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January 2011 Issue

Civil Cases

1-800 Contacts.com, Inc. v. Memorial Eye, P.A.,
2010 WL 5149269 (D. Utah Dec. 13, 2010)

by David M. Kelly

District of Utah rules that a trademark owner's claim against a competitor for purchasing its trademark as a keyword is not barred by unclean hands because the trademark owner's purchase of other competitors' trademarks as keywords was not related to the mark it asserted against the defendant.

Bd. of Regents of the Univ. of Wis. Sys. v.
Phoenix Software Int'l, Inc.,
2010 WL 5295853 (7th Cir. Dec. 28, 2010)

by Lynn M. Jordan

Seventh Circuit holds that in determining likelihood of confusion for purposes of cancellation action, consideration of actual nature of the parties' goods, rather than simply the goods as described in the parties' respective trademark registrations, is appropriate; and that the Trademark Remedy Clarification Act does not eliminate sovereign immunity for state governments in trademark disputes.

Gray v. Novell, Inc.,
2011 WL 69373 (11th Cir. Jan. 7, 2011)

by B. Brett Heavner

Eleventh Circuit affirms ruling that X/Open is the exclusive owner of the UNIX trademark.

TTAB Cases

In re Van Valkenburgh,
App. Ser. No. 77025789 (TTAB Jan. 7, 2011)

by Linda K. McLeod and Stephanie H. Bald

TTAB finds product design of motorcycle stand functional and

Finnegan Articles

Cleared for Knock-Off:
Counterfeiting at 30,000 Feet
by B. Brett Heavner and
Michael R. Justus

The Top 10 Mistakes of
Foreign Applicants in U.S.
Trademark Registration
Practice and How to Avoid
Them
by B. Brett Heavner and
Marcus H.H. Luepke

Trademarks and Viral
Marketing: The Risks, the
Rewards, the Rules
by Marcus H.H. Luepke and
Julia Anne Matheson

Finnegan News

Identifying the World's
Leading Trademark Firms and
Practitioners

Eleventh Circuit Affirms Lower
Court Decision in Favor of
Finnegan Client X/Open

Podcasts

Marcus Luepke and Julia
Matheson Discuss Silly
Bandz®: The Latest
Sensation to Stretch the
Rules of Trademark
Protection

UNREGISTRABLE: False-Advertising Wars

by Robert D. Litowitz and
*Dana Nicoletti**

lacking in acquired distinctiveness, rejecting registration.

***Orouba Agrifoods Processing Co. v.
United Food Imps.,
Canc. No. 92050739 (TTAB Dec. 28, 2010)***

by Linda K. McLeod and Stephanie H. Bald

TTAB finds Petitioner's claims barred by res judicata based on prior judgment in opposition involving the identical parties and same transactional facts, even though TTAB had not decided prior opposition "on the merits."

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[Back to Main](#)

Civil Cases

1-800 Contacts.com, Inc. v. Memorial Eye, P.A., 2010 WL 5149269 (D. Utah Dec. 13, 2010)

by David M. Kelly

ABSTRACT

Defendant purchased keywords incorporating plaintiff's 1-800 CONTACTS trademark that linked to sponsored advertisements for defendant's competing products, and plaintiff sued for trademark infringement. Defendant argued that plaintiff's claim was barred by the equitable doctrine of unclean hands because plaintiff itself had purchased other competitors' trademarks as search-engine keywords to advertise its competing products. But the court held that the unclean hands defense did not apply when the plaintiff's conduct was not related to the trademark at issue, i.e., plaintiff's 1-800 CONTACTS trademark.

CASE SUMMARY

FACTS

Plaintiff 1-800 Contacts.com, Inc., the market leader in the field of replacement contact lenses, sold its products online under the federally registered trademark 1-800 CONTACTS. Defendant Memorial Eye, P.A., which also sold replacement contact lenses online, purchased keywords incorporating the 1-800 CONTACTS mark from Google and other search engines. When users searched for 1-800 CONTACTS, the search results displayed defendant's advertisements in the paid sponsored links. Plaintiff objected to defendant's actions several times over a period of a few years, but defendant continued to purchase the disputed keywords.

Plaintiff sued defendant for trademark infringement. Defendant asserted both an affirmative defense and a counterclaim based on the alleged unclean hands of plaintiff. Defendant's unclean hands allegations were based in large part on plaintiff's own acts of purchasing competitors' trademarks (but not defendant's trademarks) as search-engine keywords. Plaintiff filed a motion for summary judgment on defendant's unclean hands defense and counterclaim.

ANALYSIS

The district court granted plaintiff's motion for summary judgment. Defendant's affirmative defense simply pleaded that "[Defendant] asserts the defense of unclean hands," and its counterclaim alleged that plaintiff itself purchased keywords incorporating competitors' trademarks, the same activities for which it

was suing defendant. In response, plaintiff argued that defendant could not benefit from the unclean hands defense because plaintiff's alleged misconduct was *not* related to the 1-800 CONTACTS trademark at issue in this case.

The threshold issue before the court was thus whether an unclean hands defense may be based on a plaintiff's conduct regarding marks *unrelated* to those the plaintiff asserted in its complaint. The court sided with plaintiff, citing the Tenth Circuit's rule from *Worthington v. Anderson* that the inequitable conduct must be related to the plaintiff's cause of action. The district court noted that two kinds of "related conduct" may support application of the unclean hands defense in a trademark case: (1) inequitable conduct toward the public, such as deception in or misuse of the trademark itself; or (2) inequitable conduct toward the defendant in relation to the trademark at issue. The court also noted the Tenth Circuit's decision in *Utah Lighthouse Ministry v. Discovery Computing*, which held that the unclean hands doctrine "requires that the inequitable conduct on the part of the plaintiff be related to the plaintiff's cause of action." The court further cited Professor McCarthy's treatise on trademarks and unfair competition, in which he states that "[t]he plaintiff's alleged infringement of a different trademark does not furnish grounds for an unclean hands defense."

Applying this precedent to the facts of this case, the court held that defendant's unclean hands allegations were not sufficiently related to plaintiff's claims regarding the infringement of its 1-800 CONTACTS mark, i.e., plaintiff's keyword activities did not involve its 1-800 CONTACTS mark. Defendant argued that unclean hands conduct did not need to relate to the mark asserted by plaintiff if the defense lies in inequitable conduct towards the *public*, as opposed to the other party. The court held, however, that *Worthington* required that the inequitable conduct be related to plaintiff's cause of action, even where the inequitable conduct was toward the public.

CONCLUSION

This decision appears to be the first to specifically address the merits of an unclean hands defense in keyword cases. However, it is consistent with decisions in other types of Internet-related trademark cases in which courts have rejected the unclean hands defense cases where the alleged wrongdoing did not directly relate to the trademark rights asserted by the plaintiff. For example, in *People for Ethical Treatment of Animals v. Doughney*, the Eastern District of Virginia rejected the defendant's unclean hands defense, even though the plaintiff had also registered and used domain names containing the trademarks of others in connection with websites criticizing the trademark owners, because the alleged wrongful conduct did not relate specifically to plaintiff's trademark rights at issue in the case. The Court of Appeals for the Fourth Circuit affirmed the decision. Similarly, the Western District of Washington found that the plaintiff's use of the *defendant's* trademark in its metatags did not constitute unclean hands in *Flow Control Industries v. AMHI*. Because the plaintiff's use involved defendant's trademark and not its own, unclean hands was not applicable.

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[Back to Main](#)

Civil Cases

Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Software Int'l, Inc., 2010 WL 5295853 (7th Cir. Dec. 28, 2010)

by Lynn M. Jordan

ABSTRACT

On appeal of a TTAB decision cancelling a federal registration on likelihood-of-confusion grounds, the district court found that the TTAB erred in considering the actual nature of the parties' goods, believing it should have confined its analysis to the goods as identified in the registrations. The Seventh Circuit reversed, reinstated the TTAB's findings, and remanded for trial on the issue of likelihood of confusion. It agreed with the district court's finding, however, that trademark-infringement counterclaims against the governmental party were barred under principles of sovereign immunity.

