

Source: Patent, Trademark & Copyright Journal: News Archive > 2015 > 01/23/2015, Special Report > Trademarks > Trademarks: SCOTUS Rulings, Irreparable Harm Standard, 'Redskins' Case Are Top 2015 TM Issues

89 PTCJ S-12
Trademarks
SCOTUS Rulings, Irreparable Harm Standard, 'Redskins' Case Are Top 2015 TM Issues


By Tamlin H. Bason

Jan. 29 — With two Trademark cases on its docket this term—one argued and one decided—it's an issue that the Supreme Court declined to review in 2014 that really has a number of trademark practitioners anxious.

Specifically, most circuit courts that have considered the issue since the Supreme Court's *eBay* ruling have determined that trademark owners, like patent owners, should not be entitled to a presumption of harm even if they have established a likelihood of success on the merits in their infringement case.

Practitioners argue that the evidentiary hurdle of showing irreparable harm in trademark infringement cases is so high—and vague—that it makes preliminary injunctions nearly impossible to attain. Many would like the Supreme Court to weigh in on the issue and clarify that *eBay* is inapplicable in the trademark context.

A case in a federal district court in Virginia is another one that stakeholders are watching this year. Nobody believes that the district court's resolution of the issue—whether six “Redskins” registrations should be cancelled—will be the end of the litigation, but what evidence is introduced, and what standard is ultimately applied, will be of critical importance when the ruling is ultimately appealed to the U.S. Court of Appeals for the Fourth Circuit (and perhaps beyond).

Developments outside of the courtroom could also shape trademark practice in the coming year, although perhaps not significantly. Unlike other forms of intellectual property that are demanding, and receiving, congressional attention, trademark issues are simply not receiving much attention on Capitol Hill. However, the administration's efforts to ease tensions with Cuba could eventually impact U.S. brand owners.

COURTS

The U.S. Supreme Court heard oral arguments in trademark cases on two consecutive days the first week of December, contemplating the preclusive effect of Trademark Trial and Appeal Board rulings on later district court actions on Dec. 2—*B&B Hardware, Inc. v. Hargis Indus., Inc.*, No. 13-352, (U.S., argued Dec. 2, 2014) (89 PTCJ 313, 12/5/14)—and considering whether tacking is a question of law or fact on Dec. 3—*Hana Fin., Inc. v. Hana Bank*, No. 13-1211, (U.S., decided, Jan. 21, 2014).

The ultimate issues—preclusion and tacking—were relatively narrow, but prior to the oral arguments practitioners told Bloomberg BNA that the cases were nonetheless the high court's most significant foray into substantive trademark law in years (89 PTCJ 315, 12/5/14).

Balanced Outcome Expected in *B&B Hardware*.

“The Supreme Court's decision in *B&B Hardware* has the potential to make TTAB proceedings much more

Trademarks 2015

Although narrow in scope, a recently decide Supreme Court trademark case, and another that is still pending before the high court, could impact practitioners in 2015, albeit not as much as an issue that the court declined to review last year: presumption of harm in bids for preliminary injunctions.

Outside of the Supreme Court arena, the now famous “Redskins” case may leave a lasting mark on 2015, along with issues such as attorneys' fees and the registration of popular words and phrases like “Linsanity” and “Johnny Football.”

expensive and burdensome," David H. Bernstein of Debevoise & Plimpton LLP, New York, told Bloomberg BNA.

"The Supreme Court's decision in *B&B Hardware* has the potential to make TTAB proceedings much more expensive and burdensome."

—David H. Bernstein, Debevoise & Plimpton LLP

Most of the attorneys that Bloomberg BNA spoke with shared Bernstein's concerns.

"I would be very disappointed, and think it would be the wrong decision to make, if you were going to give full preclusive effect to the TTAB," Peter J. Toren of Weisbrod Matteis & Copley PLLC, Washington, said.

Toren, however, said TTAB rulings could "perhaps be given some weight." Based on the tone of the oral argument, many feel it is inevitable that court will do just that.

