

ADDITIONAL DEVELOPMENTS— TRADEMARK

CENTURY 21 REAL ESTATE CORP. v. LENDINGTREE, INC. 425 F.3d 211 (3rd Cir. 2005)

The United States Court of Appeal for the Third Circuit adopted a two-step approach in nominative fair use cases: (1) a plaintiff must first prove that confusion is likely; and (2) the defendant then has the burden to show that its nominative use is fair. Whether a use is fair under this second step depends upon a three-pronged test under which defendant must show: (a) the use of the mark is necessary to describe both the plaintiff's and defendant's product or service; (b) the defendant uses only so much of the mark as is necessary to describe the plaintiff's product; and (c) the defendant's conduct or language reflects the true and accurate relationship between the plaintiff and the defendant's products or services. In so doing, the Third Circuit expressly rejected the Ninth Circuit's nominative fair use test, because it did not require proof of confusion.

Century 21, Coldwell Banker, and ERA Franchise Systems ("CCE") alleged that LendingTree, Inc., which provides brokerage search and referral services, improperly referenced CCE's trademarked services. LendingTree used CCE's marks in print marketing materials and on its homepage, indicating that LendingTree's service covered "the nation's leading franchises, such as Coldwell Banker, Century 21 . . . and ERA," and was "affiliated with" brokers including CCE. After oral argument in the United States District Court for the District of New Jersey, LendingTree voluntarily modified its site and added some disclaimers, but the district court granted CCE a preliminary injunction, finding that LendingTree's use—even its modified use—was likely to cause confusion. LendingTree appealed.

Disagreeing with the Ninth Circuit, the Third Circuit found the difference between classic and nominative fair use insufficient to justify ignoring likelihood of confusion. Building on the Supreme Court's determination in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) that the burden to show likelihood of confusion lies with plaintiff in classic fair use cases, the Third Circuit found that the plaintiff must bear burden of showing likelihood of confusion even when a defendant alleges nominative fair use.

The Third Circuit remanded the case stating that if CCE could meet its burden of showing likelihood of confusion, the burden would then shift to LendingTree to prove fair use, which would require the district court to examine LendingTree's onsite disclaimer of any relationship with the realtors in its referral network, the relationship between LendingTree and CCE, and whether LendingTree could have efficiently referred to CCE's services without using the CCE's marks.

Dissenting from the reasoning of the majority, Judge Fischer found the majority's two-step approach impermissible and "unfair" because it shifted the burden on defendants to negate confusion.

***BRETTFORD MANUFACTURING, INC. V.
SMITH SYSTEM MANUFACTURING CORP.***

419 F.3d 576 (7th Cir. 2005)

The United States Court of Appeal for the Seventh Circuit ruled that failure to indicate the use of a competitor's components in a product design does not constitute reverse passing off.

Bretford Manufacturing, Inc. ("Bretford") designed and sold computer tables with a unique V-shaped height-adjustment system. Smith System Manufacturing Corporation ("Smith System") decided to use the same design for its own tables. Before accepting its first order, Smith System subcontracted to have the leg assemblies built by a metal fabricator. However, when the initial assemblies were unsatisfactory, Smith System was without any stock to use as a sales sample and instead attached a Bretford brand leg assembly to its own product. Unlike the sample, all delivered units included leg assemblies manufactured by Smith System.

Bretford filed suit in United States District Court for the Northern District of Illinois, alleging that Smith System had infringed its trade dress and had engaged in reverse passing off. The district court found that V-shaped legs did not signal Bretford as a source. With no customer surveys or other evidence of actual confusion, the district court held for Smith System on both claims.

The court defining reverse passing off or misappropriation as selling someone else's goods under your own mark, and noted that under *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003) reverse passing off can violate the Lanham Act if a misdescription of goods' origin causes commercial injury. Citing the Supreme Court's definition of "origin" in *Dastar* as "the producer of the tangible product sold in the marketplace," Judge Easterbrook noted that as far as the customer was concerned, the table's "origin" was Smith System, no matter who made any component or subassembly, and thus there was no reverse passing off.

STENZEL V. PIFER

*2006 U.S. Dist. Lexis 32397, reb'g granted,
2006 U.S. Dist. Lexis 54812 (D. Wash. 2006)*

The United States District Court for the Western District of Washington held that a decision arising from arbitration under the Uniform Domain-Name Dispute Resolution Policy (“UDRP”) was not entitled to deference in court and that registering a domain-name does not constitute a “use in commerce” for purposes of trademark infringement claims under 15 U.S.C. § 1125(a).

Gary L. Pifer filed an application for a trademark of the name “Colchester” on May 20, 2005, which listed the first date of use as February 4, 2005. Marcel Stenzel registered the domain-name “Colchester.com” in 1999, but had not developed the website at any time since then. On October 27, 2005, Pifer submitted a complaint to the National Arbitration Forum alleging Stenzel had registered “colcehster.com” in bad faith and sought an involuntary transfer of the domain-name to himself. The arbitrator concluded Stenzel had been harboring the name in bad faith and ordered its transfer. In federal court, Stenzel sought a declaration that his registration and continued ownership of the domain-name were: (1) not in violation of the Anticybersquatting Consumer Protection Act (“ACPA”) and (2) not infringing Pifer’s trademark.

Stenzel alleged that Pifer’s ACPA claim was barred as a matter of law because the mark was not “distinctive” or “famous” at the time Stenzel registered the domain-name. Stenzel also alleged that Pifer admitted he had no rights to “Colchester” at the time Stenzel registered “colchester.com” and thus the mark could not have been “distinctive” or “famous.” Pifer moved to dismiss Stenzel’s ACPA the court was required to give deference to the UDRP ruling. The court, following the Second, Third, and Fourth Circuits, held that decisions under the UDRP were not entitled to deference.

Stenzel also argued that his use was non-infringing because (1) “Colchester” is not entitled to protection because it is a geographic location, and (2) Stenzel had not used the mark in commerce. Setting aside the secondary meaning question, the court ruled that Stenzel had made no “use” of the mark under the Lanham Act because “mere registration of a domain-name, without more, is not ‘commercial use’ of the trademark.” Pifer argued this was irrelevant because the Arbitration Panel’s decision would be unaffected. The court found, however, that Stenzel’s trademark infringement declaratory judgment claim was distinct from the ACPA claim and granted Stenzel’s declaratory judgment.

Stenzel sought reconsideration of the court’s refusal to dismiss the ACPA claim. During the second hearing, Stenzel cited sections of the Lanham Act which stated that a trademark cannot be “distinctive or famous” absent use, and that Pifer admitted its use did not begin until 2005, six years after registration of “Colchester.com.” The court granted Stenzel’s motion for reconsideration and ruled that Stenzel was entitled to a declaration that he did not violate Pifer’s rights under the “distinctive or famous” element of an ACPA claim.

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