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The International Comparative Legal Guide to:

Trade Marks 2016

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A practical cross-border insight into trade mark work

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EDITORIAL

Welcome to the fifth edition of *The International Comparative Legal Guide to: Trade Marks*.

This guide provides corporate counsel and international practitioners with a comprehensive worldwide legal analysis of trade mark laws and regulations.

It is divided into two main sections:

Three general chapters. These are designed to provide readers with a comprehensive overview of key issues affecting trade mark laws and regulations, particularly from an EU and US perspective.

Country question and answer chapters. These provide a broad overview of common issues in trade mark laws and regulations in 41 jurisdictions.

All chapters are written by leading trade mark lawyers and industry specialists and we are extremely grateful for their excellent contributions.

Special thanks are reserved for the contributing editor John Olsen of Locke Lord LLP for his invaluable assistance.

Global Legal Group hopes that you find this guide practical and interesting.

The *International Comparative Legal Guide* series is also available online at www.iclg.co.uk.

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From Disparagement to Fame and Other Key Developments in U.S. Trademark Law

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Unlike its neighbours across the pond in the EU, or its neighbour to the north, Canada, the United States is not facing a legislative or regulatory overhaul of its trademark law. In 2015, however, after almost 10 years of a dearth of trademark issues before the Supreme Court, the highest U.S. court heard not one but two trademark cases. One of these, *B&B Hardware, Inc. v. Hargis Industries, Inc.*, is discussed below.¹ Trademark issues have also been making their way through federal district and appellate courts across the country, resulting in or potentially leading to circuit splits that present trademark issues ripe for Supreme Court review. This chapter discusses some of these key developments.

Federal Circuit Finds Lanham Act's Prohibition Against Disparaging Marks Unconstitutional

Section 2(a) of the Lanham Act, the U.S. federal trademark statute, prohibits the registration of trademarks that “may disparage ... persons, living or dead”. In December 2015, the Federal Circuit held that this prohibition, enacted nearly 70 years ago, violated the First Amendment guarantee of freedom of expression. The case, *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015), involved the appeal by an Asian-American rock band of the refusal by the U.S. Patent and Trademark Office (“USPTO”) to register the band’s name, THE SLANTS, on the ground that it disparaged Asian-Americans.

The Examiner of the band’s trademark application found that THE SLANTS would be understood by a substantial composite of Asian-Americans as an ethnic slur referring to the eye shape of people of Asian descent, and denied registration under the Lanham Act. The Trademark Trial and Appeal Board of the USPTO (the “TTAB”) affirmed, relying on dictionary definitions, the band’s website, where the name was displayed beside a stereotypical image of an Asian woman, and evidence that Asian-American individuals and groups objected to the band’s name.

On appeal to the Federal Circuit, Simon Shiao Tam, the band’s founder and bassist, argued that he had chosen the name—a word historically used as an ethnic slur—to rehabilitate the derogatory term through association with the band’s music and political activism, and therefore the band’s use of THE SLANTS constituted political speech. By refusing to register the mark, he claimed, the government discriminated against him based on his expressive speech in violation of the First Amendment. Initially, the Federal Circuit affirmed the refusal to register. But then—in an extraordinary move—the court ordered a rehearing *en banc* and then reversed itself, holding that the Lanham Act’s disparagement provision was unconstitutional.

The Federal Circuit reasoned that the provision failed strict scrutiny, the level of scrutiny used to review any government regulation that burdens private speech based on the content or viewpoint expressed, because it required the USPTO to “look[] at what message the referenced group takes from the applicant’s mark in the context of the applicant’s use, and [deny] registration only if the message received is a negative one”. The circuit court rejected the government’s argument that the disparagement provision regulated commercial rather than expressive speech and therefore strict scrutiny should not apply, finding that trademarks often have an expressive component in addition to a commercial one. It also rejected, among other arguments, the government’s argument that the First Amendment was not implicated because the disparagement provision prevented only registration and not use of a mark. The court held that trademark registration conferred real benefits on mark owners, and therefore denial of registration on the basis of the message expressed had a chilling effect on speech.

