ADDITIONAL DEVELOPMENTS—TRADEMARK

AMERICA ONLINE, INC. V. AT & T CORPORATION

243 F.3d 812 (Fed. Cir. 2001)

The key issue in this case was whether a certificate of registration from the United States Patent and Trademark Office ("PTO") indicates that a descriptive mark has secondary meaning. The Federal Circuit ruled that a PTO certificate was not entitled to deference, but that it served as powerful evidence that the mark was not generic in the eyes of the public and, if the mark was descriptive, that there was secondary meaning.

American Online, Inc. ("AOL") brought suit against AT & T Corp. ("AT&T"), alleging infringement of three trademarks in connection with its Internet service—"Buddy List," "You Have Mail," and "IM." Since 1997, AOL had used and extensively promoted "Buddy List" and "IM" to describe features of its Internet real-time communication ("chat") service. Since 1992, AOL had used the phrase "You Have Mail" to notify its subscribers that they had received new e-mail. AOL also obtained a certificate of registration with respect to "Buddy List" from the PTO.

The dispute centered on whether the mark "Buddy List" was generic. AOL claimed that the certificate of registration was *prima facie* evidence that the mark was at least descriptive with secondary meaning. AT&T, on the other hand, claimed that this was not sufficient proof that the mark was generic, and that there was therefore no infringement. The district court found that "the only reasonable conclusion which could be drawn from the evidence points to generic usage" and entered summary judgment in favor of AT&T with respect to each mark, concluding that the alleged marks were generic and AOL could not enforce them as trademarks.

In a split decision, the Federal Circuit affirmed the district court's ruling with regard to the terms "IM" and "You Have Mail," but vacated the district court's grant of summary judgment with respect to the term "Buddy List." The court rejected AOL's argument that the certificate of registration for "Buddy List" should be accorded deference under *Chevron v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). The court reasoned that *Chevron* only instructed a court to defer to the reasonable interpretations of expert agencies to fill the gaps in the statutes they administer when the statutory language is silent or ambiguous with respect to the question at issue, but did not direct a court to defer to an adjudication of the PTO. The court noted that Congress expressly vested the power to "determine the right to registration" in federal courts and made clear that the PTO's decisions regarding registrations fall under the supervision of federal courts. 15 U.S.C. § 1119. Moreover, the court noted that Congress plainly stated that a certificate of registration, while it must be received into evidence, only serves as "prima facie evidence of the validity of the registered mark." 15 U.S.C. §§ 1057(b), 1115(a).

Although not entitled to deference, the court found that a certificate of registration from the PTO constituted powerful evidence that the mark was not generic in the eyes of the relevant public, and that the mark was not merely descriptive, but also suggestive of a secondary meaning. Accordingly, the court found that the prima facie evidence provided by the certificate in the instant case was sufficient to establish a question of material fact which could not be resolved on summary judgment.

CHATAM INTERNATIONAL, INC. V. BODUM, INC.

157 F. Supp. 2d 549 (E.D. Penn. 2001)

In this case, the Eastern District Court of Pennsylvania decided how to resolve claims of trademark infringement, trademark dilution, and the violation of the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125, between two legitimate owners of an identical mark, where one party uses the mark in the traditional sense and the other uses it as a domain name to sell the same product. The court granted the defendant's motion for summary judgment on all claims and dismissed this action.

Plaintiff had used the trademark "Chambord" for fruit, preserves, chocolates, and cakes since October 31, 1975, and registered the mark "Chambord Liqueur Royale" for liquer on February 8, 1977. The trademark certificate for "Chambord Liqueur Royale" states that it "expressly asserted no claim" to the individual word "Chambord." However, in 1984, it registered the mark "Chambord" for liqueur and for milk chocolate and, in 1986 and 1988, for fruit preserves and cake. Defendant registered the mark "Cafetiere Chambord" for non-electric coffee makers on May 17, 1983, noting that commercial use had first occurred on September 8, 1980. In a previous consent decree arising out of a dispute between the two parties, the defendant was prohibited from using the mark "Chambord" for the sale of coffee, but was granted the right to continue to use the mark in connection with its sales of coffee makers. In 1996, the defendant's affiliate registered the domain name www.chambord.com, and used the name for a website that advertised defendant's coffee and tea markers. Plaintiff brought suit against the defendant, alleging violation of the ACPA, trademark infringement, and trademark dilution.

