

**Inn of the Court Program on  
Patents, Trademarks & Copyright Law:**

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February 6, 2014

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## **PRESENTER'S BIOGRAPHIES**

**Magistrate Judge A. Kathleen Tomlinson**  
**United States District Court**  
**Eastern District of New York**

Kathleen Tomlinson is a United States Magistrate Judge for the Eastern District of New York, having been appointed to that position by the Eastern District Board of Judges in February 2006. She received a B.A. *magna cum laude* from Rutgers University and an M.A. in English and American Literature from Long Island University. Prior to receiving her law degree, Judge Tomlinson served L.I.U. for 14 years as an academic administrator and rose to the position of Assistant University Dean of the Faculty of Arts and Sciences with responsibilities spanning the six campuses of L.I.U. While at L.I.U., Judge Tomlinson also served as an adjunct faculty member in the English Department.

Upon graduation from St. John's University Law School, Judge Tomlinson worked as a staff attorney in the Appeals Bureau of the Nassau County Legal Aid Society. She then served as a federal law clerk to United States District Judge Arthur D. Spatt. Thereafter, Judge Tomlinson entered private practice at Farrell Fritz, P.C. in Uniondale, New York and became a partner of the firm in 1998. Her practice concentrated in complex litigation, labor and employment law, white collar defense and civil rights litigation in the state and federal trial and appellate courts. Judge Tomlinson is a frequent author and lecturer on labor relations and employment matters as well as other federal practice issues. She has created and produced regional conferences dealing with cutting-edge workplace concerns such as multicultural diversity, glass ceiling and workplace violence issues.

In addition to her prior service as a Director of the Nassau County Bar Association, Judge Tomlinson served on the board of directors of the Long Island Fund For Women and Girls. She previously served as counsel to the Eastern District's Board of Judges Grievance Committee and the Magistrate Judge Merit Selection Panel for the District. Judge Tomlinson has been honored as one of the "Top 50 Women in Business" by *Long Island Business News*, was twice named as one of the "Top Ten Leaders in Employment Law" by Digital Press International and received the "Outstretched Hands of Justice" Award from the Suffolk County Bar Foundation and Nassau Suffolk Law Services for her *pro bono* work while at Farrell Fritz.

Judge Tomlinson is a member of the Federal Magistrate Judges Association, the Federal Bar Council, the Federal Bar Association, the American Bar Association and the New York State Bar Association where she continues to serve on the Commercial and Federal Litigation Section's Committee on Professionalism. She has previously served as a member of the Labor and Employment Law and Federal Courts Committees of the Nassau and Suffolk County Bar Associations.

NEIL A. MILLER, ESQ. is a 1981 graduate from University of Chicago Law School, and is currently a partner in the firm of Miller, Rosado & Algios, LLP, in Mineola. He was admitted to the practice of law in 1982, and has been in private practice since then, primarily in the area of commercial litigation, both at the trial and appellate levels, since that time. His firm has been appointed by several different title insurance companies over the years to represent homeowners and lenders facing title claims, as well as directly representing title insurance companies in efforts to recoup monies expended by the insurers to settle title claims from parties responsible for the loss or defending against losses claimed by insureds. He received his undergraduate degree from Franklin & Marshall College.



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Mr. Gruber is a partner at Cooperman Lester Miller LLP in Manhasset and heads the firm's Litigation Department. Over the last 28 years, Mr. Gruber has developed a diversified commercial and corporate practice representing public and private companies and individuals over a range of practice areas from litigation and dispute resolution to transactional and corporate matters.

An experienced litigator and accomplished trial attorney, Mr. Gruber has crafted the legal strategy for a broad range of civil cases and arbitrations. Mr. Gruber has represented plaintiffs and defendants in various matters across a spectrum of substantive areas, including commercial disputes, business torts, partnership disputes, real estate, construction, creditors' rights including bankruptcy, securities, telecommunications and general business law in the federal and state trial and appellate courts and before various arbitration panels, including the American Arbitration Association and the National Association of Securities Dealers.

On the transactional side, Mr. Gruber has experience in asset-based lending and other areas of commercial finance, including bankruptcy matters, workouts and turn-around situations. He has actively represented clients in the documentation of commercial finance and equipment leasing transactions. Mr. Gruber has represented lenders taking back mortgages in sophisticated real estate transactions, including the use of a "wrap mortgage." Mr. Gruber has also represented various business entities in connection with the acquisition and sale of businesses and assets. Mr. Gruber has also represented landlords, managing agents and businesses in connection with the structuring and negotiation of commercial real estate leases, as well as litigation that has arisen out of, or in connection with, such transactions.

Mr. Gruber is admitted to the United States Court of Appeals for the Second Circuit, the United States District Court for the Southern and Eastern Districts of New York, and all of the Courts of the State of New York.

Mr. Gruber has lectured at various bar programs and taught at Touro Law Center.

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Thomas A. O'Rourke is a founding partner of the firm Bodner & O'Rourke. Mr. O'Rourke's practice involves all areas of patent, trademark and copyright law. For over thirty years he has been registered to practice before the United States Patent & Trademark Office. Mr. O'Rourke has counseled clients regarding the procurement and enforcement of patents, trademarks, copyrights and trade secrets in a variety of technologies including chemical, mechanical, biotechnology, pharmaceutical, nanotechnology and computer technology. In addition, his practice involves domestic and international technology transfer, acquisition and licensing. He is a member of the bar of the States of New York and California. He has also been the author of numerous articles on intellectual property and licensing. Mr. O'Rourke has a B.S. degree from Fordham University and obtained his J.D. degree from St. John's University School of Law, where he was a member of the Law Review.

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Jennifer Prevete is a 2L at St. John's University School of Law. Ms. Prevete graduated *summa cum laude* from Fordham University in 2012 with a B.A. in American Studies and minor in Business Administration. Last summer, she was a judicial intern for the Honorable Joanna Seybert in the Eastern District of New York. She is currently a legal intern at the Consumer Justice for the Elderly: Litigation Clinic at St. John's as well as a staff member of the Law Review. This year, she will be a summer associate at Davis Polk & Wardwell in Manhattan.

## John Coster Bio

John is a second year student at St. John's University School of Law, where he is a staff member of the St. John's Journal of International and Comparative Law and the New York International Law Review. John has previously interned for Judge P. Kevin Castel for the Southern District of New York and has also worked as a summer associate for Satterlee Stephens Burke & Burke LLP. John earned his undergraduate degree from Fordham University's Gabelli School of Business where he majored in Business Administration with an Entrepreneurship concentration, and was a member of the men's soccer team.

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Jayshree Narendran is a 3L at St. John's University School of Law. Ms. Narendran graduated *summa cum laude* from University of Rhode Island in 2011 with a B.A. in Business Administration and minor in Spanish. While at the University of Rhode Island, Jayshree was an All-American Scholar Athlete where she pitched for the NCAA Division I softball team. Last summer, she was a law clerk at Jaspán Schlesinger LLP located in Garden City, NY. In the summer of 2012, she worked as a legal intern at Viacom Media Networks in the Business and Legal Affairs division. This year, she will sitting for the New York and New Jersey Bar exam.

## **Fact Pattern for Presentation**

## INNS OF COURT PUPILAGE GROUP

February 6, 2014

### Fact pattern

Sue Stylish is a market consultant who worked for Hollister California, a clothing store that markets its products as reflecting a unique Californian lifestyle. As an independent contractor for a period of 8 months Sue Stylish was under contract to develop new ways to display merchandise.

Hollister was created by its parent company Abercrombie and Fitch Co. in 2000 and is aimed at consumers between 14 – 20 from affluent families. Abercrombie & Fitch created a fictional back story surrounding Hollister's founder, John Hollister, Sr., that he emigrated from New York to the Dutch East Indies, and established the company bearing his name upon returning to the United States and settling in California in 1922. The back story created by Abercrombie to enhance the brand image continues that the brand was later taken over by John Hollister Jr. who introduced surf apparel. Building on this back story a lot of Hollister's clothing and marketing incorporates the date 1922. For example the date is used on labels, as artwork and designs on T-shirts.

The shopping experience at Hollister is very "theatrical" continuing along their very recognizable theme. Abercrombie & Fitch designed Hollister Co. stores to simulate the appearance of vintage beach shacks in an indoor shopping mall, making Hollister stores stand out from any other store in the mall. Exterior décor includes shuttered windows, and light and dark brown pattern walls. A teal boardwalk with three steps leads to the entrance, with a low-hanging chandelier on the porch of all stores. The interior of the store is mostly concealed from outside view by a wall parallel to the entrance. The shuttered windows add to the atmosphere of the store and keep out customers that don't fit in, while also allowing customers in wheelchairs access to the store without using the porch steps as these shuttered doors are in fact fully operational doors.

Retail space is divided into separate rooms with half of the store devoted to "Dudes" and the other to "Bettys" (which usually overflows onto the "Dudes" side in the back clearance room). Hollister Co. stores have their own monthly playlist of an eclectic selection of alternative rock and pop music, which is packed with surfer inspired tunes to set the whole beach shack mood and played at a company mandated volume of 80–85 decibel through many strategically, placed speakers throughout the store. A touch screen positioned on the checkout counter wall displays the songs, titles and artists being played.

The stores are dimly lit by spot-lights (customers regularly complain the stores are so dark they cannot see – but Hollister believes the dark ambiance is not an impediment to its intended clientele), the interior décor throughout includes leather armchairs, worn rugs, patterned, surf boards lining the wall behind the registers (some bearing "Hollister"), and potted palm trees placed around the store. A central room (housing body care merchandise and the cash wrap or checkout area) plays as a "living room" and offers dozens of surf and general popular culture

magazines for sale along with CDs of the music being played in store. The merchandise itself is displayed on built-in closets and shelves along with dark wooden tables, cots, and benches strategically placed in the rooms. The stores and clothing itself are constantly kept scented with the current popular Hollister fragrance SoCal via spritzing by employees and a computerized spritzing system installed in the ceiling which releases fragrance at timed intervals. As a result, customers can usually smell the store as they approach it, which can be good or bad depending on if one likes the fragrance. In addition, every item in the store is "pre-scented" with the fragrances, a mostly popular retail feature.

Starting summer 2007, Abercrombie & Fitch Co. spent an approximate amount of \$10 million to install video walls into Hollister stores nationwide. The walls play live-feed from Surf City Huntington Beach, California to provide customers with a flavor of the SoCal surf atmosphere Hollister promotes. Hollister pays the city of Huntington Beach for the cameras located on the Huntington Beach Pier.

Shoppers are greeted by a Hollister employee when they enter the store. The greeters – sometimes wearing Hollister bathing suits - use a tag line to greet the customer and inquire if they require assistance. The tag lines are changed on a regular basis to stay fresh. All Hollister employees are required to wear Hollister clothing.

Hollister California pursues the technique of "walking self-marketing", where in wearing an item of clothing from Hollister results in direct advertising. This is notably achieved through the large embroidery or screen-print of the brand's name, initials, fictional date of establishment and the flying seagull logo on the vast majority of their merchandise. The Hollister-labeled shopping bag carried out of the store produces a similar effect. As a result, the company has not relied on media marketing to communicate its desired look and appeal. The brand's marketing images are modified in order to look somewhat faded. The sepia toned images provide Hollister's campaigns with a vintage feel that is adequate to their fictional date of establishment, and the lifestyle promoted by the brand.

Hollister represents that all of its products and component materials are produced in facilities that are certified to use no child, prisoner or slave labor.

Hollister California and its related brands, Abercrombie and Fitch and Gilly Hicks all use similar marketing programs and their stores although the themes differ by brand. The underlying marketing strategies have been heavily branded and recognized by their intended customer base and have been trademarked and vigorously defended in the marketplace.

As an independent contractor at Hollister California, Sue Stylish was under contract to address customer complaints regarding the lighting in the stores and to design and develop an updated marketing scheme that was consistent with the Hollister look.

While she was working at Hollister Sue Stylish came up with an idea for a dressier, more sophisticated upscale line of clothing line. She presented her concept to her superiors and explained it would add a Los Angeles vibe and line to the existing "SoCal" Long Beach lifestyle.



Her superiors told her such a line would never be in keeping with Hollister California's marketing strategy or direction and that Hollister had no interest.

Undeterred Sue Stylish designed various lines of more upscale clothing as well as a marketing plan for the Los Angeles lines from home on her personal computer. When the designs and marketing plan were done she copied her work onto a memory stick she bought and brought it in to work to show her superiors. Sue Stylish presented her work to her superiors at a scheduled meeting. Her superiors acknowledge being impressed with the concept and asked for a copy of her memory stick.

Several weeks later they advised Sue Stylish that although they were very impressed by her work and designs they reiterated that the Los Angeles concept and lines were not in keeping with Hollister California's market strategy or direction and that Hollister had no interest.

Disappointed and upset Sue Stylish shared her designs and marketing scheme with her good friend Joan Jett. Joan, who had a previous career in music, was a very successful venture capitalist who had invested in any number of successful startup companies. Joan expressed great interest in Sue Stylish's designs and marketing concepts. The two discussed and agreed to create a new retail store line on Sue Stylish's work based out of Joan Jett's home city of South Beach in Miami.

Joan Jett's father-in-law was a tailor. In 1959 he emigrated from Cuba and had opened a tailor shop in the west side of Miami in what became known as Little Havana. Over the years his business grew and his clients asked him to design and create clothing for them. Eventually, he moved his business to the "strip" on Collins Ave. where he catered to the city's wealthy by designing and producing couture wear. He also was known for his very colorful beachwear.

Joan Jett and Sue Stylish believed that they could honor and build on Joan's father-in-law's Latin heritage and South Beach connections and agreed that their new stores would be called "The Strip-South Beach." They identified that their ideal market target would be affluent men and woman between the ages of 21 -29.

Music conveying a vibrant Latin theme reflective of South Beach is played throughout the stores. Videos showing the South Beach beach scene and the Art Deco buildings for which South Beach is so famous are shown on various videos screens throughout the store. New fragrances reflecting the more sophisticated Latin yet beachy feel of South Beach have been designed. These signature scents are used to create an essence in the store as well as the basis of "The Strip-South Beach" perfume lines. As with the Hollister California stores, shoppers are greeted by employees – wearing the most current clothing lines both beachwear but also evening wear- when they enter the store with a regularly changing tagline and an inquiry if they need any assistance.

Both Sue Stylish and Joan Jett felt the marketing themes and concepts, had worked very well for them and when properly tweaked and refined form a strong customer association and connection to their line of "The Strip-South Beach" stores and clearly display the unique "South Beach" lifestyle.

Unlike Hollister California -California however, "The Strip-South Beach" has not have one line of clothing it has two. As South Beach is known for great beaches and an incredible and vibrant nightlife "The Strip-South Beach" has two very distinct sections to each store, a casual and relaxed line of beach and day wear marketed under the "Ocean Drive" brand and a more upscale and sophisticated line marketed under the "Collins Avenue" brand.

To accomplish this, "The Strip-South Beach" stores are designed to have a central entrance, core area referred to as the "A1A" - the major thoroughfare leading in to South Beach. The "A1A" is where the registers and customer service are located.

From this central area shoppers either walk to the right or the left. To the right they enter into the area called "Ocean Drive." This section is dedicated to the sale of beachwear and daywear. The lines would be named after South Beach areas and landmarks such as "Lummus Park". Unlike the Hollister stores the "A1A" and "Ocean Drive" sections of the "The Strip-South Beach" stores use special lights that mimic natural sunlight.

Many of the clothing lines marketed under the "Ocean Drive" name are reminiscent of clothing lines marketed by Hollister. However, Sue Stylish sought the input of Joan Jett's father-in-law and all of the "Ocean Drive" lines reflected the more sophisticated South Beach design language.

When shoppers walk left from the "A1A" central area, they enter into "Collins Avenue." The "Collins Avenue" area is more dimly lit – not dark like Hollister stores – but like a night club with lots of neon accents for which the South Beach area is so well known for. The clothing in the Collins Avenue section is dedicated to the more sophisticated upscale clothing that Sue Stylish had shown to Hollister California and which they stated – twice – that they would never use. Once again, Sue Stylish had modified and updated her designs to reflect the more sophisticated South Beach design language. Sue Stylish also designed a new line of accessories for the Collins Avenue line including a novel line of handbags and clutches that use a novel clasp design feature which she has filed for protection on.

To keep production costs low and maximize profits The Strip-South Beach purchases its materials and produces its finished products overseas at factories that offer the best and lowest pricing. Although the goods look good there have been many quality control issues.

#### ADDITIONAL FACTS

The Strip - South Beach becomes very successful – particularly the Collins Avenue lines.

Several months after The Strip – South Beach opens and its Collins Avenue line takes off, Hollister determines to develop and market a new more upscale line called "Los Angeles"

An expert in the field of consumer research and polling conducted a survey of six hundred participants, designed to be representative of the age 14-29 year old demographic the Strip and Hollister identify as their customer base. When shown photographs and videos of The Strip stores only 7% thought that The Strip stores reminded them of the Hollister stores.