"[Chief Justice John] Roberts seemed to take a middle-of-the-road approach during oral argument, and I hope that is the way the court rules," Joanne Ludovici of McDermott Will & Emery LLP, Washington, told Bloomberg BNA. She was referencing the following question that Roberts asked during the argument:

[W]hy isn't it enough to say that as a general matter, the TTAB proceedings are preclusive. But if you are showing a difference in use or a more specialized use or something other than what the TTAB would have been looking at, then preclusion doesn't apply?

"We can't have zero preclusion, but we can't have total preclusion either," Ludovici said.

B&B Not Just for 'Sophisticated, Crafty Practitioners.'

"I think they are going to find that there are circumstances in which some preclusion is appropriate," Douglas Masters of Loeb & Loeb LLP, Chicago, told Bloomberg BNA. "What that may do, for sophisticated and crafty practitioners, is influence the way they proceed in the Trademark Office."

Specifically, Masters said an applicant may be able to set up or avoid preclusion in later proceedings based on the way the issue is set up at the PTO. "You might be able to influence what is at issue in an opposition based on what you put into your trademark application or by how you frame your trademark application," he said.

If TTAB opposition proceedings become more frequent and more costly, then smaller businesses will suffer more, Masters said. "They are going to be able to afford less easily either the shift to civil litigation or more aggressive TTAB proceedings."

Bernstein, too, worried about the costs.

"If the court finds that TTAB rulings can be preclusive in subsequent litigation, parties will have no choice but to seek far more burdensome discovery in TTAB opposition and cancellation actions, and will pressure the TTAB to start to consider marketplace realities rather than relying merely on the face of the registrations and applications at issue," he said.

OUTLOOK. The Supreme Court is likely to hold that TTAB rulings are entitled to some deference in subsequent infringement actions where the issues are substantially the same in both proceedings.

Tacking is Going to the Jury; Will Confusion Too?

In the Supreme Court's Jan. 21 ruling in *Hana Financial, Inc. v. Hana Bank*, No. 13-1211 (*decided* Jan. 21, 2015), the court made short work of the petitioner's argument that tacking is a question of law to be resolved by the judge.

"Application of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury," Justice Sonia Sotomayor's unanimous opinion said. "Indeed, we have long recognized across a variety of doctrinal contexts that, when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer."

During the December argument, it was noted that there is a circuit split on likelihood of confusion that mirrors the circuit split on tacking, with a minority of circuits holding that both are to be resolved by a judge (89 PTCJ 311, 12/5/14).

Indeed, in addition to calling likelihood of confusion “the elephant in the room,” Justice Anthony M. Kennedy also asked: “When we write this opinion, will we have to have in the back of our minds: What effect it will have on the likelihood of confusion issue?”

But the court's brief opinion ultimately made no direct mention of confusion at all. However, like tacking, likelihood of confusion turns on a consumer's understanding of the commercial impression of the marks in suit, and so the court's above statement could—and in all likelihood will—be interpreted by some lower courts as applying to both doctrines.

“Even though the court did not directly deal with what Justice Kennedy at oral argument called the ‘elephant in the room,’ I think this decision can certainly be read as the court dipping its toe in the water on the likelihood of confusion issue,” Anthony J. Dreyer of Skadden, Arps, Slate, Meagher & Flom LLP, New York, told Bloomberg BNA.

OUTLOOK. The Supreme Court's reasoning with respect to tacking being a question of fact will be championed by parties objecting to the confusion issue being treated as a question of law in a minority of circuits.

Practitioners: Bring Back Presumption of Harm

It was the issue that the Supreme Court declined to grant cert. on in 2014 that may be more important than either of the two trademark issues that it did review.

“The litigation issue that is most interesting—and of greatest impact not only to trademark practitioners but also to brand owners and companies in general—is what is happening with presumption of harm,” Peter M. Brody of Ropes & Gray LLP, Washington, told Bloomberg BNA.

“If the presumption falls in trademark cases then it is also going to fall, and with a bigger thud, in false advertising cases.”

