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A Twenty-Year Retrospective on United States Trademark Law in Ten Cases

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INTRODUCTION

In this Article I will reflect on the past twenty years of trademark law and provide insight into the direction of the law as it continues to evolve. The previous twenty years coincide with the period that Hugh Hansen has so ably directed the Fordham Intellectual Property Law and Policy Conference, the preeminent conference of its kind in the world. In bringing together an amazing mix of leading scholars and practitioners from the world over, Professor Hansen has created a conference where one truly learns, debates and has fun. To illustrate the trends of this period, I have chosen ten cases as frames of reference. In this endeavor, I have been greatly aided by the volumes published in conjunction with the Fordham IP Conference. I can think of no better way to track the changes that have occurred in the world of trademark and other areas of intellectual property law than to consult these annual publications.

Top ten lists are used to enumerate an individual's favorite books, movies and songs, but are also used by late night comedians as a basis for ridicule. My ten-case collection is a combination of the foregoing. My selections include not only positive examples of well-crafted case law, but also cases that, in my opinion, were decided incorrectly and are even subject to ridicule. On the whole, this subjective, certainly idiosyncratic choice of cases will reveal that United States trademark law, despite perennial grumblings from the academic community,[1] has done a relatively successful job in adjusting to practical realities that trademark owners and consumers of brand-name goods face in an environment dominated by the internet and global commerce.

In viewing these cases, I will attempt to predict the direction of trademark law. In emulating a group of well-versed trademark scholars, who met in Cannes, France in 1992 to speculate on what trademark law would look like in 2017,[2] I adopt a similar, but more modest goal and constrain my predictions to the relatively circumscribed. Of course, observing the past is an easier task than speculating about the future, but the importance of the latter cannot be overstated.

Since 1992, the increasing expansion of trademark rights has continued unabated. Importantly, the attitude expressed by a large majority of the bench and bar has taken a positive view of trademark law as a system that enhances consumer welfare. In the 1960s and 1970s the anti-trademark sentiment viewed trademark as a means for creating monopoly power in favor of the trademark owner.[3] According to this now generally outmoded view, the trademark system reinforces irrational consumer demand through artificial product differentiation and erects barriers to entry for other firms that may wish to compete in the product market.[4] As one court declared, "the trademark is endowed with a sales appeal independent of the quality or price of the product to which it is attached; economically irrational elements are introduced into

[1] There are many such articles written by my colleagues in academia, many of which are well written and bring up important issues but are clearly of the somber, even apocalyptic mode. *See generally* Ken Port, *Trademark Extortion: The End of Trademark*, 65 WASH. & LEE L. REV. 585 (2008) (demonstrating how trademark owners are increasingly using strike suits to deter market entry).

[2] Symposium, *The World in 2017*, 82 TRADEMARK REP. 842 (1992).

[3] I have elaborated the concept of monopoly phobia in Marshall Leaffer, *Sixty Years of the Lanham Act: The Decline and Demise of Monopoly Phobia*, *in* U.S. INTELL. PROP. LAW & POL'Y 85 (Hugh Hansen ed., 2005).

[4] *See e.g.*, A.G. Papandreou, *The Economic Effect of Trademarks*, 44 CALIF. L. Rev. 503 (1956).

consumer choices; and the trademark owner is insulated from the normal pressures of price and quality competition."[5]

This anti-trademark stance was not limited to the courts; government policy toward trademarks expressed the same view. Most conspicuously, the Federal Trade Commission (FTC) considered compulsory licensing of trademarks as a means to eliminate monopoly power in companies that enjoyed ownership of strong marks.[6] At that time, the FTC promoted governmental intervention in circumstances in which trademarks and brand promotion were thought to be a barrier to competition.

Trademark skepticism waned toward the end of the 1970s, but continued until the passage of the Federal Anti-Dilution Act in 1996.[7] Since the 1980s, the prevailing view believes in a strong trademark system based on a property rights model—in short, the protection of goodwill—that improves competition and consumer welfare. One can look to three developments that progressively led to doctrinal change in the law of trademarks. The first is "the new economic learning," which established the competitive benefits of product differentiation and emphasized the fundamental role of trademarks as a means of reducing search costs to the consumer. The second impetus affected the manner in which goods are sold in a global market place. A third stimulus for change was the push toward harmonization of intellectual property worldwide, as exhibited in the Trade Related Aspects of Intellectual Property (TRIPS) agreement.[8] Together, these influences have led to an expanded concept of property rights in trademark law based on the protection of goodwill embodied in the trademark, and have all but eliminated the trademark monopoly phobia. This property-rights oriented standard will shape the future of trademark law.

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5 Smith v. Chanel, Inc., 402 F.2d 562, 567 (9th Cir. 1968).

6 *See* RICHARD CRASWELL, FED. TRADE COMM'N, OFFICE OF POLICY PLANNING, TRADEMARKS, CONSUMER INFORMATION, AND BARRIERS TO COMPETITION 2 (1979); *In re* Borden, Inc., 92 F.T.C. 669 (1978).

7 15 U.S.C. § 1125(c) (2006).

8 As part of the World Trade Organization (WTO), the United States was a major promoter of the TRIPS agreement.

Put yourself in the shoes of a trademark practitioner or scholar in 1992. It was a different world then;[9] one that was to change radically through the TRIPS Agreement, a new dilution statute, and the United States' entry into the Madrid Protocol. Focusing on my ten-case collection, I will illustrate the driving forces that shaped trademark law and the remarkable developments that occurred over this two-decade period, and speculate on what the future might bring to this area of law.

NUMBER 10: THE EVER MORE COMPLICATED PREDICAMENT OF THE TRADEMARK PRACTITIONER

In re *Bose Corp.*[10]

The job of a trademark practitioner has gotten progressively more difficult during this twenty-year period. This change is exemplified in the ballooning number of trademark applications over the past twenty years. For example, in 1992 there were 125,237 applications for registration;[11] in 2011, that number rose to 398,667.[12] During the same period, renewal applications rose from 6,355 to 49,000.[13] These statistics suggest that trademark selection has become increasingly important and that successfully clearing marks has never been more difficult. Further, they demonstrate that simply keeping up with a multitude of applications, registrations, and renewals in today's world is a daunting task, and one that is further compounded on an international level.

In 2009, the U.S. Court of Appeals for the Federal Circuit, in *In re* Bose Corp., recognized the practical difficulties of those on the

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9 There was concern about how to handle domain names. It was not until a few years later that the Uniform Domain Name Dispute-Resolution Policy resolved that problem.

10 580 F.3d 1240 (Fed. Cir. 2009).

11 *Table 16: Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed*, USPTO.COM, http://www.uspto.gov/web/offices/com/annual/2007/50316_table16.html (last modified Dec. 21, 2007).

