademark rights is the notion that one automatically accrues rights abroad, when in fact intellectual property rights -- trademarks, copyrights, and patents alike - are "**territorial**" in nature. "Territorial" rights apply, rather intuitively, only within the borders of the territory (typically, the country) where they are obtained.

So when I read that Versace has decided to "re-enter" the Japanese market (<http://www.wwd.com/menswear-news?module=tn#/article/menswear-news/versace-to-re-enter-japan-3417141>), my ears perked up. If the company has good IP counsel, it undoubtedly took measures to protect its mark in Japan after it stopped doing business there in the summer of 2009. (Note: there are international protocols (http://en.wikipedia.org/wiki/Madrid_system) one can use to protect marks in certain foreign countries; direct registration with foreign governments is another option.)

Nevertheless, it seemed an appropriate time to point out to readers, most of whom are presumably in the U.S., that the general rule when it comes to trademark protection under the U.S. Lanham Act is "use it or lose it." Unlike copyright, for example, trademark protection stems from "use in commerce"

(http://www.law.cornell.edu/uscode/uscode15/usc_sec_15_00001051---

-000-.html), and if you stop using your mark in commerce, you run the risk of someone else starting a business with a very similar -- perhaps identical -- name.

Most of the relevant case law available to U.S. lawyers involves foreign corporations attempting to enter the U.S. market and running into "senior users" of the mark. (If an American clothing company wanted to expand into, say, Germany, and a German company had been doing business under a similar name, a *German* court would most likely adjudicate any dispute that arose.)

But let's look at a couple of reverse-scenario cases (as opposed to "reverse-case scenarios"), like the impossibly captioned (<http://dictionary.law.com/Default.aspx?selected=137>) case of *Aktieselskabet AF 21. November 2001 v. Fame Jeans Inc.* (http://scholar.google.com/scholar_case?case=11946905947926307729&q=525+F.3d+8+&hl=en&as_sdt=2,33). In *Fame Jeans*, Danish corporation "Bestseller" had been selling "Jack & Jones" jeans since 1990, but did not decide to expand into North American until 2003. When it attempted to do so, it ran into a major obstacle in the form of Fame Jeans' prior registration of the "Jack & Jones" mark. The dispute worked its way up through the U.S. Patent and Trademark Office to the D.C. Court of Appeals, where the judge required Bestseller to show that it had used the J&J mark before the date of Fame's application. Bestseller tried to show use via sales, but the court demurred:

" Bestseller's allegations fall short of showing a sale, whether in the United States or to an American abroad, as the beginning of a continuous commercial exploitation of the Jack & Jones mark in the United States; but they do give fair notice of a claim to analogous use.

While Bestseller clearly sells millions of dollars worth of Jack & Jones branded clothing elsewhere in the world, it fails to allege any sales in the United States or to Americans. The closest Bestseller comes is saying this clothing 'has been available to U.S. consumers through Bestseller's foreign customers and stores as well as through re-sales on eBay.com.' . . . This allegation does not imply any American sales at all, much less continuous commercial sales (<http://caselaw.findlaw.com/us-dc-circuit/1471864.html>)."

On the other hand, the court found that Bestseller had alleged just enough **research and marketing activity** in the U.S. to give rise to a potential claim of "use in commerce" pre-dating Fame's trademark application. Separately, the court found that Bestseller had eked out a potential claim that Fame's trademark application was made without "a bona fide intent to use the mark," which -- if successfully proved on remand (<http://dictionary.law.com/Default.aspx?selected=1783>) -- would render its registration invalid. (Civil procedure (http://en.wikipedia.org/wiki/Civil_procedure) aficionados, or perhaps any lawyer who usually represents defendants, might argue that this case would come out differently today; the D.C. court's opinion predated a 2009 Supreme Court case (http://en.wikipedia.org/wiki/Ashcroft_v._Iqbal) that requires plaintiffs to pack their complaints with more details in order to survive the dreaded " motion to dismiss (http://en.wikipedia.org/wiki/Motion_%28legal%29).")

By contrast, the Fourth Circuit Court of Appeals -- just next door to the D.C. Circuit -- deemed mere marketing activity **insufficient** to confer trademark rights, in the even-more-problematically-named *International Bancorp v. Société des Bains de Mer et due Cercle des Étrangers à Monaco* (http://scholar.google.com/scholar_case?case=8498421456311986201&q=329+F.3d+359&hl=en&as_sdt=2,33). Judge Luttig (http://en.wikipedia.org/wiki/J._Michael_Luttig), writing for the majority, stated in characteristically brusque fashion that "a mark's protection may not be based on 'mere advertising.'" Yet all was not lost for the Monte Carlo Casino. The majority opinion continued:

" Because SBM [the foreign company] presented no record evidence that [it] did anything other than advertise the 'Casino de Monte Carlo' mark [in the U.S.], if its case rested on this alone, the plaintiff companies would have the better of the argument. . . . [However,] the record contain[s] evidence that United States citizens went to and gambled at the casino. This . . . makes unavoidable the legal conclusion that foreign trade was present here, and that as such, so also was 'commerce' under the Lanham Act.

(http://scholar.google.com/scholar_case?case=8498421456311986201&q=329+F.3d+359&hl=en&as_sdt=2,33)"

Foreign companies should be wary of placing too much stock in *International Bancorp*, as other circuits have rejected its reasoning (http://scholar.google.com/scholar_case?case=260524943240629684&q=675+F.+Supp.+2d+1029&hl=en&as_sd

t=2,33). (There was strong disagreement over the ruling, even at the time the Fourth Circuit issued its ruling: *see egregiously overused term* "vigorous dissent"; *see also* Justice Scalia (http://en.wikipedia.org/wiki/Antonin_Scalia), *or more recently*, Justice Stevens (http://en.wikipedia.org/wiki/Justice_Stevens); *see also* "lawyer humor.")

The territoriality issue has been even further complicated by the so-called "famous marks" doctrine (http://en.wikipedia.org/wiki/Legal_doctrine), which in essence, means that if a foreign mark is famous enough, that can kind-of-sort-of substitute for actual use in the U.S.

(http://scholar.google.com/scholar_case?case=10732821801856621471&q=482+F.+3d+135&hl=en&as_sdt=2,33) But this doctrine has been recognized as a matter of *federal law* only in the Ninth Circuit (which, admittedly, includes the very important state of California, along with a host of other western states.)

The *Second Circuit*, however -- remember, this is the federal appellate court that covers **New York** -- conclusively rejected the "famous marks" doctrine *as a matter of federal law* just a few years ago, in *ITC v. Punchgini* (http://scholar.google.com/scholar_case?case=1677335393066248443&q=482+F.+3d+135&hl=en&as_sdt=2,33) . (The Supreme Court declined (http://scholar.google.com/scholar_case?case=17178143389275584874&q=itc+punchgini&hl=en&as_sdt=2,33) an invitation to resolve the "circuit split" (http://en.wikipedia.org/wiki/Circuit_split)" that resulted from the Second and Ninth Circuits' diverging views.)

To make matters even more complicated, the Second Circuit in *ITC* included the caveat that while federal trademark law contain no "famous marks" doctrine, an appropriate foreign plaintiff might be able invoke the doctrine under *New York state* "misappropriation" law -- just not the party trying to use it in this case.

In short, the federal appellate courts are -- to use a decidedly non-technical term -- all over the place when it comes to what "use", if any, is required of a foreign corporation in order to establish "trademark priority" over a U.S. company who might otherwise be a "senior user" of a contested mark.

As for Versace and its renewed interest in the Japanese apparel market, who knows what measures the company took to protect its mark during its hiatus, or what Japanese courts would have to say about this hiatus. This guy (http://www.law.columbia.edu/fac/Curtis_Milhaupt) might know the answer to the second question; otherwise, the magic words here, as is often the case when a party's rights hinge on non-U.S. law, are "foreign counsel" (<http://www.natlaw.com/interam/mx/bs/sp/spmxb2.htm>).

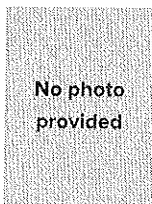
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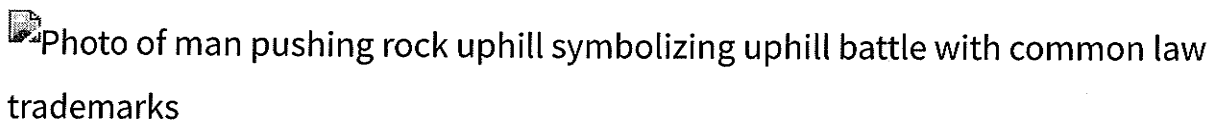
Preventing the Loss of Your Trademark Rights

Kristin A. Grant, attorney (</legal-guides/ugc/preventing-the-loss-of-your-trademark-rights>)

July 17, 2017

By Bruno Tarabichi (<https://trademarkwell.com/author/btadmin/>)

Proving Market Penetration: Another Reason to Federally Register Your Trademark

Photo of man pushing rock uphill symbolizing uphill battle with common law trademarks

There are real advantages to federally registering your trademark. Unfortunately, those advantages are usually described in vague legal terms that may not mean much. The practical import is missing, and the benefit of federal registration cheapened. For example, one of the benefits of federal registration that gets touted is constructive nationwide use. So what? What does that even mean anyway? And why is it so great? Because if you don't have a federal trademark registration and you are relying only on your common law trademark rights, you are going to have to deal with a big freaking headache: proving market penetration in order to establish your common law trademark rights in a geographic area.

Common Law Rights: Seniority and Market Penetration

If you do not have a federal trademark registration, then you are limited to your common law trademark rights as either a plaintiff or a defendant in a trademark infringement lawsuit. To establish common law trademark rights, a party will have to establish two things: (1) that it is the senior user, and (2) legally sufficient market penetration in a certain geographic market to establish those trademark rights. *Hanginout, Inc. v. Google, Inc.*, 54 F. Supp. 3d 1109, 1118 (S.D. Cal. 2014); *Gold Club-SF, LLC v. Platinum SJ Enter.*, 2013 U.S. Dist. LEXIS 134379, *20 (N.D. Cal. 2013). To be clear, these are two independent showings. *Id.*

The first prong of seniority requires showing that the party was the first to actually use the trademark in connection with its goods or services. While that sounds straightforward, it's actually not and I will address this prong in a later blog post. What's interesting is that, even if a party manages to prove seniority, it still has to show sufficient market penetration in a specific geographic area. In other words, a party could prove that it is the senior user (i.e., that it used the trademark first), but if that party did not have sufficient market penetration in any specific geographic area, then it may not have any common law trademark rights at all.

Market Penetration: You Gotta Do A Lot More Than Show Some Sales in a Geographic Region

In order to determine if a party has sufficient market penetration in order to establish common law rights in a specific geographic area, federal courts consider the following factors: (1) the volume of sales of the product or service made under the mark, (2) the growth trends of the product or service, (3) the number of persons buying the product or service in relation to the total number of potential customers, and (4) the amount of advertising in a given market for the product or service. *Hanginout*, 54 F. Supp. 3d at 1121; *Gold Club-SF*, 2013 U.S. Dist. LEXIS 134379 at *20. Notably, the burden to prove sufficient market penetration is on the party asserting common law rights. *Id.* Oh, and by the way, you have to do this for each geographical area, which is defined rather narrowly.

Let's look at the *Hanginout* case. In that case, the court found that Hanginout proved that it was the senior user before turning to the market penetration prong. When analyzing that prong, however, the court held that Hanginout failed to prove market penetration in any geographical area. In other words, Hanginout had no common law rights. The problem was Hanginout simply couldn't meet its burden on any of the four factors:

First, with regard to total sales, or in this case registered users, although Hanginout represented that it had over 200 registered users of its web-based platform as of May 2011, and nearly 8,000 registered users of its iTunes application as of the filing of the preliminary injunction, Hanginout has never identified the state of residence of these alleged registered users. . . . Hanginout's evidence of "site visits" fails no better. Although this evidence pins down the state (and city within California) of the consumer that viewed Hanginout's mobile profile, the Court is at a loss as to how these statistics identify the location of Hanginout's registered users. Therefore, although evidence of site visits shows that consumers are actually looking at Hanginout's website and/or products, and supports Hanginout's seniority of use argument, it is insufficient to show actual sales/registration for Hanginout's product necessary to establish market penetration.

Second, with regard to actual growth trends of the product at issue, although Hanginout never specifically commented on this factor, the Court finds the evidence submitted by Hanginout speaks for itself. For example, the Google Analytic Audience Overview report shows a dramatic decline in the overall number of views of the HANGINOUT application, with the number of visits the highest in or around October 2012, then nearly flat-lining in or around October 2013. This analysis is then confirmed by sales statistics that were reported to Hanginout by iTunes. These sales reports indicate that 6,926 individuals downloaded the HANGINOUT application in 2012, and that 1,235 individuals downloaded the HANGINOUT application in 2013. This represents a 82.17% decline in the number of registered users, or 5,691 fewer registered users from 2012 to 2013. Therefore, based on these statistics, all of which were produced by Hanginout, there appears to be a negative growth trend for the HANGINOUT product.

Third, with regard to the actual number of consumers actually purchasing/registering for the product in relation to the total number of potential consumers, Hanginout once again did not produce or direct the Court to any evidence indicative of this factor. Instead, the only evidence the Court is left to consider is that 6,926 individuals registered for the HANGINOUT iTunes application in 2012, 1,235 individuals registered for the HANGINOUT iTunes Application in 2013, and that 61,601 individuals viewed HANGINOUT Mobile between September 2012 and December 23, 2013. However, as these numbers do not

directly overlap, nor did Hanginout present any evidence regarding its market share, this weighs against finding Hanginout had sufficient market penetration to warrant immediate injunctive relief.

