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Trade Marks

USA: Trends & Developments
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Trends and Developments

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2018 saw several changes to the United States Patent and Trademark Office (USPTO). However, perhaps none is quite as noteworthy or far-reaching as the confirmation of a new Director, Andrei Iancu. Director Iancu was nominated for the position in 2017, but received full confirmation and installation in February 2018. In his first year of leadership, Director Iancu has committed to improving both the patent and trade mark filing and examination processes, including addressing the ongoing issue of misleading offers and notices from private companies to trade mark owners and applicants claiming a need to pay fees when none are due.

Trade mark Filings Continue to Increase

In the fiscal year for 2018 (October 2017 through September 2018), the number of trade mark applications filed exceeded 600,000, with 638, 847 new applications filed. This represents an increase from the fiscal year for 2017 of 7.5%. With the increase in filings comes an increase in pendency time as well. The average pendency for an application to receive a First Office Action increased 25.9%, from 2.7 months in the fiscal year for 2017 to 3.4 months in the fiscalyear for 2018. However, the overall pendency of trade mark applications remained nearly the same, increasing only 1.1%. In an address to Congress, Director Iancu stated that, in order to maintain the timeliness and quality of examination and registration, he expects to increase the Trademark Examining Corps to over 900 attorneys within the next five years.

One of the drivers of the continued increase in trade mark filings comes from trade mark filings originating from Chinese nationals. Filings from China represent almost 10% of the new filings, and have increased over 1000% from FY 13. According to Director Iancu, assuming these trends continue, filings from China will account for at least 32% of total US trade mark filings.

Building on Tam: United States Supreme Court Agrees to Look at 'Immoral' or 'Scandalous' Marks

In 2017, the United States Supreme Court decided that the Lanham Act prohibition against 'offensive' trade marks was unconstitutional under the First Amendment. The case of Matal v. Tam looked at Section 2(a) of the Lanham Act, which reads, in part:

"No trade mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it:

- consists of or comprises immoral, deceptive, or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

More particularly, Matal v. Tam looked at the "disparage… persons" section of the prohibition as it related to the name of Tam's band, The Slants. The USPTO had refused registration on the grounds that the name The Slants was disparaging to persons of Asian descent. In affirming the Court of Appeals for the Federal Circuit's (CAFC) decision, the Supreme Court held that trade marks are private speech, not government speech. Registration of a mark is mandatory, unless the mark sought to be registered does not meet the Lanham Act's otherwise neutral requirements (eg, that the mark is not descriptive or is not confusingly similar to an existing mark). The Supreme Court noted that it is extremely cautious about giving private speech government speech status, noting "if private speech could be passed off as government speech by simply affixing a government seal of approval, government could silence of muffle the expression of disfavoured viewpoints."

The Supreme Court has now decided to take up another of the prohibited classes of trade marks under Section 2(a) of the Lanham Act; specifically, the prohibition against 'immoral' or 'scandalous' marks, in the case of Iancu v. Brunetti. The USPTO opposed registration of the mark "FUCT" for a clothing line, arguing that it is would be perceived as a scandalous term, particularly in view of the submitted specimens. The CAFC reversed the Trademark Trial and Appeals Board's (TTAB) decision upholding the refusal to register the mark. Although the CAFC noted that, under Section 2(a) of the Lanham Act, the mark would be considered vulgar by a "substantial composite" of the public, the court nevertheless held that, as in Tam, the "immoral or scandalous" provision of the Lanham Act could not stand under the First Amendment.

In its petition for certiorari before the Supreme Court, the USPTO argues that Tam is not controlling, despite dealing with a different portion of the same statutory provision. The USPTO notes that, despite the decision in Tam being unanimous, there was not a majority opinion; rather, the analysis was split between two opinions, with neither having a majority of justices sign on. In addition, the USPTO argues that, when properly analysed, the ban on federal registration of scandalous marks is not an unconstitutional abridgment of free speech because the mark holder remains free to use his mark and invoke both common law and Lanham Act protections for infringement; in fact, the USPTO notes, the respondent in the case has used his mark for almost 30 years without issue.