***—Peter M. Brody, Ropes & Gray
LLP***

The question presented in *Herb Reed Entm't, LLC v. Florida Entm't Mgmt., Inc.*, No. 13-1271 (U.S. review denied Oct. 6, 20/14) (88 PTCJ 1481, 10/10/14), was “whether the Ninth Circuit erred in concluding *eBay* means that a district court may not base a finding of irreparable injury on the same evidence used to show likely infringement, such as customer confusion and

impairment of control or goodwill.”

eBay Inc v. MercExchange, LLC, 547 U.S. 388, 78 U.S.P.Q.2d 1577 (2006) (72 PTCJ 50, 5/19/06), which required lower courts to apply all four equitable factors and not presume harm before issuing a preliminary injunction in a patent infringement case, has been extended to bids for injunctions in copyright and trademark infringement cases, although not without controversy. Trademark practitioners, in particular, are pushing back hard against the erosion of the presumption of harm.

“The difficulty of proving irreparable harm continues to plague practitioners in Lanham Act cases,” Bernstein said. “Hopefully, 2015 will be the year when the Supreme Court will be given the opportunity to clarify that *eBay v. MercExchange* was never meant to invalidate the traditional evidentiary presumption of irreparable harm that applies when a likelihood of success on the merits is proven in Lanham Act trademark and false advertising cases.”

But, even if the issue does get to the Supreme Court—and Brody and Masters both said it was beginning to look doubtful given that most circuit courts that have considered the issue have rejected the presumption—practitioners may not be pleased with the end result.

“If you are reading tea leaves, then you probably would expect the Supreme Court [if it granted cert. on a case raising the issue] to go the way it went in *eBay*,” Brody said. “Although I personally believe there is a good argument for distinguishing trademark law, and the type of harm that you encounter in a trademark infringement cases, from patent infringement harm.”

The heart of the problem, Brody said, is that if the presumption of harm is done away with in trademark infringement cases, “Then how do you prove irreparable harm?”

“It is very difficult to contemplate what are the elements of proof of irreparable harm if it is not likelihood of confusion,” Brody said. He added:

The courts that have looked at this and that have discarded the presumption so far have, I think, given superficial analysis to the problem. Courts are really going to

have to articulate that burden of proof in a much more meaningful way to give trademark owners a chance to try to establish it.

Moreover, Brody noted that if the presumption is rejected in trademark infringement cases then it will likely also be jettisoned in false advertising cases, which are also litigated under the Lanham Act. That matters, he said, because trademark cases “tend to get resolved fairly quickly,” but “false advertising cases are often hard fought, last a long time, and you tend to have two colossal companies doing protracted battle,” he said.

“If the presumption falls in trademark cases then it is also going to fall, and with a bigger thud, in false advertising cases,” Brody said.

OUTLOOK. The trademark bar is committed to getting the Supreme Court's attention on whether, in a bid for a preliminary injunction, harm can be presumed if likelihood of confusion has been established.

While most of the circuit courts are coalescing around the notion that *eBay* prohibits the presumption in all intellectual property cases, a December ruling by the Third Circuit suggests that a crack may be forming through which to drive a petition.

“Ultimately, [the ‘Redskins’ case] is headed for the Fourth Circuit because whatever the district court’s decision is, I am sure it will be appealed.”

**—Peter J. Toren, Weisbrod
Matteis & Copley PLLC**

Groupe SEB USA, Inc. v. Euro-Pro Operating LLC, 2014 BL 355062 (3d Cir. Dec. 17, 2014) (89 PTCJ 556, 1/2/15), held that *eBay* does not necessarily mean that irreparable harm cannot be inferred in Lanham Act cases so long as a plaintiff has clearly demonstrated that its goodwill and reputation are being damaged.

If Supreme Court review is denied on the issue, or if the court grants review and confirms that there is no presumption of harm in trademark cases, then the trademark community may seek congressional intervention.

Section 2(a) Under Attack

In June, the TTAB ruled that several trademark registrations held by the Washington Redskins “must be cancelled because they were disparaging to Native Americans at the respective times they were registered, in violation of Section 2(a)” of the Lanham Trademark Act of 1946, 15 U.S.C. §1052(a) (*Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080 (T.T.A.B. 2014) (88 PTCJ 516, 6/20/14)).