12 *Table 17: Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed*, USPTO.COM http://www.uspto.gov/about/stratplan/ar/2011/oai_05_wlt_17.html (last modified Jan. 3, 2012).

13 *Id.*

front lines of trademark practice and conformed the standard for fraud of the Trademark Office to the patent law standard for inequitable conduct.[14] In the case, Bose Corporation registered the mark WAVE for various products including audio tape recorders and players.[15] Bose renewed the marks in 2001 for the same list of products, although it had not sold audio tape recorders and players since 1997.[16] The court reiterated that "[a] third party may petition to cancel a registered trademark on the grounds that the 'registration was obtained fraudulently.'"[17] In short, a "should have known" standard for a false statement of fact in an application is no longer sufficient to sustain a claim for fraud either for a patent or a trademark filing.[18] To succeed on a claim for fraud, a litigant must show that the filed affidavit contained false statements of material fact that were submitted with the intent to deceive.[19]

The key question is: what one must prove to meet the inequitable standard? Establishing falsity and materiality is straightforward; however, the evidence required to show that a statement was made with intent to deceive is far from apparent. Does inequitable conduct exist where a person who makes a statement later found to be false can show a reasonable, factual basis for his or her belief that the statement is true? These questions will plague the courts for some time to come. Despite these problems of proof, the upshot of this case is that more trademark attorneys will sleep soundly without having to worry about a guileless mistake resulting in cancellation of a client's mark.

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14 *Bose*, 580 F.3d at 1247.
15 *See id.* at 1242.
16 *See id.*
17 *See id.* at 1243 (citing 15 U.S.C. § 1064(3) (2006)).
18 *See id.* at 1245.
19 *See id.*

NUMBER 9: WILL THE UNITED STATES EVER RECOGNIZE ITS OBLIGATIONS UNDER THE PARIS CONVENTION?

ITC Ltd. v. Punchgini Inc.[20]

From its vigorous support of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)[21] to the current push in favor of the Anti-Counterfeiting Trade Agreement (ACTA),[22] the United States has been at the forefront of encouraging the effective protection of intellectual property rights worldwide. This is hardly surprising since the United States is the largest producer of informational assets in the world and has reason to assure its citizens that those assets are protected abroad. Using *ITC v. Punchgini* as my frame of reference, I will discuss a departure from the general thrust of American policy in the international protection of what one might call "its first world assets."[23] I refer to the failure of United States law to create a coherent policy to protect well-known marks despite its treaty obligations under article 6*bis* of the Paris Convention.[24] Introduced at the Hague conference of 1925 and elaborated by TRIPS, article 6*bis* of the Paris Convention requires member countries to protect marks that are well-known in a member country. It is generally recognized that countries must do so even though the well-known mark is neither registered nor used in the protecting country.[25] United States case law is in disarray on this issue and, for the moment, there seems to be no interest to remedy

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[20] 482 F.3d 135 (2d Cir. 2007).

[21] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 I.L.M. 1125 (1994), *available at* http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm [hereinafter TRIPS Agreement].

[22] *Anti-Counterfeiting Trade Agreement Final Draft*, OFF. OF THE U.S. TRADE REPRESENTATIVE (Dec. 3, 2010), *available at* http://www.ustr.gov/trade-topics/intellectual-property/anti-counterfeiting-trade-agreement-acta/previous-acta-texts.

[23] Frederick M. Abbot, *Toward a New Era of Objective Assessment in the Field of TRIPS and Variable Geometry for the Preservation of Multilateralism*, 8 J. INT'L ECON. L. 77, 80 (2005).

[24] Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, revised July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305, *available at* http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html [hereinafter Paris Convention].

[25] *See id.*

the problem legislatively. Some courts believe that the current provisions of the Lanham Act[26] are sufficient to accommodate the well-known marks doctrine, but most courts do not.

ITC v. Punchgini displays the exact problem mentioned above: the failure of United States law to create a coherent policy in the protection of well-known marks despite its treaty obligations under article 6*bis* of the Paris Convention. In *ITC*, the Second Circuit Court of Appeals held that plaintiff's well-known mark for restaurant services, BURKARA, was abandoned and could not be enforced against the defendant's similar mark, "Burkara Grill," despite its continued use in India and other countries.[27] The Court so ruled because neither the Paris Convention nor TRIPS is self-executing in the United States, and no well-known marks doctrine had been enacted by Congress.[28]

Would it be too much to hope for an amendment to the Lanham Act to take into account the protection of well-known marks as compared to our major trading partners? At the least, other circuits should follow the Ninth Circuit's ruling in *Grupo Gigante v. Dallo*,[29] which recognized the well-known marks doctrine in an action under section 43(a).[30] In this case, the Ninth Circuit adopted the well-known marks doctrine as an application of section 43(a) of the Lanham Act.[31] Grupo Gigante, a Mexican Company, began operating a chain of supermarkets in Mexico under the name "Gigante" in 1962, and by 1991 had 100 stores in

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[26] 15 U.S.C. §§ 1051–1127 (2006).

[27] *See* ITC Ltd. v. Punchgini Inc., 482 F.3d 135 (2d Cir. 2007).

[28] *Id.* at 165. Other courts within the Second Circuit have also rejected the view that the well-known marks doctrine was incorporated by the Lanham Act. *See* Almacenes Exito S.A. v. El Gallo Meat Mkt., Inc., 381 F. Supp. 2d 324, 328 (S.D.N.Y. 2005) (holding that only Congress, and not the courts, can incorporate the well-known marks doctrine into the Lanham Act); Buti v. Impressa Perosa S.R.L., 139 F.3d 98, 106 (2d Cir. 1998) (holding that no rights in the mark FASHION CAFÉ were created when an Italian company advertised its restaurant in the United States). *But see* Empresa Cubana del Tabaco v. Culbro Corp., 399 F.3d 462, 484–85 (2d Cir. 2005). There, the Second Circuit expressly left open the possibility that protection would be available for well-known foreign marks if they were "sufficiently famous." *See id.* at 480–81.

[29] 391 F.3d 1088 (9th Cir. 2004).

[30] *Id.* at 1094.

