

**DEVELOPMENTS IN TRADEMARK LAW 2000-2001**  
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Only five or ten years ago, we could report trademark developments in the U.S. by outlining recent cases involving trademark infringement and the related doctrine of unfair competition. In this, the main line of trademark litigation, the question is whether the defendant's trademark (or trade dress) is so similar to the plaintiff's that its use creates a "likelihood of confusion" in the marketplace.

Trademark law has evolved dramatically in recent years. For one thing, the courts have continued to struggle to define the proper boundaries of trademark protection, i.e., what is a trademark? Along these lines, there have been significant developments in the protection of product and package designs, i.e., trade dress.

In addition, it is impossible to survey trademark law without discussing two additional doctrines that do not involve the "likelihood of confusion" question: (1) trademark dilution, and (2) "cybersquatting" or bad faith domain name registration.

**I. What is a trademark? It is a word, symbol or device used to identify the source of goods or services.**

**A. Trademark or Copyright?**

A recent case illustrates how a trademark differs from a copyright. In *Comedy III Productions, Inc. v. Order and New Line Cinema* (9<sup>th</sup> Cir. 1/11/2000, amended 2/4/2000), the Ninth Circuit held that the likenesses and characters of the Three Stooges did not qualify as trademarks under the circumstances. In 1996, New Line Cinema ("New Line") released a movie called "The Long Kiss Goodnight," which contained a clip from The Three Stooges' film, "Disorder in the Court." The clip plays on a TV set in the background of a scene for less than thirty seconds.

A copyright claim was unavailable because the Stooges' film was in the public domain. The plaintiff argued that it claimed no legal right in the clip itself, but rather in the "name, the characters, the likeness, and overall 'act' of The Three Stooges." Although courts have previously found trademark rights in characters' names and likenesses, the court rejected this as a copyright claim in disguise. In the context of the case, the characters and likenesses did not qualify as trademarks.

However, the real basis for the decision may be that New Line's use was not "commercial" enough to constitute infringement, regardless of whether plaintiff had an enforceable trademark right. The court noted, "[h]ad New Line used the likeness of The Three Stooges on T-shirts which it was selling, Comedy III might have an arguable claim for trademark violation."

## B. Use as a Trademark.

The case of *MicroStrategy Inc. v. Motorola Inc.* (4th Cir., March 28, 2001) illustrates the principle that, in the United States, trademark rights arise through the use of a word, design or other element to identify goods and services.

In 2000, Motorola prepared to launch a new corporate identity campaign using the phrase INTELLIGENCE EVERYWHERE. It conducted several trademark searches. On October 19, 2000, Motorola filed a U.S. trademark application for INTELLIGENCE EVERYWHERE, indicating its intent to use the mark on a vast array of its products and services. On December 10, 2000, Motorola registered the domain name “intelligenceeverywhere.com.” Motorola scheduled its nationwide campaign launch for the week of March 19.

On January 8, 2001, MicroStrategy, a producer of communication software, notified Motorola that MicroStrategy had been using INTELLIGENCE EVERYWHERE as a trademark since at least as early as 1998. On February 13, MicroStrategy sued Motorola for infringement of a common law (unregistered) trademark, and moved for a preliminary injunction. By then, Motorola had spent over \$24 million in preparation for the campaign launch.

A divided appeals court panel held that MicroStrategy had not used INTELLIGENCE EVERYWHERE to identify a source of goods or services, and therefore refused to give it protection through a preliminary injunction. As the leading expert says, not every single word or phrase that appears on a label or in an advertisement qualifies as a protectable mark. The court’s discussion of the evidence is a caution to hopeful trademark owners, and is therefore quoted at length [citations are omitted]:

“MicroStrategy has offered 24 documents . . . in which it has used the term ‘Intelligence Everywhere.’ These include two annual reports, several press releases, brochures, sales presentations, a product manual, a business card, and newspaper articles. Although most of these documents contain several pages of densely printed material and some are quite lengthy, typically each refers only once to ‘Intelligence Everywhere,’ and that reference follows no particular design or sequence, i.e., sometimes it’s on the cover, sometimes not, most often ‘Intelligence Everywhere’ appears in the midst of text.

“Use of a trademark to identify goods and services and distinguish them from those of others ‘does not contemplate that the public will be required or expected to browse through a group of words, or scan an entire page in order to decide that a particular word, separated from its context, may or may not be intended, or may or may not serve to identify the product.’ Yet that is precisely the sort of examination one is forced to employ even to find the term ‘Intelligence Everywhere’ in many of MicroStrategy’s materials.

“Moreover, MicroStrategy has not used any ‘constant pattern’ or design to highlight ‘Intelligence Everywhere.’ A trademark need not be ‘particularly large in size or . . . appear in any particular position on the goods, but it must be used in such a manner that

its nature and function are readily apparent and recognizable without extended analysis or research and certainly without legal opinion.’ . . . MicroStrategy has not consistently placed ‘Intelligence Everywhere’ on a particular part of the page, or in a particular type, or labeled it with ‘TM,’ or consistently used a distinctive font, color, typeset or any other method that makes ‘its nature and function readily apparent and recognizable without extended analysis.’ ‘[A] designation is not likely to be perceived as a mark of origin unless it is repetitively used . . .’

On its business card and elsewhere, MicroStrategy characterizes ‘Intelligence Everywhere’ as the company ‘mission’ . . . Although in the proper context, a mission statement, like a slogan, can serve as a trademark, a company mission statement or slogan is certainly not by definition a trademark. Rather, mission statements, like ‘[s]logans, often appear in such a context that they do not identify and distinguish the source of goods or services. In such cases, they are neither protectable nor registrable as trademarks.’ So it is here. MicroStrategy has not demonstrated that it has used the mission statement to identify and distinguish the source of its products or services.”

In short, a word or phrase is not a trademark unless it is used as such.

## **II. What kinds of trademarks are entitled to protection?**

### **A. Trade Dress.**

“Trade dress” refers to the protection, under general principles of trademark law, of product packaging and product design. In the 1992 *Two Pesos* case (involving restaurant décor), the Supreme Court essentially said that trade dress cases should be decided the same way as trademark cases.

Last year, in *Samara v. Wal-Mart (US 3/22/2000)* (involving sweater designs), the Court decided that plaintiffs should be required to prove secondary meaning before being entitled to trade dress protection for product designs. “Secondary meaning” arises when a mark is used long and extensively enough to acquire a degree of public recognition. The Supreme Court thus drew a distinction between product design cases, in which secondary meaning is required, and product packaging cases, in which it is not.

More recently, in *TrafFix Devices, Inc. v. Marketing Displays, Inc. (U.S. 2001)* (involving traffic sign stands), the Court said that product features covered by expired utility patents are very likely to be “functional” and therefore not entitled to trade dress protection.

### **B. Marks not entitled to protection.**

#### **1. Generic terms**

“Generic” terms are not entitled to any trademark protection because they are the names of the things themselves and must remain available to competitors to identify their products.

“At the basic level, we can conclude that when a fruit merchant sells fruit as ‘apples’ or ‘blackberries,’ he should never be able to exclude competitors from similarly using the words ‘apple’ or ‘blackberries’ to sell their fruit. But if the common word ‘apple’ or ‘blackberry’ is used by a computer merchant in selling computers, we conclude that the usage, not the word, is so uncommon and therefore ‘distinctive,’ that the computer merchant should be entitled to exclude other competitors from using ‘apple’ or ‘blackberry’ in the sale of its computers.

“ . . . [B]ecause our dynamic economy . . . produces new products and services for which no words of description have previously existed, entrepreneurs and the public are engaged in a continual tug of war over naming these new products and services -- entrepreneurs wishing to gain some exclusive rights to the names of their inventions and the public wishing merely to have a convenient term by which to refer to the new product or service to facilitate communication. The words ‘Internet,’ ‘pixel,’ ‘chip,’ ‘software,’ ‘byte,’ or ‘e-mail’ might well have become marks distinguishing one entrepreneur's product or service from all other electronic networks, screen density aspects, transistorized components, sets of computer commands, groups of digital information, or electronic communications. Yet, because of pervasive use, these terms have become generic. And even when created words for new products have become strong marks, the public's pervasive use of these marks sometimes creates a real risk that their distinctiveness will disappear, a process Professor McCarthy terms ‘genericide,’ as occurred with earlier trademarks such as ‘Thermos,’ ‘Aspirin,’ ‘Cellophane,’ and ‘Escalator.’”

*America Online v. AT&T Corp.* (4<sup>th</sup> Cir. 2001).

AOL advises its subscribers that they have received e-mail by displaying the words “You Have Mail,” and by playing a recording that announces, “You've got mail.” AOL claimed it had been using these marks since 1997. AT&T, a competing Internet service provider, began to use the terms “Buddy List,” “You have Mail!,” and “I M Here.” AOL sued AT&T for infringement. “YOU HAVE MAIL” and “IM” were both held generic and therefore unprotectable, despite trademark claims by America Online. *America Online v. AT&T Corp.* (4<sup>th</sup> Cir. 2001).

The court found that “You Have Mail” has been used to inform computer users since the 1970s, a decade before AOL came into existence, that they have e-mail in their electronic “mailboxes.” AOL’s evidence that 37% of Internet users associate the phrase YOU HAVE MAIL with AOL could not overcome the evidence of genericness.

The court also noted that AOL did not use “You Have Mail” as a trademark. “Rather than describing a service that AOL offers -- and indicating that it is describing such a service -- AOL simply uses “You Have Mail” when the subscriber in fact has mail in the electronic mailbox . . . . AOL’s use of the phrase, conditioned on whether mail is present, . . . simply informs subscribers, employing common words to express their commonly used meaning, of the ordinary fact that they have new electronic mail in their mailboxes.”

The court found the claimed mark “IM” to be generic as well. “IM” stands for “instant message.” There was evidence that, despite management's admonitions against using “IM” as a noun or a verb, AOL employees used “IM” as a noun or a verb in lieu of “instant message,” such as in “They had an IM pending” or “Stop IM'ing me.” The court also pointed to books, dictionaries, and glossaries defining “instant message” with the “IM” designation such as: “instant message, IM for short,” or “instant message (IM).”

AOL registered the mark BUDDY LIST on June 23, 1998, and had used the mark as a service mark since August 31, 1995. The trial court held on summary judgment that this mark was also generic. The Fourth Circuit reversed the decision as to BUDDY LIST on grounds that, due to the evidentiary effect of the trademark registration, it could not be decided on summary judgment.

The following marks have also recently been held generic:

PILATES for instructional services and equipment for using the “Pilates” exercise method. *Pilates Inc. v. Current Concepts Inc.*, 120 F. Supp. 2d 286 (S.D.N.Y. 2000). The term is found in the dictionary, is used by many different individuals who teach the method and perform related services, and is used generically in the media.

OTOKOYAMA for sake. *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc.* (2d Cir. 4/10/2001 – unpublished). OCL sued to enjoin Wine of Japan from distributing a sake called MUTSU OTOKOYAMA. The courts held that OTOKOYAMA is a generic term for a type of sake, and canceled OCL's trademark registration.

FIRE-SAFE for safes. *Stuhlberg Int'l Sales Co. v. John D. Brush and Co.* CV-99-10556 (9<sup>th</sup> Cir. 2/13/01).

MOHEGAN and MOHEGAN TRIBE for casinos. *Mohegan Tribe of Indians of Conn. v. Mohegan Tribe and Nation, Inc.* (Conn. Sup. Ct. February 20, 2001.)

CRAB HOUSE for restaurants. *Hunt Masters, Inc. v. Landry's Seafood Restaurant, Inc.* (4<sup>th</sup> Cir., 2/15/01).

.WEB for domain name registration services. *Image Online Design, Inc. v. Core Association, et al.*, 2000 U.S. Dist. Lexis 10259 (C.D. Ca., July 21, 2000.)

## 2. Merely descriptive terms.

A term that is “merely descriptive” is not deemed to be “inherently distinctive” and thus is not entitled to trademark protection. However, unlike generic terms, descriptive marks can be protected if they acquire “secondary meaning.” “Secondary meaning” refers to the public recognition of the mark, acquired through long, extensive and exclusive use.

The following marks were recently held to be merely descriptive:

THE ULTIMATE BIKE RACK. *In re Nett Designs Inc.*, 57 USPQ2d 1564 (Fed. Cir. 2001)(requiring disclaimer of the phrase apart from the mark as a whole.)

1-888-MATRESS. The mark was entitled to protection due to secondary meaning. *In re Dial-A-Mattress Operating Corp.*, 57 USPQ 2d 1807 (Fed. Cir. 2001)(holding the mark to be registrable.)

NUMBER ONE IN FLOORCARE. Hoover Co. could not prevent its competitor's registration of THE FIRST NAME IN FLOORCARE. *Hoover Co. v. Royal Appliance Mfg. Co.*, 57 USPQ 2d 1720 (Fed. Cir. 2001). Hoover argued that its slogan uniquely identifies the number one ranked source of floor care goods. However, the court found that the slogan was a merely laudatory and descriptive phrase. The "number one" source could change at any time.

In a somewhat controversial decision, a federal trial court issued a preliminary injunction protecting the mark REFEREE for a magazine about sports officiating. *Referee Enterprises Inc. v. Planet Ref Inc.* (E.D. Wis. 1/24/2001). *Referee* magazine has 33,000 paid subscribers from the officiating world. It owns the registered mark REFEREE, which it has used since 1975. Defendant Right Sports ran a website called eReferee.com. eReferee.com was targeted at referees, complete with news stories, advice columns, and forums where people could trade refereeing tips and vent about rule changes. The court banned Right Sports from using the name "eReferee.com" and other related domain names, and also from using the term "referee" "either alone or with other words" in its "domain names, directory names or other such computer addresses." Right Sports reportedly appealed the decision, but had to shut down its site in order to avoid violating the injunction.

### **III. When is there a "likelihood of confusion" for purposes of trademark infringement or refusal of federal registration?**

"Likelihood of confusion" determinations are very fact-specific. Here are a few recent cases in which a likelihood of confusion was found.

MIRACLE BRA for lingerie, swimwear and similar garments, was held confusingly similar to MIRACLESUIT for swimwear. *A&H Sportswear Inc. v. Victoria's Secret Stores Inc.*, 237 F.3d 198 (3d Cir. 2000). The court required Victoria's Secret to include a disclaimer on every page of its catalog where the mark appears, and on its website.

LASERSWING for golf clubs was held likely to be confused with LASER for golf clubs and golf balls. *Cunningham v. Laser Golf Corp.*, 55 USPQ 2d 1842 (Fed. Cir. 2000)(affirming cancellation of registration.)

TREVIVE NUTRIENTS FOR THE LIFE OF YOUR HAIR & Design for hair care products was held likely to be confused with TRESEMME and other marks with the "TRES-" prefix. *Han Beauty Inc. v. Alberto-Culver Co.*, 57 USPQ 2d 1557 (Fed. Cir. 2001) (affirming refusal of registration.)

MYSIMON for an online comparison-shopping site was held likely to be confused with SIMON or SIMON PROPERTY GROUP. *Simon Property Group v. MySimon (S.D. Ind. 1/24/2000)*. Simon Property Group (SPG) is a large developer of shopping malls. It began to market the SIMON name five months before filing suit against MySimon. SPG filed the suit while it was preparing to unveil an extensive Internet strategy. For instance, on its website SPG sells gift certificates that can be cashed in at its malls. A jury found that the mark MYSIMON was likely to cause confusion, and awarded SPG \$2,600,000 in damages. The judge later reduced the monetary award to \$50,000.

No likelihood of confusion was found in the following cases:

NATURAL ORIGINS for upscale women's clothing v. ORIGINS for upscale cosmetics and for apparel, namely caps. *Origins Natural Resources, Inc. v. Kotler (S.D.N.Y. 5/8/2001)*. Four factors led to a finding that plaintiff was not likely to succeed in the case: (1) the goods were upscale, likely to be purchased by sophisticated buyers, (2) the presentations of the marks was very different, i.e., typestyles and designs, (3) the products were not in competition with each other, and (4) Origins offered no evidence that it planned to enter the women's clothing market in the future.

FOSTERGRANT EXPEDITION for watches was held not likely to be confused with TIMEX EXPEDITION for watches. *Timex Corp. v. FosterGrant Inc. (2d Cir. 5/8/2001)*. TIMEX and FOSTER are both famous brands. Timex was not the originator of the popular "expedition look," and the term "expedition" is widely used by others. The court inferred that Timex was not suffering irreparable harm, because it conducted the litigation at a leisurely pace.

#### **IV. What are some other reasons a mark may be unregistrable?**

A. Geographically deceptively misdescriptive.

HOTEL MONACO for hotel services that do not originate in Monaco.  
*In re Kimpton Hotel & Restaurant Group Inc., 55 USPQ 2d 1154 (TTAB 2000)*.

CUBA L.A. for recorded music and entertainment not originating in Cuba or L.A.  
*In re Narada Productions Inc., 57 USPQ 2d 1801 (TTAB 2001)*.

ARLEY B. DE PARIS for clothing items not from Paris.  
*Arley B. de Paris, SN 75/618,459 (TTAB 2001)*.

FLORIDA TAN CENTRES for tanning salon services not based in Florida.  
*In re Florida Tan Center, Inc., SN 75/543,289 (TTAB 2001)*.

B. Deceptively misdescriptive.

DIAMONDLITE for jewelry not made substantially of diamonds.  
*In re Paj, Inc., SN 75/438,388 (TTAB 2001)*.

C. Surname.

HACKLER for alcoholic beverages was found not primarily merely a surname and was therefore registrable. *In re United Distillers PLC*, 56 USPQ 2d 1220 (TTAB 2000).

D. Special statutes.

PAN AMERICAN was unregistrable because the Olympic and Amateur Sports Act reserves to the U.S. Olympic Committee the commercial use of the words "Pan American." *U.S. Olympic Committee v. Toy Truck Lines Inc.*, 57 USPQ 2d 1380 (Fed. Cir. 2001).

**V. When will use of a mark be enjoined under a "dilution" theory?**

The doctrine of trademark "dilution" is not new. However, it was a sleeper until 1996 when Congress passed a federal law governing trademark dilution. The idea of the law is to protect "famous" marks against use of similar marks, even where the defendant's activity does not create any likelihood of confusion, and even where the parties are not in competition with one another.

There are two types of trademark dilution. First, there is "tarnishment." This occurs when someone uses the mark in a context perceived as negative, such as in connection with pornography. The second type of dilution is "blurring." This arises when use of the mark threatens to weaken its recognition. For instance, if many companies named their products NIKE – NIKE cereal, NIKE furniture polish, etc. – the mark's capacity to distinguish the single source of NIKE shoes and apparel in the public mind would be blurred.

The different federal appeals courts are divided as to the proper application of the 1996 dilution law. In the Third, Fifth and Seventh U.S. Circuits, a mark may be "famous" in a "niche market" -- a market as small as the sale of plastic baskets used for floral bouquets at funerals, *see Syndicate Sales Inc. v. Hampshire Paper Corp.*, 192 F.3d 633 (7th Cir. 1999). In the First and Second Circuits, only marks that are close to "household words" throughout the country will qualify.

In the Fourth and Fifth Circuits, a dilution case may be brought only after the plaintiff has suffered actual harm. *See Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000); *Ringling Bros.-Barnum & Bailey Combined Shows Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). In the First, Second and Seventh Circuits, a mere likelihood of harm is enough. *See Nabisco Inc. v. PF Brands Inc.*, 191 F.3d 208 (2d Cir. 1999); *Eli Lilly & Co. v. Natural Answers Inc.*, 233 F.3d 456 (7th Cir. 2000).

Recently, the Second Circuit held that "merely descriptive" marks do not qualify for protection against dilution, even if they are famous. *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88 (2d Cir. 2001). TCPIP, the plaintiff in *Haar*, owned the registered mark THE CHILDREN'S PLACE, used in more than 200 stores selling children's clothing and accessories. Defendant Haar registered the domain name "thechildrensplace.com" to create an Internet portal

for children. After receiving a cease-and-desist letter from TCPIP, Haar registered dozens of similar domain names, which it offered to sell to TCPIP for a steep price. The trial court found Haar's conduct to be in bad faith.

While upholding most of the district court's preliminary injunction barring trademark infringement, the Second Circuit vacated the trial court's dilution injunction because TCPIP's mark is inherently "merely descriptive." The court listed some other famous but descriptive marks which, under the rule of the case, would presumably not be entitled to protection against dilution: American, National, Continental, Metropolitan, Pacific, Southern, Texas, Chicago, Federated, United, Consolidated, Allied, First National, Acme, Merit.

Alternatively, the court said that TCPIP had failed to prove that its mark was "famous." TCPIP showed that in 1999 it operated 228 retail stores in 27 states under the mark THE CHILDREN'S PLACE, achieved sales in 1998 of \$280 million, and spent "tens of millions of dollars" advertising its mark over the past decade. TCPIP did not submit consumer surveys, press accounts, or other evidence of fame. The court found TCPIP's evidence insufficient.

In *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car Co.*, 238 F.3d 378 (5<sup>th</sup> Cir. 2000), the advertising slogan WE'LL PICK YOU UP was held insufficiently famous to qualify for protection against dilution. However, the court noted that a mark that is used only in a niche market could qualify for protection against dilution.

## **VI. When will a domain name violate the Anti-Cybersquatting Consumer Protection Act?**

Domain name "cybersquatting" is an entirely new legal theory. Congress passed the Anti-Cybersquatting Consumer Protection Act of 1999 ("ACPA") when trademark owners faced the widespread and growing phenomenon of people registering their marks as domain names, often for the purpose of selling them to the trademark owners at high prices. Since the domain name registrants were not usually selling goods or services using the domain names, traditional infringement and dilution law were of little help. The ACPA outlaws the "bad faith" registration of a domain name that is similar to a trademark.

In one recent case under the ACPA, a federal appeals court ordered Internet service provider Virtual Works to surrender its registered domain "vw.net" to Volkswagen. *Virtual Works, Inc. v. Volkswagen of America* (4<sup>th</sup> Cir. 1/22/2001.) The court found that Virtual Works had registered "vw.net" in bad faith, hoping to later sell the address in violation of the ACPA. The court found that Virtual Works had no right or interest in the VW mark and had never done business under the name VW.

When Virtual Works registered vw.net, they were aware that some Internet users might think vw.net was affiliated with Volkswagen. They decided that they would use the domain name for the company, but if Volkswagen offered to work out a deal for services or products, they would sell it to Volkswagen at a high price.

Virtual Works used the vw.net domain name for approximately two years as a part of its ISP business. In December 1998, various Volkswagen dealerships contacted Virtual Works and expressed an interest in purchasing the rights to the vw.net domain name. Virtual Works, in turn, called Volkswagen, offering to sell vw.net. The Virtual Works representative said that unless Volkswagen bought the rights to vw.net, Virtual Works would sell the domain name to the highest bidder. On all these facts, the court found that the domain name registration was in bad faith under the ACPA.

In a related development, hundreds of cybersquatting cases are now being decided in out-of-court arbitration under the “Uniform Dispute Resolution Procedure” (“UDRP.”) Submission to UDRP arbitration is a condition of domain name registration in the .com, .net and .org domains – a condition that is imposed by the domain name registrars. UDRP decisions have resulted in the transfer of hundreds of registered domain names to trademark owners. This article does not discuss UDRP decisions, which have no precedential value in the development of the law. However, the UDRP procedure is a good low-cost alternative to court proceedings under the ACPA.

## **VI. Conclusion**

This has been a brief survey of just some of the recent court decisions illustrating core principles of trademark law. Undoubtedly, the fair and proper application of trademark law will continue to challenge the courts.