CASE SUMMARY

FACTS

Phoenix Software International, Inc. ("Phoenix") registered the mark CONDOR for "computer software for online programming development, library management and system utilities functioning on mainframe systems." Subsequently, the Board of Regents of the University of Wisconsin System ("Wisconsin"), an arm of the state, obtained a registration for the mark CONDOR for "computer network operating system software, downloadable from a global computer network, that delivers large amounts of computational power by utilizing idle computing resources in a network of individual computer workstations." Phoenix petitioned the TTAB for cancellation of Wisconsin's registration on the ground that Wisconsin's use created a likelihood of confusion with its own mark. Finding the marks identical, the functions of the software similar, and that purchasers would likely believe that there was some relationship between the sources, the TTAB granted the petition and cancelled Wisconsin's registration.

Wisconsin brought a civil action in federal district court challenging the TTAB's decision and offering new evidence that the sophistication of the purchasers weighed in its favor. Phoenix counterclaimed, seeking damages for trademark infringement. The district court dismissed the TTAB's finding that confusion was likely, believing that all analysis of the similarity of the products should have been confined to the actual wording of the parties' registrations rather than a consideration of actual marketplace use. The district court granted Wisconsin's motion for summary judgment and dismissed Phoenix's counterclaims on sovereign-immunity grounds.

ANALYSIS

On appeal, determining whether consumers were likely to be confused by Wisconsin's and Phoenix's concurrent use of the CONDOR marks, the Seventh Circuit found that the district court erred in limiting its analysis to the descriptions of goods in the parties' trademark registrations, an approach the Seventh Circuit described as "too formalistic" and one that "ignores the requirement that the products are to be examined as they appear to the consumer." The proper analytical framework, the Seventh Circuit held, was whether the parties' products are the kind the public might well attribute to a single source. The appeals court stated, "While we must consider the marks as they are described, it would be a mistake to bar any evidence of their actual use as irrelevant. After all, one of the facts in the [likelihood-of-confusion] test is the 'area and manner of concurrent use.'"

According to the Seventh Circuit, the district court had not only erred in confining its examination to the registrations, but also had mistakenly assumed that the similarity in the products' functions was dispositive. Accordingly, the Seventh Circuit held that the TTAB had properly applied the correct factor-based likelihood-of-confusion balancing test and, in doing so, had properly apportioned the burden of proof. In reaching its holding, the TTAB had relied on its findings for three key factors, namely, the identical nature of the marks, the manner in which both parties' products were used, and the similarity of the products. Once the TTAB's findings were reinstated, the Seventh Circuit found that Phoenix had offered sufficient evidence to survive summary judgment on the issue of likelihood of confusion. Accordingly, it reversed the district court's decision and remanded for a trial on the likelihood of confusion.

Turning to Phoenix's counterclaims, the majority of the appeals court agreed with the district court that the Trademark Remedy Clarification Act ("TRCA") of 1992, which purported to make state governments liable for trademark violations, was not materially different from the Patent Remedy Act that had previously been found unconstitutional in *Florida Prepaid v. College Savings Bank*, 527 U.S. 627 (1999). Thus, the Seventh Circuit agreed that Wisconsin could be liable under federal trademark law only if it had waived sovereign immunity. It then rejected the argument that Wisconsin had constructively waived sovereign immunity in taking advantage of the Lanham Act by registering a trademark, or by bringing the appeal in a federal district court under Section 1071(b) rather than at the Federal Circuit. In a lengthy dissent on the issue of sovereign immunity, one judge on the appeals panel believed that in choosing to initiate a claim before a district court rather than appealing directly to the Federal Circuit, Wisconsin had "effectively waived its sovereign immunity for all matters that might arise in that particular case, including counterclaims." Had it appealed directly to the Federal Circuit, it would have been limited to the record created before the TTAB.

CONCLUSION

This decision is noteworthy in its finding that the TRCA of 1992 did not abrogate a state's sovereign immunity. Practically speaking, assuming the cancellation of its trademark registration is upheld on remand, Wisconsin will nevertheless be able to continue to use its mark in commerce without fear of infringement liability under federal law.

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[Back to Main](#)

Civil Cases

***Gray v. Novell, Inc.*, 2011 WL 69373 (11th Cir. Jan. 7, 2011)**

by B. Brett Heavner

ABSTRACT

X/Open opposed Gray's application to register the mark iUNIX based on X/Open's prior rights to the mark UNIX. In defending the opposition, Gray alleged that X/Open was not the owner of the UNIX mark and, consequently, that X/Open's opposition was "fraudulent" in violation of various federal and state statutes. Specifically, Gray alleged that a series of agreements between Novell (the previous owner of the UNIX mark), X/Open, and SCO actually showed that Novell had assigned the UNIX mark to SCO and not to X/Open. The district court subsequently found that the agreements clearly transferred ownership of the UNIX mark to X/Open and granted summary judgment to X/Open. The court of appeals affirmed.

CASE SUMMARY

FACTS

The UNIX mark was developed by AT&T for its computer-operating systems in 1972 and has been registered with the PTO since 1986. By 1994, the mark had been acquired by Novell, Inc. ("Novell"). Subsequently, Novell exclusively licensed X/Open to manage the UNIX licensing program for products that conformed to a single UNIX specification. Novell also committed to assign the UNIX mark to X/Open within three years (unless the parties agreed to a different time). Novell retained sole rights to the UNIXWARE mark, which identified its particular UNIX-certified operating system.

About a year later, Novell sold its UNIXWARE business to The SCO Group ("SCO"). The Asset Purchase Agreement ("APA") with SCO listed the assigned assets as all rights and ownership of UNIX and UNIXWARE "as and to the extent held by [Novell] (excluding any compensation [Novell] receives with respect of the license granted to X/Open regarding the UNIX trademark)."

A year later, Novell, X/Open, and SCO jointly executed a tripartite Confirmation Agreement that confirmed X/Open's ownership of the UNIX mark and obligated Novell to assign the UNIX mark to X/Open as soon as possible, as well as confirmed that the future assignment of the UNIX mark to X/Open would not be a breach of the Novell/SCO APA. Shortly thereafter, Novell and SCO amended the APA to exclude from the assets transferred to SCO any trademarks that were not required for SCO to exercise its rights with respect to the UNIXWARE technology that it had acquired from Novell. In 1998, Novell

executed a Deed of Assignment transferring all right, title, and interest in the UNIX mark to X/Open.

In 1999, Wayne Gray filed an application with the PTO to register the mark iNIX in connection with computer-operating systems software. X/Open opposed Gray's application to register iNIX on the ground that iNIX was confusingly similar to the famous UNIX mark. During discovery, Gray claimed he learned that the APA transferred the UNIX trademark to SCO, thus rendering both the Deed of Assignment to X/Open and X/Open's opposition to Gray's application invalid. Gray alleged that Novell, X/Open, and SCO had conspired to conceal the true owner of the UNIX mark from him and induced him to abandon his iNIX business.

Based on this theory, Gray requested suspension of the opposition then pending before the PTO and sued Novell, X/Open, and SCO in federal court seeking a determination that X/Open did not own the UNIX trademark; that the defendants committed violations under the Lanham Act, federal and state RICO statutes, the Florida Communications Fraud Act, and common-law fraud; and caused Gray substantial damages.

X/Open and Novell both moved for summary judgment, arguing that no issue of material fact existed as to X/Open's lawful ownership of the UNIX mark. The district court granted summary judgment in the defendants' favor and Gray appealed.