[31] *Id.*

Mexico, six of them in Baja California (two in Tijuana).[32] In 1991, Dallo opened a grocery store in San Diego, California under the name "Gigante Market." From 1999 to 2000, Grupo Gigante opened three stores in Los Angeles, California. Grupo Gigante brought an action for infringement of its common law rights in the United States under section 43(a). The court then faced two issues: 1) whether a foreign trademark owner can sustain a cause of action in the United States as an exception to the territoriality principle;[33] and 2) if so, what degree of renown must be shown to sustain a cause of action under section 43(a)?[34] The court declared that territoriality in trademark law is not absolute and when a mark reaches a certain exceptional level of notoriety overseas, the territorial principle can be overcome.[35] In order to qualify for an exception to the territoriality principle, the foreign user must demonstrate by a preponderance of the evidence that a substantial percentage of consumers in the relevant United States market are *familiar* with the foreign mark.[36] The court based its decision on an interpretation of the Lanham Act, and rejected Grupo Gigante's specific claims under the well-known marks doctrine of 6*bis* and unfair competition of 10*bis* of the Paris Convention.[37]

The *Grupo Gigante* court took the right approach to the problem and its opinion should be the template for future decisions applying the well-known marks doctrine. After all, one must take the territoriality principle with a grain of salt. Despite its long standing recognition, the territoriality doctrine has never existed in a pure state, and has continued to give way in this twenty-year period as commerce and brand names continue to expand across national boundaries in a world structured by air travel, satellites, the internet, and the influx of immigrants into the United States.

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[32] *Id.* at 1091.
[33] *Id.* at 1092.
[34] *Id.* at 1093.
[35] *See id.* at 1094.
[36] *See id.* at 1098.
[37] *See id.* at 1099–1100.

NUMBER 8: EXPANDING THE EXTRATERRITORIAL APPLICATION OF U.S. TRADEMARK LAW

McBee v. Delica Co.[38]

McBee, chosen as case number eight on the list, stands for an even broader extraterritorial application of the Lanham Act. There, Cecil McBee was unable to enforce his rights against the use of his mark by a Japanese company selling girls clothing on the company's Japanese language website. More significantly the court adopted the Supreme Court's standard as applied in the extraterritorial application of antitrust law in *Hartford Fire Insurance Co. v. California*.[39] In *Hartford*, the Court modified pre-established precedent on the extraterritorial application of the Sherman Act. The Court restated the well-established principle that the Sherman Act applies to foreign conduct "that was meant to produce and did in fact produce some substantial effect in the United States."[40] The Court specified that Congress voiced no opinion on the issue "whether a court with Sherman Act jurisdiction should ever decline to exercise such jurisdiction on grounds of international comity."[41] Although the term "comity" was not at issue in this case, the court rejected the application of comity as being jurisdictional.[42]

McBee extends *Hartford* to the extraterritorial application of trademark law. Simply put, jurisdiction over foreign conduct will exist under the Lanham Act if that conduct produced some substantial effect in the United States.[43] Moreover, once the substantial effect test is met, the court is to consider the question of comity as a prudential—not a jurisdictional—question of whether jurisdiction should be exercised. With this holding, the court shunted to one side both *Steele v. Bulova Watch Co.*,[44] and *Vanity*

[38] 417 F.3d 107 (1st Cir. 2005).
[39] 509 U.S. 764 (1993).
[40] *Id.* at 796.
[41] *Id.* at 798.
[42] *See id.*
[43] *See id.* at 796.
[44] 344 U.S. 280 (1952).

Fair Mills v. T. Eaton Co.[45] *McBee* is a significant case in articulating a more expansive standard for the extraterritorial application of the Lanham Act, an approach that I believe is well-justified. The intense flow of Internet commerce, unlike the reach of commerce twenty years ago, warrants a more expansive extraterritorial reach of United States trademark law.

However, critics of this expansive extraterritorial application of United States trademark law warn against U.S. federal courts assuming the role of "the global court of commerce."[46] On the other hand, *McBee* acknowledges that Congress has little concern in applying United States trademark law where no substantial effects are felt in the United States. Only when a substantial effect is felt in the United States may a court assert jurisdiction.[47] Until foreign nations provide necessary protections through regulation and enforcement, far-reaching extraterritorial enforcement is necessary to prevent violators from "hid[ing] in countries without efficacious . . . trademark laws, thereby avoiding legal authority."[48] Yet this is a doctrine that is still circumscribed by comity even when a substantial effect is felt in the Unites States, and the extraterritorial application of United States law must give way when true conflict between domestic and foreign law exists. Here, courts may use comity considerations as a means to decline to exercise jurisdiction.[49]

45 234 F.2d 633 (2d Cir. 1956). In following the lead of *Steele v. Bulova*, the court in *Vanity Fair Mills v. T. Eaton Co.* articulated a tripartite test for the extraterritorial application of U.S. trademark law: "(1) the defendant's conduct had a substantial effect on United States commerce; (2) the defendant was a United States citizen and the United States has a broad power to regulate the conduct of its U.S. citizens in foreign countries; and (3) there was no conflict with trademark rights established under the foreign law, since the defendant's Mexican registration had been canceled by proceedings in Mexico." *Id.* at 642. The court denied jurisdiction in Vanity Fair Mills because only the first factor was present in the case. *See id.*

46 4 MCCARTHY ON TRADEMARKS, § 29:58.

47 *See* Brendan J. Witherell, Note, *The Extraterritorial Application of the Lanham Act—The First Circuit Cuts the Fat from the* Vanity Fair *Test*, 29 W. NEW ENG. L. REV. 193, 228 (2006).

48 McBee v. Delica Co., 417 F.3d 107, 119 (1st Cir. 2005).

49 *Id.* at 120 (citing Hartford Fire Ins. Co. v. California, 509 U.S. 764, 797–98 (1993)).

NUMBER 7: BOUNDARY TENSIONS BETWEEN INTELLECTUAL PROPERTY REGIMES

Dastar Corp. v. Twentieth Century Fox[50]

The boundaries between trademark law and other intellectual property regimes are becoming less distinct and the same trademark-based cause of action will lend itself to multiple claims including copyright, patent, and various state causes of action. It has always been this way as litigants, for strategic and other purposes, try to enlarge the scope of liability. I believe these overlaps in intellectual property rights are a function both of the expanding subject matter scope of trademark law and of the application of likelihood of confusion concepts beyond the point-of-sale [51]

Dastar Corp. v. Twentieth Century Fox Film Corp.,[52] case number seven on the list, represents the inevitable tension that occurs as the scope of intellectual property rights progressively broadens. There, Dastar released a World War II television series consisting largely of footage which was originally produced by a Fox affiliate and which had fallen into the public domain.[53] Fox and its affiliates brought an action under the Lanham Act section 43(a) on a reverse passing off theory[54] for failure of the defendant to provide proper credit to the creator of the series.[55] In finding for Dastar, the Court noted that if Dastar had bought the videotapes and then repackaged and sold them under its name, Fox's claim undoubtedly would be sustained.[56] But here, Justice Scalia pointed out that Dastar took a creative work in the public domain, copied

[50] 539 U.S. 23 (2003).
[51] For an overview of the "likelihood of confusion" doctrine and the various non-point of sale confusion theories, see Jerome Gilson & Anne Gilson Lalonde, *The Lanham Act: Time for a Face Lift?*, 92 TRADEMARK REP. 1013 (2002).
[52] 539 U.S. 23 (2003).
[53] *Id.* at 23.
[54] Passing off would occur when X places the Coke label on its non-Coke beverage. Reverse passing off occurs when X takes off the Coke label and replaces it with its own mark.
[55] *Dastar*, 539 U.S. at 23.
[56] *Id.* at 23–24.

it, modified it, and produced its own series of videotapes.[57] In effect, according to the Court, a false designation of origin under the Lanham Act did not occur because Dastar was the "origin" of the goods under the language of the statute.[58] While section 43(a) of the Lanham Act prohibits actions that deceive consumers,[59] it did not occur here. "The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers," the court stated.[60] *Dastar*'s importance lies in its minor upheaval of the scope of the Lanham Act to cover certain applications of the reverse confusion doctrine, such as the failure to properly provide artistic credit.