On the heels of the Federal Circuit’s decision, the USPTO issued a statement that under the court’s ruling, other provisions of the Lanham Act that prohibit the registration of “immoral, deceptive, or scandalous matter” would likewise be unconstitutional. It directed that any applications for marks that would otherwise be rejected on the basis of disparagement or any of the above grounds—including the band’s application for THE SLANTS and a third-party application for FUCT covering infant’s, children’s and athletic apparel—be indefinitely suspended pending the agency’s decision whether to appeal to the Supreme Court and the outcome of any such appeal. See *USPTO Examination Guide 01-16* (Mar. 10, 2016). On March 15, 2016, Tam petitioned the Federal Circuit for a writ of *mandamus* ordering the USPTO to publish his mark for opposition, arguing that the agency could not ignore a ruling of its reviewing court until all possible reviewing courts cast their vote. The USPTO has until March 23, 2016 to respond.

Meanwhile, in July 2015, the Eastern District of Virginia affirmed the cancellation of six registrations for REDSKINS marks by the Washington Redskins football team on the ground that the marks were disparaging to Native Americans. *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439 (E.D. Va. 2015). That decision was the latest in a long-running battle—predating THE SLANTS case—by Native American plaintiffs to cancel the REDSKINS marks. The *Blackhorse* court held that the Lanham Act’s disparagement provision did not implicate the First Amendment, as the refusal to register a mark did not prevent the trademark owner from using it and thus did not restrict speech. It also held that federal trademark registration is government speech exempt from First Amendment scrutiny. As discussed above, the Federal Circuit in *In re Tam* came to the opposite conclusion on both points.

Pro-Football, Inc. has appealed the district court's decision to the U.S. Court of Appeals for the Fourth Circuit. If the Fourth Circuit were to affirm, resulting in a circuit split, the constitutionality of the disparagement provision would be ripe for Supreme Court review.

Is Fame Without Use in the U.S. Sufficient to Support Lanham Act Claims?

The Fourth Circuit recently held that Sections 43(a) and 14(3) of the Lanham Act support false association and false advertising claims, and a trademark cancellation action, brought by a party that has not used its asserted trademark in U.S. commerce. *Belmora LLC v. Bayer Consumer Care AG*, Appeal No. 15-2335 (Mar. 23, 2016). The appeal arose from an Eastern District of Virginia ruling that a party cannot rely solely on reputation without use as a basis for cancelling a registration. That decision in turn was rendered in an appeal from a TTAB decision in a proceeding brought by Bayer Consumer Care AG to cancel Belmora LLC's registration for FLANAX for an over-the-counter analgesic. *Belmora L.L.C. v. Bayer Consumer Care AG*, 84 F. Supp. 3d 490 (E.D. Va. 2015).

Bayer had used the identical FLANAX mark outside the U.S. for identical goods. In the cancellation proceeding, Bayer claimed that even before Belmora filed its trademark application, Bayer's mark was well known in the U.S., and that Belmora had copied the trade dress of Bayer's Mexican FLANAX packaging and the logo form of FLANAX used by Bayer in Mexico. The TTAB granted Belmora's motion to dismiss Bayer's claims under Article 6bis of the Paris Convention, stating that the Paris Convention is not self-executing and that the famous marks provisions of Articles 6bis and 6ter do not provide an independent cause of action for parties in proceedings before the Board. Nonetheless, the Board cancelled Belmora's registration on the ground that its deliberate copying of Bayer's trade dress constituted misrepresentation of source in violation of Section 14(3) of the Lanham Act.

Belmora appealed the TTAB decision to the Federal Circuit, and Bayer elected to move the appeal to the Eastern District of Virginia for *de novo* review. The district court posed the issues in the case thus: "Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and has never used the mark in United States commerce [to] assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?" The district court's answer was a definitive "no" based on the territoriality principle of trademarks. It found that Bayer did not own a protectable interest in the FLANAX mark in the U.S. and thus could not show relevant economic or reputational injury.

On appeal, the Fourth Circuit held that the plain language of Section 43(a) does not require a plaintiff to possess or have used a trademark in U.S. commerce. Rather, "it is the defendant's use in commerce . . . that creates the injury under the statute". This requirement was met because Bayer alleged that Belmora's misrepresentation, targeted at consumers in the border areas between Mexico and the U.S., caused Bayer consumers to buy Belmora's FLANAX in the U.S. instead of Bayer's FLANAX in Mexico. Similarly, Section 14(3) allows "any person who believes that he is or will be damaged" by a registration to petition for cancellation, and the same allegations that supported Bayer's false association and false advertising claims also supported its petition to cancel Belmora's FLANAX registration. The circuit court vacated the district court's judgment and remanded the case for further proceedings.