Respondent Brunetti, by contrast, argues that the Lanham Act's prohibition on 'immoral' or 'scandalous' marks is no different from the 'disparagement' clause rejected in Tam. Moreover, he argues, the scandalous marks clause cannot reasonably be interpreted as being limited only to profanity, excretory, and sexual references, as asserted by the USPTO, because no prior authority supports that construction. In fact, argues Brunetti, the USPTO has previously refused to register marks, citing the scandalous marks clause, that had nothing to do with any of the three categories, while allowing other words generally accepted as profane to be registered. Further, Brunetti argues, his case provides a perfect opportunity for the Supreme Court to clarify some of the questions left open in Tam, such as the level of scrutiny to be applied.

Regardless of which way the Supreme Court decides, the ramifications will be felt. Should the Supreme Court agree with the USPTO, marks that are deemed 'scandalous' or 'immoral' will continue to be refused federal registration; however, further guidelines as to what, precisely, makes a mark 'scandalous' or 'immoral', and thus ineligible for registration, may be presented. By contrast, if the Supreme Court sides with Brunetti, an entire new class of trade marks will be opened to federal registration.

Argument has been set for April 15, 2019, with a decision expected by the end of June 2019.

Court Filings Increase

In the calendar year 2018, over 3200 trade mark-related cases were filed in the various district courts, representing an increase of approximately 7.75% from 2017. Perhaps unsurprisingly, the greatest number, 379, were filed in California, specifically, in the Central District of California. Given that the Central District includes Los Angeles and the Los Angeles metropolitan area, the number of trade mark disputes is predictably greater due to the wide variety of industries that call the area home. Rounding out the top three districts with the greatest number of cases is the Southern District of Florida, which includes Miami and Fort Lauderdale, with 331 cases, and the Northern District of Illinois, which includes the Chicago metropolitan area, with 295 cases.

Courts Are Looking More Closely at Common-Law Rights

Over 60 decisions involving trade mark infringement issued in 2018 from the various Courts of Appeal, with the greatest number coming from the Ninth Circuit (perhaps unsurprising, given that the Central District of California alone had over 350 trade mark cases filed). One notable trend is courts hearing and ruling on cases involving common-law trade mark rights and trade mark rights under state law. -Common-law, or unregistered, trade mark rights refer to the rights that attach to a mark that is being used in commerce but has not undergone a formal registration process either in a state or federally. One issue with common-law trade marks is the limited scope of enforceability because, as a general rule, common-law trade marks are only enforceable within the region where the owner is using the mark in commerce. This is in contrast to federally registered marks, which are enforceable in all United States jurisdictions, regardless of whether the owner is using the mark in commerce in a particular location. However, common-law trade marks may receive some protection under the Lanham Act. Section 43(a) of the Lanham Act states:

"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 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."

Under this section, as long as a common-law trade mark owner is able to show that he or she has been ,or is likely to be, damaged by infringement of the mark, even though not registered, the trade mark owner will be able to receive relief under the Lanham Act. It is this provision that courts took a look at in several cases this year.

For example, in Commodores Entertainment Corp. v. McClary, the Eleventh Circuit held that ownership of a trade mark first established under common law, namely, a band name, did not follow a member of the band who left the group, instead staying with the remaining members of the group who continued to exercise control over the group. The group, including the name, was established as The Commodores 1969, with the band member in question, McClary, leaving the group in 1984. Although four trade marks were federally registered in 2001, the mark had common-law status when McClary left the group. In 2013, McClary formed a new group that included the name "The Commodores", arguing that he retained common-law rights to the name as a former member of the group. The Eleventh Circuit disagreed, saying that McClary did not exercise control over the group, its work, or the use of the mark once he had left the group. Further, although the parties disputed whether McClary formally withdrew from the partnership, the agreements executed by the band members did not affirmatively give former members—or, indeed, current members doing solo projects—the right to use the name The Commodores apart from the group. As the Eleventh Circuit noted, "[a]n individual can continue to be a Commodore—a member of the original group—without having the legal right to call himself "'The Commodores.'"

Similarly, in Viacom International v. IJR Capital Investments, L.L.C., the Fifth Circuit looked at Texas state law, as well as the Lanham Act, for trade mark infringement in finding that using "The Krusty Krab" for the name of a seafood restaurant was likely to cause confusion. IJR developed a business plan to open a restaurant called "The Krusty Krab" and filed a trade mark application for the mark. Upon receiving a cease-and-desist letter from Viacom, IJR asserted that Viacom does not use "The Krusty Krab" as a trade mark and that no likelihood of confusion existed.

Viacom had not federally registered "The Krusty Krab"; however, the phrase has been consistently used within the context of a television series. The Fifth Circuit first had to determine whether a specific element from a television show (as opposed to the title of the show itself) can receive trade mark protection. In holding that it could, the Fifth Circuit pointed out that other courts have held that elements of entertainment franchises can receive trade mark protection. The Fifth Circuit then noted that "The Krusty Krab"'s key role as part of a television series, coupled with its consistent use of licensed products, established that Viacom did own the mark.

The Fifth Circuit then looked at likelihood of confusion, citing inter alia the secondary meaning acquired by the mark, the identical spelling, and evidence of actual confusion, to find that IJR's use of the mark infringed on Viacom's trade mark. The Fifth Circuit noted, however, that its decision did not give Viacom trade mark protection in every context.

Looking at the trend set by these decisions, it seems that although federal registration of trade mark provides the strongest and broadest scope of protection, the Lanham Act still provides for remedies even for unregistered trade marks. Moreover, courts are not unwilling to discount the value of common-law use of a trade mark, particularly when the trade mark has been in use for a number of years and/or in a number of channels.

United States Supreme Court Takes Up Issues Involving Trade mark Licensing and Rejection Under the Bankruptcy Code

On 26 October 2018, the United States Supreme Court granted certiorari, in part, in In re Tempnology, LLC, a case involving the intersection of trade mark licensing and a licensor's ability to reject an executory contract under the Bankruptcy Code, 11 U.S.C. § 365(g). Essentially, the Supreme Court will be deciding a split amongst the Circuit Courts on whether a licensor may reject a trade mark licence in bankruptcy and thereby immediately cut off a licensee's right to continue using the trade marks.

In 1985, the Fourth Circuit decided Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc., ruling that rejection of a licence in bankruptcy court stripped the licensee of all continuing rights to use the intellectual property. In response to this decision, Congress added Section 365(n) to the Bankruptcy Code to provide licensees of intellectual property continuing usage rights after rejection. However, when Congress added Section 365(n), it did not list "trade marks" in its definition of intellectual property. This ambiguity has led to Circuit Courts interpreting this section in a variety of ways.

In Sunbeam Prods, Inc. v. Chicago Am. Mfg., LLC, the Seventh Circuit concluded that rejecting a trade mark licence did not eliminate the licence, but was merely considered a breach by the licensor as of the date the bankruptcy petition was filed. The licensor was excused from performing future obligations under the licence and the licensee was allowed to claim damages.

With this context, Tempnology, LLC entered into a distribution and co-marketing agreement with Mission Product Holdings, Inc. Under this agreement, Mission was granted (i) an exclusive right to distribute certain branded products within the United States, with first rights of refusal and notice for other countries, (ii) a non-exclusive right to sell the branded products worldwide, (iii) a non-exclusive licence to use Tempnology's intellectual property, and (iv) a non-exclusive licence to use Tempnology's "Coolcore" trade mark and logo. The agreement could only be terminated for cause under certain circumstances. The agreement could also be terminated without cause by either party, which would trigger a two-year wind-down period where Mission retained all its rights, including the "Coolcore" trade mark rights.

Tempnology terminated the agreement in July 2014 for cause. Mission challenged the termination and the parties arbitrated the issue of termination. In June 2015, an arbitration decision held Tempnology improperly terminated the agreement for cause and Mission had continuing rights during the wind-down period, until July 2016.

Tempnology filed a Chapter 11 bankruptcy petition and then filed a motion to reject its agreement with Mission. Mission objected to the motion, arguing that it retained intellectual property rights, including its trade mark rights, under Section 365(n) of the Bankruptcy Code. The Bankruptcy Court held that Mission did not retain any rights to continue using the trade marks and trade names under Section 365(n), nor did Mission have an exclusive distribution territory for continuing to sell the products. However, the Bankruptcy Court held that Mission retained its non-exclusive rights to patents, trade secrets, and copyrights under Section 365(n).