Dastar's ramifications, however, were felt well beyond the immediate concerns of trademark law's doctrine of reverse passing off. For example, when the United States joined the Berne Convention in March 1989, it did so without explicitly revising its copyright law to incorporate article 6*bis* of the Convention—the famous moral rights provision that was a major hurdle of United States participation in the Convention.[61] Moral rights are a

57 *Id.* at 24.

58 *Id.*

59 15 U.S.C. § 1125(a) (2006).

60 *Dastar*, 539 U.S. at 33.

61 Berne Convention for the Protection of Literary and Artistic Works, art. 6bis (Sept. 9, 1886; revised July 24, 1971 and amended 1979; entered into force for U.S. Mar. 1, 1989 (Sen. Treaty Doc. 99-27)) 1986 U.S.T. Lexis 160 or 1 B.D.I.E.L. 715. Article 6*bis* reads:

> (1) Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.
>
> (2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the country where protection is claimed. However, those countries whose legislation, at the moment of their ratification of or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

centerpiece of legal regimes that view a work of authorship as an extension of the author's personality. The right of attribution is one of the author's rights referred to as "moral rights" or *droit moral*.[62] Accurate attribution, the right to be recognized as the author of a work, performs a trademark-like function in identifying both the source and the qualities of a work.[63] The problem is that United States copyright law does not explicitly recognize a general right of attribution.[64] To justify the entry of the United States into the Berne Convention, advocates of Berne membership argued that even though copyright law might fall short of fully recognizing aspects of the moral right, other areas of the law, notably trademark and unfair competition law, provided de facto protection. Indeed, a number of cases have applied the reverse confusion doctrine to provide de facto protection of the attribution right.[65] In *Dastar*, the United States Supreme Court threw into doubt the underlying rationale that the United States had incorporated specific recognition of the attribution right in copyright law to comply with Berne requirements. Courts will be working out these issues relating to the more unconventional applications of section 43(a), such as the outer limits of the reverse confusion doctrine, for some time to come.

Id.

[62] *See* Betsey Rosenblatt, *Moral Rights Basics* (March 1998), http://cyber.law.harvard.edu/property/library/moralprimer.html.

[63] The United States did not have any express protection for a right of attribution until the enactment of the Visual Artists Rights Act of 1990 ("VARA"). *See* 17 U.S.C. § 106A (2006). For an overview of VARA and the attribution right, see Michael Landau, Dastar v. Twentieth Century Fox*: The Need for Stronger Protection of Attribution Rights In the United States*, 60 N.Y.U. ANN. SURV. AM. L. 273 (2005).

[64] *Waiver of Moral Rights in Visual Artworks*, COPYRIGHT OFFICE, (Oct. 24, 1996), *available at* http://www.copyright. gov/reports/exsum.html.

[65] *See, e.g.*, PPX Enters. v. Audiofidelity Enters., 818 F.2d 266 (S.D.N.Y. 1987) (promoting the recordings of a band in which Jimi Hendrix was just a background musician was a 43(a) violation); Benson v. Paul Winley Record Sales Corp., 452 F. Supp. 516 (S.D.N.Y. 1978); Follett v. Arbor House Pub. Co., 497 F. Supp. 304 (S.D.N.Y. 1980) (holding that Lanham Act, section 43(a) was violated where author's name appears as primary author on book he did not write).

NUMBER 6: THE NEED FOR A TRADEMARK SAFE HARBOR FOR ONLINE SERVICE PROVIDERS

Tiffany v. eBay Inc.[66]

An online service provider (OSP) operates in a risky legal environment and is subject to potentially unlimited claims of both direct and contributory infringement by aggrieved copyright and trademark owners.[67] OSPs are given special recognition under section 512 of the Copyright Act that erects a system of safe harbors if certain conditions are met by the OSP.[68] Third party liability in trademark law is based on common law principles developed in the physical world in cases such as *Inwood Laboratories, Inc. v. Ives Laboratories, Inc*.[69] I have chosen *Tiffany v. eBay*[70] to illustrate the dilemma of the OSP in an action for contributory trademark infringement in the World Wide Web internet environment. Tiffany noticed that a large number of Tiffany products offered for sale on the eBay website were counterfeit.[71] Tiffany sued eBay under a number of theories, one of which was contributory infringement.[72] Tiffany argued that eBay had a general awareness that the auction items posted as Tiffany jewelry were likely to be counterfeit, and, as a result, eBay bore the duty to prevent the sale of these bogus products.[73] In affirming the trial court's decision in favor of eBay, the Court of Appeals for the Second Circuit defined the "two ways in which a defendant may become contributorially liable for the infringing conduct of another: first, if the service provider 'intentionally induces another to infringe a trademark,' and second, if the service

[66] Tiffany (NJ) Inc., v. eBay Inc., 600 F.3d 93 (2d Cir. 2010).

[67] *See, e.g.*, *id.*

[68] 17 U.S.C. § 512 (2006).

[69] 456 U.S. 844 (1982). The Court articulated the standard of contributory infringement as follows: "Thus if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit." *Id.* at 854.

[70] 600 F.3d 93 (2d Cir. 2010).

[71] *See id.* at 97.

[72] *Id.* at 103.

[73] *Id.* at 106.

provider 'continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement.'"[74] Here, inducement was not an issue and the court rejected the argument that contributory infringement could be based on the fact that eBay had only generalized knowledge of some counterfeit goods being listed on its website.[75]

The court held that "[s]ome contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary" for liability under a cause of action for contributory infringement.[76] eBay, according to the court, must have had "[s]ome contemporary knowledge of which listings are infringing or will infringe in the future."[77] In this situation, Tiffany's demand letters were not sufficiently precise, and those that did contain detailed information of the counterfeit sales were honored by eBay.

