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Trade Marks

USA: Trends & Developments

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Trends and Developments

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The year 2020 represented one of unexpected challenges for the United States Patent and trade mark Office (USPTO). With the ongoing COVID-19 Pandemic, the USPTO has shifted to a majority telework model, including moving hearings by the trade mark Trial and Appeal Board (TTAB) to an entirely remote format. In addition, a new Commissioner for trade marks, David Gooder, joined the USPTO in February 2020 and, under his leadership, the USPTO continues to hit trade mark milestones and improve efficiency of processing with fewer errors and while increasing cost-effectiveness for customers.

Trade Mark Filings Continue to Increase

Despite the COVID-19 pandemic, Fiscal Year (FY) 20 (October 2019 through September 2020), saw the trend of an increase in the number of trade mark applications continue. FY20 saw 738,112 new trade mark applications filed, representing a 9.6% increase over FY19. The average pendency time for both a first also increased from FY19 as well, to three months. This represents a 15.4% increase in time over FY19's average of just over two and a half months for a first action. However, the 3.0 month pendency remains squarely within the USPTO's internal target of two and half to three and half months between filing of a trade mark application and a first action, and falls within a general pattern of fluctuation over the past several years.

Similarly, the total pendency of trade mark applications increased from FY19, from just over nine months to nine and a half months, representing an increase of 2.15%. Again, however, the nine and a half month average total pendency remains well within the USPTO internal targets. The USPTO internal target for total pendency is 12 months, meaning that trade mark examining attorneys are currently issuing trade marks two and a half months ahead of their target.

In FY20, 67.8% of new applications for trade marks were filed by United States residents, with the remaining 32.2% being filed by residents of foreign countries. In addition, a total of 295,798 Certificates of Registration were issued in FY20. It should be noted that this number includes both applications that were filed in FY20 and applications that were filed prior to FY20 but did not have statements of use filed until FY20.

Congress Passes the Trademark Modernization Act of 2020

Combating fraudulent trade mark filings continues to be a struggle for the USPTO. Former Commissioner for Trademarks Mary Boney Denison submitted written testimony to the Senate Judiciary IP Subcommittee detailing the USPTO's ongoing efforts to combat fraudulent trade mark filings at a hearing convened by the Subcommittee. As a result of this hearing, the Trademark Modernization Act of 2020 (TMA) was introduced into Congress. The TMA modifies and amends the Lanham Act in several ways, with the hope that these changes will help further reduce fraudulent trade mark filings, as well as reduce issues with trade marks that were registered and/or renewed without actually being used in commerce, as required by the Lanham Act. In addition, the TMA addresses the outstanding issue of presuming irreparable harm in trade mark infringement cases.

The USPTO already had a practice of allowing third parties to submit evidence relating to the registerability of a pending trade mark application. The TMA codifies this practice, known as the Letter of Protest Procedure, into the Lanham Act. Third parties may submit any evidence that could be grounds for refusal of registration by an Examining Attorney, including evidence of a conflicting senior registration and evidence that the mark being applied for is not actually being used in commerce.

New cancellation proceedings

Two new ex parte cancellation proceedings have been added. Prior to the TMA, a third party could only request cancellation of a registered trade mark through an inter partes proceeding before the trade mark Trial and Appeal Board or in a lawsuit in federal district court. The first proceeding is an ex parte expungement proceeding, designed for marks that have never been used in commerce. Non-use cancellations already exist within the Lanham Act; the expungement proceeding, however, is based on the idea that, because the mark in question was never used in the first place (as opposed to mark that had been used but is no longer in use), the registration doesn't actually cover a "mark".

An ex parte expungement proceeding can be filed by any person and must allege that the mark has never been used. The registrant has the opportunity to rebut the allegation by providing evidence of use.

The second proceeding is an ex parte re-examination proceeding. This proceeding is designed to be used with marks that had improper use claims made during the examination process. The ex parte re-examination proceeding is, procedurally, nearly identical to the ex parte expungement proceeding, with one important difference. That difference is the time period for relevant use; for ex parte re-examination proceedings, the registrant must show evidence of use during the period of time before the registration issued, with specific relevant dates spelled out in the TMA.

The circuit split

The TMA also addresses the circuit split that arose after the United States Supreme Court held that, in patent cases, irreparable harm cannot be presumed when patent infringement has been found. Several circuits reasoned that the same rule would need to apply to trade mark infringement cases as well, while others continued to hold that in trade mark infringement cases, the presumption of irreparable harm continued to apply. The TMA codifies that the presumption of irreparable harm does apply in trade mark infringement cases.