This closely watched case plays out against a circuit split that has already arisen between the Ninth Circuit and the Second Circuit on the issue of reputation without use. The Ninth Circuit in *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088

(9th Cir. 2004), held that a famous foreign mark may be the basis for an infringement claim, even when it has not been used in U.S. commerce, if the mark is familiar to a "substantial percentage of consumers" in the geographic area where the defendant is using the allegedly infringing mark. The Ninth Circuit explained that the risk of consumer confusion and fraud were "reasons for having a famous mark exception" to the territoriality principle. The Second Circuit held directly to the contrary in *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007). There, the Second Circuit declined to apply the reputation-without-use doctrine to a case where the owners of the well-known chain of BUKHARA restaurants in India and other foreign countries sued the owners of identically named restaurants in New York. It stated that such a major departure from the territoriality principle should be left to Congress, which can amend the Lanham Act if it wishes.

Display of Competing Products in Search Engine Results Not Infringement in the Ninth Circuit

Last October, the Ninth Circuit held that Amazon.com, Inc. ("Amazon") did not violate high-end watchmaker Multi Time Machine, Inc.'s ("MTM") trademark rights by displaying similar non-MTM products in search results when a consumer explicitly searched for MTM watches. *Multi Time Mach., Inc. v. Amazon.com, Inc.*, 804 F.3d 930 (9th Cir. 2015).

Although Amazon.com does not sell MTM watches, a search for MTM products on the Amazon website would return search results for similar watches by other manufacturers. The results displayed the initial search term—for instance, "mtm special ops", the name of a particular MTM watch—twice: Once in the search query box and once directly beneath the search query box in quotation marks. The term is also included in a field entitled "Related Searches" that suggests alternative searches consumers might run if this search did not yield the results they were seeking. Nowhere on the page is there a notice stating that MTM watches are not available from Amazon.

MTM sued Amazon for federal trademark infringement, arguing that consumers were likely to believe that there was an association between MTM and the products displayed in the search results. The district court found that confusion was not likely and the Ninth Circuit, in this closely watched appeal, affirmed.

The Ninth Circuit explained that the traditional factors employed by federal courts to evaluate likelihood of confusion were not particularly apt in this case, as they were designed to analyse whether two competitors' marks may cause consumer confusion, whereas here Amazon was not MTM's competitor. Instead, the court identified the key questions in this case as: "(1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?"

Turning to the first question, the circuit court found that because MTM's watches were expensive (several hundred dollars), the relevant consumer was "a reasonably prudent consumer accustomed to shopping online". As to the second question, the court found that "the labeling and appearance of the products for sale on Amazon's web page [was] the most important factor in this case", because "clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms". The court then concluded that, as a matter of law, Amazon labelled its products sufficiently clearly that a reasonably prudent consumer accustomed to shopping online would not likely experience confusion, since "[t]he search results page [made] clear to anyone who can read English that Amazon carried only the brands that [were] clearly and explicitly listed on the webpage".

This decision illustrates that in the context of Internet advertising and sales, courts are increasingly likely to assume that consumers are sophisticated, particularly where the goods at issue are costly. It also underscores that clear labelling of products is likely to significantly lessen, if not eliminate altogether, a likelihood of consumer confusion. Finally, it may indicate that going forward, courts in the Ninth Circuit—which covers federal courts in California where a significant number of Internet commerce companies are based—will be more willing to dismiss trademark infringement cases on summary judgment, or even at the pleading stage, rather than require jury trials.

Bona Fide Intent to Use Must be Proven by Objective Evidence

In June 2015, the Federal Circuit sustained an opposition against an intent-to-use application because the applicant, a manufacturer of watches and clocks, could not prove by objective evidence that it intended to use the applied-for mark, iWatch, for a range of over 30 different goods, all in the categories of watches, clocks, and related accessories. *M.Z. Berger & Co. v. Swatch AG*, 787 F.3d 1368 (Fed. Cir. 2015).

The case arose out of Swatch's opposition to Berger's intent-to-use application for iWatch on the basis of likelihood of confusion with its SWATCH mark. The opposition was later amended to include a separate ground of lack of *bona fide* intent. The TTAB found the marks not confusingly similar but granted the opposition on the basis that Berger could not raise documentary evidence or testimony to establish that it had a *bona fide* intent to use the mark for the claimed goods at the time its application was filed.

