

# Yearbook

## 2019/2020

A global guide for practitioners

A year in review: key trademark decisions  
from the federal courts in 2017

**Davis Wright Tremaine LLP**  
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## A year in review: key trademark decisions from the federal courts in 2017

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Decisions handed down in 2017 scored victories for the First Amendment over trademark rights in two monumental decisions, one by the Supreme Court and the other out of the Ninth Circuit, which may end up in the Supreme Court as early as 2019.

The year also saw courts issuing decisions about genericism – from a Virginia district court directing the USPTO to register an otherwise generic term paired with the TLD ‘.com’ because it was able to indicate source, to the Ninth Circuit quashing an attempt by a disgruntled individual to have GOOGLE declared generic because of its use as a verb.

A Kentucky district court expanded the scope of protection for John Deere’s green and yellow trademark beyond tractors to related goods – something even Coca-Cola has not been able to do with its red and white colour scheme. While Black & Decker’s unsuccessful bid to protect its yellow colour scheme for power tools was self-inflicted when the Illinois district court struck its survey as improper.

Even with evidence of copying, the Seventh Circuit did not find infringement because the plaintiff could not claim trade dress in a Dopp Kit-style bag as the features were found to be functional and did not affect product quality or cost.

Finally, there were two decisions that are sure to affect how trademark owners police their marks on the Internet and in brick-and-mortar retail environments. A few of these

cases have even opened the door for other new rulings that will be passed down in the years ahead.

### *Matal v Tam*

The Supreme Court’s ruling – which declared that the Lanham Act’s ban on offensive trademark registrations was unconstitutional – ended a long-time effort to use the rule against the Washington Redskins. The unanimous decision came in a separate case filed by a rock band called The Slants, which challenged the constitutionality of the ban after it was refused a trademark registration for its name on the grounds that it was “disparaging” to people of Asian descent.

Writing for the majority, Justice Samuel Alito said that the law violates a “bedrock First Amendment principle: speech may not be banned on the ground that it expresses ideas that offend”.

Following *Matal*, the constitutionality of another clause in Section 2(a) – which prevents registration of ‘scandalous’ or ‘immoral’ matter – was also called into question. Erik Brunetti, an artist and street designer, was denied registration of his clothing line mark ‘Fuct’ because it could be considered scandalous and immoral. In December 2017, the Federal Circuit held that, like the disparagement clause, the scandalous or immoral portion of Section 2(a) is an unconstitutional content-based restriction under the First Amendment.

While there is some concern that this Supreme Court decision may open the floodgates to culturally offensive trademarks, companies will need to consider the business implications of choosing such marks. This decision was, in the end, not only about trademarks but also signalled a willingness to continue the deregulatory trend in commercial speech jurisprudence in a swing towards First Amendment rights.

### ***Twentieth Century Fox Television v Empire Distribution Inc***

In another case where First Amendment rights outweighed trademark rights, the Ninth Circuit affirmed the district court's grant of summary judgment to Fox and held that Fox's use of the name 'Empire' as a title for its television show was protected by the First Amendment and was outside the reach of the Lanham Act. This was despite Fox's use of a fictional hip-hop music label Empire Enterprises even though there is an actual company of the same name based in New York.

The likelihood of confusion test – which is the cornerstone of trademark infringement law – does not apply to allegations of infringement within expressive works. If the trademark use occurs within an expressive work, the only test that applies – at least in certain circuits – is the *Rogers* test. This requires that the trademark use have “no artistic relevance to the underlying work” or “explicitly mislead as to the source” of the work. In applying the test, the Ninth Circuit held that:

- the title, Empire, supported the themes and geographic setting of the work; and
- the use of the EMPIRE mark did not explicitly mislead consumers.

The Ninth Circuit not only protected Fox's use of 'Empire' as the title of a television series, but also Fox's promotion of the show through merchandise, including merchandise that falls within the usage of Empire Distribution. Empire Distribution is seeking a writ of certiorari from the Supreme Court, arguing in part that:

*The Ninth Circuit's categorical 'expressive work' exception warrants review because it conflicts with the text and purpose of*

*the Lanham Act as well as the law of other circuits, and because it will have intolerable practical consequences. Under the Ninth Circuit's decision, a television show called 'Gianni Versace' fictionalizing the life of the late fashion designer could be used to market a 'promotional' line of high-fashion clothing using the VERSACE mark, in direct competition with the Versace fashion label. A television show called 'Barbie Girl' about a fictionalized doll character could be used to market a 'promotional' line of dolls using the BARBIE trademark, in direct competition with the Mattel toy brand. And a television show called 'Apple' about a high-technology company could be used to market tablets and smartphones labeled APPLE, in direct competition with the Apple brand.*

### ***Booking.com BV v Matal***

Last year, the District Court for the Eastern District of Virginia reversed a TTAB decision, and in doing so, the Federal Circuit's longstanding precedent that the addition of a TLD to a generic term does not transform it into a protectable term, rejecting trademark registrations for URLs (eg, “mattress.com” and “hotels.com”).