The court held that the defendant did not register the domain name in bad faith. The defendant's act fit into the ACPA's safe harbor provision, which states that "[b]ad faith intent . . . shall not be found in any case in which the court determines that the [registrant] believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." 15 U.S.C. § 1125 (d)(1)(B)(ii). The defendant reasonably believed that its use was lawful because it was limited to coffee and tea makers, and was thus consistent with the consent decree. The court noted that "the Act leaves open the present combination of circumstances—in which both parties can invoke legitimate grounds for the registration of the same domain name for their respective products."

The court focused on the initial interest confusion doctrine in deciding the trademark infringement claim. Because the parties were not competitors, and the goods and services were dissimilar, the court decided that the plaintiff would not be harmed by any initial interest confusion. The court found that "a consumer attempting to access an upscale liqueur product is unlikely to be dissuaded, or unnerved, by the sight of coffee markers and other housewares, having first brought up the coffee maker's screen." Thus, there was no likelihood of confusion that would make the defendant liable for trademark infringement.

With respect to the dilution claim, the court focused on one of the statutory elements of the Federal Trademark Dilution Act ("FTDA"), which requires that the defendant's use of the mark occur after the mark becomes famous. The plaintiff claimed that the registration and use of the domain name www.chambord.com constituted a new and different use that arose after plaintiff's mark purportedly became famous. The court disagreed, however, noting that the Internet was merely a new avenue of communication, not a new commercial use. Because plaintiff's mark "Chambord" did not become famous until after defendant's first use of the mark, plaintiff could not prevail in its dilution action.

COOPER INDUS., INC. V. LEATHERMAN TOOL GROUP, INC.

532 U.S. 424 (2001)

The Supreme Court ruled on the standard of review applied to a district court's holding in determining the constitutionality of punitive damages award.

Leatherman Tool Group, Inc. developed a multi-function pocket tool that improved on the "Swiss army knife" design. Leatherman's tool, the Pocket Survival Tool ("PST") enjoyed significant market success. In 1995, Cooper Industries Inc. decided to develop a multifunction tool that would compete with the PST. Cooper's tool, the ToolZall, was substantially similar to the PST. Cooper prepared promotional material for the ToolZall to present at a hardware show in 1996. Cooper did not yet have a prototype of the ToolZall, and instead created a prototype by making modifications to a Leatherman PST. Cooper also prepared advertisements by retouching photographs of the PST. Leatherman filed suit alleging trade-dress infringement, unfair competition and false advertising. The district court issued a preliminary injunction to prohibit Cooper from marketing the ToolZall. At trial, a jury found that despite trade-dress infringement, Leatherman incurred no damages from this alleged wrong. The jury held Cooper guilty of false advertising and unfair competition, and awarded $50,000 in compensatory damages. The jury then awarded Leatherman $4.5 million in punitive damages based on its determination that Cooper had acted with outrageous indifference to Leatherman's rights. The Ninth Circuit set aside the district court's preliminary injunction, holding that the PST was not protectable under trademark law because the copied features were functional. With regard to punitive damages, the Ninth Circuit held that the district court did not abuse its discretion in finding that Cooper's due process rights were not violated.

Cooper appealed. The Supreme Court vacated the judgment, holding that courts of appeal should apply a de novo standard when reviewing district courts' determination of the constitutionality of punitive damage awards. The Court reasoned that punitive damages are private fines levied by juries to punish reprehensible conduct, and the role of the trial judge is to determine whether the verdict is within the confines of state law. If no constitutional issue is raised, the appellate court should review the trial court under the abuse-of-discretion standard. Nevertheless, a defendant's Constitutional rights are violated when a punishment is grossly disproportionate to the gravity of the defendant's offenses. The Fourteenth Amendment makes the Eighth Amendment's prohibition against excessive punishments applicable to the states. The Court held that gross excessiveness should be subject to de novo review for three reasons: (1) it is a fluid concept that requires a context-specific assessment; (2) independent review is necessary to control and clarify legal principles; and (3) de novo review stabilizes the law.

The Court further reasoned that because punitive damages are not determined by a jury, courts should evaluate them in view of the three criteria established in *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996). These three criteria are: (1) the reprehensibility of defendant's conduct, (2) the disparity between harm suffered and punitive damages, and (3) the difference between punitive damages awarded and the civil penalties of comparable cases. The Court noted that only the first *Gore* criterion has an element of factual determination; the second and third criteria are appropriate subjects of appellate review.

GUCCI AMERICA, INC. V. HALL & ASSOCIATES

135 F. Supp. 2d 409 (S.D.N.Y. 2001)

The United States District Court for the Southern District of New York ruled on the issue of whether Internet Service Providers ("ISPs") can be held liable for trademark infringement arising out of information posted on their website by a third party user of the Internet service. The court held that neither the First Amendment nor the Communication Decency Act of 1996 barred the plaintiff's action.

Defendant Mindspring Enterprises, Inc. ("Mindspring") provided web page hosting services to codefendant Hall & Associates and Denise Hall ("Hall"), which allegedly used the website to advertise jewelry bearing (and infringing) the Gucci trademark. Mindspring was aware of Hall's infringement, but failed to remove the infringing website. Gucci America, Inc. sued Mindspring for direct and contributory trademark infringement. Mindspring moved to dismiss the claims on two grounds: (1) that section 230 of the Communication Decency Act of 1996 immunized Mindspring from liability for information posted on Hall's website; and (2) that the plaintiff's theory of trademark infringement was barred by the First Amendment.

In denying Mindspring's motion to dismiss, the court rejected Mindspring's argument that it was immune from liability because section 230(c)(1) states that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." The court held that section 230(e)(2) of the statute unambiguously constrained the court to construe the section in a manner that would neither "limit [n]or expand any law pertaining to intellectual property." Thus, the plain language of statute precluded Mindspring's claim of immunity. The court distinguished the present case from previous cases that successfully invoked section 230(c)(1) as a defense against defamation and other common-law tort claims, because none of the prior cases involved intellectual property rights.

The court also rejected Mindspring's First Amendment argument that accepting Gucci's claims would subject Mindspring to "strict liability" if it did not summarily restrict online speech, thereby creating a "trademark plaintiff's veto." The court held that the First Amendment did not bar Gucci's claims of trademark infringement, because the challenged speech was "allegedly infringing commercial speech used to identify the source of a product." Furthermore, the Lanham Act's "innocent infringer defense" in 15 U.S.C. §1142(2), which required a trademark plaintiff show "actual malice" to recover damages, and the requirement that Gucci demonstrate "knowledge" under the contributory infringement doctrine, adequately protected the constitutional rights of parties like Mindspring.

TCPIP HOLDING CO. V. HARR COMMUNICATION INC.

244 F.3d 88 (2d Cir. 2001)

The Second Circuit Court of Appeals ruled on the issue of whether descriptive marks were protected under the Federal Trademark Dilution Act ("FTDA"). Only marks that are both famous and inherently distinctive are protected by the FTDA; descriptive marks which have acquired secondary meaning are not entitled to protection because they are not inherently distinctive.

TCPIP Holding Company, Inc. ("TCPIP") operates a chain of stores selling children's clothes and accessories under the registered trademark "The Children's Place" in the United States. The more than 200 chain stores enjoy annual revenues of almost $300 million and have become somewhat famous in eastern states. In the fall of 1998, defendant developed the idea of creating a webpage which would provide information and links about a broad range of child-related products and services. The defendant subsequently registered the domain name www.thechildrensplace.com, and sixty-six other domain names containing variations of the words "children" and "place." The plaintiff brought trademark dilution and infringement claims against the defendant, and filed a motion for preliminary injunction. The district court found that defendant's domain names were likely to infringe and dilute plaintiff's trademark, and preliminarily enjoined defendant from using all sixty-seven domain names.

On appeal, the Second Circuit performed a detailed statutory analysis, concluding that the Act had a dual requirement of famousness and inherent distinctiveness. It vacated the injunction based on the FTDA dilution claim. The court held that "The Children's Place" designating stores selling children's merchandise, was highly descriptive. Such descriptive marks, "which possessed no distinctive quality, or at best a minimal degree, do not qualify for the Act's protection." The court reasoned the requirement that the mark be significantly distinctive was consistent with the statutory language and policies rooted in trademark law that has always disfavored descriptive marks. Furthermore, because the FTDA granted the trademark owners a greater scope of exclusivity than traditional trademark law, it mandated that the Act accord "its special, broad protection only to marks that have significant degree of distinctiveness." The court further held that even assuming that plaintiff's mark has acquired secondary meaning, it would still not qualify for dilution, because it was not "inherently distinctive." As to whether plaintiff's mark was "famous," the Second Circuit interpreted the FTDA as conferring protection on marks "only if they carried a substantial degree of fame," and found that the plaintiff failed to establish such fame. The court held that plaintiff's mark failed to satisfy the dual requirement of the FTDA, and did not qualify for the Act's protection.

The court sustained the injunction for at least nine of the domain names based on the trademark infringement claim. The court reasoned that the domain names "so closely resemble the plaintiff's mark as to give rise to a high likelihood of confusion." The court instructed the district court on remand to review all the other domain names with regard to the trademark infringement issue. Finally, the court rejected defendant's argument that its actions constituted fair use. It held that the fair use provision only applied where the name was used descriptively "other than as a mark." The defendant's use of the domain name as the "address, or name, of its website" was not a descriptive use.