The Federal Circuit affirmed on the *bona fide* intent ground. Berger argued that it was in the watch and clock business, and that although it intended to use the iWatch mark only for watches, it had filed for its usual range of business products so as to have a mark ready when it decided to move forward with a smart watch. The circuit court construed this statement as an admission that Berger did not have a firm intention to use the mark for specific goods at the filing date; rather, its plans were merely aspirational. Further, even though Berger was in the watch business, the fact that it had never made a watch with the technological features of a smart watch also weighed against it.

After the Federal Circuit's decision in *In re Bose Corp.*, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009) set a very high bar for the USPTO to prove fraud by a trademark applicant, *Berger* signals that the circuit court is taking a tough stance on the requirements for an intent-to-use applicant to show that it had a *bona fide* intent to use the applied-for mark in commerce as of the filing date, as required by the Lanham Act. Third parties may be encouraged, therefore, to challenge intent-to-use applications that contain implausible or overly-broad identifications. Moreover, because applications based on home-country registration and Madrid extensions to the U.S. also require that the applicant have a *bona fide* intent to use the mark in U.S. commerce, such applications are also vulnerable to challenge based on lack of *bona fide* intent. Such applicants should ensure that each item claimed in the application is defensible, in line with their existing or planned business, and included in a marketing plan.

Preclusive Effect of Trademark Trial and Appeal Board Decisions in Federal Court

In March 2015, the Supreme Court handed down its decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015), holding that a decision of the TTAB on the issue of likelihood of

confusion may preclude a federal court from reaching a contrary conclusion in a subsequent infringement action.

In this case, the plaintiff, B&B Hardware ("B&B"), owned a federal registration for the mark SEALTIGHT for metal fasteners used in the aerospace industry. The defendant, Hargis Industries ("Hargis"), used the mark SEALTITE for metal fasteners in the construction industry, and filed for federal registration. B&B opposed before the TTAB, arguing that Hargis' SEALTITE was confusingly similar to its SEALTIGHT. After trial, the TTAB concluded that the marks were confusingly similar and therefore SEALTITE could not be registered. Hargis did not exercise its statutory right to appeal the TTAB's decision to the U.S. Court of Appeals for the Federal Circuit or a federal district court. (Hargis also allowed B&B's arguably descriptive mark to become incontestable.)

While the opposition was pending, B&B also sued Hargis in federal district court, claiming that Hargis' use of SEALTITE infringed B&B's rights in SEALTIGHT. After the TTAB issued its decision, B&B argued to the district court that the TTAB's ruling precluded Hargis from arguing in the district court that there was no likelihood of confusion between the marks. The district court refused to give preclusive effect to the TTAB's determination and, ultimately, a jury sided with Hargis, finding no likelihood of confusion between the marks. B&B appealed to the U.S. Court of Appeals for the Eighth Circuit, arguing that the district court should have given preclusive effect to the TTAB's likelihood of confusion decision. The Eighth Circuit affirmed, holding that because the TTAB looks to different factors than federal courts in making likelihood of confusion determinations, a federal court should never give preclusive effect to a TTAB decision on this issue. The Supreme Court reversed.

The Supreme Court's ruling can be summarised in the following sentence from the opinion: "So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply". Thus, the decision as to whether a TTAB decision has preclusive effect turns on whether the "usages adjudicated by the TTAB are materially the same as those before the district court".

Given that the TTAB repeatedly states in precedential cases that it does not look to real-world usage of the parties' marks in making registration decisions—conditions that are critical to the likelihood of confusion analysis of district courts in infringement actions—the Supreme Court readily explained that "for a great many registration decisions issue preclusion obviously will not apply", since in such a scenario the usages adjudicated by the TTAB are not materially the same as those before the district court. Consequently, many practitioners wondered whether the standard adopted by the Supreme Court would ever be met such that a TTAB decision would ever be given preclusive effect in federal court.

We now know the answer is "yes". The U.S. Court of Appeals for the Eighth Circuit, on remand of *B&B Hardware* from the Supreme Court, recently gave preclusive effect to the TTAB decision on likelihood of confusion, finding that "the usages of the marks adjudicated before the TTAB were materially the same as the usages before the district court". Specifically, the Eighth Circuit explained that "the TTAB compared the marks in question in the marketplace context when it determined the likelihood of confusion issue for purposes of trademark registration". The Eighth Circuit cited to the dissenting opinion of one of the judges on the Eighth Circuit panel when the case was first before that court, in which she stated that "[i]n reaching its decision on likelihood of confusion, the [TTAB] compared the marks in their entire marketplace context, discussing the companies' goods in relation to the fastener industry, the companies' channels of distribution, and the behaviours of

consumers in the market for the companies' products". Accordingly, the Eighth Circuit remanded the case to the district court to determine an appropriate remedies award to B&B.

The upshot of the Supreme Court and Eighth Circuit remand decisions in this case is that parties in the TTAB and their counsel must now carefully consider and determine what types of evidence to solicit and introduce in TTAB proceedings. Specifically, if the parties before the TTAB treat the proceeding like a federal court litigation, including asking for and introducing real-world evidence about the parties' marks, products, consumers, and trade channels—as did the parties in *B&B Hardware*—then it becomes more likely that the TTAB will base its decision on such real-world evidence and that a federal court, in turn, will give the decision preclusive effect.

Finally, it should be noted that federal district courts have recently extended *B&B Hardware* to issues other than likelihood of confusion, including priority and fraud in procuring a trademark registration. See *Nationstar Mortg., L.L.C. v. Ahmad*, 2015 WL 9274920 (E.D. Va. Dec. 17, 2015) (TTAB fraud finding given preclusive effect); *Ashe v. PNC Fin. Servs. Grp., Inc.*, 2015 WL 7252190 (D. Md. Nov. 17, 2015) (TTAB priority finding given preclusive effect).

No Presumption of Irreparable Harm in Trademark Cases at the Preliminary Injunction Stage

Over the last few years, federal courts appear to have reached consensus that trademark owners no longer enjoy a presumption of irreparable harm when seeking a preliminary injunction, even if they demonstrate a likelihood of success on the merits of their infringement claim.

The eradication of the presumption began in 2006 when the Supreme Court decided *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), a patent infringement case. There, the Supreme Court rejected a “general rule that courts will issue permanent injunctions” as a matter of course after infringement has been proven, explaining instead that the Supreme Court had “consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows” a determination that infringement has occurred.

Several U.S. Courts of Appeals have extended the holding of *eBay* to trademark cases, explicitly holding that a plaintiff must prove irreparable harm before a preliminary injunction can issue—in other words, irreparable harm cannot be presumed. See *Ferring Pharm., Inc. v. Watson, Inc.*, 765 F.3d 205 (3d Cir. 2014); *Herb Reed Enters., L.L.C. v. Fla. Entm't Mgmt., Inc.*, 736 F.3d 1239 (9th Cir. 2013); *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010). Even those appellate courts that have not explicitly decided the question have implied that there is no longer a presumption of irreparable harm in the wake of *eBay*. See *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, 704 F.3d 44 (1st Cir. 2013); *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008).

No longer able to rely on a presumption of irreparable harm, plaintiffs seeking a preliminary injunction must now demonstrate that it is “likely”, not merely “possible”, that their reputation and goodwill will be harmed in a manner that cannot be compensated with monetary damages. Such a showing is difficult in trademark cases because damage to a company's goodwill and reputation is hard to quantify. As a result, it is now much more challenging for trademark plaintiffs to obtain preliminary relief.

Conclusion

The stable landscape of U.S. trademark law witnessed a seismic event this past year with the collapse of the Lanham Act's disparagement provision in the Federal Circuit. We eagerly await whether the Fourth Circuit will uphold the provision against a First Amendment challenge, and whether the Supreme Court will weigh in on whether the prohibition against registration of “disparaging” (and “immoral, deceptive, or scandalous”) matter violates the First Amendment, at a time when the public has arguably become more tolerant of speech that would have been censured 70 years ago when the provision was enacted. Tremors also threaten another mainstay of U.S. trademark law—the territoriality principle—as the ready availability and rapid flow of information on the global Internet invites U.S. courts to consider whether reputation without use should be protected. Attention is focused on the FLANAX case on remand before the Eastern District of Virginia. Technology continues to challenge trademark tenets, as the Ninth Circuit's departure from the traditional likelihood-of-confusion factors illustrates in the Amazon watch case. Procedurally, the Supreme Court's rulings in *B&B Hardware* and *eBay v. MercExchange* continue to reshape strategy in contentious trademark matters.

Endnotes

1. The other is *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (2015) holding that trademark tacking is a question for juries to decide.

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