Tiffany is not a total win for OSPs when one considers the court's standard for liability in the case of "willful blindness." When an OSP has reason to suspect "that users of its service are infringing a protected mark it may not shield itself from learning of the particular infringing transactions by looking the other way."[78] The problem with this willful blindness standard is that it fails to specify the basis as to what constitutes "reason to suspect" that users are infringing. In this case eBay prevailed, but OSPs will be pursued with increasing intensity under third party liability claims for contributory infringement for the foreseeable future. There is a paucity of decisions dealing with third party liability in the use of trademarks in an Internet context, which is likely to change. Because *eBay* is one the first major decisions on this issue, we need a safe harbor provision in trademark law much like section 512 of the Copyright Act.[79]

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74 *Id.* (citing *Inwood*, 456 U.S. at 854).

75 *Id.* at 107.

76 *Id.*

77 *Id.*

78 *Id.* at 109.

79 *See* Fara S. Sunderji, *Protecting Online Auction Sites from the Contributory Trademark Liability Storm: A Legislative Solution to the* Tiffany Inc. v. eBay *Problem*, 74 FORDHAM L. REV. 909, 911 (2005).

NUMBER 5: THE MUDDLED MESS OF DILUTION LAW

V Secret Catalogue Inc. v. Moseley[80]

The federal dilution cause of action is a major development in trademark law of the last twenty years, with the first version of the 1995 dilution statute widely considered a mess. The 1995 version of section 43(c) provided that the owner a famous mark was entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "causes dilution of the distinctive quality" of the famous mark. Courts were split over whether that language created a likelihood of dilution standard or an actual dilution standard. The ruling in *Moseley v. V Secret Catalogue, Inc*.[81] resolved the split by finding that section 43(c) required a showing of "actual dilution." Unfortunately, the court gave little guidance of what would constitute actual dilution. There are a lot of problems with the dilution cause of action but the Supreme Court's opinion rendered another level of complexity to this problematical cause of action. United States Congress responded to *V Secret Catalogue* with surprising alacrity, and its most prominent change required that dilution liability follow from a showing of likelihood of dilution. The 2006 amendments to the dilution provisions were a necessary improvement, but fundamental questions of proof of dilution by blurring and tarnishment continue to plague the courts.

I have chosen the Sixth Circuit case *V Secret Catalogue v. Mosley*[82] to illustrate the muddle we find ourselves in when developing consistent rules for trademark dilution. In fact, I believe that the majority opinion in this case is clearly wrong. This case is part of the continuing saga of Victoria's Secret, the famous lingerie store, against a small-town retail store based in Kentucky that sold sex-related products. The district court found that even though the parties did not compete in the same market, the Kentucky sex shop had diminished the positive associations and the selling power of the Victoria's Secret mark.[83]

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80 V Secret Catalogue Inc., v. Moseley, 605 F.3d 382 (6th Cir. 2010).
81 537 U.S. 418 (2003).
82 605 F.3d 382.
83 *Id.* at 384–85.

The Court of Appeals for the Sixth Circuit agreed that the activities of the defendant constituted actionable dilution by tarnishment.[84] The court concluded that the 2006 Act "creates a kind of rebuttable presumption, or at a least a very strong inference, that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two."[85]

The court ruled that there is a strong inference that the mark "Victor's Little Secret" was likely to tarnish the famous "Victoria's Secret" mark because of a semantic association between the two marks.[86] But most importantly, the Sixth Circuit Court of Appeals held that the novelty shop failed to rebut the probability that some consumers would find the shop's mark both offensive and harmful to the reputation and the favorable symbolism associated with Victoria Secret's mark.[87] The court's decision that any sexual connotation disparages a famous mark and creates a rebuttable presumption of dilution is nowhere to be found in the statute and is, in my opinion, downright wrong as a matter of law. *V Secret Catalogue* does not augur well for the predictability of a dilution cause of action.

Now scholars might ask, "will we need another amendment to the dilution provisions?" Perhaps, but for the moment there are no burning issues that need emergency attention. On the other hand, many basic questions that involve the proof of factual matters as the multifactor test to prove fame[88] and blurring[89] will generate substantial litigation.

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84 *See id.* at 389; *see also* 15 U.S.C § 1125(c)(2)(C) (2006) ("For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.").

85 *V Secret Catalogue*, 605 F.3d at 385.

86 *Id.*

87 *Id.* at 388–89.

88 *See* 15 U.S.C. § 1125(c)(2)(A) ("For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

NUMBER 4: THE AMBIGUOUS ROLE OF DEFENSES TO AN ACTION FOR TRADEMARK INFRINGEMENT

Louis Vuitton v. Haute Diggity Dog LLC[90]

To establish liability for trademark infringement, the owner of a mark must demonstrate that the third party use of his mark is actionable under the Lanham Act.[91] Not all unauthorized uses of another's mark are actionable under a cause of action for dilution or likelihood of confusion. One such category of permissible use falls under the term "fair use," an imprecise catch-all term for a variety of related doctrines. Fair use as a defense is specifically recognized in section 1115(b)(4),[92] which provides a fair use defense to a party whose "use of the . . . term . . . charged to be an infringement is a use, otherwise than as a mark . . . of a term . . .

> (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
> (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
> (iii) The extent of actual recognition of the mark.
> (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.").

89 *See* 15 U.S.C. § 1125(c)(2)(B) ("For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

> (i) The degree of similarity between the mark or trade name and the famous mark.
> (ii) The degree of inherent or acquired distinctiveness of the famous mark.
> (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
> (iv) The degree of recognition of the famous mark.
> (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
> (vi) Any actual association between the mark or trade name and the famous mark.").

90 Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC, 507 F.3d 252 (4th Cir. 2007).

91 *See* 15 U.S.C. § 1125.

92 15 U.S.C. § 1115(b)(4) (2006).

which is descriptive of and used fairly and in good faith only to describe the goods or services."[93] In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*,[94] the owner of the incontestable trademark MICRO COLORS, which is used to describe a permanent mark-up pigment, sued Lasting for its use of "microcolors" on a similar product. The court held that the plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case.[95] Once confusion is shown, defendant may then assert that the mark was used fairly under the statutory definition.

KP Permanent is a revealing case that shows the difficulty in reconciling the issue of consumer confusion with the need of third parties to reference the plaintiff's mark. In my opinion, *KP Permanent* is a case that establishes an ambiguous message in trademark law; specifically, on the one hand, it rejected the proposition that a fair use proponent prove absence of likelihood of confusion, and on the other hand, the court refused to hold that likelihood of confusion is irrelevant to the fair use defense. We find this type of tension running prevalently throughout the assertion of affirmative defenses to action for trademark infringement.