## **Polaroid Factors**

## **POLAROID FACTORS**

To determine the likelihood of confusion in trademark and trade dress cases the Second Circuit applies the eight factors set forth in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.1961)

These factors are:

- (1) strength of the plaintiff's trademark/trade dress;
- (2) similarity of the trademarks/trade dresses;
- (3) proximity of the products in the marketplace;
- (4) likelihood that the plaintiff will bridge the gap between the products (enter a market related to that in which the defendant sells its product);
- (5) evidence of actual confusion;
- (6) the defendant's bad faith;
- (7) quality of the defendant's product; and
- (8) sophistication of the relevant consumer group.

# **Primer on Intellectual Property Law**

# **PATENTS, TRADE SECRETS AND COPYRIGHTS**

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## **What are Intellectual Property Assets?**

A company's IP assets can include a variety of items. IP Assets can include:

### **Patent Related Assets**

1. Patents
2. Patent applications
3. Innovations that you have made that could be patentable inventions

### **Copyright Assets**

1. Software, designs
2. Documentation or technical writing
3. User interface materials
4. Schematics
5. Artwork
6. Web site designs
7. Music
8. Photos, etc.

### **Trademark Assets**

1. Registered trademarks
2. Applications for registrations

3. Distinctive signs or names the company is using, whether registered or not.
4. Distinctive labels
5. Distinctive product shapes
6. Distinctive packaging
7. Domain Names

### **Trade Secrets**

This is information that has commercial value to you, that is not generally known and that a reasonable person could not just figure out. These can include:

1. Product formulas
2. Customer lists
3. Business strategies
4. Plans for technical enhancements to products

### **Contractual IP**

This can include license agreements, a consulting contract with a design firm that made your web site, a development agreement with a university, a release from your former employer, non-disclosure agreements, employee agreements and confidentiality agreements.

### **Protecting Intellectual Property**

#### **PATENTS**

Patents are granted for a term of twenty years from the filing date of the application and give its owner the right to exclude others from making, selling or using the claimed invention. See 35 U.S.C. § 154. Patents can be obtained for any new and useful process, machine, article of manufacture, or composition of matter, e.g., a new drug, a computer program, a method of doing

business, a process for making a product or a machine used by the process in making the product can all be the subject of a patent. See 35 U.S.C. § 101. In addition, one can obtain design patents which are for any new, original, ornamental design. See 35 U.S.C. § 171. The term of design patents is 14 years from the date of issuance. See 35 U.S.C. § 173.

### **The Patent Application**

Once a decision is made to file a patent application, the application must be prepared. The application must contain a written description that fully describes the invention. In addition, the inventor must disclose the best mode of the invention that the inventor is aware of at the time the application is filed. This “best mode” requirement means that if the inventor knows of a particular ingredient or step that makes the invention work better, this information must be disclosed in the application. See 35 U.S.C. § 112.

The written description usually includes drawings and ends in one or more claims that set forth what it is that the inventor claims is his invention. The claims are the metes and bounds of the patent. When a competitor uses the invention, it is the claims that determine whether there is infringement. See 35 U.S.C. § 112.

### **Provisional Patent Applications**

In some instances, because of, for example, costs, time constraints or other reasons, a decision is made not to file the usual patent application. In such cases, a provisional application may be filed instead. See 35 U.S.C. § 111(b). These are frequently filed where the inventor is giving a speech or other type of presentation, where the invention will be revealed and the inventor is desirous of protecting the invention but there is insufficient time to file the normal



patent application. The provisional application must have a written description of the invention just like the usual utility application. See 35 U.S.C. § 111(b).

### **Who May Be Listed as an Applicant for Patent Rights**

Any person or “juristic entity” may be listed as the applicant for patent rights. However, unless special circumstances apply as listed in 37 CFR 1.64, only the inventor or joint inventors of the patent application may execute the oath or declaration that is required to be filed in a patent application.

### **Who Is the Inventor**

An inventor is any one who contributes to the subject matter of one or more of the claims of the application. See 35 U.S.C. § 100(f). In many instances more than one person is an inventor. See 35 U.S.C. §§ 100(g) and 116. A person may be named as an inventor even if he or she did not work on the invention at the same time as the other inventor or inventors. Similarly, the fact that one person’s contribution is less than the others does not preclude him or her from being named as an inventor.

### **The Patent Application Process**

After the application is filed it will be processed by the United States Patent and Trademark Office. It usually takes many at least a year before the application is first reviewed by the Examiner. The Examiner will perform his own search and either allow or reject the claims. The claims can be rejected for a number of reasons such as, the subject matter claimed is not new or is obvious in view of the prior art, the claims are not as clear as the Examiner would like, etc. See 35 U.S.C. §§ 102, 103 and 112. Once the application is allowed there is a Patent Office Issue Fee that is to be paid.

## **When to File the Patent Application**

The patent application for an invention must be filed within one year or less of a disclosure of the invention by the inventor, joint inventor, or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor. See 35 U.S.C. § 102. According to the U.S. Patent Office website, a disclosure includes a public use or sale activity of the invention anywhere in the world.

## **TRADEMARKS**

### **What is a Trademark**

Trademarks are “brand names”, and the law of trademarks largely pertains to guarding commercial reputations, preventing confusion. Trademarks (or brand names) are commercial indicators of source and they distinguish one company's goods from another's. They may be words, logos or other symbols that tell consumers that goods come from, or are sponsored by, a particular company. Trademarks also include three-dimensional symbols, such as the "golden arches", sounds, colors, or even scents. See 15 U.S.C. § 1127.

### **Selection of a Trademark**

Trademarks may be classified as (i) fanciful – a coined word, e.g., “Kodak”, (ii) arbitrary – words in common use but not suggestive of the product or a characteristic of the product, e.g., “Polo” for shirts, (iii) descriptive – marks that are inherently not distinctive, being descriptive of the product, function, or intended use, e.g., “PM” for sleep aid, and (iv) generic – incapable of acting as a trademark, e.g., escalator. A trademark may become generic due to improper use. Fanciful trademarks are the strongest trademarks. Whatever their type, trademarks allow consumers to seek (or avoid) particular sources of products. See TMEP § 1209.

## **Acquiring Trademark Rights**

Trademark rights arise in one of the following two ways: 1) By filing a mark with the United States Patent and Trademark Office (hereinafter, "USPTO") based on a bona fide intent to use the mark on a product or in association with a service that is soon to be offered to the public, or 2) By actually using the mark in commerce on a product or in association with a service.

An application for registration may be filed based on either actual use of the mark or a bona fide intent to use the mark in commerce. See 15 U.S.C. §§1051(a) and 1051(b). The filing date of an application with the USPTO to register a trademark or service mark, which the applicant intends to use on a product or in association with a service, establishes a date of constructive use of the mark. See 15 U.S.C. §1057(c). The act of filing the application can create a nationwide priority of rights in the mark against any other person who subsequently adopts the same or a confusingly similar mark (contingent upon the mark ultimately issuing as a federal registration). See 15 U.S.C. §1057(c).

The intent to use the mark must be bona fide or the application may be invalid and the applicant may be subject to certain penalties for filing a fraudulent claim of intent. The federal registration will be issued only after the applicant has made actual use of the mark on the goods or in association with the service that it claims to have intent to use when the filing takes place. When actual use is made and the federal registration issues, the owner's rights in the mark are superior to all who have adopted the same or a similar mark for the same or a similar product or service subsequent to the filing date of the owner's application. See 15 U.S.C. §§1051(b)-(d) and 1057(c).

## **Advantages of a Federal Registration**

Obtaining a federal registration provides significant advantages. Among these advantages are:

1. The benefit of nationwide constructive use and, thus, a right of priority, over all subsequent users as of the application filing date. See 15 U.S.C. §1057(c).
2. Constructive notice – it prevents acquisition of common law rights even by innocent adoption and use of the same or a similar mark by another. See 15 U.S.C. §1072.
3. It creates a legal presumption and is sometimes conclusive evidence of the registrant's right to exclusive use of the mark and the validity of the mark's registration. See 15 U.S.C. §1115.
4. Imported goods bearing a mark, which infringes a federally registered mark, may be excluded from entry into the U.S. by recordation with the U.S. Customs Service. See 15 U.S.C. §11124.
5. Based on the Paris Convention, registration furnishes the basis for foreign registration.

## **Trademark Application Process**

An application for a federal registration of a trademark or service mark filed in the USPTO is examined by the Examiner to ensure that the mark is not likely, when used on or in connection with the goods or services of the applicant, to cause confusion, or mistake, or to deceive the consuming public with other registered trademarks. See 15 U.S.C. §1052(d). The Examiner also determines whether the mark is incapable of performing the identification function of a mark because, for example, it is the generic word for the product or service with

which it is used or because it is descriptive of the products or service with which it is used. See TMEP§ 1209.

The Examiner may ask for clarifications or amendments to the application before the application is finally allowed. The process of trademark prosecution may take up to a year or more to complete. One common ground for rejecting a trademark application is that the word is too descriptive of the goods to which it is applied. Such a mark is not permitted to be registered because it removes the word from general use. See TMEP§ 1209.

Federal trademark registrations are valid for ten years and can be renewed for like periods, provided the mark is constantly used. See 37 CFR§2.181(a)2. Failure to use a mark in commerce can cause the rights in the mark to be lost. During the fifth year of a registration and before the beginning of the sixth year a statement of use must be filed to continue the registration in force. See 37 CFR§2.160.

The use of the registration symbol® with a mark indicates that it is federally registered. The symbol “TM” is often used with unregistered trademarks to give notice to the public that the user is staking out a claim in the symbol as a trademark, but such use is optional. The symbol “SM” may similarly be used to designate an unregistered service mark.

### **Maintaining a Trademark**

A trademark needs policing. Unchecked infringing activity or use of the trademark itself as a descriptive word may cause the trademark to lose significance in the market place as a source indicator and thus lose value as a trademark. A trademark should be used only as an adjective, never as a noun. In addition, the marketplace should be kept free of confusingly similar trademarks.

## COPYRIGHTS

### Who is Entitled to a Copyright

Copyrights are statutory property rights, which grant to authors or creators certain exclusive rights in their creations for a limited duration. Copyright law protects intangible original works of authorship which are fixed in a tangible medium of expression. In other words, copyright protects the expression of ideas, but not the ideas themselves. Copyright protects such works as books, pictures, graphic and sculptural works, music, photographs, movies and computer programs. See 17 U.S.C. §102.

In order to receive copyright protection, the work must be original, i.e., independently created and not copied from other works. The requisite originality is minimal - any distinguishable variation of a prior work, if the variation is the product of the author's independent efforts a copyright will be available. See 17 U.S.C. §102.

A copyright gives the author a number of exclusive rights. These rights include the right: (1) to reproduce the copyrighted work; (2) to make derivative works (e.g. a movie from a play); (3) to distribute copyrighted works to the public; (4) to perform, publicly, certain works (e.g. music); and, (5) to display, publicly, certain works (e.g. works of art). See 17 U.S.C. §§106 and 106A. A copyright arises upon fixation of the work and, under current law, endures for the life of the author plus 70 years. See 17 U.S.C. §302(a). For works made for hire, and for anonymous and pseudonymous works (unless the author's identity is revealed in Copyright Office records), the duration of copyright will be 95 years from publication or 120 years from creation, whichever is shorter. See 17 U.S.C. §302(c). Publication is not a prerequisite for copyright protection - it applies to both unpublished and published works. See 17 U.S.C. §104.

## **Copyright Registrations**

Registration of a copyrighted work with the Copyright Office in Washington, D.C. is not generally required for existence of the copyright. Registration, however, is a prerequisite to a lawsuit for copyright infringement and to certain legal remedies. Registration also confers certain important advantages upon the copyright owner such as:

- 1) Establishing a public record of the copyright claim;
- 2) Before an infringement suit may be filed in court, registration is necessary for works of U.S. origin;
- 3) If made before or within 5 years of publication, registration will establish prima facie evidence in court of the validity of the copyright and of the facts stated in the certificate;
- 4) If registration is made within 3 months after publication of the work or before an infringement of the work, statutory damages and attorney's fees will be available to the copyright owner in court actions. Otherwise, only an award of actual damages and profits is available to the copyright owner; and
- 5) Copyright registration allows the owner of the copyright to record the registration with the U.S. Customs Service for protection against the importation of infringing copies of the registered work. See 17 U.S.C. §§410-412

## **Copyright Registration Application**

Registration may be made at any time within the life of the copyright. The familiar copyright notice is no longer required on copies of works published after March 1, 1989. However, it is still in the copyright owner's interest - to facilitate a suit for damages - to place a copyright notice on the published work. The notice should include the copyright symbol © or the

word "Copyright" or its abbreviation (Copr.), the year of first publication of the work and the name of the copyright owner.

### **Ownership Issues**

Copyright ownership vests in author of the work. In the case of joint authors, they are joint owners. Work made for hire is generally owned by the employer. (Work made for hire is defined as that which is prepared by an employee, work specially commissioned, or parties agree in writing it is a work made for hire). See 17 U.S.C. §201.

Ownership of a copy of the work does not confer on the owner of the copy the same rights the owner of the copyright has. For example, ownership of a video tape of a movie permits you to view the movie at home but does not give you the right to make copies or to show the movie to others for a fee. See 17 U.S.C. §202.

### **Transfer of Copyright**

Any or all of the exclusive rights or any subdivision of those rights, of the copyright owner may be transferred. Transfers of copyright are normally made by contract and, indeed, the transfer of exclusive rights is not valid unless that transfer is in writing and signed either by the owner of the rights conveyed or such owner's authorized agent. Transfer of a right on a nonexclusive basis does not require a written agreement. The law does provide for the recordation in the Copyright Office of transfers of copyright ownership and although recordation is not required to effect a valid transfer between the parties, it provides certain legal advantages and may be required to validate the transfer as against third parties. See 17 U.S.C. §§201-205.



**Polaroid Corporation v. Polarad Electronics Corporation, 287 F.2d 492 (2d Cir. 1961)** (leading case for determining a likelihood of confusion in trademark matters).

**287 F.2d 492 (2nd Cir. 1961), 162, Polaroid Corp. v. Polarad Elecs. Corp.**

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**287 F.2d 492 (2nd Cir. 1961)****128 U.S.P.Q. 411****POLAROID CORPORATION, Plaintiff-Appellant,****v.****POLARAD ELECTRONICS CORPORATION, Defendant-Appellee.****Nos. 162, 26460.****United States Court of Appeals, Second Circuit.****February 28, 1961**

Argued Jan. 17, 1961.

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Donald L. Brown, Cambridge, Mass. (Silver, Saperstein & Barnett, and Isaac M. Barnett, New York City, Tracy R. V. Fike, Scarsdale, N. Y., and Herbert S. Kassman, Cambridge, Mass., on the brief), for plaintiff-appellant.

Morris Relson, New York City (Darby & Darby and Howard C. Miskin, New York City, on the brief), for defendant-appellee.

Before MEDINA, FRIENDLY and SMITH, Circuit Judges.

FRIENDLY, Circuit Judge.

Plaintiff, Polaroid Corporation, a Delaware corporation, owner of the trademark Polaroid and holder of 22 United States registrations thereof granted between 1936 and 1956 and of a New York registration granted in 1950, brought this action in the Eastern District of New York, alleging that defendant's use of the name Polarad as a trademark and as part of defendant's corporate title infringed plaintiff's Federal and state trademarks and constituted unfair competition. It sought a broad injunction and an accounting. Defendant's answer, in addition to denying the allegations of the complaint, sought a declaratory judgment establishing defendant's right to use Polarad in the business in which defendant was engaged, an injunction against plaintiff's use of Polaroid in the television and electronics fields, and other relief. Judge Rayfiel, in an opinion reported in D.C.1960, 182 F.Supp. 350, dismissed both the claim and the counterclaims, concluding that neither plaintiff nor defendant had made an adequate showing with respect to confusion and that both had been guilty of laches. Both parties appealed but defendant has withdrawn its cross-appeal. We find it unnecessary to pass upon Judge Rayfiel's

conclusion that defendant's use of Polarad does not violate any of plaintiff's rights. For we agree that plaintiff's delay in proceeding against defendant bars plaintiff from relief so long as defendant's use of Polarad remains as far removed from plaintiff's primary fields of activity as it has been and still is.

The name Polaroid was first adopted by plaintiff's predecessor in 1935. It has

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been held to be a valid trademark as a coined or invented symbol and not to have lost its right to protection by becoming generic or descriptive, *Marks v. Polaroid Corp.*, D.C.D.Mass.1955, 129 F.Supp. 243. Polaroid had become a well known name as applied to sheet polarizing material and products made therefrom, as well as to optical desk lamps, stereoscopic viewers, etc., long before defendant was organized in 1944. During World War II, plaintiff's business greatly expanded, from \$1, 032, 000 of gross sales in 1941 to \$16, 752, 000 in 1945, due in large part to government contracts. Included in this government business were three sorts on which plaintiff particularly relies, the sale of Schmidt corrector plates, an optical lens used in television; research and development contracts for guided missiles and a machine gun trainer, both involving the application of electronics; and other research and development contracts for what plaintiff characterizes as 'electro-optical devices employing electronic circuitry in combination with optical apparatus.' In 1947 and 1948 plaintiff's sales declined to little more than their pre-war level; the tremendous expansion of plaintiff's business, reaching sales of \$65, 271, 000 in 1958, came after the development of the Land camera in 1948.

Defendant was organized in December, 1944. Originally a partnership called Polarad Electronics Co., it was converted in 1948 into a New York corporation bearing the name Polarad Television Corp., which was changed a year later to Polarad Electronics Corp. Its principal business has been the sale of microwave generating, receiving and measuring devices and of television studio equipment. Defendant claimed it had arrived at the name Polarad by taking the first letters of the first and last names of its founder, Paul Odessey, and the first two letters of the first name of his friend and anticipated partner, Larry Jaffe, and adding the suffix 'rad,' intended to signify radio; however, Odessey admitted that at the time he had 'some knowledge' of plaintiff's use of the name Polaroid, although only as applied to glasses and polarizing filters and not as to electronics. As early as November, 1945, plaintiff learned of defendant; it drew a credit report and had one of its attorneys visit defendant's quarters, then two small rooms; plaintiff made no protest. By June, 1946, defendant was advertising television equipment in 'Electronics'-a trade journal. These advertisements and other notices with respect to defendant came to the attention of plaintiff's officers; still plaintiff did nothing. In 1950, a New York Attorney who represented plaintiff in foreign patent matters came upon a trade show display of defendant's television products under the name Polarad and informed plaintiff's house counsel; the latter advised plaintiff's president, Dr. Land, that 'the time had come when he thought we ought to think seriously about the problem.' However, nothing was done save to draw a further credit report on defendant, although defendant's sales had grown from a nominal amount to a rate of several hundred thousand dollars a year, and the report related, as had the previous one, that defendant was engaged 'in developing and manufacturing equipment for radio, television and electronic manufacturers throughout the United States.' In October, 1951, defendant, under its letterhead, forwarded to plaintiff a letter addressed to 'Polarad Electronics Corp.' at defendant's Brooklyn address, inquiring in regard to 'polaroid material designed for night driving'; there was no protest by plaintiff. In 1953, defendant applied to the United States Patent Office for registration of its trademark Polarad for radio and television units and other electronic devices;

in August, 1955, when this application was published in the Official Gazette of the Patent Office, plaintiff for the first time took action by filing a notice of opposition, which was overruled by the Examiner in April, 1957. Still plaintiff delayed bringing suit until late 1956. Through all this period defendant was expending considerable sums for advertising and its business was growing--employees increasing

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from eight in the calendar year 1945 to 530 in the year ended June 30, 1956, fixed assets from \$2, 300 to \$371, 800, inventories from \$3, 000 to \$1, 547, 400, and sales from \$12, 000 to \$6, 048, 000.

Conceding that the bulk of its business is in optics and photography, lines not pursued by defendant, plaintiff nevertheless claims to be entitled to protection of its distinctive mark in at least certain portions of the large field of electronics. Plaintiff relies on its sales of Schmidt corrector plates, used in certain types of television systems, first under government contracts beginning in 1943 and to industry commencing in 1945; on its sale, since 1946, of polarizing television filters, which serve the same function as the color filters that defendant supplies as a part of the television apparatus sold by it; and, particularly, on the research and development contracts with the government referred to above. Plaintiff relies also on certain instances of confusion, predominantly communications intended for defendant but directed to plaintiff. Against this, defendant asserts that its business is the sale of complex electronics equipment to a relatively few customers; that this does not compete in any significant way with plaintiff's business, the bulk of which is now in articles destined for the ultimate consumer; that plaintiff's excursions into electronics are insignificant in the light of the size of the field; that the instances of confusion are minimal; that there is no evidence that plaintiff has suffered either through loss of customers or injury to reputation, since defendant has conducted its business with high standards; and that the very nature of defendant's business, sales to experienced industrial users and the government, precludes any substantial possibility of confusion. Defendant also asserts plaintiff's laches to be a bar.

The problem of determining how far a valid trademark shall be protected with respect to goods other than those to which its owner has applied it, has long been vexing and does not become easier of solution with the years. Neither of our recent decisions so heavily relied upon by the parties, *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 2 Cir., 1960, 281 F.2d 755, by plaintiff, and *Avon Shoe Co., Inc. v. David Crystal, Inc.*, 2 Cir., 1960, 279 F.2d 607 by defendant, affords much assistance, since in the Ritchie case there was confusion as to the identical product and the defendant in the Avon case had adopted its mark 'without knowledge of the plaintiffs' prior use, ' at page 611. Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his make, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities--the court may have to take still other variables into account. American Law Institute, Restatement of Torts, §§ 729, 730, 731. Here plaintiff's mark is a strong one and the similarity between the two names is great, but the evidence of actual confusion, when analyzed, is not impressive. The filter seems to be the only case where defendant has sold, but not manufactured, a product serving a function similar to any of plaintiff's, and plaintiff's sales of this item have been highly irregular, varying, e.g., from \$2,

300 in 1953 to \$303, 000 in 1955, and \$48, 000 in 1956. [1]

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If defendant's sole business were the manufacture and sale of microwave equipment, we should have little difficulty in approving the District Court's conclusion that there was no such likelihood of confusion as to bring into play either the Lanham Act, 15 U.S.C.A. § 1114(1), or New York General Business Law, § 368-b, or to make out a case of unfair competition under New York decisional law, see *Avon Shoe Co. v. David Crystal, Inc.*, supra, at page 614, footnote 11. What gives us some pause is defendant's heavy involvement in a phase of electronics that lies closer to plaintiff's business, namely, television. Defendant makes much of the testimony of plaintiff's executive vice president that plaintiff's normal business is 'the interaction of light and matter.' Yet, although television lies predominantly in the area of electronics, it begins and ends with light waves. The record tells us that certain television uses were among the factors that first stimulated Dr. Land's interest in polarization, see *Marks v. Polaroid Corporation*, supra, 129 F.Supp. at page 246, plaintiff has manufactured and sold at least two products for use in television systems, and defendant's second counterclaim itself asserts likelihood of confusion in the television field. We are thus by no means sure that, under the views with respect to trademark protection announced by this Court in such cases as *Yale Electric Corp. v. Robertson*, 2 Cir., 1928, 26 F.2d 972 (locks vs. flashlights); *L. E. Waterman Co. v. Gordon*, 2 Cir., 1934, 72 F.2d 272 (mechanical pens and pencils vs. razor blades); *Triangle Publications, Inc. v. Rohrlich*, 2 Cir., 1948, 167 F.2d 969, 972 (magazines vs. girdles); and *Admiral Corp. v. Penco, Inc.*, 2 Cir., 1953, 203 F.2d 517 (radios, electric ranges and refrigerators vs. sewing machines and vacuum cleaners), plaintiff would not have been entitled to at least some injunctive relief if it had moved with reasonable promptness. However, we are not required to decide this since we uphold the District Court's conclusion with respect to laches.

Plaintiff endeavors to answer that claim on three grounds: (1) That defendant is barred from advancing the claim because defendant sought affirmative relief; (2) that the doctrine of laches does not apply in trademark and unfair competition cases insofar as the complaint seeks an injunction rather than damages; and (3) that the defense is not made out on the facts. We find no merit in any of these contentions.

(1) Plaintiff's first position rests upon a remark, quoted in the margin, [2] given as an alternative ground of decision in *Southern Pine Lumber Co. v. Ward*, 1908, 208 U.S. 126, 140-141, 28 S.Ct. 239, 246, 52 L.Ed. 420. Mr. Justice White does not explain what 'in the nature of things' prevented the defendants there from asserting both that the attachment under which their title arose was valid and that in any event plaintiff was barred by laches from attacking it. To be sure, when both parties are aggrieved by the same facts and these became known to both at the same time, a defendant's demand for affirmative relief may be logically inconsistent with a claim on his part that the plaintiff is barred by laches from making a similar demand, see, e.g., *Steenberg v. Kaysen*, 1949, 229 Minn. 300, 39 N.W.2d 18; *Charleston Library Society v. Citizens & Southern Nat. Bank*, 1942, 201 S.Ct. 447, 23 S.E.2d 362, although even in such a case it would seem that the effect was merely evidentiary and that a defendant ought

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not be precluded from taking alternative positions, F.R.Civ.Proc. 8(e)(2), 28 U.S.C.A. Moreover, here the circumstances as to the two parties are not parallel. Plaintiff seeks to prevent defendant's

use of Polaroid in the very areas where that name had been used to plaintiff's knowledge since 1946 or at least since 1950. In contrast, defendant makes no objection to plaintiff's use of Polaroid in the areas of optics, and photography which, so far as defendant knew until the Patent Office interference in 1955, were the only fields where plaintiff employed it. So far as our research has disclosed, the statement in *Southern Pine* has not been applied by Federal courts in trademark and unfair competition cases; on the contrary, where both sides failed to press their claims after knowledge of the facts, this Court has reached the conclusion, seemingly far more sensible, that both were barred, rather than that defendant had waived the defense by seeking cross-relief to which it was not entitled, *Landers, Frary & Clark v. Universal Cooler Corp.*, 2 Cir., 1936, 85 F.2d 46. Of the state cases cited by appellant only *Bagby v. Blackwell*, 1948, 240 Mo.App. 574, 211 S.W.2d 69, lies in the trademark and unfair competition field; we do not find it persuasive. The statement in *Southern Pine* seems to us to have been undermined even on its own facts by the provision in F.R.Civ.Proc. 8(e)(2) that 'A party may also state as many separate claims or defenses as he has regardless of consistency \* \* \*' A fortiori do we deem the statement inapplicable where, as here, the plaintiff had long known the circumstance underlying its demand for relief but defendant had not known those relating to its more limited counterclaim.

(2) For its second ground appellant relies on the statement in *Menendez v. Holt*, 1888, 128 U.S. 514, 523, 9 S.Ct. 143, 145, 32 L.Ed. 526, that Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long, and under such circumstances, as to defeat the right itself.' It contends that such defeat can come only from conduct, such as in *Landers, Frary & Clark v. Universal Cooler Corp.*, supra, 85 F.2d at page 49, giving a defendant justification for concluding that plaintiff had no objection to defendant's using its name. See *McLean v. Fleming*, 1877, 96 U.S. 245, 24 L.Ed. 828. However, the portion of the opinion in *Saxlehner v. Eisner & Mendelson Co.*, 1900, 179 U.S. 19, 21 S.Ct. 7, 45 L.Ed. 60, also relied on by appellant, which upheld the defense of laches with respect to the word 'Hunyadi,' indicated that *Menendez v. Holt* does not go so far as appellant claims, even when a portion of the marks and the products are identical. We need not explore just where the boundaries lie in such a case, for the *Landers, Frary & Clark* opinion itself and, even more clearly, *Emerson Electric Manufacturing Co. v. Emerson Radio & Phonograph Corp.*, 2 Cir., 1939, 105 F.2d 908, and *Dwinell-Wright Co. v. White House Milk Co.*, 2 Cir., 1943, 132 F.2d 822, 824-825, show the doctrine has no such reach as claimed when, as here, the goods are different. The distinctions are developed in Judge Learned Hand's classic opinion in *Dwinell-Wright*, where he explained that the *Menendez* rule applies only when 'a newcomer invades another's market by the use of the other's mark,' since then 'every sale is a separate wrong.' If however the question comes up, not when the newcomer is actually competing in the owner's market, but \* \* \* is selling goods which the owner has never sold, though they are like enough to make people think him their source, the determining considerations are different. The owner's only interest in preventing such a use of his mark is because he may wish to preempt the market for later exploitation, or not to expose his reputation to the hazard of the newcomer's business practices, or both \* \* \* Here, as often, equity does not seek for general principles, but weighs the opposed interests in the scales of conscience and fair dealing \* \* \* The owner's rights in such appendant markets are easily lost; they must be asserted early, lest

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they be made the means of reaping a harvest which others have sown.'

(3) The previous summary of the facts shows how far plaintiff came from meeting this rigorous test. Plaintiff seeks to excuse its early inactivity on the ground that defendant's sales

were small. But that is the very time when the owner of a mark ought forcefully to claim protection; 'the scales of conscience and fair dealing' will tip far more readily for a plaintiff when a defendant will suffer little disadvantage by changing to another name. See *Valvoline Oil Co. v. Havoline Oil Co.*, D.C.S.D.N.Y.1913, 211 F. 189, 195. Moreover, even if plaintiff's inaction in 1945 and 1946 could be excused on the basis that defendant's activities were de minimis and that plaintiff might reasonably have expected defendant to fall by the wayside, an issue which we do not decide, the situation had surely changed by the year ended June 30, 1951, when defendant made \$192, 000 in catalog sales and \$356, 000 in sales under military contracts. Plaintiff would have us disregard the latter on the issue of its laches--just why we are not told--although it relies heavily on confusion by Federal purchasing agencies as part of its case on the merits. Plaintiff concedes that by 1952 defendant 'had expanded its business from the design and construction of special apparatus on order, to include the manufacture and sale of television and other devices operable throughout the entire radio frequency band'; but plaintiff waited another four years before bringing suit. We find nothing to support plaintiff's assertion that defendant has further encroached on plaintiff's field since 1953; to be sure, defendant has trebled its business but not by moving away from its traditional area and into plaintiff's. As said in *Valvoline Oil Co. v. Havoline Oil Co.*, supra, at page 195, 'it cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right, to wait to see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished--especially in a case where the most that can be said is that the trade-mark infringement is a genuinely debatable question.' True, what the court regarded as debatable there was the confusing qualities of the names rather than, as here, the identity of the product; but the principle applies with at least the same force. If defendant should move into new territory more closely related to optics and photography, different considerations as to laches as well as on the merits will, of course, apply.

Judgment affirmed.

Notes:

[1] Even the high figure, in 1955, amounted to little more than 1% Of plaintiff's business.

Plaintiff also cites defendant's sale of bicycle headlights and other consumer products and defendant's patents for a radio automatic vehicle guidance system and an electronic auto headlight dimmer. However, the former business, conducted through a separate division, has been abandoned, and exploitation of the patents has not been instituted. Our decision is not to be understood as dealing with plaintiff's rights if defendant should resume, or begin, activity along any of these lines.

[2] Besides, the contention as to laches disregards the considerations which in the nature of things must arise, when it is borne in mind that the defendants, who claimed title under the attachment proceedings, did not rest content with defending their alleged title, but made that title the base of an assertion of right to affirmative relief, since they substantially, by cross-petition, invoked such relief to maintain the validity of their title, and to obtain a cancellation of the trust deed upon which Ward relied.'

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**Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992)** (Supreme Court held that trade dress which is inherently distinctive is protectable under 15 U.S.C. section 1125(a) without a showing the trade dress acquired secondary meaning).



**505 U.S. 763 (1992), 91-971, Two Pesos, Inc. v. Taco Cabana, Inc.**

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**505 U.S. 763 (1992)****112 S.Ct. 2753, 120 L.Ed.2d 615, 60 USLW 4762****Two Pesos, Inc.****v.****Taco Cabana, Inc.****No. 91-971****United States Supreme Court****June 26, 1992**

Argued April 21, 1992

CERTIORARI TO THE UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

Syllabus

Respondent, the operator of a chain of Mexican restaurants, sued petitioner, a similar chain, for trade dress infringement under § 43(a) of the Trademark Act of 1946 (Lanham Act), which provides that

[a]ny person who . . . use[s] in connection with any goods or services . . . any false description or representation . . . shall be liable to . . . any person . . . damaged by [such] use.

The District Court instructed the jury, *inter alia*, that respondent's trade dress was protected if it either was inherently distinctive -- *i.e.*, was not merely descriptive -- or had acquired a secondary meaning -- *i.e.*, had come through use to be uniquely associated with a specific source. The court entered judgment for respondent after the jury found, among other things, that respondent's trade dress is inherently distinctive, but has not acquired a secondary meaning. In affirming, the Court of Appeals ruled that the instructions adequately stated the applicable law, held that the evidence supported the jury's findings, and rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness.

*Held:* Trade dress which is inherently distinctive is protectable under § 43(a) without a showing that it has acquired secondary meaning, since such trade dress itself is capable of identifying products or services as coming from a specific source. This is the rule generally

applicable to trademark, *see, e.g.*, Restatement (Third) of Unfair Competition § 13, pp. 37-38, and the protection of trademarks and of trade dress under § 43(a) [112 S.Ct. 2755] serves the same statutory purpose of preventing deception and unfair competition. There is no textual basis for applying different analysis to the two. Section 43(a) mentions neither, and does not contain the concept of secondary meaning, and that concept, where it does appear in the Lanham Act, is a requirement that applies only to merely descriptive marks, and not to inherently distinctive ones. Engrafting a secondary meaning requirement onto § 43(a) also would make more difficult the identification of a producer with its product, and thereby undermine the Lanham Act's purposes of securing to a mark's owner the goodwill of his business and protecting consumers' ability to distinguish among competing producers. Moreover, it could have anticompetitive effects by creating burdens on the start-up of small business. Petitioner's suggestion that such businesses be protected by briefly dispensing with the

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secondary meaning requirement at the outset of the trade dress' use is rejected, since there is no basis for such requirement in § 43(a). Pp. 767-776.

932 F.2d 1113, affirmed.

WHITE, J., delivered the opinion of the Court, in which REHNQUIST, C.J., and BLACKMUN, O'CONNOR, SCALIA, KENNEDY and SOUTER, JJ., joined. SCALIA, J., filed a concurring opinion, *post*, p. 776. STEVENS, J., *post*, p. 776, and THOMAS, J., *post*, p. 776, filed opinions concurring in the judgment.

WHITE, J., lead opinion

JUSTICE WHITE delivered the opinion of the Court.

The issue in this case is whether the trade dress<sup>[1]</sup> of a restaurant may be protected under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, 15 U.S.C. § 1125(a)

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(1982 ed.), based on a finding of inherent distinctiveness, without proof that the trade dress has secondary meaning.

I

Respondent Taco Cabana, Inc., operates a chain of fast-food restaurants in Texas. The restaurants serve Mexican food. The first Taco Cabana restaurant was opened in San Antonio in September, 1978, and five more restaurants had been opened in San Antonio by 1985. Taco Cabana describes its Mexican trade dress as

a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas, with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and

umbrellas continue the theme.

932 F.2d 1113, 1117 (CA5 1991).

In December, 1985, a Two Pesos, Inc., restaurant was opened in Houston. Two Pesos adopted a motif very similar to the foregoing description of Taco Cabana's trade dress. Two Pesos restaurants expanded rapidly in Houston and other markets, but did not enter San Antonio. In 1986, Taco Cabana entered [112 S.Ct. 2756] the Houston and Austin markets and expanded into other Texas cities, including Dallas and El Paso, where Two Pesos was also doing business.

In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.),<sup>[2]</sup> and for theft of trade secrets

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under Texas common law. The case was tried to a jury, which was instructed to return its verdict in the form of answers to five questions propounded by the trial judge. The jury's answers were: Taco Cabana has a trade dress; taken as a whole, the trade dress is nonfunctional; the trade dress is inherently distinctive;<sup>[3]</sup> the trade dress has not acquired a secondary meaning<sup>[4]</sup> in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. Because, as the jury was told, Taco Cabana's trade dress was protected if it either was inherently distinctive or had acquired a secondary meaning, judgment was entered awarding damages to Taco Cabana. In the course of calculating damages, the trial court held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress.<sup>[5]</sup>

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The Court of Appeals ruled that the instructions adequately stated the applicable law, and that the evidence supported the jury's findings. In particular, the Court of Appeals rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness.

In so holding, the court below followed precedent in the Fifth Circuit. In *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (CA5 1981), the court noted that trademark law requires a demonstration of secondary meaning only when the claimed trademark is not sufficiently distinctive of itself to identify the producer; the court held that the same principles should apply to protection of trade dresses. The Court of Appeals noted that this approach conflicts with decisions of other courts, particularly the holding of the Court of Appeals for the Second Circuit in *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), *cert. denied*, 455 U.S. 909 (1982), that § 43(a) protects unregistered trademarks or designs only where secondary meaning is shown. *Chevron, supra*, at 702. We granted certiorari to resolve the conflict among [112 S.Ct. 2757] the Courts of Appeals on the question whether trade dress which is inherently distinctive is protectable under § 43(a) without a showing that it has acquired secondary meaning.<sup>[6]</sup> 502 U.S. 1071 (1992). We find that it is, and we therefore affirm.

II

The Lanham Act<sup>[Z]</sup> was intended to make "actionable the deceptive and misleading use of marks" and "to protect persons

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engaged in . . . commerce against unfair competition." § 45, 15 U.S.C. § 1127. Section 43(a) "prohibits a broader range of practices than does § 32," which applies to registered marks, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 858 (1982), but it is common ground that § 43(a) protects qualifying unregistered trademarks, and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are, for the most part, applicable in determining whether an unregistered mark is entitled to protection under § 43(a). *See A.J. Canfield Co., v. Honickman*, 808 F.2d 291, 299, n. 9 (CA3 1986); *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 215-216 (CA2 1985).

A trademark is defined in 15 U.S.C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

In order to be registered, a mark must be capable of distinguishing the applicant's goods from those of others. § 1052. Marks are often classified in categories of generally increasing distinctiveness; following the classic formulation set out by Judge Friendly, they may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (CA2 1976). The Court of Appeals followed this classification, and petitioner accepts it. Brief for Petitioner 11-15. The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive, and are entitled to protection. In contrast, generic marks -- those that "refe[r] to the genus of which the particular product is a species," *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985), citing *Abercrombie & Fitch, supra*, at 9 -- are not registrable as trademarks. *Park 'N Fly, supra*, 469 U.S. at 194.

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Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act. Section 2 of the Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it "has become distinctive of the applicant's goods in commerce." §§ 2(e), (f), 15 U.S.C. §§ 1052(e),(f). *See Park 'N Fly, supra*, at 194, 196. This acquired distinctiveness is generally called "secondary meaning." *See ibid.*; *Inwood Laboratories, supra*, 456 U.S. at 851, n. 11; *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938). The concept of secondary meaning has been [112 S.Ct. 2758] applied to actions under § 43(a). *See, e.g., University of Georgia Athletic Assn. v. Laite*, 756 F.2d 1535 (CA11 1985); *Thompson Medical Co. v. Pfizer Inc., supra*.

The general rule regarding distinctiveness is clear: an identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired

distinctiveness through secondary meaning. Restatement (Third) of Unfair Competition, § 13, pp. 37-38, and Comment a (Tent. Draft No. 2, Mar. 23, 1990). *Cf. Park 'N Fly, supra*, 469 U.S. at 194. It is also clear that eligibility for protection under § 43(a) depends on nonfunctionality. *See, e.g., Inwood Laboratories, supra*, 456 U.S. at 863 (WHITE, J., concurring in result); *see also, e.g., Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 517 (CA10 1987); *First Brands Corp. v. Fred Meyers, Inc.*, 809 F.2d 1378, 1381 (CA9 1987); *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 974 (CA2 1987); *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1535 (CA11 1986); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1141 (CA3 1986). It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion. *See, e.g., Brunswick Corp., supra*, at 516-517; *AmBrit,*

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*supra*, at 1535; *First Brands, supra*, at 1381; *Stormy Clime, supra*, at 974; *American Greetings, supra*, at 1141.

The Court of Appeals determined that the District Court's instructions were consistent with the foregoing principles, and that the evidence supported the jury's verdict. Both courts thus ruled that Taco Cabana's trade dress was not descriptive, but rather inherently distinctive, and that it was not functional. None of these rulings is before us in this case, and, for present purposes, we assume, without deciding, that each of them is correct. In going on to affirm the judgment for respondent, the Court of Appeals, following its prior decision in *Chevron*, held that Taco Cabana's inherently distinctive trade dress was entitled to protection despite the lack of proof of secondary meaning. It is this issue that is before us for decision, and we agree with its resolution by the Court of Appeals. There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under § 43(a). Petitioner devotes much of its briefing to arguing issues that are not before us, and we address only its arguments relevant to whether proof of secondary meaning is essential to qualify an inherently distinctive trade dress for protection under § 43(a).

Petitioner argues that the jury's finding that the trade dress has not acquired a secondary meaning shows conclusively that the trade dress is not inherently distinctive. Brief for Petitioner 9. The Court of Appeals' disposition of this issue was sound:

Two Pesos' argument -- that the jury finding of inherent distinctiveness contradicts its finding of no secondary meaning in the Texas market -- ignores the law in this circuit. While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the

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owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning.

932 F.2d at 1120, n. 7.

Although petitioner makes the above argument, it appears to concede elsewhere in its briefing that it is possible for a trade dress, even a restaurant trade dress, to be inherently distinctive, and thus eligible for protection under § 43(a). Brief for Petitioner 10-11, 17-18; Reply Brief for Petitioner 114. Recognizing that a general requirement of [112 S.Ct. 2759] secondary meaning imposes "an unfair prospect of theft [or] financial loss" on the developer of fanciful or arbitrary trade dress at the outset of its use, petitioner suggests that such trade dress should receive limited protection without proof of secondary meaning. Reply Brief for Petitioner 10. Petitioner argues that such protection should be only temporary, and subject to defeasance when, over time, the dress has failed to acquire a secondary meaning. This approach is also vulnerable for the reasons given by the Court of Appeals. If temporary protection is available from the earliest use of the trade dress, it must be because it is neither functional nor descriptive, but an inherently distinctive dress that is capable of identifying a particular source of the product. Such a trade dress, or mark is not subject to copying by concerns that have an equal opportunity to choose their own inherently distinctive trade dress. To terminate protection for failure to gain secondary meaning over some unspecified time could not be based on the failure of the dress to retain its fanciful, arbitrary, or suggestive nature, but on the failure of the user of the dress to be successful enough in the marketplace. This is not a valid basis to find a dress or mark ineligible for protection. The user of such a trade dress should be able to maintain what competitive position it has and continue to seek wider identification among potential customers.

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This brings us to the line of decisions by the Court of Appeals for the Second Circuit that would find protection for trade dress unavailable absent proof of secondary meaning, a position that petitioner concedes would have to be modified if the temporary protection that it suggests is to be recognized. Brief for Petitioner 10-14. In *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), the plaintiff claimed protection under § 43(a) for a product whose features the defendant had allegedly copied. The Court of Appeals held that unregistered marks did not enjoy the "presumptive source association" enjoyed by registered marks, and hence could not qualify for protection under § 43(a) without proof of secondary meaning. *Id.* at 303, 304. The court's rationale seemingly denied protection for unregistered but inherently distinctive marks of all kinds, whether the claimed mark used distinctive words or symbols or distinctive product design. The court thus did not accept the arguments that an unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of false statement or representation under § 43(a).

This holding is in considerable tension with the provisions of the Act. If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark "by which the goods of the applicant may be distinguished from the goods of others," 60 Stat. 428, and must be registered unless otherwise disqualified. Since § 2 requires secondary meaning only as a condition to registering descriptive marks, there are plainly makers that are registrable without showing secondary meaning. These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks. Furthermore, the copier of such a mark may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff.

Some years after *Vibrant*, the Second Circuit announced in *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208 (CA2 1985),

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that, in deciding whether an unregistered mark is eligible for protection under § 43(a), it would follow the classification of marks set out by Judge Friendly in *Abercrombie & Fitch*, 537 F.2d at 9. Hence, if an unregistered mark is deemed merely descriptive, which the verbal mark before the court proved to be, proof of secondary meaning is required; however,

[s]uggestive marks are eligible for protection without any proof of secondary meaning, since the connection between the mark and the source is presumed.

753 F.2d at 216. The Second Circuit has nevertheless continued [112 S.Ct. 2760] to deny protection for trade dress under § 43(a) absent proof of secondary meaning, despite the fact that § 43(a) provides no basis for distinguishing between trademark and trade dress. *See, e.g., Stormy Cline Ltd. v. ProGroup, Inc.*, 809 F.2d at 974; *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 48 (1985); *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (1985).

The Fifth Circuit was quite right in *Chevron*, and in this case, to follow the *Abercrombie* classifications consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive. If it is, it is capable of identifying products or services as coming from a specific source, and secondary meaning is not required. This is the rule generally applicable to trademark, and the protection of trademarks and trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two. The

proposition that secondary meaning must be shown even if the trade dress is a distinctive, identifying mark, [is] wrong, for the reasons explained by Judge Rubin for the Fifth Circuit in *Chevron*.

*Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (CA7 1986). The Court of Appeals for the Eleventh Circuit also follows *Chevron*, *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 979 (1986), and the Court of Appeals for the Ninth Circuit appears to think that proof of secondary meaning is superfluous

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if a trade dress is inherently distinctive. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (1987).

It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of § 43(a). Where secondary meaning does appear in the statute, 15 U.S.C. § 1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks, and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

Engrafting onto § 43(a) a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks, serves the Act's purpose to

secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

*Park 'N Fly*, 469 U.S. at 198, citing S.Rep. No. 1333, 79th Cong., 2d Sess., 3-5 (1946) (citations omitted). By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.

Suggestions that, under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from

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products of like design and shape are not persuasive. Only nonfunctional, distinctive trade dress is protected under § 43(a). The Fifth Circuit holds that a design is legally functional, and thus unprotectable, if it is one of a limited number of equally efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection. *See Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 426 (CA5 1984). This serves to assure that competition [112 S.Ct. 2761] will not be stifled by the exhaustion of a limited number of trade dresses.

On the other hand, adding a secondary meaning requirement could have anticompetitive effects, creating particular burdens on the start-up of small companies. It would present special difficulties for a business, such as respondent, that seeks to start a new product in a limited area and then expand into new markets. Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator's dress in other markets and to deter the originator from expanding into and competing in these areas.

As noted above, petitioner concedes that protecting an inherently distinctive trade dress from its inception may be critical to new entrants to the market, and that withholding protection until secondary meaning has been established would be contrary to the goals of the Lanham Act. Petitioner specifically suggests, however, that the solution is to dispense with the requirement of secondary meaning for a reasonable, but brief period at the outset of the use of a trade dress. Reply Brief for Petitioner 1112. If § 43(a) does not require secondary meaning at the outset of a business' adoption of trade dress, there is no basis in the statute to support the suggestion that such a requirement comes into being after some unspecified time.

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### III

We agree with the Court of Appeals that proof of secondary meaning is not required to prevail on a claim under § 43(a) of the Lanham Act where the trade dress at issue is inherently distinctive, and accordingly the judgment of that court is affirmed.



*It is so ordered.*

SCALIA, J., concurring

JUSTICE SCALIA, concurring.

I write separately to note my complete agreement with JUSTICE THOMAS' explanation as to how the language of § 43(a) and its common law derivation are broad enough to embrace inherently distinctive trade dress. Nevertheless, because I find that analysis to be complementary to (and not inconsistent with) the Court's opinion, I concur in the latter.

STEVENS, J., concurring

JUSTICE STEVENS, concurring in the judgment.

As the Court notes in its opinion, the text of § 43(a) of the Lanham Act, 15 U.S.C. § 1125 (a), "does not mention trademarks or trade dress." *Ante* at 774. Nevertheless, the Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress, and concludes that such a mark or dress should receive essentially the same protection as those that are registered. Although I agree with the Court's conclusion, I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute, and has recently been endorsed by Congress.

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I

It is appropriate to begin with the relevant text of § 43(a).<sup>[1]</sup> See, e.g., *Moskal v. United States*, 498 U.S. (1990); [112 S.Ct. 2762] *K Mart Corp. v. Cartier Inc.*, 486 U.S. 281, 291 (1988); *United States v. Turkette*, 452 U.S. 576, 580 (1981). Section 43(a)<sup>[2]</sup> provides a federal remedy for using either "a false designation of origin" or a "false description or representation" in connection with any goods or services. The full text of the section makes it clear that the word "origin" refers to the geographic location in which the goods originated, and, in fact, the phrase "false designation of origin" was understood to be limited to false advertising of geographic origin. For example, the "false designation of origin" language contained

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in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa.<sup>[3]</sup>

For a number of years after the 1946 enactment of the Lanham Act, a "false description or representation," like "a false designation of origin," was construed narrowly. The phrase encompassed two kinds of wrongs: false advertising<sup>[4]</sup> and the common law tort of "passing off."<sup>[5]</sup> False advertising meant representing that goods or services possessed characteristics that they did not actually have, and passing off meant representing one's goods as those of another.

Neither "secondary meaning" nor "inherent distinctiveness" had anything to do with false advertising, but proof of secondary meaning was an element of the common

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law passing-off cause of action. *See, e.g., G. & C. Merriam Co. v. Saalfeld*, 198 F. 369, 372 (CA6 1912) ("The ultimate offense always is that defendant has passed off his goods as and for those of the complainant").

## II

Over time, the Circuits have expanded the categories of "false designation of origin" and "false description or representation." One [112 S.Ct. 2763] treatise<sup>[6]</sup> identified the Court of Appeals for the Sixth Circuit as the first to broaden the meaning of "origin" to include "origin of source or manufacture" in addition to geographic origin.<sup>[7]</sup> Another early case, described as unique among the Circuit cases because it was so "forward-looking,"<sup>[8]</sup> interpreted the "false description or representation" language to mean more than mere "palming off." *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649 (CA3 1954). The court explained:

We find nothing in the legislative history of the Lanham Act to justify the view that [§ 43(a)] is merely declarative of existing law. . . . It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce, and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts.

*Id.* at 651. Judge Clark, writing a concurrence in 1956, presciently observed:

Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision [§ 43(a)].

*Maternally Your, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (CA2). Although some have criticized the expansion as unwise,<sup>[9]</sup> it is now "a firmly

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embedded reality."<sup>[10]</sup> The United States Trade Association Trademark Review Commission noted this transformation with approval:

Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. . . . It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age.<sup>[11]</sup>

Today, it is less significant whether the infringement falls under "false designation of origin" or "false description or representation"<sup>[12]</sup> because, in either case, § 43(a) may be invoked. The federal courts are in agreement that § 43(a) creates a federal cause of action for trademark and trade dress infringement claims. 1 J. Gilson, *Trademark Protection and Practice* §

2.13, p. 2-178 (1991). They are also in agreement that the test for liability is likelihood of confusion:

[U]nder the Lanham Act [§ 43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks. . . . Whether we call the violation infringement, unfair competition, or false designation of origin, the test is identical -- is there a "likelihood of confusion?"

*New West Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in

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general agreement,<sup>[13]</sup> [112 S.Ct. 2764] with perhaps the exception of the Second Circuit,<sup>[14]</sup> that secondary meaning need not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under § 43(a).

### III

Even though the lower courts' expansion of the categories contained in § 43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act. For example, Congressman Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate

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business and the consumers of the country."<sup>[15]</sup> 92 Cong.Rec. 7524 (1946). One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been "entirely a State matter," the result of such a piecemeal approach was that there were almost "as many different varieties of common law as there are States," so that a person's right to a trademark "in one State may differ widely from the rights which [that person] enjoys in another." H.R.Rep. No. 944, 76th Cong., 1st Sess. 4 (1939). The House Committee on Trademarks and Patents, recognizing that "trade is no longer local, but . . . national," saw the need for

national legislation along national lines [to] secur[e] to the owners of trademarks in interstate commerce definite rights.

*Ibid.*<sup>[16]</sup>

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Congress has revisited this statute from time to time, and has accepted the "judicial legislation" that has created this federal cause of action. Recently, for example, in the Trademark Law Revision Act of [112 S.Ct. 2765] 1988, Pub.L. 100-667, 102 Stat. 3935, Congress codified the judicial interpretation of § 43(a), giving its imprimatur to a growing body of case law from the Circuits that had expanded the section beyond its original language.

Although Congress has not specifically addressed the question whether secondary meaning is required under § 43(a), the steps it has taken in this subsequent legislation suggest that secondary meaning is not required if inherent distinctiveness has been established.<sup>[17]</sup> First, Congress broadened the language of § 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that 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.

15 U.S.C. § 1125(a). That language makes clear that a confusingly similar trade dress is actionable under § 43(a), without necessary reference to "falsity." Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply.<sup>[18]</sup> Third, the legislative

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history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act.<sup>[19]</sup> And fourth, Congress explicitly extended to any violation of § 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks.<sup>[20]</sup> The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. *See* S.Rep. No. 100-515, p. 40 (1988). These steps buttress the conclusion that § 43(a) is properly understood to provide protection in accordance with the standards for registration in § 2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under § 43(a) without proof of secondary meaning.

#### IV

In light of the general consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, *stare decisis* concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation [112 S.Ct. 2766] under § 43(a) once inherent distinctiveness

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has been established. Accordingly, I concur in the judgment, but not in the opinion of the Court.

THOMAS, J., concurring

JUSTICE THOMAS, concurring in the judgment.

Both the Court and JUSTICE STEVENS decide today that the principles that qualify a mark for registration under § 2 of the Lanham Act apply as well to determining whether an unregistered mark is entitled to protection under § 43(a). The Court terms that view "common ground," though it fails to explain why that might be so, and JUSTICE STEVENS decides that the view among the Courts of Appeals is textually insupportable, but worthy nonetheless of

adherence. *See ante* at 768 (opinion of the Court); *ante* at 781-782 (STEVENS, J., concurring in judgment). I see no need in answering the question presented either to move back and forth among the different sections of the Lanham Act or to adopt what may or may not be a misconstruction of the statute for reasons akin to *stare decisis*. I would rely, instead, on the language of § 43(a).

Section 43(a) made actionable (before being amended) "any false description or representation, including words or other symbols tending falsely to describe or represent," when "use[d] in connection with any goods or services." 15 U.S.C. § 1125(a) (1982 ed.). This language codified, among other things, the related common law torts of technical trademark infringement and passing off, *see Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 861 (1982) (WHITE, J., concurring in result); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 701 (CA5 1981), *cert. denied*, 457 U.S. 1126 (1982), which were causes of action for false descriptions or representations concerning a good's or service's source of production. *See, e.g., Yale Electric Corp. v. Robertson*, 26 F.2d 972, 973 (CA2 1928); *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 284-286 (CA6 1900).

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At common law, words or symbols that were arbitrary, fanciful, or suggestive (called "inherently distinctive" words or symbols, or "trademarks") were presumed to represent the source of a product, and the first user of a trademark could sue to protect it without having to show that the word or symbol represented the product's source in fact. *See, e.g., Heublein v. Adams*, 125 F. 782, 784 (CC Mass.1903). That presumption did not attach to personal or geographic names or to words or symbols that only described a product (called "trade names"), and the user of a personal or geographic name or of a descriptive word or symbol could obtain relief only if he first showed that his trade name did in fact represent not just the product, but a producer (that the good or service had developed "secondary meaning"). *See, e.g., Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 F. 73, 74-75 (CA2 1910). Trade dress, which consists not of words or symbols, but of a product's packaging (or "image," more broadly), seems at common law to have been thought incapable ever of being inherently distinctive, perhaps on the theory that the number of ways to package a product is finite. Thus, a user of trade dress would always have had to show secondary meaning in order to obtain protection. *See, e.g., Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 300-301 (CA2 1917); *Flagg Mfg. Co. v. Holway*, 178 Mass. 83, 91, 59 N.E. 667 (1901); *Philadelphia Novelty Mfg. Co. v. Rouss*, 40 F. 585, 587 (CC SDNY 1889); *see also* J. Hopkins, *Law of Trademarks, Tradenames and Unfair Competition* § 54, pp. 140-141 (3d ed.1917); W. Browne, *Law of Trade-Marks* §§ 89b, 89c, pp. 106-110 (2d ed. 1885); Restatement (Third) of the Law of Unfair Competition § 16, Comment b (Tent. Draft No. 2, Mar. 23, 1990) (hereinafter Third Restatement).

Over time, judges have come to conclude that packages or images may be as arbitrary, fanciful, or suggestive as words or symbols, [112 S.Ct. 2767] their numbers limited only by the human imagination. *See, e.g., AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1536 (CA11 1986) ("square size, bright coloring, pebbled texture,

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polar bear and sunburst images" of the package of the "Klondike" ice cream bar held inherently distinctive), *cert. denied*, 481 U.S. 1041 (1987); *see also* Third Restatement §§ 13, 16. A particular trade dress, then, is now considered as fully capable as a particular trademark of

serving as a "representation or designation" of source under § 43(a). As a result, the first user of an arbitrary package, like the first user of an arbitrary word, should be entitled to the presumption that his package represents him, without having to show that it does so in fact. This rule follows, in my view, from the language of § 43(a), and this rule applies under that section without regard to the rules that apply under the sections of the Lanham Act that deal with registration.

Because the Court reaches the same conclusion for different reasons, I join its judgment.

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Notes:

[1] The District Court instructed the jury:

"[T]rade dress" is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms, and other features reflecting on the total image of the restaurant.

1 App. 83-84. The Court of Appeals accepted this definition and quoted from *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1256 (CA5 1989): "The 'trade dress' of a product is essentially its total image and overall appearance." See 932 F.2d 1113, 1118 (CA5 1991). It

involves the total image of a product, and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques.

*John H. Hartand Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (CA1 I 1983). Restatement (Third) of Unfair Competition § 16, Comment a (Tent.Draft No. 2, Mar. 23, 1990).

[2] Section 43(a) provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

60 Stat. 441.

This provision has been superseded by § 132 of the Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

[3] The instructions were that, to be found inherently distinctive, the trade dress must not be descriptive.

[4] Secondary meaning is used generally to indicate that a mark or dress "has come through use to be uniquely associated with a specific source." Restatement (Third) of Unfair Competition § 13, Comment e (Tent.Draft No. 2, Mar. 23, 1990).

To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product, rather than the product itself.

*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982).

[5] The Court of Appeals agreed:

The weight of the evidence persuades us, as it did Judge Singleton, that Two Pesos brazenly copied Taco Cabana's successful trade dress, and proceeded to expand in a manner that foreclosed several important markets within Taco Cabana's natural zone of expansion.

932 F.2d at 1127, n. 20.

[6] We limited our grant of certiorari to the above question on which there is a conflict. We did not grant certiorari on the second question presented by the petition, which challenged the Court of Appeals' acceptance of the jury's finding that Taco Cabana's trade dress was not functional.

[7] The Lanham Act, including the provisions at issue here, has been substantially amended since the present suit was brought. *See* Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

[8] The text that we consider today is § 43(a) of the Lanham Act prior to the 1988 amendments; it provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1982 ed.).

[2] Section 43(a) replaced and extended the coverage of § 3 of the Trademark Act of 1920, Ch. 104, 41 Stat. 534, as amended. Section 3 was destined for oblivion largely because it referred only to false designation of origin, was limited to articles of merchandise, thus excluding services, and required a showing that the use of the false designation of origin occurred "willfully and with intent to deceive." *Ibid.* As a result,

[a] almost no reported decision can be found in which relief was granted to either a United States or foreign party based on this newly created remedy.

Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 N.Y.U.L.Rev. 1029, 1034 (1957).

[3] This is clear from the fact that the cause of action created by this section is available only to a person doing business in the locality falsely indicated as that of origin. *See* n. 1, *supra*.

[4] The deleterious effects of false advertising were described by one commentator as follows:

[A] campaign of false advertising may completely discredit the product of an industry, destroy the confidence of consumers and impair a communal or trade goodwill. Less tangible, but nevertheless real, is the injury suffered by the honest dealer who finds it necessary to meet the price competition

of inferior goods, glamorously misdescribed by the unscrupulous merchant. The competition of a liar is always dangerous, even though the exact injury may not be susceptible of precise proof.

Handler, *Unfair Competition*, 21 Iowa L.Rev. 175, 193 (1936).

[5] The common law tort of passing off has been described as follows:

Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it "passing off" or "palming off." Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842, Lord Langdale wrote:

I think that the principle on which both the courts of law and equity proceed is very well understood. A man is not to sell his own goods under the pretense that they are the goods of another man. . . .

In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion.

1 J. McCarthy, *Trademarks and Unfair Competition* § 5.2, p. 133 (2d ed.1984) (McCarthy) (footnotes omitted).

[6] 2 *id.*, § 27:3, p. 345.

[7] *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (CA6 1963).

[8] *Derenberg*, 32 N.Y.U.L.Rev. at 1047, 1049.

[9] *See, e.g., Germain, Unfair Trade Practices Under § 43(a) of the Lanham Act: You've Come a Long Way Baby -- Too Far, Maybe?*, 64 *Trademark Rep.* 193, 194 (1974) ("It is submitted that the cases have applied Section 43(a) to situations it was not intended to cover, and have used it in ways that it was not designed to function").

[10] 2 McCarthy § 27:3, p. 345.

[11] The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 *Trademark Rep.* 375, 426 (1987).

[12] Indeed, in count one of the complaint, respondent alleged that petitioner

is continuing to affix, apply, or use in connection with its restaurants, goods and services a false designation of [f] origin, or a false description and representation, tending to falsely describe or represent the same,

and that petitioner

has falsely designated the origin of its restaurants, goods and services and has falsely described and represented the same. . . .

App. 44-45; see Tr. of Oral Arg. 37.

[13] *See, e.g., AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974 (CA11 1986), *cert. denied*, 481 U.S. 1041 (1987); *Blau Plumbing, Inc. v. S.O.S. Fit-It, Inc.*, 781 F.2d 604 (CA7 1986); *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1343 (C.C.P.A.1982); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695 (CA5 1981), *cert. denied*, 457 U.S. 1126 (1982); *see also Fuddrucker, Inc. v. Docs B.R. Others, Inc.*, 826 F.2d 837, 843-844 (CA9 1987); *M. Kramer Manufacturing Co. v. Andrews*, 783 F.2d 421, 449, n. 26 (CA4 1986).



[14] Consistent with the common law background of § 43(a), the Second Circuit has said that proof of secondary meaning is required to establish a claim that the defendant has traded on the plaintiff's goodwill by falsely representing that his goods are those of the plaintiff. *See, e.g., Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F.2d 299 (1917). To my knowledge, however, the Second Circuit has not explained why "inherent distinctiveness" is not an appropriate substitute for proof of secondary meaning in a trade dress case. Most of the cases in which the Second Circuit has said that secondary meaning is required did not involve findings of inherent distinctiveness. For example, in *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), *cert. denied*, 455 U.S. 909 (1982), the product at issue -- a velcro belt -- was functional and lacked "any distinctive, unique or nonfunctional mark or feature." 652 F.2d at 305. Similarly, in *Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 871, 977 (1987), the court described functionality as a continuum, and placed the contested rainjacket closer to the functional end than to the distinctive end. Although the court described the lightweight bag in *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (1985), as having a distinctive appearance, and concluded that the District Court's finding of nonfunctionality was not clearly erroneous, *id.* at 74, it did not explain why a secondary meaning was also required in such a case.

[15] The Senate Report elaborated on these two goals:

The purpose underlying any trademark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trademark owner.

S.Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946).

By protecting trademarks, Congress hoped

to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not. This is the end to which the bill is directed.

*Id.* at 4.

[16] Four years later, the USTA Trademark Review Commission assessed the state of trademark law. The conclusion that it reached serves as a testimonial to the success of the Act in achieving its goal of uniformity:

The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today, the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts.

Trademark Review Commission, 77 Trademark Rep. at 337.

[17]

When several acts of Congress are passed touching the same subject matter, subsequent legislation may be considered to assist in the interpretation of prior legislation upon the same subject.

*Tiger v. Western Investment Co.*, 221 U.S. 286, 309 (1911); *see NLRB v. Bell Aerospace Co.*, 416 U.S. 267, 275 (1974); *Red Lion Broadcasting Co. v. FCC*, 395 U.S. 367, 380-381 (1969); *United States v. Staffoff*, 260 U.S. 477, 480 (1923) (opinion of Holmes, J.).

[18] As the Senate Report explained, revision of Section 43(a) is designed

to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.

As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims.

S.Rep. No. 100-515, p. 40 (1988) U.S.Code Cong. & Admin.News 1988, pp. 5577, 5605.

[19]

Trademark protection is important to both consumers and producers. Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protec[t] trademark owners. When the owner of a trademark has spent considerable time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters.

*Id.* at 4.

[20] See 15 U.S.C. §§ 1114, 1116-1118.

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**Wal-Mart Stores, Inc., v. Samara Brothers, Inc.**  
**529 U.S. 205 (2000)** (Unregistered trade dress in the  
form of a products designs only protectable upon a  
showing of secondary meaning).

**529 U.S. 205 (2000), 99-150, Wal-Mart Stores, Inc. v. Samara Brothers, Inc.**

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**529 U.S. 205 (2000)****120 S.Ct. 1339, 146 L.Ed.2d 182****WAL-MART STORES, INC.****v.****SAMARA BROTHERS, INC.****Case No. 99-150****United States Supreme Court****March 22, 2000**

Argued January 19, 2000

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND  
CIRCUIT

## Syllabus

Respondent Samara Brothers, Inc., designs and manufactures a line of children's clothing. Petitioner Wal-Mart Stores, Inc., contracted with a supplier to manufacture outfits based on photographs of Samara garments. After discovering that Wal-Mart and other retailers were selling the so-called knockoffs, Samara brought this action for, *inter alia*, infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act). The jury found for Samara. Wal-Mart then renewed a motion for judgment as a matter of law, claiming that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion and awarded Samara relief. The Second Circuit affirmed the denial of the motion.

*Held:*

In a § 43(a) action for infringement of unregistered trade dress, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. Pp. 209-216.

(a) In addition to protecting registered trademarks, the Lanham Act, in § 43 (a), gives a producer a cause of action for the use by any person of "any . . . symbo [I] or device . . . likely to cause confusion . . . as to the origin . . . of his or her

goods." The breadth of the confusion-producing elements actionable under § 43(a) has been held to embrace not just word marks and symbol marks, but also "trade dress"—a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many Courts of Appeals to encompass the product's design. These courts have correctly assumed that trade dress constitutes a "symbol" or "device" for Lanham Act purposes. Although § 43(a) does not explicitly require a producer to show that its trade dress is distinctive, courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion . . . as to . . . origin," as § 43(a) requires. In evaluating distinctiveness, courts have differentiated between marks that are inherently distinctive—*i. e.*, marks whose intrinsic nature serves to identify their particular source—and marks that have acquired distinctiveness through secondary meaning—*i. e.*, marks whose primary significance, in the minds of the public, is to identify the product's source rather than

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the product itself. This Court has held, however, that applications of at least one category of mark—color—can *never* be inherently distinctive, although they can be protected upon a showing of secondary meaning. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162-163. Pp. 209-212.

(b) Design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive package, is most often to identify the product's source. Where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source, inherent distinctiveness will not be found. With product design, as with color, consumers are aware of the reality that, almost invariably, that feature is intended not to identify the source, but to render the product itself more useful or more appealing. Pp. 212-214.

(c) *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, does not foreclose the Court's conclusion, since the trade dress there at issue was restaurant decor, which does not constitute product *design*, but rather product packaging or else some *tertium quid* that is akin to product packaging and has no bearing on the present case. While distinguishing *Two Pesos* might force courts to draw difficult lines between product-design and product-packaging trade dress, the frequency and difficulty of having to distinguish between the two will be much less than the frequency and difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. Pp. 214-215.

165 F.3d 120, reversed and remanded.

Scalia, J., delivered the opinion for a unanimous Court.

*William D. Coston* argued the cause for petitioner. With him on the briefs were *Kenneth C. Bass III* and *Martin L. Saad*.

*Deputy Solicitor General Wallace* argued the cause for the United States as *amicus curiae* urging reversal. With him on the brief were *Solicitor General Waxman, Acting Assistant Attorney General Ogden, Edward C. DuMont, Barbara C. Biddle, Alfred Mollin, Albin F. Drost, and Nancy C. Slutter.*

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*Stuart M. Riback* argued the cause for respondent. With him on the brief was *Mark I. Levy.*  
[\*]

Justice Scalia delivered the opinion of the Court.

In this case, we decide under what circumstances a product's design is distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, as amended, 15 U.S.C. § 1125(a).

## I

Respondent Samara Brothers, Inc., designs and manufactures children's clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. A number of chain stores, including JCPenney, sell this line of clothing under contract with Samara.

Petitioner Wal-Mart Stores, Inc., is one of the Nation's best known retailers, selling among other things children's clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children's outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara's line, on which Judy-Philippine's garments were to be based; Judy-Philippine duly copied, with

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only minor modifications, 16 of Samara's garments, many of which contained copyrighted elements. In 1996, Wal-Mart briskly sold the so-called knockoffs, generating more than \$1.15 million in gross profits.

In June 1996, a buyer for JCPenney called a representative at Samara to complain that she had seen Samara garments on sale at Wal-Mart for a lower price than JCPenney was allowed to charge under its contract with Samara. The Samara representative told the buyer that Samara did not supply its clothing to Wal-Mart. Their suspicions aroused, however, Samara officials launched an investigation, which disclosed that Wal-Mart and several other major retailers—Kmart, Caldor, Hills, and Goody's—were selling the knockoffs of Samara's outfits produced by Judy-Philippine.

After sending cease-and-desist letters, Samara brought this action in the United States District Court for the Southern District of New York against Wal-Mart, Judy-Philippine, Kmart, Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law, and—most relevant for our purposes— infringement of unregistered trade dress under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). All of the defendants except Wal-Mart settled before trial.

After a weeklong trial, the jury found in favor of Samara on all of its claims. Wal-Mart then renewed a motion for judgment as a matter of law, claiming, *inter alia*, that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion, 969 F.Supp. 895 (SDNY 1997), and awarded Samara damages, interest, costs, and fees totaling almost \$1.6 million, together with injunctive relief, see App. to Pet. for Cert. 56-58. The Second Circuit affirmed the denial of the motion for judgment as a matter of law, 165 F.3d 120(1998), and we granted certiorari, 528 U.S. 808 (1999).

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## II

The Lanham Act provides for the registration of trademarks, which it defines in § 45 to include "any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer's] goods . . . from those manufactured or sold by others and to indicate the source of the goods . . ." 15 U.S.C. § 1127. Registration of a mark under § 2 of the Lanham Act, 15 U.S.C. § 1052, enables the owner to sue an infringer under § 32, 15 U.S.C. § 1114; it also entitles the owner to a presumption that its mark is valid, see § 7 (b), 15 U.S.C. § 1057(b), and ordinarily renders the registered mark incontestable after five years of continuous use, see § 15, 15 U.S.C. § 1065. In addition to protecting registered marks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of "any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of his or her goods . . ." 15 U.S.C. § 1125(a). It is the latter provision that is at issue in this case.

The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43(a), has been held to embrace not just word marks, such as "Nike," and symbol marks, such as Nike's "swoosh" symbol, but also "trade dress"—a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many Courts of Appeals to encompass the design of a product. See, e. g., *Ashley Furniture Industries, Inc. v. Sangiacomo N. A., Ltd.*, 187 F.3d 363 (CA4 1999) (bedroom furniture); *Knitwaves, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996 (CA2 1995) (sweaters); *Stuart Hall Co., Inc. v. Ampad Corp.*, 51 F.3d 780 (CA8 1995) (notebooks). These courts have assumed, often without discussion, that trade dress constitutes a "symbol" or "device" for purposes of the relevant sections, and we conclude likewise. "Since human beings might use as a 'symbol'

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or 'device' almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive." *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162(1995). This reading of § 2 and § 43(a) is buttressed by a recently added subsection of § 43(a), § 43(a)(3), which refers specifically to "civil action[s] for trade dress infringement under this chapter for trade dress not registered on the principal register." 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V).

The text of § 43(a) provides little guidance as to the circumstances under which unregistered trade dress may be protected. It does require that a producer show that the allegedly

infringing feature is not "functional," see § 43(a)(3), and is likely to cause confusion with the product for which protection is sought, see § 43(a)(1)(A), 15 U.S.C. § 1125(a)(1)(A). Nothing in § 43(a) explicitly requires a producer to show that its trade dress is distinctive, but courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion . . . as to the origin, sponsorship, or approval of [the] goods," as the section requires. Distinctiveness is, moreover, an explicit prerequisite for registration of trade dress under § 2, and "the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (citations omitted).

In evaluating the distinctiveness of a mark under § 2 (and therefore, by analogy, under § 43(a)), courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if "[its] intrinsic nature serves to identify a particular source." *Ibid.* In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are "arbitrary" ("Camel" cigarettes), "fanciful" ("Kodak" film), or "suggestive" ("Tide" laundry detergent) are held to be inherently

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distinctive. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10-11 (CA2 1976). Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, "in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982).[\*]

The judicial differentiation between marks that are inherently distinctive and those that have developed secondary meaning has solid foundation in the statute itself. Section 2 requires that registration be granted to any trademark "by which the goods of the applicant may be distinguished from the goods of others"—subject to various limited exceptions. 15 U.S.C. § 1052. It also provides, again with limited exceptions, that "nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce"—that is, which is not inherently distinctive but has become so only through secondary meaning. § 2(f), 15 U.S.C. § 1052(f). Nothing in § 2, however, demands the conclusion that *every* category of mark necessarily includes some marks "by which the goods of the applicant may be distinguished from the goods of others" *without* secondary meaning—that in every category some marks are inherently distinctive.

Indeed, with respect to at least one category of mark—colors—we have held that no mark can ever be inherently distinctive. See *Qualitex, supra*, at 162-163. In *Qualitex*,

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petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under § 43(a), then added a claim under § 32 after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a



customer that [it] refer[s] to a brand," 514 U.S., at 162-163, and does not "immediately . . . signal a brand or a product 'source,'" *id.*, at 163. However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging . . . as signifying a brand." *Ibid.* Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning. Ibid.*

It seems to us that design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf—their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost *automatically* tell a customer that they refer to a brand," *id.*, at 162-163, and "immediately . . . signal a brand"

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or a product 'source,'" *id.*, at 163. And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source—where, for example, the affixed word is descriptive of the product ("Tasty" bread) or of a geographic origin ("Georgia" peaches)—inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are "merely descriptive" of the goods, § 2(e)(1), 15 U.S.C. § 1052(e)(1), or "primarily geographically descriptive of them," see § 2(e)(2), 15 U.S.C. § 1052(e)(2). In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.

The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness. How easy it is to mount a plausible suit depends, of course, upon the clarity of the test for inherent distinctiveness, and where product design is concerned we have little confidence that a reasonably clear test can be devised. Respondent and the United States as *amicus curiae* urge us to adopt for product design relevant portions of the test formulated by the Court of Customs and Patent Appeals for product packaging in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (1977). That opinion, in determining the inherent distinctiveness of a product's packaging, considered, among

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other things, "whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." *Id.*, at 1344 (footnotes omitted). Such a test would rarely provide the basis for summary disposition of an anticompetitive strike suit. Indeed, at oral argument, counsel for the United States quite understandably would not give a definitive answer as to whether the test was met in this very case, saying only that "[t]his is a very difficult case for that purpose." Tr. of Oral Arg. 19.

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)—a showing that may involve consideration of its esthetic appeal, see *Qualitex, supra*, at 170. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design—as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.

Respondent contends that our decision in *Two Pesos* forecloses a conclusion that product-design trade dress can never be inherently distinctive. In that case, we held that the trade dress of a chain of Mexican restaurants, which the plaintiff described as "a festive eating atmosphere having

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interior dining and patio areas decorated with artifacts, bright colors, paintings and murals," 505 U.S., at 765 (internal quotation marks and citation omitted), could be protected under § 43(a) without a showing of secondary meaning, see *id.*, at 776. *Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, see, e. g., *id.*, at 773, but it does not establish that *product-design* trade dress can be. *Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a restaurant, seems to us not to constitute product *design*. It was either product packaging—which, as we have discussed, normally *is* taken by the consumer to indicate origin—or else some *tertium quid* that is akin to product packaging and has no bearing on the present case.

Respondent replies that this manner of distinguishing *Two Pesos* will force courts to draw difficult lines between product-design and product-packaging trade dress. There will indeed be some hard cases at the margin: a classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more stylish to drink from the former. We believe, however, that the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring

secondary meaning. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning.

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\* \* \*

We hold that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. The judgment of the Second Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

*It is so ordered.*

Notes:

[\*] Briefs of *amici curiae* urging reversal were filed for the International Mass Retail Association by *Jeffrey S. Sutton* and *Robert J. Verdisco*; for the Private Label Manufacturers Association by *Arthur M. Handler*; and for Scott P. Zimmerman by *Charles W. Calkins*.

*H. Bartow Farr III*, *Richard G. Taranto*, and *Stephen M. Trattner* filed a brief for Ashley Furniture Industries, Inc., et al. as *amici curiae* urging affirmance.

Briefs of *amici curiae* were filed for the American Intellectual Property Law Association by *Sheldon H. Klein*, *Michael A. Grow*, and *Louis T. Pirkey*; for the International Trademark Association by *Theodore H. Davis, Jr.*, *Morton D. Goldberg*, and *Marie V. Driscoll*; and for Payless Shoesource, Inc., by *William A. Rudy* and *Robert Kent Sellers*.

[\*] The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts—but in this opinion we follow what has become the conventional terminology.

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**Starbucks Corporation v. Wolfe's Borough  
Coffee, Inc., 12-364-cv (2d Cir. November 15,  
2013)** (recent case applying the Polaroid factors to  
hold no trademark dilution for the Starbucks  
trademark).

**Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 111513 FED2, 12-364-cv****STARBUCKS CORPORATION, a Washington corporation, STARBUCKS U.S. BRANDS  
LLC, Plaintiffs-Counter-Defendants-Appellants,****v.****WOLFE'S BOROUGH COFFEE, INC., a New Hampshire corporation, d/b/a BLACK  
BEAR MICRO ROASTERY, Defendant-Counter-Claimant-Appellee.****No. 12-364-cv****United States Court of Appeals, Second Circuit****November 15, 2013**

Argued: January 9, 2013.

This is an appeal by the plaintiffs from a decision of the United States District Court for the Southern District of New York (Swain, J.) following a second remand from this Court. The District Court concluded that plaintiffs have failed to prove that defendant's use of its "Mister Charbucks" and "Charbucks Blend" marks is likely to dilute plaintiffs' famous "Starbucks" marks, and denied injunctive relief. We hold that the District Court did not clearly err in any of its factual determinations, including its evaluation of the six non-exclusive factors bearing on whether a mark is likely to cause dilution by blurring, enumerated in the Federal Trademark Dilution Act of 1995, as amended by the Trademark Dilution Revision Act of 2006. See 15 U.S.C. § 1125(c)(2)(B)(i)-(vi). Balancing those factors de novo, we agree with the District Court that plaintiffs have failed to demonstrate a likelihood of dilution by blurring. Accordingly, we AFFIRM.

David E. Sipiora, Matthew Christian Holohan, Kilpatrick Townsend & Stockton LLP,  
Denver, CO, *for* Plaintiffs-Counter- Defendants-Appellants.

John-Mark Turner, Christopher Cole, Sheehan, Phinney, Bass + Green, P.A., Manchester,  
NH, *for* Defendant-Counter- Claimant-Appellee.

Before: KATZMANN, Chief Judge, KEARSE and LOHIER, Circuit Judges.

LOHIER, Circuit Judge:

Starbucks Corporation and Starbucks U.S. Brands LLC (together, "Starbucks") appeal from a judgment of the United States District Court for the Southern District of New York (Swain, J.) denying Starbucks' request for an injunction pursuant to the Federal Trademark Dilution Act of 1995 ("FTDA"), 15 U.S.C. § 1125(c), prohibiting Wolfe's Borough Coffee, Inc., doing business as Black Bear Micro Roastery ("Black Bear"), from using Black Bear's "Mister Charbucks," "Mr. Charbucks," and "Charbucks Blend" marks (the "Charbucks Marks"). After a bench trial followed by additional briefing from the parties upon remand from this Court, the District Court concluded that Starbucks failed to prove that the Charbucks Marks are likely to dilute Starbucks' famous "Starbucks" marks (the "Starbucks Marks") and denied Starbucks'

request for an injunction.

On appeal, Starbucks argues that the District Court erred in finding only minimal similarity and weak evidence of actual association between the Charbucks Marks and the Starbucks Marks. Starbucks also contends that the District Court erred in balancing the statutory dilution factors by giving no weight at all to three of the factors—the strong distinctiveness, exclusive use, and high degree of recognition of the Starbucks Marks—and placing undue weight on the minimal similarity between the marks.

For the following reasons, we conclude that the District Court did not err in its factual findings, and, balancing the statutory factors *de novo*, we agree with the District Court that Starbucks failed to prove a likelihood of dilution. We therefore affirm.

## BACKGROUND

We assume familiarity with the underlying facts and long procedural history of the case, which are set forth in our previous opinions, *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765 (2d Cir. 2007) ("*Starbucks II*"), and *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009) ("*Starbucks IV*"). We recount them here only as necessary to explain our disposition of this appeal.<sup>[1]</sup>

As of 2005, when the bench trial occurred, Starbucks had grown from a single coffee shop in Seattle in 1971 to a singularly prominent global purveyor of specialty coffee and coffee products, with 8,700 retail locations worldwide and revenues of \$5.3 billion for fiscal year 2004. Starbucks U.S. Brands is the owner, and Starbucks Corporation a licensee, of at least 56 valid United States trademark registrations that include the Starbucks Marks. The Starbucks Marks are displayed on signs and at multiple locations in each Starbucks store, as well as on the Starbucks website.

Starbucks has devoted substantial time, effort, and money to advertising and promoting the Starbucks Marks. From fiscal year 2000 to 2003, Starbucks spent over \$136 million on advertising, promotion, and related marketing activities, essentially all of which featured the Starbucks Marks. Starbucks actively polices the Starbucks Marks, demanding that infringing uses be terminated and, where necessary, commencing litigation.<sup>[2]</sup> Well before Black Bear used the term "Charbucks" as part of any product name, the Starbucks Marks were "famous" within the meaning of the FTDA. *See* 15 U.S.C. § 1125(c)(2)(A).

Black Bear manufactures and sells roasted coffee beans and related goods via mail and internet order, at a limited number of New England supermarkets, and at a single New Hampshire retail outlet. In 1997 Black Bear developed a coffee blend named "Charbucks Blend"; it now sells a dark-roast coffee called "Mister Charbucks" or "Mr. Charbucks." When Black Bear began manufacturing coffee using the Charbucks Marks, it was aware of the Starbucks Marks. One of the reasons Black Bear used the term "Charbucks" was the public perception that Starbucks roasted its beans unusually darkly.

Soon after Black Bear began to sell Charbucks Blend, Starbucks demanded that it cease using the Charbucks Marks. Black Bear nevertheless continued to sell coffee under the Charbucks Marks, and in 2001 Starbucks started this action claiming, among other things, trademark dilution in violation of 15 U.S.C. §§ 1125(c), 1127.<sup>[3]</sup>

The District Court held a two-day bench trial in March 2005. At trial, two matters of significance to this appeal occurred. First, Black Bear's founder, James O. Clark III, testified that the name "Charbucks" had previously been used during "the coffee wars in Boston between Starbucks and the Coffee Connection, " a Boston-based company.<sup>[4]</sup> Second, Starbucks introduced the testimony of Warren J. Mitofsky, a scientist in the field of consumer research and polling. Mitofsky explained the results of a telephone survey he had conducted of six hundred participants, designed to be representative of the United States population. The survey found that when asked, "What is the first thing that comes to your mind when you hear the name 'Charbucks, ' spelled C-H-A-R-B-U- C-K-S?, " 30.5 percent of participants answered "Starbucks, " while 9 percent answered "coffee."<sup>[5]</sup> When the participants were asked, "Can you name any company or store that you think might offer a product called 'Charbucks'?", " 3.1 percent responded "Starbucks, " and another 1.3 percent responded "coffee house."<sup>[6]</sup> Mitofsky concluded that "[t]he number one association of the name 'Charbucks' in the minds of consumers is with the brand 'Starbucks.'" Commenting on the scope of his survey, Mitofsky also stated: "[I]f you want to know the reaction to the name Charbucks, then the telephone is perfectly adequate. If you want to measure the reaction or the familiarity with other visual cues, then it's not the right method." *Starbucks IV*, 588 F.3d at 104.

In December 2005 the District Court ruled in favor of Black Bear and dismissed Starbucks' complaint. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, No. 01 Civ. 5981, 2005 WL 3527126 (S.D.N.Y. Dec. 23, 2005) ("*Starbucks I*"). The District Court determined that there was neither actual dilution, which would establish a violation of federal trademark law,<sup>[7]</sup> nor a likelihood of dilution, which would establish a violation of New York trademark law.

Starbucks appealed. While the appeal was pending, Congress passed the Trademark Dilution Revision Act of 2006 ("TDRA"), which amended the FTDA to clarify that the owner of a famous mark seeking an injunction need prove only that the defendant's mark "is likely to cause dilution . . . of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1). The TDRA further redefined "dilution by blurring" as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.* § 1125(c)(2)(B). The statute provides the following direction to courts:

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

*Id.* In light of this change in the governing law, we vacated the judgment of the District Court and remanded for further proceedings. *Starbucks II*, 477 F.3d at 766.

On remand, after further briefing, the District Court again ruled in Black Bear's favor for substantially the same reasons set forth in its earlier opinion, but it also analyzed the federal dilution claim in light of the TDRA. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 559 F.Supp.2d 472, 475–79 (S.D.N.Y. 2008) ("*Starbucks III*"). In particular, the District Court considered the six non-exclusive factors listed in the statute and made the following findings: (1) the marks were minimally similar, which the court deemed alone sufficient to defeat Starbucks' claim; (2) (a) the distinctiveness of the Starbucks Marks, (b) the exclusivity of their use by Starbucks, and (c) their high degree of recognition, all weighed in favor of Starbucks; (3) the intent factor weighed in Black Bear's favor because Black Bear's intent to create an association with the Starbucks Marks did not constitute bad faith; and (4) evidence from Mitofsky's survey was "insufficient to make the actual confusion factor weigh in [Starbucks'] favor to any significant degree." *Id.* at 477–78 (quotation marks omitted). Balancing all six factors, the District Court held that the record was "insufficient to demonstrate the requisite likelihood that the association arising from the similarity of the core terms is likely to impair the distinctiveness of Starbucks' mark, and Plaintiff is not entitled to injunctive relief under that statute." *Id.* at 478.

Starbucks appealed again, arguing that the District Court erred in finding that the Charbucks Marks are not likely to dilute the Starbucks Marks. In *Starbucks IV*, we examined the District Court's findings as to the first, fifth, and sixth factors, as well as its balancing of the statutory factors that bear on the likelihood of dilution by blurring. We held that "the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks," 588 F.3d at 106, because the context of the Charbucks Marks (on Black Bear's packaging, on its website, and in the phrases "Charbucks Blend" and "Mister Charbucks") differentiated them from the famous marks. We concluded, however, that "the District Court erred to the extent it required 'substantial' similarity between the marks," *id.* at 107, and we suggested that the District Court had overemphasized the similarity factor. In particular, we stated that the inclusion of "the degree of similarity" as only one of six factors in the revised statute indicates that even a low degree of similarity would not categorically bar a dilution-by-blurring claim. *Id.* at 108.

Turning to the fifth and sixth factors—intent to associate and actual association—we held that the District Court had erred by requiring "bad faith" to find that the intent to associate factor favored Starbucks. *Id.* at 109 (quotation marks omitted). Noting the survey results, which demonstrated some degree of association between "Charbucks" and "Starbucks," we also held that the District Court erred by relying on evidence supporting the absence of "actual confusion" to conclude that the actual *association* factor did not weigh in Starbucks' favor "to any significant degree." *Id.* (quotation marks omitted). The absence of actual or likely confusion, we reasoned, does not bear directly on whether dilution is likely. *Id.*

Emphasizing that the analysis of a dilution by blurring claim must ultimately focus on "whether an *association*, arising from the similarity between the subject marks, 'impairs the distinctiveness of the famous mark,'" *id.* (quoting 15 U.S.C. § 1125(c)(2)(B)), we vacated the judgment of the District Court and remanded for reconsideration of the claim in light of our discussions of the first, fifth, and sixth statutory factors, *id.* at 109–10.

In its opinion and order following that remand, *see Starbucks Corp. v. Wolfe's Borough*



*Coffee, Inc.*, No. 01 Civ. 5981, 2011 WL 6747431 (S.D.N.Y. Dec. 23, 2011) ("*Starbucks V*"), the District Court recognized that the second through fifth statutory factors<sup>[8]</sup> favored Starbucks. *Id.* at \*3 (citing *Starbucks IV*, 588 F.3d at 106–10). But the court again found that the first factor (the similarity of the marks) favored Black Bear because the marks were only minimally similar when presented in commerce—that is, when the Charbucks Marks are viewed on the packaging, which includes the phrases "Charbucks Blend" or "Mister Charbucks." *Id.*

As for the sixth factor (actual association), the District Court acknowledged that the results of the Mitofsky survey "constitute evidence of actual association," *id.* at \*4, but it then significantly discounted those results on the ground that the survey inquired into associations only with the isolated word "Charbucks" and failed to present the Charbucks Marks in full context, *id.* The court also compared the survey results in this case with those in other cases. Here, it noted, only 30.5 percent of respondents associated "Charbucks" with "Starbucks," while in other trade dilution cases 70 percent to 90 percent of survey respondents associated the relevant marks. *Id.* The District Court also compared the 3.1 percent of respondents who thought a product called "Charbucks" would be made by Starbucks to the 28 percent of respondents who made a similar origin association in a Ninth Circuit trademark dilution case. *Id.* (citing *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 636 (9th Cir. 2008)). With the benefit of these comparisons, the District Court found that the actual association factor weighs "no more than minimally" in Starbucks' favor. *Id.*

In evaluating the likelihood of dilution, the District Court emphasized the "association" and "similarity" factors. Citing the TDRA's definition of dilution by blurring as "*association arising from the similarity* between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," the District Court explained that "[t]he statutory language leaves no doubt" that these two factors are "obviously important." *Id.* at \*5 (quoting 15 U.S.C. § 1125(c)(2)(B)). After balancing all six factors, the District Court held that Starbucks had failed to meet its burden of showing that it was entitled to injunctive relief:

[T]he Charbucks marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks marks. In other words, [Starbucks] has failed to carry its burden of proving that [Black Bear's] use of its marks, as evidenced on the record before the Court, is likely to cause dilution by blurring.

*Id.* at \*6.

On appeal, Starbucks challenges both the factual findings of minimal similarity and weak association and the conclusion that it failed to demonstrate a likelihood of dilution.

## DISCUSSION

### A. History of Federal Trademark Dilution Law

"Federal law allows the owner of a 'famous mark' to enjoin a person from using 'a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.'" *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 110–11 (2d Cir. 2010) (quoting 15 U.S.C. § 1125(c)(1)). Dilution by blurring is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." *Id.* at 111

(alteration and quotation marks omitted).

Dilution by blurring as a cause of action was championed initially by Frank Schechter in a 1927 law journal article. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927). Schechter argued that a mark both symbolizes existing good will and can *generate* good will. *Id.* at 819 ("The mark actually *sells* the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power."). So-called "[t]rademark pirates," Schechter explained, stopped short of infringing marks in favor of using marks similar to well-known marks on non-competing goods, such as Kodak bicycles, Rolls-Royce radio tubes, and Beech-Nut cigarettes. *Id.* at 825. Schechter described the injury in these cases as

the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.

*Id.* Somewhat more vividly in later congressional testimony, Schechter warned that "if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more." Trade-Marks: Hearings Held Before the H. Comm. on Patents, 72d Cong. 15 (1932) (statement of Frank I. Schechter), *quoted in* Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes*, 44 Cal. L. Rev. 439, 449 (1956).

Heeding Schechter's warning, some States passed antidilution statutes. *See* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:77 (4th ed. 2012) ("McCarthy"); Derenberg, *supra*, at 452–61. For example, the legislative history of New York's antidilution statute "disclosed a need for legislation to prevent such 'hypothetical anomalies' as 'Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.'" *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) (quoting 1954 N.Y. Legis. Ann. 49–50). But the predictable result of these desultory efforts by various States to pass antidilution laws was an uneven regulatory patchwork of protection. *See* S. Rep. No. 100-515, at 7 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5583. Congress first addressed that problem in 1996, when it enacted the FTDA, which entitled any owner of a famous mark "to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark . . ." 15 U.S.C. § 1125(c)(1) (1996).<sup>[9]</sup>

In 2003, however, the Supreme Court decided *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which held that the FTDA required a plaintiff to prove "actual dilution," not simply a "likelihood of dilution," in order to establish a trademark dilution claim. *Id.* at 433. In response, the International Trademark Association ("INTA"), a primary advocate for the FTDA, supported a congressional amendment to abrogate *Moseley*. The proposed amendment, which eventually became the TDRA, provided that plaintiffs need prove only a likelihood of dilution and, thus, allowed famous mark owners to "prevent dilution at its incipiency" and not force them to "wait until the harm has advanced so far that . . . the recognition of the mark . . . is permanently impaired" in order to sue. Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the H. Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 108th Cong. 10 (2004) ("2004 Hearing") (statement of

Jacqueline A. Leimer, INTA); *see* McCarthy § 24:96. At congressional hearings in 2004 and 2005, witnesses criticized the *Moseley* decision as "essentially sa[ying] you have got to wait until the horse is gone, and then the only thing you can do is close the barn door." Trademark Dilution Revision Act of 2005: Hearing on H.R. 683 Before the H. Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 18 (2005) ("2005 Hearing") (statement of Mark A. Lemley, William H. Neukom Prof. of Law, Stanford Univ.); *see also* 2004 Hearing, at 44, 46–47 (statement of David C. Stimson, Chief Trademark Counsel, Eastman Kodak Company).

Although a number of witnesses testified at the hearings, the hearing statements of Anne Gundelfinger, then-President of the INTA, are considered a primary source of the legislative history of the TDRA. *See* McCarthy § 24:96. During her testimony, Gundelfinger explained that the association between marks needed only to be "likely to impair the distinctiveness of the famous mark in the marketplace." 2005 Hearing, at 12. Gundelfinger also proposed a list of six factors that would "go to the question of whether the famous mark's distinctiveness in the marketplace will be blurred by the junior use." *Id.* at 14. She explained that courts will "need to balance all of these factors, as well as any others relevant to the question of blurring, in order to make a determination as to whether there is a likelihood of dilution by blurring." *Id.*

President Bush signed the TDRA into law in 2006.

#### B. *Standard of Review*

After a bench trial on a claim for trademark dilution by blurring, where the district court evaluates and balances the factors listed in the TDRA, we review the court's determinations as to each factor for clear error and its balancing of those factors *de novo*. *See Tiffany*, 600 F.3d at 101; *Starbucks IV*, 588 F.3d at 105.<sup>[10]</sup> Accordingly, the District Court's factual findings regarding each factor bearing on the likelihood of trademark dilution by blurring will not be disturbed unless "on the entire evidence [we are] left with the definite and firm conviction that a mistake has been committed," *United States v. Oehme*, 698 F.3d 119, 121 (2d Cir. 2012) (quotation marks omitted), while the balancing of those factors to determine the likelihood of dilution is a legal exercise subject to *de novo* review. To determine how to conduct the balancing, we look first to the language of the statute. *See Townsend v. Benjamin Enters., Inc.*, 679 F.3d 41, 48 (2d Cir. 2012).

Under § 1125(c)(1), the plaintiff must show the defendant's "use of a mark . . . in commerce that is likely to cause dilution by blurring . . . of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." Section 1125(c)(2)(B) defines "dilution by blurring" as "association arising from the similarity between a mark . . . and a famous mark that impairs the distinctiveness of the famous mark." The statute then instructs that, "[i]n determining whether a mark . . . is likely to cause dilution by blurring," the court "may consider all relevant factors," including the six enumerated factors.

We previously have declined to treat the factors pertinent to a trademark dilution analysis as an inflexible, mechanical test, suggesting instead that the importance of each factor will vary with the facts. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227–28 (2d Cir. 1999), *abrogated on other grounds by Moseley*, 537 U.S. at 433. Accordingly, we need not consider all six statutory factors listed in 15 U.S.C. § 1125(c)(2)(B)(i)–(vi) if some are irrelevant to the ultimate question; nor are we limited to those six factors. *See Louis Vuitton Malletier S.A. v. Haute*

*Diggity Dog, LLC*, 507 F.3d 252, 266 (4th Cir. 2007) ("Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors."). Instead, we employ a "cautious and gradual approach," which favors the development of a nonexclusive list of trademark dilution factors over time. *Nabisco*, 191 F.3d at 217.

### C. *Factual Findings: The Statutory Factors*

On appeal, Starbucks challenges two of the District Court's findings: (1) that there is only a minimal degree of similarity between the Starbucks Marks and the Charbucks Marks; and (2) that Starbucks demonstrated only a weak association between the marks. The District Court did not clearly err with regard to either finding.

#### 1. *Degree of Similarity*

In *Starbucks IV* we held that "[w]ith respect to the first factor—the degree of similarity between the marks—the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks." 588 F.3d at 106. We highlighted the difference between the Starbucks Marks and Charbucks Marks when the latter are placed in the context of Black Bear's packaging and the word "Charbucks" is incorporated into the phrases "Charbucks Blend" and "Mister Charbucks." *Id.* "The law of the case ordinarily forecloses relitigation of issues expressly or impliedly decided by the appellate court." *United States v. Quintieri*, 306 F.3d 1217, 1229 (2d Cir. 2002) (quotation marks omitted). Although not binding, the doctrine "counsels a court against revisiting its prior rulings in subsequent stages of the same case absent 'cogent' and 'compelling' reasons such as 'an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.'" *Ali v. Mukasey*, 529 F.3d 478, 490 (2d Cir. 2008) (quoting *United States v. Tenzer*, 213 F.3d 34, 39 (2d Cir. 2000)). Starbucks advances no compelling reason for us to revisit our ruling on the issue of similarity. It urges that the holding in *Starbucks IV* applied only to our "likelihood of confusion" analysis, and that the District Court erred by considering the contexts in which consumers encounter the Charbucks Marks.<sup>[11]</sup> We reject such a crabbed view of the holding and adhere to our prior ruling that the District Court did not clearly err in finding minimal similarity.

#### 2. *Actual Association*

Starbucks next contends that the District Court's finding that actual association "weighs no more than minimally" in Starbucks' favor, *Starbucks V*, 2011 WL 6747431, at \*4, was error for two reasons. First, Starbucks argues, Black Bear's admitted intent to create an association—the fifth statutory factor—raises a "presumption of association," or at least is strong evidence of actual association—the sixth statutory factor. Second, it argues that the District Court improperly discounted the Mitofsky survey evidence, which, in Starbucks' view, proves a high degree of actual association. We reject both arguments.

##### a. *Intent to Create an Association*

As an initial matter, an intent to create an association is a separate factor under the TDRA and does not constitute *per se* evidence that the actual association factor weighs in favor of the owner of the famous mark.<sup>[12]</sup> In support of its argument to the contrary, Starbucks quotes McCarthy's treatise, which states, "If the junior [user] intended to create an association, the law

may assume that it succeeded." McCarthy § 24:119. Starbucks similarly relies on *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (2d Cir. 2000), a dilution case in which we stated that the trier of fact "may well find that the marks are of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior, especially in light of the testimony of [Federal Espresso's founder] that she chose the name Federal Espresso, in part, precisely because it would call to mind Federal Express." *Id.* at 177 (quotation marks omitted).