Following that ruling, the team filed a civil action in the U.S. District Court for the Eastern District of Virginia, naming the petitioners as defendants and challenging the constitutionality of Section 2(a). The Department of Justice, in January, filed a notice of intervention and will defend the constitutionality of the statute.

On the same day that the government filed its notice of intervention, Section 2(a) was also coming under attack in the Federal Circuit, which was hearing an appeal of the TTAB's Section 2(a) refusal to register “The Slants” for an Oregon-based, Asian-American rock group (*In re Tam*, No. 14-1203 (Fed. Cir. *argument held* 1/9/15)).

Just a few days later, the Supreme Court declined certiorari review of the Federal Circuit's affirmance of the TTAB's Section 2(a)-based refusal to register “Stop the Islamisation of America” (*Geller v. USPTO*, No. 14-175 (U.S. *review denied* 1/12/15)) (89 PTCJ 681, 1/16/15).

“These disparagement cases are opening up a reassessment of what is and is not disparaging,” McDermott's Ludovici said. “It is not black and white and it obviously changes over time.”

Losing Off the Field

Ludovici said that the TTAB's *Blackhorse* decision, in particular, “sets a different tone for what is and isn't disparaging.”

Although only now at the district court, it is already the most watched trademark case in the country.

“This, to me, is such an interesting case because it involves so many big issue ideas,” Weisbrod's Peter Toren said. “There as so many layers to this case—from the government's intervention to the potential consequences of what happens if the ‘Redskins’ marks are found to not be protectable as registrations—that it is just a very compelling case.”

The case is still in its early stages and, although it is on the “rocket docket,” it is unlikely that the district court will reach a decision on the merits this year. But in any event, the district court will almost certainly not have the last say on the issue.

“Ultimately, this is headed for the Fourth Circuit because whatever the district court's decision is, I am sure it will be appealed,” Toren said.

OUTLOOK. Intervening in *Blackhorse* gives the government an opportunity to respond to challenges made against the constitutionality of Section 2(a). The briefing of that issue will be one more attraction in a case that has already garnered outsized attention from the public, the media and practitioners alike.

Embargo Intact, Even if Relations Thawing

In late 2014, the administration made moves to begin thawing relations with Cuba. Of course, even when relations between the countries were in tatters, there was no cooling of trademark litigation between Cuban and American companies, who have fought over marks for cigars and rum, among others.

The possibility of the embargo being relaxed in the near future “makes things extremely interesting for American and Cuban brand owners,” Toren said.

“Easing of sanctions—which hasn't happened yet—will likely result in an uptick in inbound USPTO filings (from Cuban companies), and outbound Cuban trademark filings (from U.S. companies), due to anticipated easing of restrictions on flow of various goods across the two borders and corresponding need to protect those branded goods being imported/exported to/from the U.S.,” Ludovici said. “Whether it will also result in increase or decrease in U.S./Cuba brand wars remains to be seen, but my sense is that it may get worse.”

“It is probably something that is a little premature for 2015, but I think we will begin to see some of the issues become more focused this year,” Toren said.

If the embargo is lifted, Toren said stakeholders should then watch to see what happens when a Cuban company, which has priority on a mark but has been unable to use the mark in commerce in the U.S. due to the embargo, tries to use it over the objections of an intervening American company that has used a similar mark domestically for decades.

Brody, who was involved in one of those long-running brand wars (over the “Havana Club” mark), agrees it will be interesting, but he does not think it is imminent.

“Whether you actually will have a scenario where two companies are using identical marks, I don't know, and it is too soon to tell,” Brody said. “That is going to depend on whether the embargo actually gets lifted, and a lot of other things will have to fall into place before as well before you get a direct conflict in trademark cases.”

OUTLOOK. The administration's actions to thaw relations are a step in the direction of normalizing relations with Cuba. But only Congress can lift the embargo. Although the president asked Congress to begin doing just that in his Jan. 20 State of the Union Address, it is far from clear if the Republican-led Congress will take action at all, much less quickly.

Owners of brands that are in use in the U.S. that directly conflict with marks used in Cuba should pay close attention to developments between the two countries. However, it is unlikely that the trademark issue will fully erupt in 2015.