I have chosen *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC* as case number four because it represents one of several cases that tackle the thorny question of defenses and other limitations to a cause of action in dilution.[96] In particular, *Vuitton* is useful in illustrating the role of parody in both an action for likelihood of confusion and also for a cause of action in dilution. In this case, the Nevada-based company Haute Diggity Dog sold a line of pet chew toys and beds under various amusing names such as "Chewy Vuitton."[97] Vuitton sued Haute Diggity Dog under various claims including an action for likelihood of confusion and

93 *Id.*
94 543 U.S. 111 (2004).
95 *Id.* at 112.
96 Louis Vuitton Malletier SA v. Haute Diggity Dog, LLC, 507 F.3d 252, 258 (4th Cir. 2007).
97 *Id.* at 256.

dilution.[98] In regards to likelihood of confusion claim, the Court of Appeals for the Fourth Circuit agreed with the district court's assessment that because the "Chewy Vuitton" line of chew toys successfully parodied the famous luxury handbag brand, no likelihood of confusion existed as a matter of law.[99] The court concluded that the likelihood of confusion factors favored the defendant and that the "Chewy Vuitton" dog toys conveyed "just enough of the original design to allow the consumer to appreciate the point of the parody."[100]

The plaintiff fared no better in its dilution claim. To determine whether a junior mark is likely to dilute a famous mark through blurring, the statute enumerates six factors that the court must take into account.[101] Here the court found that three of those factors favored the plaintiff, including: (2) the strength of Vuitton's mark; (3) the substantially exclusive use of the Vuitton mark; and (4) the renown of the Vuitton mark all favored plaintiff.[102] On the other hand, factors (1) the similarity between the marks; (5) the intent of the use by the junior user; and (6) actual association, favored the defendant.[103] In finding for the defendant, the court emphasized the use of parody, which negated the blurring action.[104]

The court did not apply parody as an affirmative defense, which is specifically incorporated into section 43(c).[105] Under the statute, the dilution cause of action is excluded when a mark is used in "any fair use . . . of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with . . . identifying, criticizing, or commenting upon the famous mark."[106] Section 43(c)(3)(A) shields a defendant's fair use, but only where the defendant is using the mark "other than as a designation of source." Yet, the *Vuitton* court concluded that the defendant's use

98 *Id.*
99 *Id.* at 256–57.
100 *Id.* at 261.
101 *See supra* note 89 (listing the six factors).
102 *Vuitton*, 507 F.3d at 266.
103 *Id.* at 266.
104 *Id.* at 267.
105 *Id.* at 266.
106 15 U.S.C. § 43(c)(3)(A)(ii) (2006).

of the famous mark failed to satisfy that limitation.[107] Although the court did not employ parody as a fair use defense, it constantly alluded to parody as an element that disproved the likelihood of dilution.[108] In applying the dilution factors, the court found that even though the defendant's mark was used on related goods, the mark, when used as a parody, may be good evidence in negating a cause of action of dilution by blurring.[109]

As I stated above, the courts have had a problem with relating permissible use doctrines—such as parody and other varieties of fair use—with doctrines of confusion and dilution. In *Vuitton*, the court was willing to use parody as a threshold consideration in both the consumer confusion and dilution analyses, which I view as the court's willingness to act as a harbinger for a broader acceptance of permissible uses in trademark law. I predict that permissible uses and defenses will play a greater role in the future, and in particular, provide the needed safety valve against the imperialism of unbridled dilution causes of action.[110]

NUMBER 3: TRADEMARKS ON THE INTERNET—THE NEW REALISM

Network Automation v. Advanced Systems Concepts[111]

In 1992, less than two percent of the United States' population habitually used the Internet; today that number approaches eighty percent.[112] The average Internet user is increasingly savvy in on-line consumer transactions. The case law has progressively reflected the evolution in our thinking by recognizing the realities

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107 *Vuitton*, 507 F.3d at 268.

108 *Id.* at 268.

109 *Id.*

110 *See e.g.*, Mattel, Inc.. v. MCA Records, Inc., 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003) (holding the song title "Barbie Girl" in song did not mislead as to source under section 43(a) where a title has artistic relevance to the underlying work and that the song title fell within the non-commercial liability exemption to dilution under section 43(c) of the Lanham Act).

111 Network Automation Inc. v. Advanced Sys. Concepts Inc., 638 F.3d 1137 (9th Cir. 2011).

112 *See Internet Users as a Percentage of the Population*, WORLD BANK data republished at http://www.google.com/publicdata/explore?ds=d5bncppjof8f9_&met_y=it_net_user_p2&idim=country:USA&dl=en&hl=en&q=internet+usage+statistics.

of consumer behavior in the online Internet environment. By comparison, *Brookfield Communications, Inc. v. West Coast Entertainment Corp*.[113] mirrored an earlier view of naïve consumers bewitched by the new Internet medium. For example, in *Brookfield* the court declared that, "[i]n the internet context . . . entering a web site takes little effort . . . thus web surfers are more likely to be confused as to the ownership of a [w]eb site than traditional patrons of a brick and mortar store."[114] And the court spun a theory of initial interest confusion by using a dubious analogy to the physical world: "using another's trademark . . . is much like posting a sign with another's trademark in front of one's store."[115]

In addition, the court declared that in proving likelihood of confusion on the Internet, the first three factors previously mentioned (which came to be known as the Internet troika)[116] of the *Sleekcraft*[117] test were the most important factors for proving likelihood of confusion on the internet. These factors are: (1) the similarity of the marks; (2) the relatedness of the goods or services; and (3) the simultaneous use of the World Wide Web as a marketing channel, to be taken into account for any case addressing trademark infringement on the Internet.[118] It later became apparent that the courts should not inflexibly enshrine three likelihood of confusion factors for all infringements taking place in an internet context. In sum, case law in the 1990s created a curious set of legal principles based on assumptions about the online marketplace that no longer exists, or possibly never did. Clearly, it was time for a reassessment more consistent with actual practice.

113 174 F.3d 1036 (9th Cir. 1999).

114 *Brookfield*, 174 F.3d 1036 at 1057.

115 *Id.* at 1064.

116 *See id.* at 1067 n.16.

117 *See* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979) for the Ninth Circuit's multifactor test. The likelihood of confusion test considers the following factors: 1) similarity of the marks; 2) relatedness of the goods and services offered; 3) overlapping marketing and advertising facilities; 4) the strength of the registered trademark; 5) intent; 6) evidence of actual confusion; 7) likelihood of expansion in product lines; and 8) purchaser care. *See id.*

118 *See Brookfield*, 174 F.3d at 1067 n.16 (stating the importance and reason behind starting the analysis with these three factors).