ANALYSIS

The Court of Appeals reasoned that the linchpin of Gray's complaint was his allegation that X/Open was not the true owner of the UNIX mark. If the allegation was untrue, then there could have been no fraud and all of Gray's claims must fail. Gray contended in support of his position that (1) the APA transferred "without limitation" the UNIX and UNIXWARE marks from Novell to SCO, and (2) in a prior Utah litigation, Novell admitted that it had transferred the UNIX mark to SCO. The appeals court found that both of Gray's contentions were wrong.

First, the APA did not transfer the UNIX trademark to SCO. Rather, the APA expressly transferred the trademarks to SCO only "as and to the extent held" by Novell. Since Novell had already exclusively licensed the UNIX mark to X/Open, under the terms of that license agreement, it could not transfer the mark to SCO. Indeed, the APA specifically referenced the X/Open agreement and excluded from transfer any compensation that Novell would receive based on the UNIX license to X/Open. Further, the APA transferred only the UNIXWARE business to SCO, as well as any royalties from the UNIX trademark licenses that predated the X/Open exclusive license agreement. This interpretation of the APA was reinforced by the Confirmation Agreement, which was signed by all three parties and specifically stated that Novell should assign the UNIX mark to X/Open and that doing so would not violate the APA between Novell and SCO. This interpretation was also supported by the subsequent amendment of the APA, which specified that the APA only transferred to SCO the marks that it needed in order to exploit the technology it had acquired from Novell. Since the UNIX mark was not required for SCO to exploit the UNIXWARE technology, the UNIX mark was not included in the APA transfer. Finally, the 1998 Deed of Assignment accomplished the anticipated transfer of the UNIX mark to X/Open that had been referenced in the original exclusive license agreement and in the Confirmation Agreement.

Second, the Utah case referenced by Gray contained no admission from Novell with respect to trademark assignment. Rather, the Utah litigation related to the ownership of the AT&T "System V" UNIX source code copyrights, and not the trademarks. Therefore, the statements in the Utah litigation were irrelevant

to Gray's trademark case.

Because Novell's assignment of the UNIX mark to X/Open was valid, X/Open's opposition to the iNIX application could not have been fraudulent and Gray's related trademark-ownership fraud claims must fail. The court of appeals accordingly affirmed summary judgment in favor of X/Open, Novell, and SCO.

CONCLUSION

This decision affirms nonprofit consortium X/Open's exclusive ownership to the UNIX trademark—one of the computer industry's best known operating-system brands.

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TTAB Cases

In re Van Valkenburgh, App. Ser. No. 77025789 (TTAB Jan. 7, 2011)

by Linda K. McLeod and Stephanie H. Bald

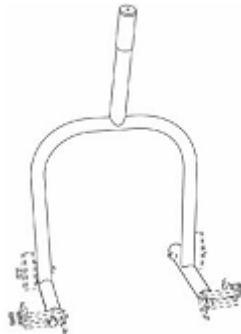
ABSTRACT

The TTAB affirmed the refusal to register Applicant's product-design mark, finding that there was sufficient evidence of the product design's functionality, including a utility patent, advertising materials touting utilitarian advantages, and evidence of a hindrance to competitors. The TTAB also held that, despite Applicant's sixteen years of use of the proposed mark, there was no evidence that consumers had come to perceive Applicant's product design as a trademark, and thus no acquired distinctiveness.

CASE SUMMARY

FACTS

Applicant filed an application to register the mark shown below for "motorcycle stands" in Class 12.



The application included the following description: "The mark consists of the three dimensional configuration and associated trade dress of a motorcycle stand. The material shown in the dotted lines serves to show the position of the mark on the goods and is not claimed as part of the mark." Applicant sought registration of the proposed mark on the Principal Register under Section 2(f). The Examining Attorney refused registration under Section 2(e)(5) on the ground that the proposed mark was functional and, alternatively, on the ground that the proposed mark had not acquired distinctiveness.

ANALYSIS

On appeal, the TTAB applied the following *Morton-Norwich* factors to determine whether the proposed mark was 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) factors indicating the design results in a comparatively simple or cheap method of manufacturing the product. First, the TTAB reviewed Applicant's patent for a motorcycle stand and found that the drawing of the invention in the patent incorporated the proposed mark, the detailed description of the invention in the patent described the proposed mark, and one of the claims of the patent claimed the proposed mark as part of the subject matter of Applicant's invention. Accordingly, the TTAB found that the patent constituted prima facie evidence that the proposed mark was functional. In reaching this conclusion, the TTAB noted, among other things, that the fact that the proposed mark comprised less than the entirety of the invention claimed in the patent was not dispositive because it adopted a significant portion of the invention disclosed.

Second, the TTAB considered whether there were advertising materials in which Applicant touted the motorcycle stand's utilitarian advantages. Prior to publishing his website, Applicant had not created any advertising, promotional, and/or explanatory materials concerning the configuration for which the registration was sought. Accordingly, the Examining Attorney had looked at promotional materials published by Applicant's competitors touting functional features of motorcycle stands that incorporated the design of the proposed mark. The TTAB dismissed Applicant's argument that the advertising did not describe, explain, or reference any utilitarian aspects or advantages of the proposed mark. It found that statements such as "designed to allow a superb sturdy, non-flex performance," "[e]xtended arm provide (sic) extra leverage," "[l]ow effort one hand lift," "extraordinarily easy to use," "[t]he whole system is so strong, and its geometry so correct, that a bike can easily be rolled around while on the stand," and "[u]niversal design to fit all standard swing arm sportbikes" all related specifically to the design of the supporting base incorporated into Applicant's proposed mark. Accordingly, the TTAB found that the competitors' advertisements touted the utilitarian advantages of motorcycle stands similar, if not identical, in design to the proposed mark in more than just generalized statements.

Third, the TTAB determined whether functionally equivalent designs for motorcycle stands were available to Applicant's competitors. Although Applicant submitted photographs of what it claimed were more than eighty-five alternative designs for motorcycle stands, the TTAB noted that the availability of alternative designs could not convert a functional design to a nonfunctional design. The TTAB further explained that "a handle connected perpendicularly to a transverse member rigidly connected to horizontally disposed members on a supporting base" was not an arbitrary flourish on Applicant's motorcycle stand. Accordingly, the TTAB held that registration of the proposed mark could hinder competitors who would not know if the features that they used in the supporting bases of their motorcycle stands could subject them to a trademark-infringement lawsuit.

Fourth, the TTAB considered whether Applicant's product design resulted in a comparatively simple or cheap method of manufacturing the product. Based on the testimony of Applicant's expert, the TTAB concluded that the alternative designs would have "similar costs for materials, labor, shipping, warehousing and handling." Accordingly, the TTAB found that the cost and complexity of manufacturing Applicant's product design was comparable to some of his competitors.

In sum, having reviewed the *Morton-Norwich* functionality factors, the TTAB found that the proposed mark had an efficient and superior design for the supporting base of a motorcycle stand and that it was thus functional.

Turning to the alternative issue of acquired distinctiveness, the TTAB found that: Applicant's sixteen years of use was substantial, but not conclusive or persuasive, considering that its mark was a product design; the product's alleged position as an industry leader demonstrated the popularity or commercial success of the motorcycle stand, but it did not demonstrate that the purchasing public recognized the product design as a source indicator; Applicant had not produced evidence of substantial sales or significant market share; Applicant failed to provide advertising figures or evidence of advertising materials other than its website; Applicant did not offer any evidence of unsolicited publicity; Applicant's alleged survey evidence was not supported by scientific evidence; the survey evidence (which the TTAB treated as declaration evidence) was insufficient to show consumers had come to recognize Applicant's product design as a trademark; Applicant failed to show that the alleged incidents of copying of its product design were due to the copier attempting to confuse consumers rather than exploit a particular product design; and Applicant's evidence submitted in its reply brief for the first time that it owned a registration for a similar product design for motorcycle stands in the colors gold and red was untimely (the record in an application must be complete prior to filing the notice of appeal), and the registered mark was for the colors gold and red, not for the product configuration of the motorcycle stand. Accordingly, the TTAB affirmed the alternative refusal of registration on the ground that the product design sought to be registered had not acquired distinctiveness under Section 2(f).

CONCLUSION

If a party seeks to register a product design and owns a utility patent covering a feature of that product design, the party will be forced to bear the heavy burden of showing that the feature is not functional. The TTAB may also look to see whether an applicant's competitors have advertised similar products touting the design's utilitarian advantages, even if the applicant itself has not done so.

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TTAB Cases

Orouba Agrifoods Processing Co. v. United Food Imps., Canc. No. 92050739 (TTAB Dec. 28, 2010)

by Linda K. McLeod and Stephanie H. Bald

ABSTRACT

Petitioner sought to cancel Respondent's registration for the BASMA and Design mark for certain food products, alleging priority and likelihood of confusion, false suggestion of a connection, fraud, and misrepresentation. Respondent moved to dismiss the petition on res judicata grounds based on a prior opposition filed by Petitioner against Respondent alleging similar claims in which judgment had been entered against Petitioner for failure to prosecute. The TTAB converted the motion to dismiss to a motion for summary judgment because it relied on facts outside the scope of the pleadings and found that there was no genuine issue of material fact that Petitioner's claims were barred by res judicata because the prior judgment involved the identical parties, constituted a final judgment on the merits (even though the TTAB had not issued a decision "on the merits" in that proceeding), and was based on the same transactional facts as the first case and claims that could and should have been litigated in the prior case.

CASE SUMMARY

FACTS

Orouba Agrifoods Processing Company ("Petitioner") filed a petition to cancel United Food Imports' ("Respondent") registration for the mark BASMA and Design, alleging likelihood of confusion based on its prior use of an identical mark, ownership of a prior pending application for a mark contained within the BASMA and Design mark for certain foods, and the fact that Respondent was Petitioner's authorized importer for a period of time, as well as claims of fraud and misrepresentation. Petitioner had previously filed a notice of opposition against the application that matured into the registration at issue in this cancellation, alleging, among other things: prior use of the BASMA mark, ownership of the same application pleaded in this proceeding, that Respondent was Petitioner's authorized importer for a period of time, that Respondent's claim of ownership of the mark was false, that Respondent was not the owner of the mark and filed a false verification, and that Petitioner reasonably believed that Respondent's application would be cited against Petitioner's application. In that prior proceeding, Petitioner failed to timely file its brief on the case, or take any testimony or submit any evidence in support of its claims. As a result, the TTAB entered judgment against Petitioner and dismissed the opposition with prejudice. The application thereafter matured into the registration at issue in the present cancellation.

ANALYSIS

In this cancellation proceeding, Petitioner argued that although the TTAB rendered a final decision in the prior opposition proceeding, it did so without reaching the “substantive merits” of the case. Further, Petitioner argued that the cancellation proceeding was based on a different set of transactional facts, including allegations based on facts discovered after the opposition proceeding, and that the merits of the case should be considered because of the grave allegations of the case, i.e., the misappropriation of a mark by a distributor. The TTAB disagreed, finding res judicata because the parties in the prior opposition were identical to those in the cancellation, there had been a final judgment on the merits of the prior claims, and the claims in the cancellation were based on the same transactional facts as the claims in the opposition.

First, the TTAB noted that the parties to the prior opposition and this cancellation were identical. Second, the TTAB dismissed the Petitioner’s argument that res judicata did not apply because it did not reach “the substantive merits” of the prior opposition proceeding. The TTAB noted that even default judgments for failure to answer, or dismissals for failure to prosecute, where there has been no decision “on the merits,” can act as a bar under the doctrine of claim preclusion. Accordingly, for purposes of res judicata, the TTAB’s order in the prior opposition was a final judgment on the merits. Third, the TTAB found that there was no genuine issue that Petitioner’s claims in the cancellation proceeding were based on the same transactional facts as, or could have been litigated in, the prior opposition. The TTAB noted that Petitioner’s argument that the petition included allegations that were discovered subsequently was not credible because they concerned Petitioner’s own use of the mark and the new allegations were simply the same transactional facts with more detail.

Further, the TTAB reasoned that the Petitioner could not avoid the application of res judicata by merely bringing additional claims into the subsequent cancellation proceeding based on the same transactional facts as in the prior opposition. Specifically, although the grounds for the prior opposition did not include priority and likelihood of confusion or false suggestion of a connection or misrepresentation, all of those claims were based on the same facts alleged in the opposition. And, based on the factual allegations in the prior opposition, the TTAB pointed out that Petitioner could and should have asserted each of those claims in the earlier case.

Finally, the TTAB was not persuaded by Petitioner’s assertion that the merits of the case should be considered because of the “grave” allegations in the case. The TTAB found that there was no genuine issue of material fact as to any of the elements of Respondent’s res judicata claim and Petitioner had an opportunity to be heard in the prior proceeding but failed to pursue that opportunity.

CONCLUSION

Res judicata may preclude a party’s claim, even where the prior judgment against the party was through a default judgment or judgment resulting from a failure to prosecute.

The logo for the law firm Finnegan, consisting of the word "FINNEGAN" in a bold, green, sans-serif font.

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[Back to Main](#)

Unregistrable

False-Advertising Wars

*by Robert D. Litowitz and Dana Nicoletti**

We all know that litigation is expensive, time-consuming, and fraught with risks. That's why we love it. But why would an otherwise sane company choose to repeatedly sue a competitor for false advertising? Some reasons are obvious: a successful false-advertising suit can force a rival to spend millions of dollars in new or corrective ads, and possibly even subject it to damages. But history shows us that these potential rewards are not easy to obtain, and a plaintiff runs the very real risk of having its own advertising attacked. The initial salvo of litigation often blossoms into a proverbial mushroom cloud of counterallegations, leading to internecine warfare among industry rivals. The annals of false-advertising litigation include an epic contest that sheds some light on this vexing question.

In 2009, Coppertone fired off two false-advertising suits against its rival Neutrogena in rapid succession. Neutrogena then launched false-advertising claims of its own against Coppertone, with both companies challenging the other's claims to superior sun protection. After a bench trial, the U.S. District Court for the District of Delaware held that *both* companies' advertisements violated the Lanham Act. In a sharply worded footnote, the court scolded both parties for their "essentially meaningless" advertisements and for misleading the consuming public.

Despite this cautionary tale, other competitors continue to face off in court over the contents of their advertisements. For example, the maker of "POM Wonderful" pomegranate juice is currently defending its packaging and advertisements over claims by a rival that POM deceives consumers by masking the fact that its juice is made from concentrate. As 2011 kicked off the new decade, the district court denied cross motions for summary judgment, sending the case on for trial. Even more recently, two kitty litter makers have squared off in a cat fight over commercials for Clorox's Fresh Step® litter, claiming that "cats know what they like" and prefer that brand over Church & Dwight's Super Scoop® product because it "is better at eliminating odors." According to the complaint, the commercials' express message—that cats prefer Fresh Step because of its odor-eliminating prowess—must be false because "cats do not talk." With the complaint filled with details of feline bathroom habits and scatology, the ensuing litigation promises to be anything but tame. Perhaps Garfield and Top Cat will be facing off against each other as "expurrrrt witnesses."

The jury is still out on whether repeated false-advertising cases between competitors is a wise business strategy. But if the decision is made to cross the litigation Rubicon, it is essential that a false-advertising

claim be supported by surveys and other reliable direct evidence that the offending advertisement is both false and materially misleading. Otherwise, one likely will need plenty of sunscreen, all the health benefits of pomegranate juice, and boxes of absorbent kitty litter to withstand the heat, stress, and strain of litigation.

**Dana Nicoletti is a Trademark Law Clerk with Finnegan.*

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