Mission appealed this decision to the First Circuit Bankruptcy Appellate Panel (BAP). The BAP reversed the Bankruptcy Court and applied the Sunbeam approach, explaining that Tempnology's rejection constituted a breach under Section 365(g) and thus did not terminate Mission's continuing rights to use the trade marks. Tempnology then appealed this decision to the First Circuit, which reversed the BAP and upheld the Bankruptcy Court's decision. The Supreme Court granted certiorari to review the issue. Argument is set for February 20, 2019, which will determine whether a licensee has any continuing rights under a trade mark licence after the licence has been rejected.

TTAB Issues Over 30 Precedential Decisions

In 2018, the Trademark Trial and Appeal Board (TTAB) issued over 30 precedential decisions. A decision of the TTAB may be designated precedential if:

- it establishes, alters, modifies or clarifies a rule of law or a matter of agency policy;
- it reinforces existing law or policy by demonstrating its application to a factual record different from those confronted previously but likely to arise again, so that it would be instructive in other cases; or
- it involves a legal or factual issue of significant interest or substantial importance to the public generally or to trade mark owners or practitioners specifically.

The vast majority (over two thirds) of the precedential cases heard by the TTAB involved refusals to register. Of the refusal to register cases, nearly half of the cases involved a refusal to register based on likelihood of confusion of the applied-for mark relative to another, earlier filed, application or to an existing registration. Another 13% of the refusal to register cases involved refusal to register based on descriptiveness, 6% involved issues with a submitted specimen, and the remaining cases involved other issues (eg, deceptiveness, colour, product design).

Of the likelihood of confusion cases, one in particular stands out for a new requirement regarding the format of supporting internet evidence. In In re Mueller Sports Medicine, LLC, the Examining Attorney included an excerpt allegedly from a Google Books document in his Office Action; however, the Examining Attorney failed to include the URL and the date of access, as required by the Trademark Manual of Examining Procedure (TMEP). The Applicant did not object to the submission as improper. Subsequently, in a Final Office Action, the Examining Attorney submitted further web pages, again without including the URL or the date of access, but failed to refer to them in the body of the Office Action itself; again, the Applicant did not object. The TTAB turned to the analogous situation of an Applicant submitting an incomplete internet page, noting that the Trademark Trial and Appeal Board Manual of Procedure (TBMP) says that failure by the Examining Attorney to object during prosecution (ie, when the deficiency could be cured) constitutes a waiver. The TMEP thus held that the same principle works in reverse: if the Examining Attorney errs in submitting an internet page and the Applicant does not object, the Applicant waives its objection to submission of the websites.

The decision in In re Mueller Sports Medicine, LLC is important for several reasons. First, the TTAB affirmed that, just as an Applicant would, an Examining Attorney has a responsibility to ensure that websites submitted as evidence are complete. Second, the TTAB extended the responsibility to ensure compliance with these requirements to Applicants. Previous decisions had set out that an Examining Attorney who failed to object to an incomplete submission of a website waived the objection. This case extended that responsibility to Applicants as well, with respect to submissions by Examining Attorneys. As Examining Attorneys continue to use website pages and printouts as evidence, Applicants will want to ensure that the printouts include both the URL and the date of access and, if they do not, to object in a timely manner in the next communication. Failure to do so will result in a waiver of the objection.

The remaining TTAB decisions included decisions involving cancellations, oppositions, and concurrent use. Several of the cancellation proceedings involved the defence of laches, with mixed results. The TTAB continues to look at all the circumstances and facts surrounding when a petitioner first had knowledge of the existence of the problematic mark. In TPI Holdings, Inc. v. TrailerTrader.Com, LLC and Trailer Central LLC, for example, evidence showed that the Petitioner knew about the mark as early as six years before filing the cancellation proceeding, so the claim was barred by laches. By contrast, in Kemi Organics, LLC v. Rakesh Gupta, a delay of shortly under three years was found not to be unreasonable; the Petitioner had engaged in correspondence with the Respondent and others regarding the rights to the mark in question. As expected, laches continues to be a fact-dependent defence, with everything done by parties prior to filing of a proceeding to be considered in determining whether a delay is unreasonable

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