Much has changed since *Brookfield*. This evolution in thinking about trademark law and the internet is illustrated by the case I consider third most significant: *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*[119] *Network Automation* involved a claim of likelihood of confusion in a Google AdWords context—the acquisition of a competitor's trademark as trigger for its search engine advertisements. The court, in vacating a preliminary injunction, emphasized that the *Brookfield* Internet troika factors are not necessarily the factors most important to every case involving likelihood of confusion on the Internet.[120] The Ninth Circuit Court of Appeals also differed with *Brookfield* on Internet consumer behavior, stating that "the default degree of consumer care is becoming more heightened as the novelty of the internet evaporates and online commerce becomes commonplace."[121] *Network Automation* is one of several cases recognizing the real world of Internet marketing and the increasing sophistication of consumers in their online activities. As Judge Kosinski summarized in *Toyota Motor Sales v. Tabari*:

> [I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents. They fully expect to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary. Outside the special case of . . . domains that actively claim affiliation with the trademark holder, consumers don't form any firm expectations about the sponsorship of a website until they've seen the landing page—if then.[122]

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[119] 638 F.3d 1137 (9th Cir. 2011).

[120] "Given the multifaceted nature of the Internet and the ever-expanding ways in which we all use the technology, however, it makes no sense to prioritize the same three factors for every type of potential online commercial activity." *Id.* at 1148.

[121] *Id.* at 1152.

[122] 610 F.3d 1171, 1179 (9th Cir. 2010).

More realistic notions of the reasonably prudent purchaser on the Internet marketplace are finally being given recognition in the courts. Much as in copyright law, the way the courts have reacted to changing technological trends in trademark law illustrates once again that legal change lags behind social change.

NUMBER 2: OF TRADE DRESS AND PRODUCT CONFIGURATION AND OTHER NON-VERBAL MARKS

Wal-Mart v. Samara Brothers, Inc.[123]

The variety of non-verbal trademarks acknowledged by the courts and the U.S. Patent and Trademark Office ("PTO") has continued to enlarge during the twenty-year time frame covered in this retrospective. Logos and packaging have long been protected under trademark and unfair competition law. But in the last two decades the courts and the PTO have also recognized and protected color, product designs, fragrances, and other symbols. This expansion of trademark law into more non-traditional subject matter reflects, I believe, the changing nature of how consumers have come to identify and distinguish a product by its form and packaging. As Graeme Dinwoodie has pointed out, "Courts have protected as trade dress the design features of an extensive range of products including kitchen appliances, sporting equipment, candies, bathroom fittings, sports cars, giant gumball machines, furniture, hardware items, fashion accessories, lamps and even golf holes."[124] Section 43(a) of the Lanham Act has served as the statutory medium for this broad expansion of trademark subject matter under the rubric of "trade dress," a term used to refer to product packaging in its multitudinous forms.[125]

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[123] Wal-Mart Stores Inc. v. Samara Bros. Inc., 529 U.S. 205 (2000).

[124] Graeme Dinwoodie, *The Death of Ontology: a Teleological Approach to Trademark Law*, 84 IOWA L. REV. 611, 622 (1999) (collecting cases).

[125] 15 U.S.C. § 1125(a) provides: "(a) Civil action (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

In 1992, *Two Pesos, Inc. v. Taco Cabana, Inc.*[126] was fresh on everybody's mind as a case that significantly enlarged the scope of protection for trade dress. Taco Cabana operated a chain of Mexican restaurants, and described its trade dress as "a festive eating atmosphere having interior dining and patio area decorated with artifacts, bright colors, paintings, and murals."[127] Taco Cabana brought suit against Two Pesos under section 43(a) for infringement of its trade dress. The question before the court was whether trade dress could be protected absent secondary meaning.[128] In *Two Pesos*, the Court held that proof of secondary meaning is not required to prevail on a claim under section 43(a) where the trade dress at issue is inherently distinctive.[129] By allowing trade dress to be protected without a secondary meaning filter, the risk of overprotecting an amorphous category of trademark subject of indeterminate boundaries was created. *Qualitex Co. v. Jacobsen Products Co. Inc.* recognized the necessity for some restraint on the ever-expanding contours of trademark subject matter.[130] There, the court held that color alone can meet the basic requirements as a trademark and can serve as a

> person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a) (2006).

[126] 505 U.S. 763 (1992).

[127] *Id.* at 765 (citing Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1117 (5th Cir. 1991)).

[128] Secondary meaning is used generally to indicate that a mark or dress "has come through use to be uniquely associated with a specific source." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13, cmt b (Tentative Draft No. 2, 1990). "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U. S. 844, 851 n.11 (1982).

[129] *Two Pesos*, 505 U.S. at 776.

[130] 514 U.S. 159 (1995).

symbol that identifies and distinguishes a firm's goods so long as that color has attained a secondary meaning.[131]

I have chosen *Wal-Mart Stores, Inc. v. Samara Brothers* as case number two on this list because of the increasing importance of the protection of trade dress and product design (and other non-traditional trademarks) under section 43(a) of the Lanham Act. In *Wal-Mart*, by distinguishing product design from trade dress and packaging, the Court cut back on the progressive broadening of rights in this domain. Specifically, Samara Brothers brought suit under section 43(a) for the imitation of its line of children's clothing consisting of seersucker fabric and gold appliqués. The U.S. Supreme Court reversed the judgment for Samara, whose product design was deemed protectable as being inherently distinctive even though it had not attained a secondary meaning. The Court ruled that product design, like product color, is not capable of being inherently distinctive. The point is that product design (unlike trade dress/packaging) serves purposes other than source identification. Thus, allowing product design to be protected without proof of secondary meaning would harm to consumer interests. The Court rejected the application of an inherent distinctiveness test for product design, stating that "such a test would rarely provide the basis for summary disposition of an anticompetitive strike suit."[132] The Court added that "[c]ompetition is deterred . . . not merely by successful suit but the plausible threat of successful suit, and given the unlikelihood of inherently source identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle."[133]

But *Wal-Mart* did not tie up all the loose ends. One thorny question that has plagued the courts is the distinction between trade dress/packaging and product design. *Wal-Mart* can be read in conjunction with *Qualitex v. Jacobsen*, *Dastar,* and *Traffix* as Supreme Court cases that attempt to strike a balance between third party competitive entry into markets, and the protection of a

131 *Id.* at 174.
132 *Wal-Mart*, 529 U.S. at 214.
133 *Id.*

trademark owner's goodwill. This is a difficult task, but one that will always occupy the courts. I believe, however, that the courts have properly struck the balance in favor of competitive entry, absent a showing of secondary meaning on the part of the owner of a non-verbal, non-traditional trademark.

NUMBER 1: TRYING TO DEFINE THE SCOPE OF THE FUNCTIONALITY DOCTRINE

TrafFix Devices, Inc. v. Marketing Displays Inc.[134]

One who seeks to register and protect a product or container configuration as a trademark must prove that its design is "non-functional and that the design is distinctive."[135] As recently discussed in *Samara*, certain forms of trade dress—packaging—can be protected as inherently distinctive without proof of secondary meaning under the appropriate circumstances. The second important step in determining product and trade dress is the doctrine of functionality. In *Qualitex v. Jacobsen Products*, the Supreme Court explained the functionality doctrine in the following manner:

> The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time . . . after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be

[134] 532 U.S. 23 (2001).
[135] *In re* Morton-Norwich Products Inc., 671 F.2d 1332, 1335 (C.C.P.A. 1982).

> extended forever (because trademarks may be renewed in perpetuity).[136]

Before the *TrafFix* decision in 2001, the courts had developed a practical standard for determining functionality based on whether the product feature was needed in order to compete.[137] The functionality doctrine was best articulated in *In re Morton-Norwich Products, Inc*.[138] In this case, Judge Rich listed four evidentiary criteria to determine whether a product feature is *de jure* functional: (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design's utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.[139]

I have chosen *TrafFix* as my number one case for essentially negative reasons. I have come to intensely dislike this case not so much for the Court's perhaps well-intentioned goal to render some certainty to the functionality doctrine, but instead for the unintelligible, incoherent way the Court went about its task. The doctrine of functionality was already one of the most challenging and befuddling doctrines in trademark law even before the Supreme Court added another layer of needless confusion in *TrafFix*.

In *TrafFix*, the Court ruled that the respondent's trade dress on a spring mounted wind resistant sign stand, which was used in traffic control and construction work zones, was functional.[140] What is puzzling is not the actual decision but how the Court imposed a new "bright line" rule in determining the issue of

136 Qualitex v. Jacobsen Products, 514 U.S. 159, 164–65 (1995).

137 *See, e.g.*, Restatement (Third) of Unfair Competition § 17 (1995) ("A design . . . is 'functional' if the particular design affords benefits to the person marketing the goods or services, apart from any benefits attributable to the design's significance as an indication of source, that are important to effective competition by others and that are unavailable through the use of alternative designs.").

138 *See In re* Morton-Norwich Prods., Inc., 671 F.2d 1332 (C.C.P.A 1982).

139 *Id.* at 1340–41.

140 TrafFix Devices Inc. v. Mktg. Displays Inc., 532 U.S. 23, 34 (2001).

functionality. Even before defining the functionality standard, the *TrafFix* Court was eager to establish a new bright line rule to determine functionality based on the presence of a utility patent. The Court held that "[a] utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those feature the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection."[141]

The problem with the Court's approach in this case is that it seems to overemphasize the presence of a utility patent in the analysis of functionality. Ultimately, the determination should be based on a competitive need, and the presence of a utility patent, by itself, provides no evidence of the competitive significance of the features claimed. Patents are sometimes granted for obscure inventions of non-existent commercial value. Other patents are allowed for slight advances over the prior art and are narrow in scope. In addition, many patents lapse, sometimes abandoned by their owners for failure to pay periodically required maintenance fees before their expiration dates. In placing the mere presence of a patent as the centerpiece in the analysis of functionality, the court misses the important policy reason for the doctrine—one that is based on competitive need. The presence of a patent may or may not be important in determining circumstantial functionality, but it still should not be used as a bright line rule. Despite this point, the court continues to argue this fact in a totally aberrant manner, and whether satisfactory alternatives exist is not relevant to the discussion.[142]

The Supreme Court granted certiorari in *TrafFix* to resolve a minor split in circuits involving the relevance of an expired utility patent on the issue of functionally, yet ultimately ended up rewriting the entire law of functionality in an incoherent manner.[143]

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[141] *Id.* at 29–30.

[142] *See id.* at 33–34.

[143] *Compare* Sunbeam Prods., Inc. v. West Bend Co., 123 F.3d 246 (5th Cir. 1997) (holding that trade dress protection is not foreclosed by utility patent); Thomas & Betts Corp. v. Panduit Corp., 138 F.3d 277 (7th Cir. 1998) (same); and Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999) (same), *with* Vornado Air

In so doing, it jettisoned the uniform use of a competitive need functionality standard, and ditched the consistent treatment of all functionality questions, whether aesthetic or utilitarian.[144] In sum, the court rendered an inherently difficult doctrine that was more perplexing, less intelligible, and less predictable than the original.[145] The mischief of *TrafFix* can be found in the muddled post-*TrafFix* case law, and it will take a long time to undo the confusion created by this poorly crafted decision.[146]

For some time now, a number of scholars have addressed the issue of functionality in academic literature. What is remarkable about the discussion is that after all the many years of discussion, hardly any consensus has developed on the doctrine of functionality. During the twenty years of this retrospective, scholars and courts differ on its underlying rationale and scope. In the future, they should focus on a uniform coherent practical test to prove functionality in the litigation process, one that supports its underlying competitive market rationale.

CONCLUSION

In adapting to a new marketing environment, trademark law has seen more change in the last twenty years than in any time in its history. These ten cases were chosen as vehicles to illustrate

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Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498, 1500 (10th Cir. 1995) ("Where a product configuration is a significant inventive component of an invention covered by a utility patent . . . it cannot receive trade dress protection . . . .").

144 *TrafFix*, 532 U.S. at 33. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of aesthetic functionality, the question involved in *TrafFix*. Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In *Qualitex*, by contrast, aesthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

145 *See* Mark Alan Thurmon, *The Rise and Fall of Trademark Law's Functionality Doctrine,* 56 FLA. L. Rev. 243, 326 (2004).

146 Some courts have appeared to ignore *TrafFix*. *See, e.g.*, Valu Eng'g, Inc. v. Rexnord Corp., 278 F.3d 1268, 1276 (Fed. Cir. 2002) ("We do not understand the Supreme Court's decision in *TrafFix* to have altered the *Morton-Norwich* analysis."); Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH, 289 F.3d 351, 356 (5th Cir. 2002) ("A design or characteristic is nonfunctional if there are reasonably effective and efficient alternatives possible.").

the challenges that courts and Congress have had in negotiating and adapting to current challenges. These challenges can be summed up as globalization and the expansion of Internet use. By reflecting on this two-decade time period, I am impressed by the relatively sensible nature that both the courts and Congress have taken to reconcile difficult issues. There have been plenty of judicial bumps in road, and we still need to work out the thorny issues of dilution law and reconcile the boundaries between trademark and patent law. Yet on the whole, the journey has been a laudatory adaptation. I look forward to the next twenty years of the Fordham Conference in which we will debate the new issues that await us in the world of trademark law.