However, with regard to marketing and advertising, Hanginout fares much better. . . .

Although the Court finds the evidence presented above exemplifies Hanginout's marketing and intent to use the HANGINOUT mark in commerce, none of the evidence is sufficient to support a finding of market penetration in a specific geographic market.

Therefore, because marketing and advertising is but one factor to consider in determining market penetration of an unregistered mark, without evidence as to the actual location of Hanginout's registered users, the Court cannot determine Hanginout's market penetration. Accordingly, although the Court is cognizant of the complexities posed by the use of Internet, the Court does not agree with Hanginout that marketing, advertising, and promoting an unregistered mark over the Internet is sufficient to find nationwide market penetration. The Court also does not agree with Hanginout that it has sufficient market penetration in Southern California by virtue of the location of its office and/or the number of site views originating out of Southern California.

As a result, the Court finds Hanginout had not presented sufficient evidence to permit the Court to determine its market penetration in a specific geographic area, and as a result, the Court need not consider Hanginout's natural zone of expansion.

Hanginout, 54 F. Supp. 3d at 1122-1124 (citations omitted).

Another example is *Glow Industries v. Lopez*. In *Glow Industries*, Glow Industries was the senior user using the GLOW trademark for body and facial care products. *Glow Indus. v. Lopez*, 252 F. Supp. 2d 962 (C.D. Cal. 2002). However, despite clearly making bona fide sales of the GLOW trademarked products in commerce, it simply wasn't able to prove market penetration:

Glow, Inc. offers little evidence regarding the market penetration or sales of the three products at issue. Specifically, it has proffered no evidence detailing the volume of products it has sold. Similarly, save for the InStyle and Los Angeles magazine pieces, it has adduced no evidence regarding the manner in which the products have been advertised. The majority of the evidence it has submitted, which concerns the advertising and sale of GLOW products generally, also provides little information that would assist the court in quantifying market penetration, sales levels, growth trends, or the number of people who purchased the company's products in relation to the number of potential customers.

Williamson states that Glow, Inc. began to sell its products at its Los Angeles retail store in 1999, at Bergdorf Goodman in New York City in the Fall of 2000, and on the national beauty website <www.gloss.com> in the Spring of 2000. She further states that GLOW products are currently sold at an unspecified number of Nordstrom stores and Ritz Canton Hotels, at retail stores in eleven states, and on Glow, Inc.'s website <www.glowspot.com>. Williamson asserts that GLOW products are physically present in thirteen states, and that sales have been made in all fifty states. She proffers no evidence, however, as to the volume or level of sales in any location, nor how Glow, Inc.'s market penetration compares with that of its competitors. Williamson also contends that Glow, Inc. has participated in "cobranding ventures" with national companies such as Reebok and Ritz Carlton; once again, however, she does not quantify the sales made as a result of the arrangements, nor specify the geographical territories that they covered. Other than Williamson's general testimony regarding the company's nationwide sales, the record reflects only that Glow, Inc.'s Los Angeles store or certain of its products have been mentioned briefly in a variety of national magazines, including Mademoiselle, Marie Claire, Seventeen and Redbook. Viewed in its totality, the evidence is not adequate to establish that Glow, Inc. has legally sufficient market penetration in any territory to assert common law trademark rights.

Id. at 984-85.

The Last Word

Proving market penetration is difficult and very costly. And it's a compelling reason for even the cheapest trademark owner on the most shoestring budget to find the funds to federally register its trademarks (at least the most important ones).

The market penetration requirement means that it is entirely possible for a party to be the first to use a trademark, make bona fide sales of its product or service under the mark in different geographical areas or even across the United States, and still not have sufficient market penetration in any single, specific geographic area—leaving the party with *no common law trademark rights*. It makes the constructive nationwide use that comes along with a federal trademark registration sound like a pretty damn good deal.

Alternatively, even if the party claiming common law trademark rights can prove sufficient market penetration to be afforded common law trademark rights, the party will have expended an enormous amount of money to do so. The cost of filing a federal trademark application will pale in comparison.

A trademark owner may never realize the real benefit of a federal trademark registration until it has to litigate priority. Only then will the very significant advantages conferred by a federal trademark registration be truly appreciated. And any trademark owner that passed on filing a federal trademark registration to save a few bucks will feel the intense pang of regret.

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