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Supreme Court Affirms Dismissal Based on Nike's Broad Covenant Not to Sue

In a unanimous decision, the U.S. Supreme Court ruled that by granting to the defendant a broad covenant not to sue, Nike was entitled to dismissal of counterclaims challenging the validity of Nike's asserted trade dress.

Nike filed suit against Already LLC alleging that two styles of shoes made by Already infringed upon Nike's federally registered trade dress for its "Air Force 1" shoe. Already brought counterclaims asking the court to declare that Already did not infringe, to rule that Nike had no valid trade dress rights, and to cancel Nike's federal registration. Nike later withdrew its infringement claims and granted Already a covenant not to sue. Nike's decision to grant the covenant not to sue was based on its conclusion that Already's conduct was not harmful enough to warrant further litigation. Already, however, wanted to maintain its challenge to Nike's trade dress rights.

The covenant not to sue covered Already's current and previous shoe designs and "any colorable imitations thereof." Already did not assert any plans to produce a shoe not covered by the covenant. Thus, the trial court, the Second Circuit Court of Appeals and the Supreme Court agreed that there was no longer a live controversy between the parties and thus, the courts lacked jurisdiction to hear Already's counterclaims.

Already LLC d.b.a Yums v. Nike Inc., Case No. 11-982 (U.S. Jan. 9, 2013).

Hershey Cannot Kiss SWISSKISS Chocolates Goodbye

A New Jersey federal judge ruled that the mark SWISSKISS for chocolates did not infringe Hershey's KISSES mark. Hershey filed suit against Promotion In Motion ("PIM") for infringement and dilution and also sought to cancel the SWISSKISS trademark registration for non-use.

The court found that the marks KISSES and SWISSKISS are not confusingly similar primarily because (i) Hershey's KISSES brand is often associated with the product's shape, paper plume and foil wrapping, while PIM has used and intended to use the red and white cross symbol of the Swiss flag with a mountain setting; and (ii) the addition of SWISS at the beginning of PIM's mark is a significant and distinguishing element of the mark. Further, despite having used the KISSES mark since 1907, Hershey did not obtain a registration until 2001 because the mark was previously determined to be merely descriptive. The court found that the

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KISSES mark is strong now, but not strong enough to be the determining factor in the court's confusion analysis. Also, the court did not find Hershey's survey persuasive because it was not based on how the PIM product actually looks in the marketplace.

The court also rejected Hershey's dilution claim. The court determined that Hershey's did not establish that the SWISSKISS mark blurs the distinctiveness of the KISSES mark. One factor in determining dilution is the strength of the KISSES mark. The court found the mark had acquired distinctiveness, and that factor along with the degree of recognition of the KISSES mark weighed in Hershey's favor. On the other hand, the court found the other four factors in the test for dilution weighed in PIM's favor, including the factor that the marks were not similar enough to cause dilution.

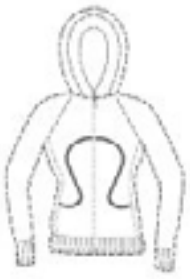
Hershey did succeed in cancelling the SWISSKISS registration. Despite claiming first use of SWISSKISS in 2004, PIM could not produce concrete evidence that its SWISSKISS product had ever been distributed to actual customers. PIM has since filed another application to register the mark:

and has stated it intends to develop its own chocolate product under that mark.

The Hershey Co. et al. v. Promotion In Motion Inc., Case No. 2:07-cv-01601 (D.C.N. J. Jan. 23, 2013)

Lululemon's Design Mark Is Rejected as Merely Ornamental

Lululemon failed to convince the Patent and Trademark Office or the Trademark Trial and Appeal Board that a larger version of its wave design functioned as a trademark. Lululemon applied to register the following design:



A logo or design used on clothing must be seen as a source identifier and not merely as ornamentation in order to be granted registration. If the logo or design appears on the inside label or hang tag, it is usually considered to have met the standard of acting as a source identifier. In this instance, the design in the application was shown as placed only on the front of the clothing.

The Examiner rejected Lululemon's application on the basis that the design is primarily ornamental, and the Board agreed. The Examiner stated that consumers would not view it as a mark due to the large size of the design on the clothing. The Board noted that there is no per se rule that only small logos placed in discrete areas are inherently distinctive. Nevertheless, the Board agreed that the Lululemon design looked more like piping and is likely to be perceived as merely ornamental.

Lululemon's application was not based on actual use, so it could not show the mark had acquired distinctiveness. Lululemon did argue that the design is registrable as a secondary source indicator, arguing the mark should be considered distinctive because it is already registered for other goods and services. In support, Lululemon relied upon its registered mark:

which it uses on store signs, shopping bags and other items. The applied-for-mark and the registered mark, however, are not the same and the Board found the differences to be significant enough such that Lululemon could not rely upon the secondary source rule.

In re Lululemon Athletica Canada Inc., Serial No. 77455710 (TTAB Jan. 11, 2013) (precedential).

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