In addition, other, more technical changes to the Lanham Act were made, including flexible response periods and providing for funding to study trade mark decluttering initiatives.

The TMA passed both houses of Congress in December 2020 and was signed into law later that month.

The US Counsel Rule Shows Early Success

FY20 represents the first opportunity to evaluate early results of the US Licensed Attorney rule that took effect in August 2019. Briefly, the rule requires all trade mark applicants, registrants, and/or parties to a proceeding who are not domiciled in the United States or its territories to have a US licensed attorney represent them in all matters before the USPTO. Early results show positive impacts on filing behaviours by foreign domiciled filers.

First, applicants are both understanding and following the rule. Over 40% of applications filed by foreign-domiciled applications before the rule took effect had first office actions that included instructions from the examining attorney relating to US counsel deficiencies. By contrast, towards the end of FY20, only about 3% of first actions included these instructions.

In addition, the rule appears to have reduced the instance of potentially suspicious filings. The USPTO has identified digitally altered and mock-up specimens as being generally associated with suspicious filings, and, prior to the implementation of the US counsel rule, first actions for foreign-domiciled applications included instructions related to such specimens 26% of the time. This number has now decreased to under 5%.

Supreme Court Considers Whether Wilfulness Is a Prerequisite for Award of Infringer's Profits

In April 2020, the United States Supreme Court decided Romag Fasteners, Inc. v Fossil, Inc., et al. At issue was whether, when a defendant engages in the false or misleading use of a trade mark under Section 43(a) of the Lanham Act, a finding of wilfulness is necessary before the defendant's profits can be awarded to the trade mark owner under Section 35(a) of the same Act. In a near-unanimous opinion which resolved a split in the US Circuit Courts, the Supreme Court answered in the negative.

The dispute

Romag sells patented magnetic snap fasteners under the registered mark ROMAG®, for use in leather goods. Fossil sells leather handbags and other fashion accessories. The parties entered into an agreement allowing Fossil to use the ROMAG® fasteners in its products. This arrangement was successfully implemented by the parties for a period of time.

At some point, Romag noticed a decline in its sales of fasteners to Fossil and determined that Fossil was making its handbags with counterfeit fasteners from China which bore the ROMAG® mark, thus falsely representing them as ROMAG® fasteners. Romag then sued Fossil for trade mark infringement and false representation under.

The trial court

The trial court ruled that Fossil had indeed violated the law including making false representations under Section 43(a). The court found that Fossil had acted "in callous disregard" for Romag's rights but rejected the claim that those actions rose to the level of being "wilful." The court rendered a damages award to Romag.

Notably, however, the award did not include the profits Fossil had made from its sales of the infringing goods. The rationale for this was that Fossil's actions had not been wilful. Romag appealed the damages award to the US Court of Appeals for the Federal Circuit (CAFC), arguing that it should have included the infringer's profits.

The Lanham Act

The wording of the pertinent section of the Lanham Act that addresses damages in this situation – Section 35(a) – has been subject to interpretation and disagreement. The statute provides that the defendant's profits are available "subject to the principles of equity" for, inter alia, "a violation under Section 1125(a) or (d) of this title or a wilful infringement under Section 1125(c) of this title" (emphasis added).

The cited subsection (a) pertains to false descriptions/representations, which was at issue here, while subsection (c) relates to dilution of a mark, which was not at issue Before the Supreme Court's ruling in this case, some of the US Courts of Appeal interpreted the statute to mean the wilfulness was only required for a violation of subsection (c), while others, including the CAFC, interpreted it to mean that wilfulness was required even for violations under subsections (a) or (d). The CAFC therefore affirmed the lower court's ruling that the defendant's profits were not available to Romag.

The Supreme Court resolves the split

The Supreme Court granted certiorari to resolve the split in the courts of appeal. The Court's analysis started by noting the plain language of the statute does not require a showing of wilfulness for the violation at issue here. It then considered other justifications for a generalised wilfulness prerequisite, including the meaning of the statutory clause "subject to the principles of equity", longstanding practice of equity courts in trade mark cases, and policy arguments.

It concluded that none of those was sufficient to justify the inflexible precondition on wilfulness advanced by Fossil, which cannot be found in the statutory language. As a result, plaintiffs will no longer have to prove wilfulness in order to receive damages in the form of profits, although doing so may entitle the plaintiff to additional damages and render other remedies available.

Supreme Court Rejects Per Se Rule for Generic-Plus-Dot-Com Trade Marks

On 30 June 2020, the US Supreme Court handed down its decision in USPTO v Booking.com, addressing whether a trade mark that consists only of a generic term plus the ending ".com" is necessarily generic and therefore not registrable with the USPTO. The Court's answer, in an 8-1 decision, was a resounding "no."

Case background and application rejection

Booking.com B.V. is a company that provides online hotel reservations, booking services, and other travel-related services under the brand "Booking.com" at a website with the same domain name. The company filed federal trade mark applications to register several marks with the USPTO in travel-related services. The marks differed in appearance but all contained the term "Booking.com."

The USPTO examining attorney rejected the applications as being generic, and the rejections were affirmed by the TTAB. The reasoning was that the first portion of the mark, "Booking," is the common and generic name for the genus of the travel-related services sought to be registered. Further, the second portion of the mark, ".com," is merely the top-level domain extension indicative of an internet address used by a commercial organisation. The ".com" extension, according to this reasoning, adds no source identifying significance to the generic term. Consequently, "Booking.com" was deemed to be generic.

Appeal

The company appealed the rejection to the US District Court for the Eastern District of Virginia, arguing that its "Booking.com" mark is descriptive rather than generic, and submitting evidence of consumer perception which, in its view, demonstrated the acquired distinctiveness necessary to make such a mark valid and registrable. The district court agreed and found that the consuming public understands the mark to refer to booking services available at that specific domain name, rendering the mark not generic to booking services. The USPTO appealed, and the Court of Appeals for the Fourth Circuit affirmed.

On appeal to the US Supreme Court, the question posed was, essentially, whether a mark formed by the combination of a generic term and a top-level domain such as ".com" is per se generic.

The Court's opinion

Justice Ginsburg wrote the Court's opinion. The Court noted that the USPTO's position was inconsistent with its prior practice, having previously approved for registration DATING.COM for dating services and ART.COM for art-related services. The Court also noted that internet domain names are defined in such a way that a particular domain name is assigned to only one entity at a time. This exclusivity feature of domain names set them apart from generic-sounding business names such as "Wine, Inc." or "The Wine Company", which can be used by numerous businesses simultaneously. The Court also noted that the distinctiveness inquiry for a compound term must be made with regard to the mark as a whole, not its component parts in isolation.

The Court cited and relied heavily on a bedrock principle of trade mark law: whether a term is generic depends on its meaning to the relevant group of consumers. If such consumers consider the mark as naming a class or genus of goods or services rather than a particular member of the class, then it is generic. Otherwise, it is not. If the mark at issue were generic, then, for example, consumers might consider Travelocity to be a "Booking.com", or a frequent traveller could be asked to name a favourite "Booking.com" provider. The mark at issue was, and is, not used that way.

The Court thus rejected the per se rule advanced by the USPTO that "generic.com" marks should automatically be considered generic, while also declining to embrace the opposite proposition that such marks should automatically be classified as nongeneric. This decision has opened a path for registration of an additional class of trade marks.

Supreme Court Takes Up Defence Preclusion in Trade Mark Case

In May 2020, the US Supreme Court declined to create a new category of res judicata called "defence preclusion." The Court's Decision was rendered in the context of a trade mark case but has wider applicability to other areas of US law.

The parties involved, Lucky Brand Dungarees, Inc. (LBD) and Marcel Fashions Group, Inc. ("Marcel"), sold jeans and other apparel. They were involved in multiple rounds of litigation with each other over nearly 20 years involving various trade marks. The marks at issue included a US registration for "Get Lucky" owned by Marcel, and marks of LBD containing the word "Lucky."

First round of litigation

In the first round of litigation, Marcel sued LBD for infringing its "Get Lucky" mark by using the phrase in LBD's advertisements. This resulted in a settlement agreement in which LBD agreed to stop using the phrase "Get Lucky," and Marcel agreed to release any claims regarding LBD's use of its own marks containing the word "Lucky."

Second round of litigation

A second round of litigation soon followed. In it, LBD sued Marcel for infringing certain LBD trade marks. Marcel filed counterclaims alleging, inter alia, that LBD's use of "Get Lucky" combined with its "Lucky Brand" infringed Marcel's registration for "Get Lucky." None of Marcel's counterclaims accused LBD's trade marks, as used by themselves, of infringement. LBD initially raised as a defence Marcel's release of claims from the earlier settlement agreement, but it did not maintain this defence. Ultimately, the District Court permanently enjoined LBD from copying or imitating Marcel's "Get Lucky" mark, and LBD's use of "Get Lucky" alongside its own marks was found to infringe Marcel's "Get Lucky" mark.

Third round of litigation

Marcel then initiated a third round of litigation. Here for the first time, Marcel accused LBD's own marks by themselves of infringing Marcel's "Get Lucky" mark. The accused marks were not in combination with "Get Lucky," although some contained the word "Lucky." Marcel also limited the scope of the suit to LBD's recent use of these marks, ie, after the end of the second round of litigation.

In the third round, LBD raised as a defence Marcel's release of claims from the original settlement agreement. Marcel argued unsuccessfully to the District Court that LBD was precluded from raising this defence because it could have done so, but failed to, in the earlier second round. The District Court dismissed the lawsuit on this basis. On appeal, the Second Circuit vacated, holding that LBD's settlement agreement defence is barred by "defence preclusion", which prevents a party from raising a defence where:

- a prior action was adjudicated on the merits;
- the same parties were involved;
- the defence was or could have been asserted in the prior action; and
- the District Court concludes the preclusion is appropriate. LBD appealed to the Supreme Court.

The Court's opinion

Justice Sotomayor delivered the unanimous opinion of the Court. In it, she explained that res judicata is a legal principle that includes two distinct doctrines relating to the preclusive effect of prior litigation. One is issue preclusion (collateral estoppel), which prevents a party from re-litigating an issue actually decided in a prior case, and necessary to the judgment. The other is claim preclusion, which, in the context of a later suit involving the "same claim" as an earlier suit between the parties, prevents a party from raising an issue that could have been raised and decided in the prior case.

The Court declined to recognise "defence preclusion" as a separate, independent category of res judicata, and reasoned that the case must be analysed in terms of issue preclusion or claim preclusion. It held that issue preclusion was inapplicable because the cause of action in the third round was not the same as in the second. It held that claim preclusion was also inapplicable, because the two suits lacked a common nucleus of operative facts: they involved different conduct, involving different marks, occurring at different times.

This ruling lifts the heavy burden the Second Circuit attempted to place on litigants, which would have obliged parties to pursue all possible defences, even weak ones, to preserve them for the future.

Second Circuit Court of Appeals Addresses Level of Sophistication Required by Consumers when Considering Trade Mark Infringement

This year saw a number of rather high-profile trade mark cases. One of them involved the Court of Appeals for the Second Circuit vacating Tiffany and Co.'s massive USD21 million summary judgment win against Costco Wholesale Corp. in a dispute over Costco's use of the word "Tiffany" to identify a specific type of diamond ring setting. Tiffany initially notified Costco of a claim that the designation of Costco rings as "Tiffany" was a misrepresentation of Costco's product and constituted infringement and counterfeiting. Costco then represented to Tiffany that it voluntarily removed all uses of "Tiffany" from the signs in its jewellry display cases within two weeks of being notified by Tiffany.

Tiffany then filed suit against Costco in the United States District Court for the Southern District of New York (SDNY) alleging that Costco was liable for "*trade mark infringement, dilution, counterfeiting, unfair competition, false and deceptive business practices, and false advertising in violation of the Lanham Act and New York law*" in connection with Costco's signs that included the word "Tiffany" without being accompanied by the words "setting," "style," or "set." In response, Costco asserted that its use of the word "Tiffany" to describe a style of ring setting was not infringement. Costco also raised a "fair use" defence under the Lanham Act and filed a counterclaim seeking to modify or partially cancel any federal trade mark registrations that might prevent retailers from using the word "Tiffany" to indicate that a ring has a Tiffany setting.

District Court

In the District Court, Tiffany claimed, and the court agreed, that Costco's use of a term identical to Tiffany's trade mark in connection with the sale of engagement rings violated the Lanham Act as a matter of law and granted Tiffany's summary judgment motion. The court further concluded that Costco had failed to raise a genuine issue of material fact as to any of the relevant factors to the infringement analysis, that Costco's fair use defence failed as a matter of law, and that Costco's infringement constituted counterfeiting. The district court entered a final judgment and awarded damages in an amount in excess of USD21 million, including treble damages, prejudgment interest and punitive damages. Costco appealed to the Court of Appeals for the Second Circuit.

Second Circuit

At the Second Circuit, Costco argued that "Tiffany" is not only a brand name, but also a widely recognised descriptive term for a particular style of pronged ring setting, and that it used the word on point-of-sale signs solely to identify engagement rings incorporating such settings. It emphasised, among other things, that it also sold several other styles of unbranded diamond engagement ring identified by similar point-of-sale signs, each of which indicated the name of the corresponding ring's setting style and none of which used the word "Tiffany". In light of this and other related evidence, Costco contended that a reasonable jury could conclude that its use of the word "Tiffany" was not likely to confuse its customers and that, even if some confusion was likely, Costco was entitled under the Lanham Act to use the term "in good faith only to describe" the style of its rings. The Second Circuit agreed and accordingly vacated the judgment of the district court and remanded the case for trial.

Perhaps the biggest take-away from Tiffany is that Costco's evidence had, when considered in the aggregate, created a genuine question as to the likelihood of customer confusion. The conclusion in Tiffany rested primarily on the combination of:

- Costco's evidence that "Tiffany" is a broadly recognised term denoting a particular style of ring setting; and
- the indication that purchasers of diamond engagement rings educate themselves so as to become discerning consumers.

This decision has paved the way for altering the bar for the level of sophistication required by the purchasing public when considering whether a trade mark is being infringed.

Ninth Circuit Upholds Rogers Test Regarding First Amendment Defence

VIP Products LLC is a dog toy manufacturer that designs and sells "Silly Squeakers" rubber dog toys that resemble bottles of various well-known beverages. In July 2013, VIP introduced a Bad Spaniels squeaker toy that was roughly in the shape of a Jack Daniel's bottle depicting an image of a spaniel over the words "Bad Spaniels." Where the Jack Daniel's label would say "Old No. 7 Brand Tennessee Sour Mash Whiskey," the label on the VIP product stated: "the Old No. 2, on your Tennessee Carpet." VIP also attached a tag to the Bad Spaniels toy stating the "product is not affiliated with Jack Daniel's Distillery."

In 2014, Jack Daniels Properties, Inc. sent a cease and desist letter demanding VIP cease all sales of its Bad Spaniels toy. VIP filed a declaratory judgment action of non-infringement and sought to cancel the Jack Daniel's bottle design registration. Jack Daniel's counterclaimed asserting state and federal trade mark infringement, and dilution by tarnishment. Both parties filed cross-motions for summary judgment. Jack Daniel's prevailed in summary judgment and succeeded at a trial for dilution by tarnishment.

Appeal and conclusion

VIP appealed the district court's summary judgment decision. The Ninth Circuit found that Jack Daniel's trade dress and bottle design were distinctive and "aesthetically nonfunctional." Taking all the elements of the Jack Daniel's bottle design together, the Ninth Circuit found them distinctive and nonfunctional. Likewise, the Ninth Circuit upheld the district court's decision that VIP was not entitled to a nominative fair use defence because there were significant differences between the bottle and toy designs.

However, the Ninth Circuit found the district court erred in its denial of VIP's First Amendment defence. The Court reiterated that when determining whether a work is expressive, it must look at whether the work is communicating an idea or expressing a point of view. The Ninth Circuit reiterated that a party bringing claims for trade mark infringement against an artistic expression must demonstrate one of the two factors set forth in Rogers v Grimaldi to prevail. The Rogers test requires a trade mark owner to show the infringer's use of the mark is either:

- not artistically relevant to the underlying work; or
- explicitly misleads consumers about the source or content of the work.

Acknowledging the Bad Spaniels toy may not be the equivalent of the Mona Lisa did not change the Court's conclusion that the toy communicated a humorous message. More pointedly, the Ninth Circuit held that the Bad Spaniels toy is a humorous commentary on precisely the elements Jack Daniel's seeks to protect. Since the Bad Spaniels toy conveyed a humorous message, it was protected by the First Amendment. This in turn allowed VIP to judgment in its favour on the dilution claims. The Ninth Circuit remanded the case for further proceedings on infringement and vacated the permanent injunction.

Davis | Kuelthau, S.C. offers an array of innovative legal solutions to corporate, public, private and individual clients that range from small, mid-sized institutions to large corporations. The team of nearly 70 attorneys spans five offices across Wisconsin, including Appleton, Brookfield, Green Bay, Madison, and Milwaukee. The firm is headquartered in Milwaukee and has national experience combined with strong community ties. The firm provides the full life cycle of business, labour and litigation legal services. The firm's intellectual property team includes nine attorneys who are well versed in both the legal and technical aspects of IP. Those technical areas cover a wide range of engineering, scientific, computer and medical principles as well as business methods. They counsel clients on all aspects of IP, including patents, trade marks, copyrights and trade secrets. Notably, Davis | Kuelthau, S.C. was among the first firms in the United States to file an Inter Partes Review (IPR), a new type of administrative proceeding that was brought into effect by the America Invents Act.

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