Patent Law Spillover: Fees Edition

Another issue to watch with respect to litigation is, like *eBay*, another instance of a Supreme Court's patent decision being applied to trademark cases.

Specifically, the high court's construction of what amounts to an “exceptional” case under which attorneys' fees would be appropriate under the Patent Act, in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749, 110 U.S.P.Q.2d 1337 (2014) (88 PTCJ 28, 5/2/14), has been extended to Lanham Act cases by some circuit courts.

For instance, the Third Circuit in *Fair Wind Sailing, Inc. v. Dempster*, 764 F. 3d 303, 112 U.S.P.Q.2d 1340 (3d Cir. 2014) (88 PTCJ 1186, 9/12/14), found *Octane* applicable.

But in a nonprecedential August opinion, the Sixth Circuit applied *Octane* to the patent claims at issue, but applied its own two-step inquiry for determining exceptionality under the Lanham Act for the asserted trade

dress infringement claims (*Premium Balloon Accessories, Inc. v. Creative Balloons Mfg., Inc.*, 2014 BL 219213 (6th Cir., Aug. 7, 2014) (89 PTCJ 625, 1/9/15)).

Following *Premium Balloon*, a district court in the Sixth Circuit held that because fee shifting provisions in the Patent Act and Lanham Act “are identical,” the Supreme Court’s recent requirement that lower courts apply a “more flexible” standard for determining exceptionality in patent cases “bears at least some relevance” to pleas for attorneys’ fees under the Lanham Act (*Wagner v. Circle W Mastiffs*, 112 U.S.P.Q.2d 1906 (S.D. Ohio 2014) (88 PTCJ 1260, 9/19/14)).

The court, however declined to apply the flexible standard set forth in *Octane* and instead applied the Sixth Circuit’s two-step inquiry for determining whether a trademark infringement claim was so exceptional that it merited an award of attorneys’ fees to the defendant.

Brody noted that whether *Octane* applies to Lanham Act cases is yet another place where we are seeing a “spill over effect” from patent law to trademark law. “And it is not that unusual to see these concepts migrate from one area of IP to another,” he said.

Brody noted, however, that there was not much uniformity on the standard for attorneys’ fees even before *Octane*. Though still early, it does not seem that *Octane* brought complete uniformity.

“Maybe there will be an *Octane* analog in the Supreme Court for trademark cases if there is a continued split over what is an ‘exceptional’ case under the Lanham Act,” Brody said.

OUTLOOK. Even courts that have not applied the *Octane* standard to Lanham Act cases have noted that both the Patent Act and the Lanham act use identical language in their provisions concerning attorneys’ fees.

Unlike with respect to preliminary injunctions, where there may important differences between trademark law and patent law that counsel against forgoing the presumption of harm in trademark cases, there is no apparent reason that “exceptional” should not be construed uniformly under the Lanham Act and the Patent Act.

It is therefore likely that, over time, circuit courts will consistently determine that *Octane* is applicable to Lanham Act cases as well as to patent cases.

CONGRESS

“I don’t think there is as much perceived pressure and demand for Congress to act on the trademark side,” as there is with respect to patent and copyrights, Douglas Masters said.

Indeed, none of the practitioners that Bloomberg BNA spoke to could identify a single trademark-focused legislative measure that was likely to be introduced in the coming year. With one exception, that is.

‘Outside Chance’ for Legislative Fix of eBay

“There is some outside chance—and I think it is really outside—that Congress might fix this,” Brody said of whether *eBay*’s bar against presuming harm applies to trademark infringement cases. “There are movements afoot to get a legislative fix written into the statute.”

The only way Congress would likely get involved, Brody said, is if the Supreme Court granted review of the issue and determined that trademark owners were not entitled to presumption of harm even if they had demonstrated likelihood of confusion.

“I don’t think there is as much perceived pressure and demand for Congress to act on the trademark side.”

**—Douglas Masters, Loeb & Loeb
LLP**

“Congress doesn’t frequently tweak the Lanham Act. But it happens every few years when there is a really ridiculous decision,” Brody said. “And maybe that will be the case here if you get a Supreme Court decision that brings howls of derision from the trademark community and all the big organizations. But I don’t know whether even that would be enough.”