Both *Federal Espresso* and McCarthy's treatise acknowledge the importance of the intent factor in determining likelihood of dilution. This makes sense, as district courts must evaluate whether a junior mark is "likely to cause" "association arising from the similarity" between the marks "that impairs the distinctiveness of the famous mark," 15 U.S.C. §§ 1125(c)(1), (c)(2)(B), and the intent to associate may bear directly on the likelihood that the junior mark will cause such an association.

That said, "we interpret statutes to give effect, if possible, to every clause and word and to avoid statutory interpretations that render provisions superfluous." *United States v. Al Kassar*, 660 F.3d 108, 124–25 (2d Cir. 2011) (quotation marks omitted). Adopting Starbucks' presumption argument would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations. We therefore conclude that the District Court did not clearly err in finding that Clark's testimony concerning the origin of the Charbucks Marks was not an "admission" of actual association and that his intentions were not definitive proof of an actual association between the marks.

#### b. *Mitofsky Survey*

Nor did the District Court err when it discounted the Mitofsky survey evidence because the survey measured only how respondents reacted to the isolated word "Charbucks," rather than to the Charbucks Marks in context, and because the share of respondents who indicated an association between the marks was "relatively small." *Starbucks V*, 2011 WL 6747431, at \*4. We arrive at this conclusion for two reasons.

First, it coheres with our decision in *Starbucks IV*, in which we discerned no clear error in the District Court's consideration of context—including the addition of "Mister" or "Blend" to "Charbucks" and Black Bear's packaging—in assessing the marks' similarity, as consumers are likely to experience the product only in the context of those full phrases and Black Bear's packaging or website. *Starbucks IV*, 588 F.3d at 106. In our analysis of Starbucks' infringement claim, we similarly determined that the District Court did not clearly err when it found (1) that the survey failed to demonstrate significant actual confusion, "[p]articularly in light of the fact that the survey was administered by telephone and did not present the term 'Charbucks' in the context in which Black Bear used it," *id.* at 117, and (2) that the survey should have examined the effects of "a hypothetical coffee named either 'Mister Charbucks' or 'Charbucks Blend'" on the respondents' impressions of Starbucks coffee as a measure of dilution by tarnishment, *id.* at 110.

Second, our conclusion also comports with our prior precedents and other cases unrelated to Starbucks. In *Playtex Products, Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158 (2d Cir. 2004), a case interpreting the pre-revision FTDA, we held that the results of a consumer survey showing an association between the marks "Moist-Ones" and "Wet Ones" were inadmissible as evidence

of actual dilution because the defendant's product was "presented and packaged" as "*Quilted Northern* Moist-Ones." *Id.* at 168 (emphasis added). District courts within our Circuit have applied the same reasoning in evaluating surveys in the infringement context. *See, e.g., THOIP v. Walt Disney Co.*, 690 F.Supp.2d 218, 235–40 (S.D.N.Y. 2010); *Juicy Couture, Inc. v. L'Oreal USA, Inc.*, No. 04 Civ. 7203, 2006 WL 1012939, at \*25–27 (S.D.N.Y. Apr. 19, 2006); *WE Media, Inc. v. Gen. Elec. Co.*, 218 F.Supp.2d 463, 474 (S.D.N.Y. 2002) ("Germane survey evidence should make some effort to compare the impressions the marks have on potential customers under marketplace conditions."). In the dilution context, the language of the FTDA, which requires a plaintiff to show the defendant's "*use of a mark . . . in commerce* that is likely to cause dilution by blurring . . .," 15 U.S.C. § 1125(c)(1) (emphasis added), clarifies that the way the defendant's mark is used in commerce is central to the dilution inquiry. As in *Playtex*, the District Court was within its rights to conclude that the Mitofsky survey had limited probative value because the defendant's marks were not presented to survey respondents as they are actually "presented and packaged" in commerce.

Citing our decision in *Nabisco*, Starbucks nevertheless argues that consumers are likely to hear and view the term "Charbucks" outside the context of Black Bear's packaging and without the full phrases "Mister Charbucks" and "Charbucks Blend." *Nabisco*, 191 F.3d at 218 (rejecting an argument under the pre-revision FTDA that packaging made two marks dissimilar, because many consumers would see the marks outside of the packaging). But Starbucks presented no record evidence that "Charbucks" is ever read or heard in isolation, <sup>[13]</sup> and in the absence of such evidence, we are not persuaded by the argument. To the contrary, as we noted in *Starbucks IV*, "it is unlikely that 'Charbucks' will appear to consumers outside the context of its normal use," 588 F.3d at 106, and "it was not clearly erroneous for the District Court to find that the 'Mister' prefix or 'Blend' suffix lessened the similarity between the [marks]," *id.* at 107.

Starbucks also challenges the District Court's finding that the association between "Charbucks" and Starbucks was "relatively small." It contends that the Mitofsky survey in fact provided evidence of substantial actual association. We disagree.

It is true that in response to Mitofsky's question most probative of actual association—"What is the FIRST THING that comes to your mind when you hear the name 'Charbucks,' spelled C-H-A-R-B-U-C-K-S?"—30.5 percent of respondents said "Starbucks," and 9 percent said "coffee." Both of these responses suggest an association between "Charbucks" and the Starbucks Marks. In *Jada Toys*, 518 F.3d at 636, for example, the Ninth Circuit held that a survey demonstrated actual association because it showed that 28 percent of respondents thought Jada's product was made by Mattel when asked who they thought produced the item. Here, however, the equivalent question in Mitofsky's survey was: "Can you name any company or store that you think might offer a product called 'Charbucks'?"<sup>[14]</sup> In response to that question concerning source on the Mitofsky survey, however, only 3.1 percent of respondents answered "Starbucks" and 1.3 percent answered "coffee house." These percentages are far below that for the equivalent question in *Jada Toys* and fail to demonstrate anything more than minimal actual association.<sup>[15]</sup> *See Starbucks V*, 2011 WL 6747431, at \*4.

Ultimately, on this factor, we consider only whether the District Court clearly erred when it found that the Mitofsky survey tilts the "actual association" factor "no more than minimally in [Starbucks'] favor." *Id.* Had the Mitofsky survey presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred. But the word "Charbucks" was presented outside of its marketplace context, and Starbucks, which bears the burden of

proof, *see Jada Toys*, 518 F.3d at 634, failed to show that this flaw did not materially impact the survey results. We therefore conclude that the record supports the District Court's decision to discount the survey and consider the actual association factor as weighing only minimally in Starbucks' favor.

#### D. Balancing

We next balance the factors enumerated in § 1125(c)(2)(B), along with any other factors that bear on a likelihood of dilution, *de novo*.<sup>[16]</sup> In balancing these factors, we are again mindful that the test is not an inflexible one, and that the ultimate question is whether the Charbucks Marks are likely to cause an association arising from their similarity to the Starbucks Marks, which impairs the Starbucks Marks' tendency to identify the source of Starbucks products in a unique way.

We have already affirmed the District Court's finding of minimal similarity between the Charbucks Marks and the Starbucks Marks. That finding weighs heavily in Black Bear's favor. Certainly, a plaintiff may show a likelihood of dilution notwithstanding only minimal similarity. But here, minimal similarity strongly suggests a relatively low likelihood of an association diluting the senior mark. The statute itself emphasizes the similarity of marks. *See* § 1125(c)(2)(B) (defining "dilution by blurring" as "association arising from *the similarity* between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark" (emphasis added)). Indeed, in *Starbucks IV*, we stated that "'similarity' is an integral element in the definition of 'blurring'" under the TDRA and suggested that, without *any* similarity, there could be no dilution by blurring. 588 F.3d at 108–09.<sup>[17]</sup>

The next three factors—the degrees of distinctiveness, exclusive use, and recognition—are features of the senior mark itself that do not depend on the use of the junior mark. "[T]he *degree* of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect. . . . [T]he more distinctiveness the mark possesses, the greater the interest to be protected." *Nabisco*, 191 F.3d at 217. There is no question that "Starbucks"—an arbitrary mark as applied to coffee—is highly distinctive. *See id.* at 216. Moreover, because, as the District Court found, the Starbucks Marks are in substantially exclusive use, *see Starbucks V*, 2011 WL 6747431, at \*3, "the mark's distinctiveness is more likely to be impaired by the junior use," 2005 Hearing, at 14 (statement of Anne Gundelfinger). Lastly, as 79 percent of Mitofsky survey respondents were familiar with Starbucks, it is undisputed that Starbucks constitutes a widely recognized mark, and that this factor favors Starbucks.

Although the three factors of distinctiveness, recognition, and exclusivity favor Starbucks and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual association. We agree with the District Court that the distinctiveness, recognition, and exclusive use of the Starbucks Marks do not overcome the weak evidence of actual association between the Charbucks and Starbucks marks. To the contrary, viewed in light of Starbucks' fame, both globally and among the Mitofsky survey participants more particularly, the fact that more survey participants did not think of "Starbucks" upon hearing "Charbucks" reinforces the District Court's finding that the marks are only minimally similar, and therefore unlikely to prompt an association that impairs the Starbucks Marks. Likewise, although the distinctiveness and exclusive use of the Starbucks Marks help Starbucks prove *susceptibility* to dilution by association arising from similarity between the Charbucks and Starbucks marks, they do not

demonstrate that such an association is likely to arise, as Starbucks needed to show to obtain an injunction. Accordingly, these factors weigh only weakly in Starbucks' favor.

In this case, we attribute a moderate amount of significance to the fifth factor, intent to create an association. Clark's testimony indicated that Black Bear was capitalizing on an historic connection between the word "Charbucks" and "Starbucks," which arose out of the so-called "coffee-wars" in Boston, Massachusetts, *see Starbucks IV*, 588 F.3d at 111, and that he "meant to evoke an image of dark-roasted coffee of the type offered by Starbucks," *Starbucks V*, 2011 WL 6747431, at \*5. "[W]here, as here, the allegedly diluting mark was created with an intent to associate with the famous mark," *Starbucks IV*, 588 F.3d at 109, we agree with the District Court that this factor favors a finding of a likelihood of dilution, *see Starbucks V*, 2011 WL 6747431, at \*3, 5.

The final, disputed factor, actual association, is highly relevant to likelihood of association. In the analogous context of determining the "likelihood of confusion" for trademark infringement claims, we have noted that "[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion," even though a showing of actual confusion is not necessary to prevail on such a claim. *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 459 (2d Cir. 2004) (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)). The same principle obtains with respect to proof of actual association in dilution claims. And as noted, the Mitofsky survey demonstrated weak actual association, at best.

Weighing the factors above *de novo*, we agree with the District Court that Starbucks did not demonstrate a likelihood of dilution by blurring. Ultimately what tips the balance in this case is that Starbucks bore the burden of showing that it was entitled to injunctive relief on this record. Because Starbucks' principal evidence of association, the Mitofsky survey, was fundamentally flawed, and because there was minimal similarity between the marks at issue, we agree with the District Court that Starbucks failed to show that Black Bear's use of its Charbucks Marks in commerce is likely to dilute the Starbucks Marks.

## CONCLUSION

We have considered all of Starbucks' contentions on this appeal and have concluded that they are without merit. For the foregoing reasons, we AFFIRM the judgment of the District Court.

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Notes:

[1] The following factual recitation reflects the parties' presentation to the District Court.

[2] Three weeks after oral argument before this Court, Black Bear moved for leave to file a supplemental statement concerning injunctive relief. The statement represented that Black Bear's counsel had learned that Starbucks had permitted another coffee roaster to market a "Charbucks" coffee. Black Bear noted that this new information would bear on whether injunctive relief should be granted, were we to reverse the District Court. Starbucks opposed the motion, stating that the letter indicating that Starbucks would permit the other roaster to market Charbucks coffee was sent in error and that, after Black Bear filed its motion, Starbucks had sent a cease and desist letter to the other roaster. Because we affirm the judgment of the District Court, we deny Black Bear's motion for leave to file as moot and accept the stipulated fact that Starbucks polices its marks.



[3] Starbucks also asserted claims of trademark infringement in violation of 15 U.S.C. § 1114(1); unfair competition in violation of 15 U.S.C. § 1125(a); trademark dilution in violation of New York General Business Law § 360-l; deceptive acts and business practices and false advertising in violation of New York General Business Law §§ 349, 350; and unfair competition in violation of New York common law. All of these claims were dismissed during the course of this suit and are not the subject of this appeal.

[4] The Coffee Connection apparently no longer exists as an independent company. *See Starbucks Plans to Acquire Coffee Connection*, New York Times (March 16, 1994), available at <http://www.nytimes.com/1994/03/16/business/company-news-starbucks-plans-to-acquire-coffee-connection.html>.

[5] Other common responses included "barbeque" or "charcoal" (7.9 percent); "restaurant" or "grill" (7.5 percent); "meat," "steak," or "hamburger" (4.6 percent); and "money" (3.9 percent).

[6] More popular responses to this second question included: "grocery store" (18.3 percent); "discount store" (16.9 percent); "restaurant" (7.0 percent); "department store" (4.8 percent); and "hardware store" or "home improvement store" (3.7 percent).

[7] At the time, federal law provided: "The owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution of the distinctive quality of the mark . . .*" 15 U.S.C. § 1125(c)(1) (1999) (amended 2006) (emphasis added).

[8] For convenience, we repeat those factors here: (ii) the distinctiveness of the Starbucks Marks; (iii) the exclusivity of Starbucks' use of its marks; (iv) the high degree of recognition of the Starbucks Marks; and (v) Black Bear's intent to associate the Charbucks Marks with the Starbucks Marks.

[9] The legislative history of a failed earlier version of the FTDA strongly suggests that the law was "specifically intended" to come into play "where the unauthorized use by others, on dissimilar products for which the trademark is not registered, dilutes the distinctiveness of [a] famous work." Sen. Judiciary Comm. Rep. on S. 1883, S. Rep. No. 100-515, at 7 (citing examples of Kodak pianos and Buick aspirin); *see* McCarthy § 24:96 ("[T]o the extent that the language is the same," the Senate Judiciary Report of 1988 "provide[s] useful legislative history for interpreting the [FTDA] as well as parts of its successor, the [TDRA]").

[10] We employ the same standard here that we use in the context of trademark infringement, where a district court evaluates and then balances the eight factors set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), to determine whether there is a likelihood of confusion. *See, e.g., Star Indus. v. Bacardi & Co.*, 412 F.3d 373, 384 (2d Cir. 2005). The statutory factors enumerated in § 1125(c)(2)(B) are similar in kind to the *Polaroid* factors. For example, both lists include the "similarity between" the two marks; "strength" of the mark in *Polaroid* is akin to "distinctiveness" in § 1125; and "actual confusion" in *Polaroid* mirrors "actual association" in § 1125. *See Polaroid*, 287 F.2d at 495.

[11] At oral argument, Starbucks' counsel conceded that our earlier decision on minimal similarity is the law of the case. Oral Arg. Tr. 10:15-19.

[12] Black Bear contends that this argument was waived below. We disagree. Starbucks sufficiently preserved the argument. *See* Joint App'x 1621-22 (Starbucks' Opening Brief on Second Remand) ("[W]here, as here, there has been a judicial determination of an intent to associate, the logical conclusion is that defendant's intended result was achieved (e.g., that 'actual association' has occurred).").

[13] Although the name "Mr. Charbucks" is presented in plain text on at least one page of Black Bear's website, all other record uses of the Charbucks Marks situate them in Black Bear's distinct color scheme, font, and layout.

[14] Both that question and the question discussed in *Jada Toys* test not merely *association* but also *source confusion*. Source confusion may be probative of association, because to confuse Charbucks with Starbucks, the word "Charbucks" must call "Starbucks" to mind. *See Nabisco*, 191 F.3d at 221 ("Confusion lessens distinction.").

[15] Although some other respondents gave answers consistent with an association with Starbucks—18.3 percent answered "grocery store, " 16.9 percent answered "discount store, " 7 percent answered "restaurant, " and 4.8 percent answered "department store"—these responses are also consistent with other views of what "Charbucks" could be, including meat or a charcoal grilling product, as 38.5 percent of respondents suggested.

[16] *See supra*, Part B (discussing the applicable standard of review). At oral argument, both parties conceded that we may conduct this balancing ourselves. *See* Oral Arg. Tr. 4:21-23 (Starbucks); Oral Arg. Tr. 14:19-22 (Black Bear).

[17] Of course, in *Starbucks IV*, we rejected a *per se* or threshold requirement of "substantial similarity" between the marks at issue in federal dilution actions. 588 F.3d at 108–09. In doing so, however, we did not suggest that a finding of *minimal* similarity could not be highly probative of the likelihood of dilution.

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