Calling it an issue of first impression in the Fourth Circuit, the court held that because TLDs are generally source-identifying, a mark composed of a generic second-level domain and a TLD “is usually a descriptive mark eligible for protection upon a showing of secondary meaning”.

The premise behind a term functioning as a trademark is that it serves as a source identifier; the critical issue with respect to genericness is whether consumers primarily use or understand the term to generally refer to the type of goods or services in question. Therefore, as long as a generic or highly descriptive term combined with a TLD extension is perceived by potential purchasers to indicate a source (rather than a type or category of products or services), allowing its registration is consistent with recognised principles of trademark law and the realities of the Internet age. Any concern about monopolising generic terms can be addressed through narrow treatment in the likelihood of confusion analysis.

### *Elliott v Google*

In another case involving whether a mark is generic, the Ninth Circuit ruled against an effort to prove that ‘google’ had become a generic verb, which cannot be protected by trademark law.

The plaintiff – a third-party beneficiary of Chris Gillespie, who lost a lawsuit against Google for registering website names with the name ‘google’ in them, including ‘googlegaycruises.com’, ‘googlestarbucks.com’, and ‘googlechevron.com’ (Gillespie was forced to hand over more than 750 domains) – submitted thousands of pages of largely irrelevant evidence, merely showing that ‘google’ is sometimes used as a verb. The Ninth Circuit ruled that the argument ignored one key factor: a claim of genericide must relate to a particular type of product or service, not simply to the word itself.

The proper question, then, was not whether ‘google’ had become a generic term for the act of searching, but instead whether people only recognise ‘google’ as a general term for search engines separate from the source.

This case likely provides some relief to brand owners concerned about losing control of their brand identity, as has happened in the past (eg, videotape, aspirin, dry ice, cellophane, linoleum, thermos, escalator, kerosene and laundromat). It is not so much that a trademark can never be used as a verb or a noun. The key to protecting a trademark is that the public continues to associate a company’s product with its brands.

### *Black & Decker Corp v Positec USA Inc*

Addressing the importance of a properly conducted survey, *Black & Decker* provided an important lesson in what not to do. Following a jury verdict that awarded \$54 million to the plaintiff based on a finding of wilful trademark and trade dress infringement over yellow and similarly colour-schemed power tools, an Illinois district court found that the award was rooted in a survey that “did not employ a reliable methodology for measuring the likelihood of confusion”. In holding that the defendants were entitled to a new trial, the court explained that this was:

*One of those unusual instances in which a proffered consumer survey was so informally*

*designed and conducted that it fails key tests of professionalism and reliability and therefore should have been excluded from trial.*

The plaintiff put a single Positec boxed power tool amid two rows of Black & Decker products and asked survey respondents whether they “believed that all the products were put out by the same company, and, if so, why”. The results showed that 47% of respondents believed that all the products were from the same company.

The expert witness for Black & Decker even acknowledged that the survey was intended to test whether respondents could be induced to “overlook the obvious” and compared the survey to a test he performed on his students who invariably missed the second ‘the’ in the following statement: “I love Paris in the the springtime.” He explained that the Rockwell package was equivalent to the second ‘the’ in the sentence. Despite the fact that the survey was not introduced to show consumer confusion, the defendants asserted that they were not only prejudiced by this survey, but also by evidence of Black & Decker trademark registrations and prior judgments in its favour. The court said it would consider restricting the admission of such evidence in accordance with its probative value at a new trial.

### *Deere & Co v FIMCO Inc*

A Kentucky federal judge found that the green and yellow colour scheme of John Deere tractors is a famous trademark – and that it had been infringed and diluted by a rival that used similar colours on pesticide sprayers.

The decision is important because the judge designated farmers as discerning customers and further held that FIMCO’s sprayers, designed to be pulled by a tractor, were closely related and sold in the same marketing channels. There was also at least some evidence of actual confusion by consumers. FIMCO argued that John Deere’s accusations were barred by the doctrine of aesthetic functionality, but the court found that competing companies could offer matching colours without copying John Deere’s exact colour scheme.

Trademark protection of colours is difficult to obtain without a showing of

secondary meaning and even if that is proven, holders are unable to enforce colour rights against others who use the colour in connection with different products. For example, Coca Cola cannot enforce its red colour against Target, as is the case with Christian Louboutin. Therefore, although pesticide sprayers are related to tractors, this single factor increases the importance for John Deere and slightly expands the protection available to it. The court noted that multiple other companies had used these colours and weakened John Deere's

trademark rights, but that consumers were still likely to be confused by FIMCO's use of green and yellow. This decision will assist in John Deere's future enforcement against third parties and serve as a precedent for companies looking to enforce against users of related goods and services.

#### ***Arlington Specialties, Inc v Urban Aid, Inc***

The Seventh Circuit Court of Appeals held that Arlington Specialties' mini-toiletry case design and shape were functional – and therefore not protected as trade dress.



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Roxanne Elings is recognised as one of the nation's leading IP litigators and brand management attorneys. Ms Elings has been acknowledged as one of The 20 Most Influential Women in IP Law by Law360, is regularly ranked as one of the Top 250 Women in IP by *Managing Intellectual Property* and ranked each year since 2010 by the *WTR 1000* as one of the top US attorneys in trademark enforcement and litigation, prosecution and anti-counterfeiting, being described as "a highly capable litigator with a substantial deal of legal knowledge, she has a way of getting to the heart of any problem". Clients note that "there are very few practitioners out there with as deep an understanding of complex multi-jurisdictional trademark matters as her. She is able to draw upon her immense experience to shape cross-border strategies in relation to prosecution, enforcement, licensing and commercialisation".



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Emily Borich concentrates her practice on IP and technology matters, with an emphasis on trademark and copyright. She represents clients on domestic and international trademark issues, assisting with the selection, clearance, prosecution, registration and maintenance of trademarks. Ms Borich appears in enforcement proceedings before the TTAB and oversees foreign counsel in opposition and cancellation actions abroad. She also represents fashion and luxury clients on brand management, anti-counterfeiting and domain name disputes. She has served as a legal research assistant and co-authored a number of articles and books on fashion and music law. Ms Borich is a member of the New York City Bar Association's Fashion Law Committee as well as the INTA Anti-counterfeiting Committee.

Arlington Specialties sells mini-toiletry kits, which come in small fabric bags designed to look like men's Dopp Kits. Urban Aid created a custom kit for a shoe distributor to use as part of a sale promotion. The distributor wanted the kits to come in a bag similar to that of Arlington and gave Urban Aid a photo of the bag to work from. Arlington subsequently sued Urban Aid, claiming that the shape and design of its bag were protected trade dress. After the trial court dismissed the case before trial, Arlington appealed.

The Seventh Circuit pointed out the flaw in Arlington's argument that its bag had less utility than alternatives, stating that: "The question is not as plaintiff would have it, whether the claimed trade dress has less utility than alternatives, but whether it is essential to the use or purpose of the article or if it affects the cost or quality of the article."

In the end, the appeals court emphasised that the proper question is not whether the claimed trade dress has less utility than alternatives, as Arlington argued, but whether the design feature affects product quality or cost.

#### ***Tiffany & Co v Costco Wholesale Corp***

A New York federal judge has awarded Tiffany \$21 million in damages in a long-running trademark battle with Costco Wholesale.

The award is part of a trend towards larger awards in trademark cases and came after more than four years of litigation over Costco's use of the word 'Tiffany' on diamond engagement rings. Costco claims it merely used it as shorthand for 'Tiffany setting' – a generic term for a style of ring – but the district court held it to constitute trademark infringement and counterfeiting in 2015.

The damages award was even more important than the ruling itself, as the last major step for the case at the district court level, setting the stage for what will be a closely watched appeal by Costco to the Second Circuit.

#### ***Google LLC v Equustek Solutions Inc***

In another important win for Google, the District Court for the Northern District of

California granted the search giant's motion for preliminary injunctive relief from a Canadian court order – affirmed by the Canadian Supreme Court – to delist search results found to violate trade secrets. The court held that the Canadian order:

- likely disregards Section 230 of the Communication Decency Act of 1996 (47 USC Section 230);
- deprives Google of the benefits of US federal law; and
- undermines the public interest that Section 230 protects, namely safeguarding free speech on the Internet.

Equustek sent the court a letter declaring its intention not to defend against Google's suit.

Unlike in the United States, the Canadian court treated Google as a publisher, rather than an internet service provider, with its order to remove third-party content from its search results. In its affirmation of the lower court's decision, the Canadian Supreme Court encouraged Google to bring the issue back to the courts should it have evidence that the order would violate the laws of another jurisdiction. This US court ruling may not be the final word on the matter.

This ruling has potential consequences for trademark owners seeking relief from non-parties who provide internet services to trademark counterfeiters after being given notice of the infringing act. **WTR**



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