OUTLOOK. In 2015, Congress may pass patent and trade secret legislation, and it may even finalize its review of the nation’s copyright laws and make progress on drafting an omnibus copyright bill. But trademarks are simply not on Congress’s agenda, the late 2014 creation of the Trademark Caucus notwithstanding.

PATENT AND TRADEMARK OFFICE

In early 2015, the PTO reduced rates for certain trademark filings and also announced that it was codifying certain practices and procedures related to Madrid Protocol filings. In December, the agency also held a roundtable to discuss possible actions that can be taken in response to its recent pilot program that revealed that more than half of randomly-selected registration owners were unable to demonstrate that their marks were actually used on all of the goods and services identified in their Section 8 or Section 71 affidavits.

During the roundtable, the PTO made clear that it was in the early stages of contemplating what actions, if any, to take in response to that pilot program, and practitioners don't expect anything to happen in the near future.

"I don't foresee any immediate implications in 2015," McDermott's Ludovici said. However, she noted that the TTAB recently sustained a fraud claim, finding that amendments to filing basis—from use based to intent-to-use—can't cure fraud on the PTO claims once an opposition has been filed (*Nationstar Mortg. LLC v. Ahmad*, 112 U.S.P.Q.2d 1361 (T.T.A.B. 2014) (88 PTCJ 1403, 10/3/14)).

"So the 2015 take-away is that there may be a renewed focus on attacking a trademark applicant or owner's allegations of use in TTAB cancellation and similar proceedings," Ludovici said. "This is particularly so if the registration or application covers numerous classes and/or numerous products/services within a class."

Can PTO Stop the Linsanity?

Although not fraud, the flood of applications to register words and phrases that have entered the public lexicon—for benign reasons, such as when a term is associated with a popular athlete, or as a rallying cry in response to a horrible event—is likely to continue.

"Linsanity" and "Johnny Football" are two applied-for-registrations that fall into the first category. Though annoying to the individuals to whom the terms refer—in these instances, basketball player Jeremy Lin and football player Johnny Manziel—these applications are fairly harmless on the whole.

The PTO can, and generally will, reject all such applications not affiliated with a specific individual under Section 2(a)'s bar on registering a mark that false suggests a connection with a person, living or dead, 15 U.S.C. §1052(a).

The PTO could, alternatively, reject these applications under Section 2(c)'s prohibition on registering a mark that "consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent."

Frequently, although there has been a deluge of applications filed early to register names and terms associated with famous individuals, the applications are not vigorously prosecuted and most are ultimately abandoned.

"There is going to be this continuing increase in the number of applicants who are attempting to trade on or commercialize a name or phrase that has fallen into the national lexicon."

***—Joanne Ludovici, McDermott
Will & Emery LLP***

The second type of filings are perhaps more troubling. That is the trend of applications being filed to register a term or phrase that has been used by members of the public to bring attention to a particular issue or to show solidarity in response to a crisis.

The "Je Suis Charlie" slogan that echoed around the globe following the terrorist attacks that rocked Paris in early 2015 was, predictably, the subject of trademark applications both in the U.S. and in Europe.

It was but the latest in a growing list of misguided attempts to co-opt a popular phrase into a proprietary mark. In the past few years applications were filed to register: "Occupy Wall Street," "Boston Strong," "Hands Up Don't Shoot" and "I Can't Breathe."

"There is going to be this continuing increase in the number of applicants who are attempting to trade on or commercialize a name or phrase that has fallen into the national lexicon," Ludovici said. "They have every right in the world to file on those types of things. But unless they actually function as source indicators and they are used in U.S. commerce for whatever they file on, they really are not going to get very far."

OUTLOOK. The PTO can't prevent the filing of these types of applications, although it can use—and so far has used—various Lanham Act provision to block the marks from being registered. However, generally, the public backlash against these applications is so intense that the applicant voluntarily abandons its efforts to

register the slogan.

Contact us at <http://www.bna.com/contact/index.html> or call 1-800-372-1033

ISSN 2157-1414

Copyright © 2015, The Bureau of National Affairs, Inc. Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy.