

1997 SURVEY OF TRADEMARK DECISIONS BY THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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INTRODUCTION

The year of 1997 presented the United States Court of Appeals for the Federal Circuit with the opportunity to consider a variety of trademark-related issues, both procedural and substantive. The court's decisions provide trademark practitioners with critical guidance on a number of fronts. Among the year's highlights, the court addressed the quantum and nature of use necessary to support registration under the Trademark Law Revision Act of 1988.¹ It also reviewed the scope of the Trademark Trial and Appeal Board's (the "Board") authority to issue sanctions against uncooperative and obstructive participants in *inter partes* proceedings.² In two separate decisions, the court considered the scope of arguments permissible in an *ex parte* proceeding,³ and in another, it affirmed a Board decision addressing the registrability of single-color marks in the wake of the U.S. Supreme Court's decision in *Qualitex Co. v. Jacobson Products Co.*⁴ As in prior years, Board decisions fared better than district court decisions in appeals to the court. Whereas Board decisions were upheld in more than two-thirds of the cases appealed to the court, more than fifty percent of district court decisions were either partially or completely reversed.

I. THE FEDERAL CIRCUIT ADDRESSES SOME PROCEDURAL ISSUES

The court reviewed the Board's likelihood of confusion analysis in several cases, paying particular attention to the weight properly afforded to each of the factors described in *In re E.I. DuPont DeNemours & Co.*⁵

1. See Pub. L. No. 100-667, 102 Stat. 3935, 3946-48 (1988) (codified at 15 U.S.C. § 1127 (1994)); see also discussion *infra* Part II.C.

2. See discussion *infra* Part II.A.2.

3. See discussion *infra* Part I.A.3.

4. 514 U.S. 159, 34 U.S.P.Q. 2d (BNA) 1161 (1995); see *infra* Part II.D.

5. 105 F.3d 1405, 41 U.S.P.Q.2d (BNA) 1531 (Fed. Cir. 1997) (establishing precedential factors of consideration for approving registration); see *infra* note 108 and accompanying text.

A. *Appeals from the Trademark Trial and Appeal Board*

1. *A request for remand*

In *In re Jaume Serra, S.A.*,⁶ the Federal Circuit granted an applicant's request to remand two cases to the Board following the applicant's successful cancellation of a registered mark which was cited by the U.S. Patent and Trademark Office ("PTO"), and later by the Board, as a bar to registration of the applicant's two marks. Serra's two applications were refused registration by the PTO, and subsequently by the Board, under Section 2(d) of the Lanham Act⁷ based upon a finding of likelihood of confusion with a pre-existing registered mark.⁸ Serra initiated an action before the Board to cancel the cited registration while simultaneously appealing to the Board on the refusal to register his two marks. Although the existence of the cited registration was clearly a critical factor in both of Serra's appeals, it neglected to notify the Board of the concurrently filed and related cancellation proceeding, and likewise failed to move the Board to suspend his appeals during the pendency of the cancellation action. Serra's appeals concluded unfavorably before the ruling in the cancellation action was issued. The Board upheld the PTO's refusal to register Serra's marks citing the same registered mark. Serra subsequently appealed the Board's refusal of registration to the Federal Circuit prior to the Board's ruling in his cancellation action.⁹

The Federal Circuit dismissed Serra's two appeals without prejudice to reinstatement pending a final disposition in the cancellation action.¹⁰ Upon the successful cancellation of the cited registration, the court granted Serra's request to remand his applications to the Board for a further registrability determination on the ground that the basis for the PTO's refusal of registration no longer existed.¹¹ The PTO either failed to oppose, or refrained from opposing, applicant's motion to remand his appeals.¹²

Although the ultimate result—namely, reevaluation of the registrability of Serra's marks following the removal of the sole bar to their registration—was undoubtedly appropriate, the convoluted

6. 107 F.3d 30, Nos. 95-1308, 95-1309, 1997 U.S. App. LEXIS 1782 (Fed. Cir. Jan. 13, 1997) (unpublished table decision) (granting an unopposed motion to remand trademark registration cases to the PTO because the basis for its refusal to register trademark had been removed).

7. 15 U.S.C. § 1052(d) (1994).

8. See *Dupont*, 1997 U.S. App. LEXIS 1782, at *1.

9. See *id.* at *1.

10. See *id.* at *1.

11. See *id.* at *1.

12. See *id.* at *1-2.

path of Serra's appeals was unquestionably at considerable cost both to the limited time and resources of the Board and the Federal Circuit. A timely filed motion to suspend would have achieved the same result without requiring the Board or the Court to waste time on unnecessary, and ultimately moot, appeals.

2. *Appealability of a refusal to disqualify counsel*

In *Frankenmuth Fundraising Corp. v. Commissioner of Patents & Trademarks*,¹³ the Federal Circuit concluded that the PTO's refusal to disqualify counsel in a trademark opposition proceeding is an interlocutory decision that cannot be appealed until the Board enters a final decision.¹⁴

During the pendency of the trademark opposition proceeding, Frankenmuth filed a petition to disqualify the opposing party's counsel, whose petition, and subsequent request for reconsideration, were both refused.¹⁵ Frankenmuth based his appeal to the Federal Circuit on 28 U.S.C. § 1295(a)(4)(B), which grants the court jurisdiction to review decisions of the Commissioner of Patents and Trademarks ("Commissioner") and the Board "with respect to applications for registration of marks and other proceedings as provided in Section 21 of the Trademark Act of 1946 (15 U.S.C. 1071)."¹⁶ Frankenmuth claimed that his appeal fit into an exception

13. No. 97-1576, 1997 U.S. App. LEXIS 36202 (Fed. Cir. Dec. 10, 1997) (unpublished table decision) (dismissing on procedural grounds the Commissioner's appeal of the decision not to disqualify party's counsel).

14. *See id.* at *2 (citing *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 378 (1981)). In *Firestone*, the Supreme Court held that an interlocutory decision by a district court declining to disqualify counsel was not appealable before a final judgment under 28 U.S.C. § 1291. *See Firestone*, 449 U.S. at 379. Section 1291 indicated that "courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States . . . except where direct review may be had in the Supreme Court." *Id.* at 369 n.1 (quoting 28 U.S.C. § 1291 (1994)). The *Firestone* Court recognized that certain orders made before a final judgment on the merits may be appealable when they: (1) conclusively determine the question in dispute, (2) "resolve an important issue completely separate from the merits of the action[.]" and (3) are "effectively unreviewable on appeal from a final judgment." *See id.* at 375 (quoting *Coopers & Lybrand v. Livesay*, 437 U.S. 463, 468 (1978)) (footnote omitted). Such an appealable order prior to a final judgment on the merits constitutes a final "collateral order." *See id.* The Court determined, however, that an order deciding whether to disqualify counsel would rarely constitute an unreviewable final judgment on the merits. *See id.* at 377. As a result, the Court held that such an order was not appealable under Section 1291 before a final judgment. *See id.* at 375.

15. *See Frankenmuth*, 1997 U.S. App. LEXIS 36202, at *1 (describing the facts of the case).

16. *Id.* at *2-3 (quoting 28 U.S.C. § 1295(a)(4)(B) (1994)). Though 28 U.S.C. § 1295(a)(4)(B) provides the Federal Circuit with exclusive jurisdiction over appeals from decisions of the Commissioner as set forth in Section 21 of the Trademark Act of 1946, 15 U.S.C. § 1071 (1994), Section 21 lists only a few situations where applicants may appeal a Commissioner's decision to the Federal Circuit:

An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent

to the Federal Rules of Civil Procedure's "nonappealability of interlocutory decisions."¹⁷

Following a 1969 decision from the United States Court of Customs and Patent Appeals, the court rejected Frankenmuth's argument, ruling that Section 21 of the Trademark Act limits the Federal Circuit's appellate jurisdiction over Commissioner decisions to two narrowly enumerated scenarios. According to the *Frankenmuth* court, appellate jurisdiction is permitted when the Commissioner determines that an affidavit of continuing use under 15 U.S.C. § 1058 is insufficient,¹⁸ or when the Commissioner concludes that a trademark renewal application under 15 U.S.C. § 1059 is incomplete or defective.¹⁹ Because Frankenmuth's appeal did not involve a decision relating to an affidavit of either continuing use or renewal, the Federal Circuit dismissed his appeal for lack of jurisdiction.²⁰

3. Attacks on registrations not permissible in ex parte actions before the Board

In two separate decisions, the Federal Circuit emphasized that *ex parte* proceedings are improper venues for lodging collateral attacks against third-party registrations.

In *In re Dixie Restaurants, Inc.*,²¹ the Federal Circuit considered an

user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in Section 8[], or an applicant for renewal, who is dissatisfied with the decision of the Commissioner of Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit

15 U.S.C. § 1071(a)(1) (1994).

17. See *Frankenmuth*, 1997 U.S. App. LEXIS 36202, at *2.

18. See *id.* at *3 (discussing situations in which Federal Circuit court would have jurisdiction under 15 U.S.C. § 1071 over appeal from decision of the Commissioner in a trademark proceeding). Section 1058 of Title 15 concerns the duration of trademark registrations. See 15 U.S.C. § 1058 (1994). Among other things, Section 1058 provides that a certificate of registration remains in force for ten years. See § 1058(a). However, the Commissioner will cancel the registration if, within one year preceding the expiration of six years from the date of registration, a registrant fails to file in the PTO an affidavit demonstrating that the goods or services related to the subject trademark or indicated in the registration are in current use, or that any non-use results from special circumstances without intent to abandon the mark. See § 1058(a). Such an affidavit is termed in the statute an "affidavit of continuing use." See *id.*

19. See *Frankenmuth*, 1997 U.S. App. LEXIS 36202, at *3. Section 1059 of Title 15 provides for the renewal of trademark certificates of registration. See 15 U.S.C. § 1059(a) (indicating the period of renewal and time for renewal of trademark certificates of registration); *id.* § 1059(b) (stating that the Commissioner must notify a registrant if the Commissioner declines to renew a registration); *id.* § 1059(c) (recognizing that renewal applicants not domiciled in the United States are subject to and must comply with the resident designation provision for service of process and notices in 15 U.S.C. § 1051(e)).

20. See *Frankenmuth*, 1997 U.S. App. LEXIS 36202, at *3; see also 15 U.S.C. § 1059(a)-(e) (defining affidavit of continuing use or renewal).

21. 105 F.3d 1405, 41 U.S.P.Q.2d (BNA) 1531 (Fed. Cir. 1997) (affirming a Board decision that affirmed a trademark examining attorney's refusal to grant a certificate of registration to the mark because the mark was likely to cause confusion with a previously registered mark).

appeal from a Board decision affirming the PTO's refusal to register the mark "THE DELTA CAFE & Design" for "restaurant services specializing in Southern-style cuisine" because it was likely to cause confusion with the already registered mark DELTA for hotel, motel, and restaurant services.²² The Board affirmed the PTO's refusal by concluding that confusion between the two marks was likely on three grounds: (1) the identical nature of the parties' services (i.e., restaurant services); (2) the fact that the dominant portion of Dixie's mark, namely, the term "delta," was identical to the cited mark; and (3) that the remaining elements that comprised Dixie's mark were insufficient to distinguish the two marks.²³ The Board explicitly rejected Dixie's attempt to distinguish its services from those listed in the cited registration on the ground that the registrant had not made "significant use" of the DELTA mark for restaurant services. The Board explained its obligation to restrict its likelihood of confusion analysis solely to the description of services listed in the registration and application. The Board emphasized that to do otherwise would constitute an impermissible challenge to a registration.²⁴ The Board's refusal formed one basis for Dixie's appeal to the Federal Circuit.²⁵

On appeal, Dixie argued that a registration's identification of services constitutes *prima facie*, rather than conclusive, evidence of a registrant's use of its mark for such services.²⁶ According to Dixie, the Board erred in giving conclusive weight to the inclusion of "restaurant services" in the registration's identification of services rather than relying upon declarations, submitted by Dixie, confirming that the registrant had not used the mark to identify

22. See *id.* at 1405, 41 U.S.P.Q.2d (BNA) at 1532.

23. See *id.* at 1406, 41 U.S.P.Q.2d (BNA) at 1533.

24. See *id.* (noting the Board's conclusion that to investigate an issue of significant use of a registered mark in deciding whether to grant an application for a new mark "would be to allow an impermissible attack on the registration").

25. See *id.* Dixie also appealed on the basis that the Board failed to consider fully and properly all of the factors that are relevant in determining whether the newly proposed mark was likely to cause confusion with the registered mark. See *id.*, 41 U.S.P.Q.2d (BNA) at 1533 (indicating that Dixie maintained that Board did not properly and fully address the thirteen factors set forth in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361, 177 U.S.P.Q. (BNA) 563, 567 (C.C.P.A. 1973) to assist the PTO in determining whether the proposed new mark is likely to cause confusion with an already registered mark); see also discussion *infra* Part II.A.1 (discussing the court's review of the Board decision on the likelihood of confusion issue).

26. See *Dixie*, 105 F.3d at 1407, 41 U.S.P.Q.2d (BNA) at 1534 ("Dixie argues that the board erred in giving conclusive weight to the identification of services in the registrant's trademark . . . [and] claims that the registrant's identification is merely *prima facie* evidence of its use of the mark for such services . . ."). The court recognized that Dixie's central contention addressed the second of the thirteen *DuPont* factors, namely, "the similarity or dissimilarity and nature of the . . . services as described in an application or registration or in connection with which a prior mark is in use." See *id.*, 41 U.S.P.Q.2d (BNA) at 1534 (quoting *DuPont*, 476 F.2d at 1361, 177 U.S.P.Q. (BNA) at 567).

restaurant services. Dixie argued that these sworn declarations were sufficient to overcome the rebuttable presumption that the cited registration covered restaurant services.²⁷

In its ruling, the Federal Circuit confirmed that a certificate of registration serves merely as prima facie evidence of a registration's validity and of the registrant's exclusive right to use the registered mark in relation to services listed in the registration.²⁸ The court concluded, however, that Dixie's arguments amounted to a thinly-disguised *ex parte* attack on the validity of the cited registration.²⁹ The court explained that although a prima facie presumption of validity is rebuttable,³⁰ an *ex parte* proceeding could never be the proper forum to challenge the validity of a registered mark.³¹

Faced with an analogous, though perhaps more novel, argument in *In re Darren Rittenhouse*,³² the court applied the same reasoning as in *Dixie*.³³ *Rittenhouse* likewise involved an appeal from a Board decision

27. See *id.*; see also *id.* at 1408, 41 U.S.P.Q.2d (BNA) at 1534 (citing *Dan Robbins & Assocs., Inc. v. Questor Corp.*, 599 F.2d 1009, 1014, 202 U.S.P.Q. (BNA) 100, 105 (C.C.P.A. 1979) (ruling that a prima facie presumption of a trademark's validity may be rebutted)).

28. See *id.* at 1407, 41 U.S.P.Q.2d (BNA) at 1534 (citing 15 U.S.C. § 1057(b) (1994)).

29. See *id.* at 1408, 41 U.S.P.Q.2d (BNA) at 1534.

30. See *id.*, 41 U.S.P.Q.2d (BNA) at 1534-35 (citing *Dan Robbins*, 599 F.2d at 1014, 202 U.S.P.Q. (BNA) at 105). Pursuant to 15 U.S.C. § 1057(b), a certificate of trademark registration constitutes prima facie evidence of the registrant's validity:

A certificate of registration of a mark upon the principal by this chapter shall be prima facie evidence of the validity of the registration, registrant's analysis of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the certificate, subject to any conditions and limits stated therein.

15 U.S.C. § 1057(b) (1994). A party challenging the validity of a registration may do so under certain circumstances by initiating a cancellation proceeding. See § 1064 (listing circumstances under which party may petition to cancel trademark registration). One seeking such a cancellation must be able to rebut the prima facie presumption of a registration's validity by a preponderance of the evidence. See *Dan Robbins*, 599 F.2d at 1014, 202 U.S.P.Q. (BNA) at 105 (citations omitted). The *Dan Robbins* court affirmed the Board's denial of an application to register the mark "LIL TINKER," as well as the Board's dismissal of the party's counterclaim seeking cancellation of the "TINKERTOY" mark registration. See *id.* at 1013-15, 202 U.S.P.Q. (BNA) at 105-06 (affirming the dismissal of a cancellation counterclaim because the claimant had not proved by a preponderance of evidence that the registered trademark had become a common descriptive name, and sustaining the denial of the application because there was a likelihood of confusion between the proposed and registered marks).

31. See *Dixie*, 105 F.3d at 1408, 41 U.S.P.Q.2d (BNA) at 1534-35 (citing *Cosmetically Yours, Inc. v. Clairol Inc.*, 424 F.2d 1385, 1387, 165 U.S.P.Q. (BNA) 515, 517 (C.C.P.A. 1970) (holding that an applicant may not prove abandonment of a registered mark in an *ex parte* registration proceeding)); *In re Calgon Corp.*, 435 F.2d 596, 598, 168 U.S.P.Q. (BNA) 278, 280 (C.C.P.A. 1971) (holding that applicant's argument that its use predated registered mark constituted as improper collateral attack on the validity of registration that should have been made in formal cancellation proceedings); TRADEMARK MANUAL OF EXAMINING PROCEDURES § 1207.01(c)(v) (Jerome Gilson ed., 2d ed. 1993) [hereinafter TMEP] (stating that applicants will not be heard on matters constituting collateral attack during *ex parte* prosecution); 3 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 23.24[1][c] (3d ed. 1996).

32. 124 F.3d 228, No. 97-1252, 1997 WL 556298 (Fed. Cir. Sept. 9, 1997) (unpublished table decision).

33. See *id.* at *2 (holding that *ex parte* proceedings are attacking the validity of

affirming the PTO's refusal to register appellant's mark on likelihood of confusion grounds.³⁴ Rittenhouse sought registration of a stylized "O's" mark for "clothing, including T-shirts, hats, caps, jackets, and sweatshirts."³⁵ The examining attorney refused registration for Rittenhouse's mark, citing a series of six registered marks covering identical or nearly identical goods owned by the Baltimore Orioles Limited Partnership.³⁶ On appeal, Rittenhouse challenged both the Board's findings of likelihood of confusion as well as the underlying validity of the cited registrations.³⁷ Rittenhouse argued that "because professional baseball is not considered commerce for purposes of the antitrust laws, baseball clubs are also not engaged in interstate commerce sufficiently to benefit from the federal trademark laws."³⁸

The Federal Circuit's response was twofold. First and foremost, the court agreed with the Board and PTO that Rittenhouse's interstate commerce argument was merely an impermissible *ex parte* attack on the validity of the Orioles' registered marks.³⁹ The court cited its recent holding in the *Dixie* case for the proposition that "the present *ex parte* proceeding is not the proper forum for such a challenge."⁴⁰ Having disposed of Rittenhouse's argument procedurally, the court nevertheless addressed the merits of Rittenhouse's interstate commerce challenge.⁴¹ The court pointed to the Supreme Court's express acknowledgment that "[p]rofessional baseball is a business and it is engaged in interstate commerce"⁴² to emphasize that the Baltimore Orioles, like other professional baseball clubs, were clearly entitled to the protection of the federal trademark laws.

registrations).

34. *See id.* at *1; *see also infra* Part II.A.1 (describing the likelihood of confusion analysis in *Dixie*). The examining attorney also refused registration of Rittenhouse's mark pursuant to section 1052(a) of the Lanham Act. *See id.* at *1. Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a) (1994), states that a trademark registration may be refused if it "[c]onsists of . . . immoral, deceptive, or scandalous matter; or matter which may disparage . . . persons . . . institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." The Court disposed of the case on alternate grounds and thus did not address section 1052(a) of the Act. *See Rittenhouse*, 1997 WL 556298, at *1 n.1.

35. *See Rittenhouse*, 1997 WL 556298, at *1 n.1.

36. *See id.*

37. *See id.*; *infra* Part II.A.1 (providing a thorough discussion of the court's likelihood of confusion analysis).

38. *Rittenhouse*, 1997 WL 556298, at *2.

39. *See id.*

40. *Id.* (quoting *In re Dixie Restaurants, Inc.*, 105 F.3d 1405, 1408, 41 U.S.P.Q.2d (BNA) 1531, 1534 (Fed. Cir. 1997)).

41. *See id.*

42. *Id.* (quoting *Flood v. Kuhn*, 407 U.S. 258, 282 (1971) (noting that baseball's current exemption from federal antitrust laws is nothing more than an "aberration")).

B. Appeals from the Federal Courts

1. Jurisdiction of Federal Courts over settlement agreements

In *National Presto Industries, Inc. v. Dazey Corp.*,⁴³ the Federal Circuit considered the scope of a federal court's jurisdiction over issues arising out of the interpretation of a settlement agreement between National Presto and Dazey resolving a lawsuit previously brought before the court.⁴⁴

The initial action between the parties for design patent and trade dress infringement culminated in a settlement agreement delineating future design and color requirements for Dazey's frying pots.⁴⁵ Concurrently, the parties entered into an independent consent judgment permanently enjoining Dazey from selling the allegedly infringing model of pot, "or any colorable imitations or facsimiles thereof."⁴⁶ The consent judgment, however, failed to incorporate the settlement agreement or any of its terms.⁴⁷

Following Dazey's release of the new pot design and National Presto's protests that the design violated the settlement agreement, Dazey filed an emergency motion, as part of the original lawsuit, seeking a declaration that its new pot complied with the terms of the settlement agreement.⁴⁸ When the district court ruled in favor of National Presto, Dazey appealed to the Federal Circuit.⁴⁹ Immediately after Dazey filed its appeal, the Supreme Court issued an opinion addressing generally the power of district courts to interpret and enforce settlement agreements.⁵⁰ The Federal Circuit remanded the case to the district court for reconsideration of its jurisdiction in light of this new Supreme Court precedent.⁵¹ On remand, Dazey

43. 107 F.3d 1576, 42 U.S.P.Q.2d (BNA) 1070 (Fed. Cir. 1997). The court affirmed the district court's dismissal of plaintiff's action seeking a declaration of its rights under an agreement which concluded previous litigation with defendant for lack of subject matter jurisdiction. *See id.* at 1583, 42 U.S.P.Q.2d (BNA) at 1076.

44. *See id.* at 1577, 42 U.S.P.Q.2d (BNA) at 1071.

45. *See id.* at 1577-78, 42 U.S.P.Q.2d (BNA) at 1071 (stating Dazey's newly designed "Quick Fry" pot could not be black, and its lid must cover certain bright metal trim to avoid infringing National Presto's rights).

46. *See id.* at 1578, 42 U.S.P.Q.2d (BNA) at 1072.

47. *See id.*

48. *See id.*

49. *See id.*

50. *See id.* (citing *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 380-81 (1996) (holding that the court has no "inherent power" or ancillary jurisdiction over the enforcement of a settlement agreement absent language in the court's order dismissing the original suit and specifically retaining jurisdiction over the settlement agreement)).

51. *See id.* (stating that the Federal Circuit dismissed Dazey's appeal as premature and suggesting that the district court consider its jurisdiction over the emergency motion in light of *Kokkonen*).

successfully moved the district court to dismiss the declaratory judgment case Dazey itself had initiated, for lack of jurisdiction.⁵² National Presto appealed the dismissal to the Federal Circuit.⁵³

The Federal Circuit's opinion in *National Presto* provides a useful examination of the underlying principles of federal jurisdiction. Without any basis to exercise jurisdiction, a federal court cannot issue a ruling but, rather, must simply announce its lack of jurisdiction and move to dismiss the proceeding.⁵⁴ Neither the Federal Rules of Civil Procedure nor any statute grants federal courts the inherent authority to interpret and enforce settlement agreements, even when those agreements pertain to litigation originally pending before them, without an independent basis to exercise jurisdiction.⁵⁵ "Standing alone, a settlement agreement is nothing more than a contract; the imprimatur of an injunction is required to render it a consent decree enforceable through contempt."⁵⁶

In *Kokkonen v. Guardian Life Insurance Co. of America*,⁵⁷ the Supreme Court identified two situations where federal courts may assert ancillary jurisdiction over a settlement agreement: "(1) to permit disposition by a single court of claims that are, in varying respects and degrees, factually interdependent; and (2) to enable a court to function successfully . . . to manage its proceedings, vindicate its authority, and effectuate its decrees."⁵⁸ The Federal Circuit concluded in *National Presto* that neither basis for ancillary jurisdiction identified by the Supreme Court in *Kokkonen* was

52. See *id.* at 1579, 42 U.S.P.Q.2d (BNA) at 1072 (stating that the district court found that Dazey's emergency motion did not implicate the consent judgment either explicitly or implicitly, and therefore, the court did not have subject matter jurisdiction).

53. See *id.* at 1580-82, 42 U.S.P.Q.2d (BNA) at 1073-75 (indicating that National Presto based its appeal on arguments that district court jurisdiction over emergency motion could be based either on district court's ancillary jurisdiction or on court's contempt power to address violations of its orders).

54. See *id.* at 1580, 42 U.S.P.Q.2d (BNA) at 1073 (citing *The Mayor v. Cooper*, 73 U.S. (6 Wall.) 247, 250 (1867)); see also *Johns-Manville Corp. v. United States*, 893 F.2d 324, 326 (Fed. Cir. 1989) (recognizing the Supreme Court's indication that neither the Federal Rules of Civil Procedure, which allow parties by stipulation to dismiss an action, nor any other law gives federal court jurisdiction over a dispute stemming from the parties' stipulation agreement).

55. See *National Presto*, 107 F.3d at 1580, 42 U.S.P.Q.2d (BNA) at 1073 (citing *Kokkonen*, 511 U.S. at 378).

56. *Id.* at 1583, 42 U.S.P.Q.2d (BNA) at 1075 (quoting *D. Patrick, Inc. v. Ford Motor Co.*, 8 F.3d 455, 460 (7th Cir. 1993)); see also *Kokkonen*, 511 U.S. at 380-82 (addressing the issue of whether the district court had inherent power to enforce the terms of the settlement agreement under the doctrine of ancillary jurisdiction between insurance agent and insurer in an action for breach of agency agreement); *Lucille v. City of Chicago*, 31 F.3d 546, 548-49 (7th Cir. 1994) (explaining that the court only enforces settlement agreements insofar as their terms are included in either order or judgment of court).

57. 511 U.S. 375 (1994).

58. *Kokkonen*, 511 U.S. at 379-80 (citations omitted).

available to the district court.⁵⁹

The Federal Circuit panel recognized that the district court's prior entry of the consent judgment terminated the parties' federal case and, with it, any basis for federal jurisdiction over the settlement agreement that occasioned termination of the action.⁶⁰ The panel also found that this was not a case in which the district court was exercising its contempt powers because the parties' settlement agreement (the subject of Dazey's declaratory judgment action) was wholly independent of the consent judgment.⁶¹ Indeed, National Presto did not raise the issue of Dazey's violation of the consent judgment until more than six months after the district court had already made its findings.⁶² The Federal Circuit found that National Presto's tardy allegation and motion were insufficient to vest the district court with retroactive jurisdiction to make findings on a case it had completed more than six months earlier.⁶³ The district court did not retain jurisdiction over the parties' settlement agreement, nor did it even mention the settlement agreement or its terms, in its final judgment order.⁶⁴ As a result of these facts, the court concluded that ancillary jurisdiction was not available under either of the two tests set forth in *Kokkonen* and that the district court had no jurisdiction to consider Dazey's declaratory judgment action.⁶⁵

Although the court recognized the essential inequity of allowing Dazey to obtain a dismissal of a case it initiated only after losing on

59. See *National Presto*, 107 F.3d at 1582.

60. See *id.* at 1580-81, 42 U.S.P.Q.2d (BNA) at 1074 (citing *Peacock v. Thomas*, 516 U.S. 349, 355 (1996) (finding that after a federal action is dismissed, the claim that may have been ancillary to the dismissed action cannot be brought subsequent to dismissal of action)).

61. See *id.* at 1581, 42 U.S.P.Q.2d (BNA) at 1074 (reasoning that letters from National Presto to Dazey prior to the action mentioned the settlement agreement but not the consent judgment, and that the emergency motion requested declaratory relief only under the settlement agreement). The panel recognized that the substance, rather than the title, of a party's pleading dictated the matters for adjudication. See *id.* (citing *Andrews v. United States*, 373 U.S. 334, 338 (1963)); *United States v. Griffin*, 782 F.2d 1393, 1399 (7th Cir. 1986).

62. See *id.* at 1581-82, 42 U.S.P.Q.2d (BNA) at 1074-75 (concluding that neither the parties' actions nor the prior court proceedings indicated that the consent judgment was an issue during consideration of Dazey's emergency motion). See *id.* ("[T]his court [does not] detect in the parties' behavior or the district court's proceedings any indication that the consent judgment was at issue anytime during consideration of the emergency motion.").

63. See *id.* at 1582, 42 U.S.P.Q.2d (BNA) at 1075 (citations omitted) (referring to cases that state that federal jurisdiction usually is founded on facts existing at the time a complaint is filed, and that retroactively obtaining jurisdiction—such as arguing federal question as basis for pendant subject matter jurisdiction after a case has been removed from state court—is impermissible). Based on the specific findings of the district court that the terms of settlement agreement and consent judgment were different, the Federal Circuit also rejected National Presto's argument that non-compliance with the settlement agreement necessarily violated the consent judgment. See *id.*

64. See *id.* at 1583, 42 U.S.P.Q.2d (BNA) at 1076 (stating that the court failed to reserve necessary jurisdiction).

65. See *id.* at 1582-83, 42 U.S.P.Q.2d (BNA) at 1075-76.

the merits, the court emphasized that jurisdictional limitations do not bend to accommodate individual fairness concerns.⁶⁶

2. Joinder of parties

In *Horphag Research Ltd. v. Consac Industries*,⁶⁷ the Federal Circuit vacated an order by the United States District Court for the Eastern District of New York, which joined the appellants to a previous order, and remanded the case back to the district court with instructions.⁶⁸

On June 8, 1993, Horphag Research Ltd. ("Horphag") and M.W. International, Inc. ("MW") filed suit against Consac Industries ("Consac") for infringement of their registered United States trademark PYCNOGENOL and infringement of United States Patent No. 4,698,360 ("the '360 Patent").⁶⁹ When the suit was initiated, Horphag and Societe Civile D'Investigations Pharmacologiques D'Aquitaine ("SCIPA") each owned a fifty-percent interest in the '360 Patent.⁷⁰ Nevertheless, neither petitioner Horphag nor defendant Consac moved to join SCIPA as a party.⁷¹

On October 15, 1993, Consac filed a declaratory judgment action in the United States District Court for the District of Columbia against SCIPA and Societe Civile Pour L'Expansion de la Recherche en Phytochimie Appliquee ("SCERPA"), claiming that the '360 Patent was invalid.⁷² At the time Consac filed this action, "SCERPA owned the rights to the registered French trademark PYCNOGENOLS, but had no interest in the '360 Patent."⁷³

SCERPA transferred its trademark rights in the French trademark to International Nutrition Company ("INC") on March 7, 1994.⁷⁴ Concurrently, SCIPA transferred its fifty-percent interest in the '360 Patent to INC. The transfers of the patents from SCERPA and SCIPA to INC occurred almost ten days after Consac filed a motion to transfer and consolidate its declaratory judgment action from the United States District Court for the District of Columbia to the

66. See *id.* (noting that Congress, and not the federal courts, creates jurisdiction).

67. 116 F.3d 1450, 42 U.S.P.Q.2d (BNA) 1567 (Fed. Cir. 1997).

68. See *id.* at 1451-53, 42 U.S.P.Q.2d (BNA) at 1570 (vacating the district court order which joined International Nutrition Company and Egbert Schwitters as "successor in interest" to the defendants in a previously close patent and trademark infringement as filed by Horphag Research Ltd. and M.W. International against Consac Industries, Inc. who had joined INC's predecessors to the action).

69. See *id.* at 1452, 42 U.S.P.Q.2d (BNA) at 1568.

70. See *id.*

71. See *id.*

72. See *id.*

73. *Id.*

74. See *id.*

United States District Court for the Eastern District of New York.⁷⁵ On March 24, 1994, Consac's motion to consolidate the actions was granted.⁷⁶

On April 8, 1994, SCIPA and SCERPA joined the action against Horphag, responding to Consac's declaratory judgment complaint, by arguing that the court lacked personal and subject matter jurisdiction because SCIPA had assigned its rights in the '360 Patent to INC.⁷⁷ SCIPA and SCERPA also filed a cross-claim against Horphag and MW, claiming that "Horphag and its agents fraudulently misappropriated SCERPA's trademark for Horphag's exclusive use and benefit in the United States in violation of Horphag's agreement with SCERPA."⁷⁸

On November 16, 1994, the district court dismissed SCIPA and SCERPA's cross-claims against Horphag and MW with prejudice, adding, however, that the dismissal was "without prejudice to the assertion thereof as counter-claims or cross-claims should Horphag or MW sue SCIPA or SCERPA in the United States, or elsewhere."⁷⁹ Horphag and MW later settled their trademark and patent infringement action against Consac in an agreement stipulating that all claims and counterclaims were to be dismissed with prejudice.⁸⁰

On September 9, 1995, INC filed a motion to cancel Horphag's United States trademark registration for the mark PYCNOGENOL with the PTO, alleging that it was fraudulently obtained.⁸¹ In 1992, SCIPA, INC's predecessor in interest to the French trademark, filed an "opposition to Horphag's application to register the mark," though the action was subsequently dismissed with prejudice for failure to prosecute.⁸²

On March 14, 1996, Horphag and MW filed a motion to join INC and Schwitters as parties to the action under the Federal Rules of Civil Procedure 25(c) and 71.⁸³ Finding that INC and Schwitters were the "successors in interest" to SCERPA and SCIPA, the district court granted the motion.⁸⁴ The court's order expressly "bound INC and Schwitters to [its] prior order dismissing SCERPA and SCIPA's cross-

75. *See id.*

76. *See id.*

77. *See id.*

78. *Id.*

79. *Id.* at 1452, 42 U.S.P.Q.2d (BNA) at 1568-69.

80. *See id.* at 1452, 42 U.S.P.Q.2d (BNA) at 1569.

81. *See id.*

82. *See id.*

83. *See id.*

84. *See id.*

claims.⁸⁵ The court also ordered INC to withdraw its pending trademark action in the PTO.⁸⁶ INC appealed the order to the Federal Circuit.⁸⁷

The Federal Circuit found several problems with the district court's order. First, it noted that Rule 25(c)⁸⁸ "only applies to pending litigation."⁸⁹ At the time SCIPA and SCERPA transferred the PYCNOGENOL trademark and '360 Patent to INC, neither was a party to the patent infringement suit brought by Horphag against Consac.⁹⁰ The court further concluded that Consac's separate, pending declaratory judgment suit against SCIPA and SCERPA in the District of Columbia district court was "irrelevant" because "[t]he suit that must be pending is the one in which joinder is sought."⁹¹ The court rejected Horphag's argument that a "parade of horrors" would result were the court to allow INC to avoid the "court's jurisdiction" by conveying its interest.⁹² The court noted that, practically speaking, the majority of suits will be filed initially against the appropriate party, and "any subsequent transfer to avoid the court's reach [would] trigger Rule 25(c)."⁹³

The court also held that Rule 71 was "equally unavailing."⁹⁴ Acknowledging that courts rarely apply Rule 71 to nonparties, Horphag argued that a court could compel compliance of an order against the appellants' "bogus and fraudulent[ly] created nonparties."⁹⁵ The court noted that it need not reach this issue because the district court's order was devoid of any findings of fact regarding the relationship between INC and Schwitters and SCIPA and

85. *Id.*

86. *See id.* at 1452-53, 42 U.S.P.Q.2d (BNA) at 1569.

87. *See id.*

88. FED. R. CIV. P. 25(c) ("In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party.").

89. *See Horphag*, 116 F.3d at 1453, 42 U.S.P.Q.2d (BNA) at 1569 (citing 3B JEREMY C. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 25.08 (2d ed. 1996) ("[S]ubdivision (c) of Rule 25 deals with transfers of interest during the course of the action.")); *see also* Minnesota Mining & Mfg. Co. v. Eco Chem, Inc., 757 F.2d 1256, 1262 (Fed. Cir. 1985) (stating that joinder under Rule 25(c) is appropriate when transfer transpired before suit was adjudicated); Panther Pumps & Equip. Co. v. Hydrocraft, Inc., 566 F.2d 8, 16 (7th Cir. 1977) (finding that Rule 25(a) applies only to actions which are pending, not to final judgments completed six years before).

90. *See Horphag*, 116 F.3d at 1453, 42 U.S.P.Q.2d (BNA) at 1569.

91. *Id.*

92. *See id.*

93. *Id.*

94. *See id.*; *see also* FED. R. CIV. P. 71 ("[W]hen obedience to an order may be lawfully enforced against a person who is not a party, that person is liable to the same process for enforcing obedience to the order as if a party.").

95. *See Horphag*, 116 F.3d at 1453, 42 U.S.P.Q.2d (BNA) at 1569 (relying on *Select Creations, Inc. v. Paliatito America, Inc.*, 852 F. Supp. 740, 777 (E.D. Wis. 1994) and *Land v. Dollar*, 188 F.2d 629, 632, (D.C. Cir. 1951), to support its argument).

SCERPA.⁹⁶ The order only noted that INC and Schwitters were "successors in interest" to SCIPA and SCERPA.⁹⁷ That evidence, according to the court, was conclusory and groundless, and therefore, could not be supported under Rule 71.⁹⁸

The court further vacated the district court's injunction because the existing factual evidence provided an inadequate basis upon which an appellate court could evaluate the injunction.⁹⁹ The fact that the appellants were the successors in interest to the patent and trademark rights was insufficient to compel the injunction because their ownership interest to those rights did not, by itself, bind them to the prior dismissal.¹⁰⁰ Simply because a corporation purchases another corporation's assets does not mean that it is automatically bound to the "obligations of its predecessor."¹⁰¹ Though the court acknowledged that the general rule had exceptions, the record of the instant case did not suggest that any exceptions applied.¹⁰² In its holding, the court reiterated the impropriety of joining INC and Schwitters to a case that was finally adjudicated ten months earlier.¹⁰³

II. THE FEDERAL CIRCUIT ADDRESSES SUBSTANTIVE TRADEMARK ISSUES

A. *Likelihood of Confusion Under Section 2(d) of the Lanham Act*¹⁰⁴

1. *Ex parte appeals from the Trademark Trial and Appeal Board*

In *In re Dixie Restaurants, Inc.*,¹⁰⁵ the Federal Circuit affirmed a Board decision upholding a PTO refusal to register appellant Dixie Restaurants, Inc.'s ("Dixie") mark, "THE DELTA CAFE & Design" and design (composed of the words "THE DELTA CAFE" inside a geometric diamond shape) for "restaurant services specializing in

96. *See id.*

97. *See id.*

98. *See id.*

99. *See id.* at 1453-4, 42 U.S.P.Q.2d (BNA) at 1569-70 (quoting *Weitzman v. Stein*, 897 F.2d 653, 658 (2d Cir. 1990) ("An injunction must be vacated if the findings and the record are insufficient to enable an appellate tribunal to determine the basis for the injunction.")).

100. *See id.* at 1454, 42 U.S.P.Q.2d (BNA) at 1570.

101. *See id.* (citing *Panther Pumps & Equipment v. Hydrocraft Inc.*, 566 F.2d 8, 24 (7th Cir. 1977) ("The well settled rule of American jurisdictions... is that a corporation which purchases the assets of another corporation does not, by reason of succeeding to the ownership of property, assume the obligations of the transferor corporation.")).

102. *See id.*

103. *See id.*

104. 15 U.S.C. § 1052(d) (1994).

105. 105 F.3d 1405, 41 U.S.P.Q.2d (BNA) 1531 (Fed. Cir. 1997).

Southern-style cuisine”¹⁰⁶ on likelihood of confusion grounds. The Board upheld the PTO’s refusal to register Dixie’s mark under Section 2(d) of the Lanham Act citing an existing registration for the mark DELTA covering “hotel, motel, and restaurant services” on three grounds: (1) the “identical” nature of the parties’ services (i.e., restaurant services); (2) the similarity between the dominant portion of Dixie’s mark, the term “DELTA”, and the cited mark; and (3) the inability of the remaining weak elements comprising Dixie’s mark to differentiate between the two marks.¹⁰⁷

Dixie challenged the Board’s conclusion by arguing that the examining attorney and the Board improperly discharged their duty to consider all thirteen likelihood of confusion factors set out in *In re E.I. DuPont DeNemours & Co.*,¹⁰⁸ the precedential model for the PTO, Board and Federal Circuit.¹⁰⁹ The court in *Dixie*, however, noted that

106. *Id.* at 1405-06, 41 U.S.P.Q.2d (BNA) at 1532 (citing Application Serial No. 74-353,021).

107. *See Dixie*, 105 F.3d at 1405-06, 41 U.S.P.Q.2d (BNA) at 1533.

108. *See id.* at 1406-07. 41 U.S.P.Q.2d (BNA) at 1533-34 (discussing Dixie’s argument regarding the thirteen factors presented in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361, 177 U.S.P.Q. (BNA) 563, 567-68 (C.C.P.A. 1973)). Those factors are:

- (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression;
- (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use;
- (3) The similarity or dissimilarity of the established, likely-to-continue trade channels;
- (4) The conditions under which and buyers to whom sales are made, i.e., “impulse” vs. careful, sophisticated purchasing;
- (5) The fame of the prior mark (sales, advertising, length of use);
- (6) The number and nature of similar marks in use on similar goods;
- (7) The nature and extent of any actual confusion;
- (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion;
- (9) The variety of goods on which a mark is or is not used (house mark, “family” mark, product mark);
- (10) The market interface between applicant and the owner of a prior mark:
 - (a) a mere “consent” to register or use.
 - (b) agreement provisions designed to preclude confusion, i.e., limitations on continued use of the marks by each party.
 - (c) assignment of mark, application, registration, and good will of the related business.
 - (d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods;
- (12) The extent of potential confusion, i.e., whether de minimis or substantial;
- (13) Any other established fact probative of the effect of use.

DuPont, 476 F.2d at 1361, 177 U.S.P.Q. (BNA) at 567-68.

109. *See Opryland USA, Inc. v. Great Am. Music Show, Inc.*, 970 F.2d 847, 850, 23 U.S.P.Q.2d (BNA) 1471, 1473 (Fed. Cir. 1992) (stating that the principal factors in deciding the likelihood of confusion issue are listed in *DuPont*); *see also* 3 MCCARTHY, *supra* note 31, § 23.79 (citing relevant cases).

it is not clear error for the Board to consider and analyze only the most relevant and important of the *DuPont* factors.¹¹⁰ The court even went so far as to note that "any one of the factors may control a particular case."¹¹¹

The court has often noted that, depending on the facts of a particular case, certain *DuPont* factors should play a greater role than others in the likelihood of confusion analysis.¹¹² By stating that any *one* factor may *control* a case, however, the court may well have taken this well-settled principle one step too far. This language could be construed to suggest that a likelihood of confusion may be determined based upon only one *DuPont* factor. Likelihood of confusion must be considered by examining at least two factors. For instance, confusion cannot be considered likely based only upon the similarity of the two marks at issue (*DuPont* factor No. 1).¹¹³ Rather, the similarity of the goods or services at issue (*DuPont* factor No. 2), or the fame of the prior mark (*DuPont* factor No. 5) must also play a part in any reasoned evaluation.¹¹⁴ This approach even applies to famous and well-known marks. For example, if a company were to use the notoriously famous NIKE mark, a court could not determine the likelihood of confusion without knowing, at minimum, what goods or services are identified by the second user. Use of the mark for complex and expensive surgical devices might render confusion unlikely. Permitting the PTO, Board, and Federal Circuit to determine the likelihood of confusion based only on one *DuPont* factor would be akin to granting a dilution-like cause of action, a

110. See *Dixie*, 105 F.3d at 1406-07, 41 U.S.P.Q.2d (BNA) at 1533-34; cf. *Koster v. United States*, 685 F.2d 407, 414, 231 Ct. Cl. 301, 311 (1982) (holding that a Board decision does not have to discuss all claims made).

111. *Dixie*, 105 F.3d at 1407, 41 U.S.P.Q.2d (BNA) at 1533 (citing *DuPont*, 476 F.2d at 1361-62, 177 U.S.P.Q. (BNA) at 567 ("[T]he evidentiary elements are not listed above in order of merit . . . [e]ach may from case to case play a dominant role.")).

112. See *Opryland*, 970 F.2d at 850, 23 U.S.P.Q.2d (BNA) at 1473 ("Not all of the *DuPont* factors are relevant or of similar weight in every case."); *Kellogg Co. v. Pack'em Enters., Inc.*, 951 F.2d 330, 333, 21 U.S.P.Q.2d (BNA) 1142, 1144 (Fed. Cir. 1991) (finding that one *DuPont* factor may outweigh the others); *Nina Ricci, S.A.R.L. v. E.T.F. Enters., Inc.*, 889 F.2d 1070, 1073, 12 U.S.P.Q.2d (BNA) 1901, 1902 (Fed. Cir. 1989) ("[D]ifferent elements may play the dominant role in different cases."); *Jewelers Vigilance Comm., Inc. v. Ullenberg Corp.*, 853 F.2d 888, 893, 7 U.S.P.Q.2d (BNA) 1628, 1632 (Fed. Cir. 1988) ("[T]hat question is resolved by considering a variety of factors, each of which may play a more dominant role depending upon the particular circumstances of the respective users."); *In re Mastic Inc.*, 829 F.2d 1114, 1117, 4 U.S.P.Q.2d (BNA) 1292, 1295 (Fed. Cir. 1987) ("[T]he factors themselves . . . must be weighed in the likelihood of confusion determination . . .").

113. See *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (Cust. Ct. 1973), 177 U.S.P.Q. (BNA) 563, 567 (C.C.P.A. 1973) (clarifying that confusion is relevant to application in the marketplace, the effect not to the nature of the mark).

114. See *id.* 177 U.S.P.Q. (BNA) at 567.

remedy currently reserved for the district courts.¹¹⁵

Indeed, the court in *DuPont* did not envision such a sweeping holding.¹¹⁶ The *Dixie* court relied on language from *DuPont* holding that "each [element] may from case to case play a dominant role."¹¹⁷ The *DuPont* court based this proposition on cases in which one factor, in combination with another factor, was used to determine the likelihood of confusion.¹¹⁸

On the merits, the court in *Dixie* affirmed the Board's holding that the mark, "THE DELTA CAFE & Design," resembled the previously registered DELTA mark in appearance, sound, and meaning.¹¹⁹ The court specifically noted that the dominant portion of Dixie's mark—"Delta"—may be given more weight because "Cafe" is a generic term for restaurant services and was appropriately disclaimed in Dixie's application.¹²⁰ In addition, the court in *Dixie* held that, "[n]either the design element nor the generic term 'cafe' offers sufficient distinctiveness [to Dixie's mark] to create a different commercial impression [from the word mark DELTA]."¹²¹ The court reasoned further that the identity of the dominant portion of a mark is particularly significant in the restaurant industry where restaurants are often recommended by word of mouth.¹²²

115. See 15 U.S.C. § 1125(c) (Supp. I 1995) (providing a cause of action to the opposition when the registration of the mark by applicant dilutes the opposition's marks); see also *Babson Bros. Co. v. Surge Power Corp.*, 39 U.S.P.Q.2d (BNA) 1953, 1954-55 (T.T.A.B. 1996) (holding that the Federal Trademark Dilution Act of 1995, 15 U.S.C. § 1125(c)(1), does not provide a statutory ground for opposition or cancellation proceeding before the PTO or Board, but rather creates a federal cause of action in the district courts).

116. See *DuPont*, 476 F.2d at 1362, 177 U.S.P.Q. (BNA) at 567 ("In every case turning on likelihood of confusion, it is the duty of the examiner, the board and this court to find, upon consideration of all the evidence, whether or not confusion appears likely.").

117. See *In re Dixie Restaurants, Inc.*, 105 F.3d 1405, 1406, 41 U.S.P.Q.2d (BNA) 1531, 1533 (Fed. Cir. 1997) (citing *DuPont*, 476 F.2d at 1361-62, 177 U.S.P.Q. (BNA) at 568).

118. See *DuPont*, 476 F.2d at 1361-62, 177 U.S.P.Q. (BNA) at 567 (citing *Schenley Distillers, Inc. v. General Cigar Co., Inc.*, 427 F.2d 783, 785, 166 U.S.P.Q. (BNA) 142, 143 (C.C.P.A. 1970) (finding that the variety of goods on which a mark is used [factor nine] combined with the dissimilarity of the nature of the goods [factor two] makes confusion unlikely); *McKesson & Robbins, Inc. v. P. Lorillard Co.*, 120 U.S.P.Q. (BNA) 306, 308 (T.T.A.B. 1959) (finding that factor nine pointed to the conclusion that confusion was unlikely when considering factor two, i.e., same mark was placed on beverages and tobacco); cf. *John Walker & Sons, Ltd. v. Tampa Cigar Co., Inc.*, 124 F. Supp. 254, 256, 103 U.S.P.Q. (BNA) 21, 22 (S.D. Fla. 1954), *aff'd*, 222 F.2d 460, 461, 105 U.S.P.Q. (BNA) 351, 351 (5th Cir. 1955) (finding that factor five made confusion likely when considered with factor two, i.e., same mark was placed on beverages and tobacco)).

119. See *Dixie*, 105 F.3d at 1407, 41 U.S.P.Q.2d (BNA) at 1533 (citing *DuPont*, 476 F.2d at 1361, 177 U.S.P.Q. (BNA) at 567 (factor one)).

120. See *id.*

121. *Id.* at 1407, 41 U.S.P.Q.2d (BNA) at 1533-34.

122. See *id.* at 1407, 41 U.S.P.Q.2d (BNA) at 1534 (quoting *Giant Food, Inc. v. Nations Food Service, Inc.*, 710 F.2d 1565, 1570, 218 U.S.P.Q. (BNA) 390, 395 (Fed. Cir. 1983)); *supra* Part IA.3 (providing a thorough discussion of the court's analysis on this argument).

In *In re Darren Rittenhouse*,¹²³ the court affirmed a Board decision upholding a PTO refusal to register appellant Darren Rittenhouse's ("Rittenhouse") stylized "O's" mark for "clothing, including T-shirts, hats, caps, jackets, and sweatshirts"¹²⁴ on grounds of confusing similarity with six registered marks for identical or nearly identical goods owned by the Baltimore Orioles Limited Partnership.¹²⁵

On appeal, Rittenhouse challenged both the Board's likelihood of confusion finding as well as the underlying validity of the cited registrations.¹²⁶ Rittenhouse contended that confusion between his "O's" mark and the cited registrant's was unlikely because his mark

123. 124 F.3d 228, No. 97-1252, 1997 WL 556298, (Fed. Cir. Sept. 9, 1997) (unpublished table decision).

124. *Id.* at 1; see also *In re Darren Rittenhouse*, No. 74-287,220, 1997 WL 556298 (T.T.A.B. Oct. 2, 1996).

125. See *Rittenhouse*, 1997 WL 556298, at *1. In its decision the court focuses on two of those registrations. They are Nos.: 1,831,753 for the mark "ORIOLES BALTIMORE" and design (employing the stylized "O" at issue in this case) covering: metal novelty items; namely, key tags, key chains, trophies of non-precious metal, and money clips (in International Class 6); watches, clocks, souvenir coins, and jewelry; namely, wall clocks and wristwatches, non-monetary coins and medallions, cloisonné pins, lapel pins, pins, pendants and charms (in International Class 14); paper goods and printed matter; namely, bumper stickers, laminated signs, decals, paper weights, metal bulletin boards, pens, pencils, pads, letter openers, posters, note paper, baseball cards; programs, magazines, books, and booklets relating to baseball; calendars, erasers, pencil sharpeners, drafting and drawing rulers, coloring books, playing cards, folders and postcards (in International Class 16); luggage; namely, athletic bags, attaché cases, baby back packs, duffel bags, tote bags, billfolds, briefcases, canes; business, credit and passport card cases; knapsacks, and leashes, passport cases, briefcase-type portfolios, purses, rucksacks, umbrellas (in International Class 18); beverage containers; namely, mugs, water bottles, serving trays not of precious metal, trash cans, aluminum tankards, foam can holders, ceramic mugs, ceramic tankards, glass tankards, drinking glasses, bottle openers, bowls, ice buckets, toothbrushes and lunch boxes (in International Class 21); clothing; namely, shirts, shorts, diapers, dresses, jogging suits, socks, underwear, jackets, sweaters, vests, pants, ponchos, visors, raincoats, hats, caps, cloth bibs, two-piece, baby pants, baby booties and short sets, ties, men's and women's formal wear, pajamas, sweatshirts, mittens, gloves, knitted headwear, scarves, hosiery, wristbands, headbands, robes, aprons, and shoes (in International Class 25); toys and sporting goods; namely, stuffed animals, balloons, baseballs, playground balls, toy banks; baseball equipment; namely, bases, bats, bat grips, batting gloves, batting tees, gloves and mitts; bean bags, billiard game playing equipment, checker and chess sets, video game cartridges, chest protectors, Christmas tree ornaments, dolls and doll accessories, hand-held electronic games, and rods, flotation devices for recreational use; golf equipment; namely, putters and golf balls; noisemakers, coin and non-coin operated, decorative wind socks, autographed baseballs and inflatable bats (in International Class 28); and entertainment services in the nature of baseball exhibitions (in International Class 41). See Trademark Registration No. 1,831,753, available in LEXIS, Trdmrk Library, Fedtm File. They also focused on Registration No. 1,605,473 for the mark "ORIOLES" (also employing the stylized "O" at issue in this case) covering "trading cards, stickers, posters, decals, labels, score cards, programs, scorebooks, yearbooks and postcards (in International Class 16); cloth pennants (in International Class 24); clothing—namely, T-shirts, sweatshirts, jackets, sweaters, sun visors, hats and caps (in International Class 25). See Trademark Registration No. 1,605,473, available in LEXIS, Trdmrk Library, Fedtm File.

126. See *Rittenhouse*, 1997 WL 556298, at *1; see also *supra* Part I.A.3 (providing a thorough discussion of the court's analysis on the appellant's challenge to the validity of the cited registrations).

had a "different appearance and connotation."¹²⁷ In addition, Rittenhouse claimed that the registration of another "O's" mark for T-shirts conflicted with the Board's refusal to register his mark.¹²⁸

Reviewing the case *de novo*, the court found that the stylization of Rittenhouse's mark was "remarkably similar" to the cited marks because "[b]oth include an oblong capitalized 'O' that is tilted to the right, an arched line through the top of the 'O,' and a script 's,' which has a flared 'tail' that underscores the 'O'."¹²⁹ These similarities did not exist in the third-party registration relied upon by Rittenhouse.¹³⁰ Based upon these striking similarities, the court agreed with the Board and the PTO that consumers were likely to associate Rittenhouse's goods with the Baltimore Orioles Baseball Club.¹³¹ The court limited its focus to only those few *DuPont* likelihood of confusion factors of record.¹³² As in *In re Dixie Restaurants, Inc.*, the court boldly asserted that "any one factor may control a particular case."¹³³

In *In re Diamond Pacific Tool Corp.*,¹³⁴ the Federal Circuit affirmed in part and reversed in part a Board decision affirming a PTO refusal to register three applications for the mark "DIAMOND PACIFIC"¹³⁵ and

127. *Id.*

128. *See id.* That mark is the now canceled Registration No. 1,229,247 for the mark "O's" and design covering: keychains and metal badges (in International Class 6); pendants and chains with pendants (in International Class 14); baseball cards, printed baseball game schedules and writing pens (in International Class 16); traveling bags and tote bags (in International Class 18); seat cushions and novelty items comprising a plastic representation of a person's hand spring mounted on a platform for movement simulative of waving of the hand (in International Class 20); mugs and cups (in International Class 21); T-shirts, jackets, ponchos, wrist sweatbands and jogging shorts (in International Class 25); baseball equipment carrying bags, baseball batting gloves and flying disc toys (in International Class 28); ashtrays (in International Class 34); entertainment services namely, the playing of baseball games (in International Class 41). *See* Trademark Registration No. 1,229,247 available in LEXIS, Trdmrk Library, Fedtm File.

129. *Id.* at *2.

130. *See id.*

131. *See id.* Because the court upheld the Board's section 2(d) refusal, it concluded that it did not need to address the Board's alternate refusal under section 2(a) that Rittenhouse's mark falsely suggests a connection with institutions, namely the Baltimore Orioles. *See id.* at *1 n.1; *see also* Popular Merchandising Co. v. "21" Club, Inc., 343 F.2d 1011, 1015, 145 U.S.P.Q. (BNA) 203, 206-07 (C.C.P.A. 1965) (holding that section 2(a) encompasses false suggestions with commercial corporations).

132. *See In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361, 177 U.S.P.Q. (BNA) 563, 567 (C.C.P.A. 1973) (listing the factors considered in analyzing the likelihood of confusion).

133. *Rittenhouse*, 1997 WL 556298, at *1; *see also supra* notes 105-12 and accompanying text (discussing *In re Dixie Restaurant, Inc.* factors and the court's statement that any one factor may be controlling).

134. 113 F.3d 1257, No. 96-1347, 1997 U.S. App. LEXIS 10722 (Fed. Cir. May 9, 1997) (unpublished table decision).

135. *See Diamond Pac.*, 1997 U.S. App. LEXIS 10722, at *2-4. Those applications are: No. 74-356,178 for the mark "DIAMOND PACIFIC" for "abrasive compositions, namely, jewelers' rouge, consisting of iron oxide, aluminum oxide, or silicon dioxide . . . power operated

requiring the applicant to disclaim the DIAMOND portion of the mark in two of the applications.

The court refused registration for the mark "DIAMOND PACIFIC" for "hand tools, namely, pliers" on the ground it would be likely to cause confusion with six registrations for the word mark "DIAMOND" and stylized and design forms of that mark for pliers and other hand tools.¹³⁶ On appeal, the applicant argued that the PTO examining attorney and the Board improperly focused on the DIAMOND portion of both marks and ignored the important PACIFIC element of its mark.¹³⁷ The court disagreed, noting that it was not error to emphasize this dominant portion of the mark.¹³⁸ Moreover, the PTO and Board correctly gave greater weight to the word portion of the cited marks because "it is by the words that purchasers will refer to the goods, and the words, rather than the design feature or the stylized lettering, will have a greater impression on them."¹³⁹ Furthermore, confusion was likely because the registrations identified goods identical to those covered by the applicant's mark, and because that mark incorporated the entire word portion of the cited marks.¹⁴⁰

The court also examined the requirement that the applicant disclaim the "DIAMOND" portion of the composite "DIAMOND PACIFIC" mark in its application for "lapidary machines."¹⁴¹ The court maintained the requirement, reasoning that "lapidary machines can employ diamond abrasive wheels to cut and polish precious

diamond abrasive wheels for grinding and polishing . . . said wheels being sold by applicant only at retail and to independent dealers to consumers in the lapidary industry and hobbyists of gem stones"; No. 74-355,895 for the mark "DIAMOND PACIFIC" for "motor driven lapidary machines capable of cutting and polishing only hand-held gems;" other than diamonds and only in a cabochon or rounded shape; and No. 74-355,798 for the mark "DIAMOND PACIFIC" for "hand tools, namely, pliers." *See id.*

136. *See id.* at *2. Those registrations are: No. 1,204,314 for the mark DIAMOND & Design for wrenches; pliers; nippers; staple pullers; snips; crate and box openers; farriers tools, namely, hoof rasps, hoof pads; punches; chisels; hammers; screw and nut drivers; measuring tapes; No. 689,064 for the mark DIAMOND & Design for wrenches, pliers, nippers, staple pullers, metal cutting snips, crate and box openers, machine and hand thread-forming taps, crowbars, and hooks; No. 625,272 for the mark DIAMOND (Stylized) for adjustable wrenches; No. 401,457 for the mark DIAMOND & Design for single end adjustable wrenches, double end adjustable wrenches, wrench parts, counter advertising boards displaying wrenches, thin straight nosed pliers, thin bent nosed pliers, motor special pliers, D. C. combination slipjoint pliers, crate openers, horseshoe calk extractors, both single and double ended; calk punches, machine and hand threaded-forming taps; No. 209,074 for the mark DIAMOND & Design for wrenches; No. 668,644 for the mark DIAMOND for all types of pliers, wrenches, nippers, tin snips, railroad picks, box openers, clevis hooks, chain hooks, crow-bars and mattocks. *See id.*

137. *See id.* at *6.

138. *See id.* at *7.

139. *Id.*

140. *See id.*

141. *See id.* at *8.

stones.”¹⁴² As a characteristic of a substantial component of applicant’s goods, “diamond abrasive wheels” are considered a characteristic of the whole machine and, in that context, the term DIAMOND is descriptive because “people in the industry would believe that ‘DIAMOND’ for lapidary machines refers to a lapidary machine that uses diamond abrasive wheels.”¹⁴³ In addition, the court held that the Board did not clearly err in its disclaimer requirement because “[i]f Applicant’s lapidary machines are capable of cutting and polishing diamonds, then the mark is merely descriptive.”¹⁴⁴ On the other hand, if Applicant’s machines are not capable of cutting and polishing diamonds, then the mark is deceptively misdescriptive. In either circumstance, the ‘DIAMOND’ portion must be disclaimed.”¹⁴⁵

The court found that the PTO and Board did not clearly err in holding that the application to use the mark, “DIAMOND PACIFIC,” for lapidary machines could be confused with a prior registration for “PACIFIC GRINDING WHEELS SINCE 1898 & Design.”¹⁴⁶ The court reasoned that the “DIAMOND” portion of applicant’s mark was descriptive and should accordingly be given less weight than the “PACIFIC” portion of the mark.¹⁴⁷ Further, the court noted that because the goods identified in the cited registrations cover abrasive grinding wheels—the “principal component in lapidary machines”—they were properly characterized as “related” goods.¹⁴⁸

The court next addressed (1) the decision to refuse the registration of the mark “DIAMOND PACIFIC” for “Jewelers’ rouge” and “operated diamond abrasive wheels” based upon the cited registrations, and (2) the requirement that the “DIAMOND” portion of the mark be disclaimed for both of those goods.¹⁴⁹

With regard to the disclaimer requirement for “Jewelers’ rouge,” the court parted with the Board and reversed the requirement. The court found unpersuasive the Board’s holding that DIAMOND is descriptive because “[a] rouge is used to polish gems, diamonds are

142. *Id.* at *10.

143. *Id.* at *11.

144. *Id.* at *12.

145. *Id.*

146. *See id.* at *13. That mark is Registration No. 620,608 for “abrasive materials—namely, abrasive grinding wheels, reinforced grinding wheels, bonded abrasive products, hones, jointer stones, dressing and rubbing bricks, abrasive sucks, segment wheel chucks, and abrasive filter plates.” *See* Trademark Registration No. 620,608, available in LEXIS, Trdmrk Library, Fedtm File.

147. *See Diamond Pac.*, 1997 U.S. App. LEXIS 10722, at *12-13.

148. *Id.* at *13.

149. *See id.* at *14-15.

gems, thus applicant's Jewelers' rouge could 'conceivably' polish diamonds, and therefore 'DIAMOND' must be descriptive of Jewelers' rouge."¹⁵⁰ The court believed that this syllogism fell short of the PTO's evidentiary burden of making a prima facie showing that the mark is merely descriptive.¹⁵¹ According to the court, simply because a good could "conceivably" perform a function is insufficient to meet the PTO's burden. Furthermore, any doubt about the descriptive quality of a mark should be resolved in the applicant's favor.¹⁵²

The court, however, found that the Board did not err in holding that the "DIAMOND" portion of the "DIAMOND PACIFIC" mark is merely descriptive of "power operated diamond abrasive wheels." The court reasoned that "[t]he fact that the identified goods are diamond abrasive wheels speaks for itself."¹⁵³

Lastly, the court agreed with the Board that power-operated diamond abrasive wheels for grinding and polishing are legally identical to the goods identified in the cited registrations thereby rendering confusion likely.¹⁵⁴ The applicant argued that the PTO's refusal of the entire application was inappropriate because the examining attorney failed to stipulate which classes of goods formed the basis for rejecting the "Jeweler's rouge" portion of the application in the final action.¹⁵⁵ At oral argument, the Commissioner conceded that the mark "DIAMOND PACIFIC" for jewelers' rouge was not barred by section 2(d). Accordingly, the court held that the applicant could overcome the refusal to register the application by removing the Class 7 goods from the application.¹⁵⁶

2. Inter partes appeals from the Trademark Trial and Appeal Board

In one of the few cases to reverse a Board decision, the court held in *TBC Corp. v. Holsa, Inc.*¹⁵⁷ that the Board's dismissal of an opposition was erroneous in view of the similarities between the applicant's "GRAND SLAM" mark for motor vehicle tires and the

150. *Id.* at *14.

151. *See id.*

152. *See id.* (citing *In re Merrill Lynch, Pierce, Fenner, & Smith, Inc.*, 828 F.2d 1567, 1571, 4 U.S.P.Q.2d (BNA) 1141, 1144 (Fed. Cir. 1987) ("It is incumbent on the board to balance the evidence of public understanding of the mark against the degree of descriptiveness encumbering the mark, and to resolve reasonable doubt in favor of the applicant, in accordance with practice and precedent.")).

153. *Id.* at *15.

154. *See id.* at *16.

155. *See id.* at *15.

156. *See id.* at *16.

157. 126 F.3d 1470, 44 U.S.P.Q.2d (BNA) 1315 (Fed. Cir. 1997).

previously used mark "GRAND AM" for tires.¹⁵⁸

The court agreed with the Board that the applicant's "GRAND SLAM" mark covered goods "which are identical or otherwise closely related to those marketed and distributed by opposer" and that "[t]he ultimate purchasers of these goods constitute a broad range of individuals from very knowledgeable car enthusiasts to persons who have little or no knowledge of tires."¹⁵⁹ The court was unpersuaded by the applicant's reliance on a substantial number of third-party registrations to prove that consumers are familiar with the cited marks and therefore accustomed to the existence of similar marks in the marketplace.¹⁶⁰

The court, however, disagreed with the Board's conclusion that confusion was unlikely between "GRAND SLAM" and "GRAND AM" for tires.¹⁶¹ First, the court disagreed with the Board's finding that "GRAND SLAM" imparted a "distinct connotation" because it has recognized meanings in bridge, baseball, golf, and tennis.¹⁶² Despite "grand slam's" well-defined meaning in those areas, the court found it had no such meaning for automobile tires, and accordingly, found that the term was neither descriptive nor suggestive of tires or any of their properties.¹⁶³ According to the Court's analysis, because many tire buyers will not be familiar with those definitions, they will have no effect when they see the word on tires.¹⁶⁴

The court took particular issue with the Board's failure to deal specifically with the similarities between opposer's mark "GRAND AM" and applicant's mark "GRAND SLAM."¹⁶⁵ Discounting the Board's emphasis on the weakness of the term "GRAND," the court noted that "[i]t does not matter that 'GRAND' is 'laudatory,' a characteristic the Board thought contributed to its 'weakness' as a trademark."¹⁶⁶ Rather, because the marks share the term "GRAND" "[i]t is a major contributor to overall similarity."¹⁶⁷ Because the marks

158. *See id.*, 1470-71, 44 U.S.P.Q.2d (BNA) at 1317 (discussing Application Serial No. 74-051,660).

159. *Id.* at 1471, 44 U.S.P.Q.2d (BNA) at 1316 (quoting *TBC Corp. v. Holsa, Inc.*, Opposition No. 84,567, Slip Op. at 10 (T.T.A.B. Sept. 29, 1995) (stating the conclusions with which the court agrees despite its ultimate reversal of the Board's decision)).

160. *See id.* (agreeing with the Board that third-party registrations do not prove that consumers familiar with a particular mark would also be accustomed to similar marks in the marketplace).

161. *See id.* at 1471, 44 U.S.P.Q.2d (BNA) at 1317.

162. *See id.*

163. *See id.* at 1471, 44 U.S.P.Q.2d (BNA) at 1318.

164. *See id.* at 1472, 44 U.S.P.Q.2d (BNA) at 1318.

165. *See id.* at 1471, 44 U.S.P.Q.2d (BNA) at 1317.

166. *Id.* at 1472, 44 U.S.P.Q.2d (BNA) at 1318.

167. *Id.*

will be marketed over the telephone and on television, the similarity in sound between "GRAND SLAM" and "GRAND AM" would likely result in confusion.¹⁶⁸ The court reiterated the well-settled principle that "notwithstanding the fact that each syllable of each mark generates its own impact, the only impact to be considered is that of the marks as a whole; they are not to be dissected in considering likelihood of confusion or mistake."¹⁶⁹

Finally, the court invoked the long-established rule that doubts about whether a likelihood of confusion exists must be resolved against a "newcomer"—in this case the applicant who filed an intent-to-use application.¹⁷⁰

In *Mack Trucks, Inc. v. Steven Maxfield*,¹⁷¹ the court affirmed a Board decision dismissing an opposition to the mark "MIGHTY MAX" for "custom built trucks, repair services, conversions, customizing and rebuilding of new and used trucks, and retail truck parts and accessory store services,"¹⁷² based upon opposer's marks "MACK", "MAXIDYNE", "MAXITORQUE", "MAXI-MISER", "MAXI-BILT", "MAXI-GLAS", "DYNAMAX", "REDIMAX", "CENTRI-MAX", "AERO-MAX", and "QUICK-MAX", all for trucks, truck parts, and related goods.¹⁷³

In reviewing the Board's decision *de novo*, the court agreed that: "(1) the goods and services of the parties are legally identical; (2) the MACK mark is a famous mark; (3) MIGHTY MAX and MACK considered in their entireties, are distinguishable in sound, appearance, and connotation; and (4) no evidence of actual confusion between MIGHTY MAX and MACK exists, despite the fact that the marks have been contemporaneously used in the same geographic area for at least ten years."¹⁷⁴

The court further noted that, even considering the identity of the goods and services involved, and the undisputed fame of the opposer's "MACK" mark, neither fact, alone or in combination,

168. *See id.*

169. *Id.* at 1473, 44 U.S.P.Q.2d (BNA) at 1318 (describing the principle originally established in *San Fernando Electric Mfg. Co. v. JFD Electronics Components Corp.*, 565 F.2d 683, 685, 196 U.S.P.Q. (BNA) 1, 3 (C.C.P.A. 1977)).

170. *See id.* (applying the "newcomer rule" established in *San Fernando*, 565 F.2d at 684, 196 U.S.P.Q. (BNA) at 1 that dismissed an opposition to "MICROCERAM" mark based on the prior registration of "MONOCERAM," applied to identical goods).

171. 106 F.3d 426, No. 96-1208, 1997 U.S. App. LEXIS 492 (Fed. Cir. Jan. 13, 1997) (unpublished table decision).

172. *See* Trademark Registration No. 3117, 142 *available in* LEXIS, Trdmrk Library, Fedtm File.

173. *See Mack Trucks*, 1997 U.S. App. LEXIS 492, at *1.

174. *Id.* at *2.

compelled a finding of likelihood of confusion.¹⁷⁵ Rather, the addition of "MIGHTY" to "MAX" further separated the already-distinguishable "MAX" and "MACK" marks in sound, appearance, and connotation.¹⁷⁶ The court also emphasized that the record contained no evidence of actual confusion, despite the contemporaneous use of the marks for the same goods and services in the same geographic area for ten years.¹⁷⁷

This holding is significant in view of the court's strong language in *Dixie*¹⁷⁸ and *Rittenhouse*¹⁷⁹ that any "one" *DuPont* factor may "control" the likelihood of confusion analysis. Here, the court correctly recognized the need to look at the interplay between several factors notwithstanding the strength of the senior user's mark—implicitly acknowledging that the PTO and Board cannot grant a dilution-like remedy. Lastly, the court agreed that the opposer's other "MAX"-formative marks were equally distinguishable from the applicant's "MIGHTY MAX" marks.¹⁸⁰

In the unpublished decision *Mezzacorona S.C.A.R.L. v. Torres, S.A.*,¹⁸¹ the court affirmed a Board decision granting an opposition against the mark "MEZZACORONA" for "wines and sparkling wines"¹⁸² based upon prior registrations for the marks "CORONAS" and "GRAN CORONAS," both for "wines."¹⁸³ Reviewing the issue of likelihood of confusion *de novo*, the court found that the Board's consideration of only three of the thirteen *DuPont* factors was not reversible error because they were the only factors "of record" before the Board.¹⁸⁴ Those factors were: (1) the similarity of the goods in the application and registrations; (2) the similarity of established, likely-to-continue trade channels; and (3) the similarity of the marks in their entireties as to appearance, sound, connotation, and commercial impression.¹⁸⁵

The court found the Board's conclusion that the products were the same was not clear error because all three marks involved in the

175. See *id.* at *2-3 (citing *University of Notre Dame Du Lac v. J.C. Gourmet Food Imports Co., Inc.*, 703 F.2d 1372, 1374, 217 U.S.P.Q. (BNA) 505, 507 (Fed. Cir. 1983) (holding that a famous name is insufficient to establish likelihood of confusion and that there must be a reasonable basis for the public to connect the product or service to another's famous mark)).

176. See *id.*

177. See *id.*

178. See *In re Dixie Restaurants, Inc.*, 105 F.3d 1405, 1407, 41 U.S.P.Q.2d (BNA) 1531, 1533 (Fed. Cir. 1997)

179. *In re Rittenhouse*, 1997 WL 556298, at *1 (Fed. Cir. Sept. 9, 1997).

180. See *Mack Trucks*, 1997 U.S. App. LEXIS 492, at *4.

181. No. 97-1339, 1997 WL 786911 (Fed. Cir. Dec. 17, 1997) (unpublished table decision).

182. See *id.* at *1 (discussing Application Serial No. 74-301,039).

183. See *id.* (discussing Registration Nos. 1,358,375 (GRAN CORONAS) and 1,359,598 (CORONAS)).

184. See *id.*

185. See *id.*

opposition were used on European wines stocked and displayed in the same areas of American stores.¹⁸⁶ The court also approved the Board's finding that those products traveled in the same channels of trade and were sold to the same class of purchasers.¹⁸⁷ In view of the identity of the goods the marks identified, the amount of proof necessary to demonstrate that the marks were likely to be confused would necessarily be lower.¹⁸⁸

The court also upheld the Board's factual finding that the marks were similar in physical appearance, pronunciation, and connotation.¹⁸⁹ The court agreed that the marks were sufficiently similar because all three shared the same dominant term, "CORONA."¹⁹⁰ Although the Board may not dissect competing marks to determine confusing similarity, it may compare the dominant elements of the marks.¹⁹¹ When considering the overall similarities of two competing marks, descriptive or generic portions of a mark should be afforded less weight or significance.¹⁹² Here, the Board properly accorded less weight to the terms "MEZZA" and "GRAN," both of which mean "large" and are, thus, descriptive of size and entitled to little independent significance.¹⁹³ The court further agreed that because the marks can be interpreted as referring to a crown, all three impart the same overall commercial impression.

Lastly, the court noted that to determine likelihood of confusion accurately, competing marks must be considered in their commercial context.¹⁹⁴ Although the Board did not consider the marks as they would appear in the marketplace, the court believed that doing so would nevertheless yield the same result, making the Board's failure harmless legal error.¹⁹⁵

186. *See id.* at *2.

187. *See id.*

188. *See id.* (citing *Century 21 Real Estate Corp. v. Century Life of Am.*, 970 F.2d 874, 877, 23 U.S.P.Q.2d (BNA) 1698, 1700 (Fed. Cir. 1992) to reach the conclusion that the quantum of proof necessary to demonstrate the likelihood of confusion is lower when goods are legally identical).

189. *See id.* at *2.

190. *See id.*

191. *See id.*

192. *See id.* (citing *In re National Data Corp.*, 753 F.2d 1056, 1058-59, 224 U.S.P.Q. (BNA) 749, 751 (Fed. Cir. 1985) ("That a particular feature is descriptive or generic with respect to the involved goods or services is one commonly accepted rationale for giving less weight to a portion of a mark . . .")).

193. *See id.*

194. *See id.* (citing *Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569, 218 U.S.P.Q. (BNA) 390, 393 (Fed. Cir. 1983) (ruling that the likelihood of confusion of the marks must be evaluated in the context of the marketplace because that is where confusion may occur)).

195. *See id.* at *2-3.

In *Ronda AG v. Harley-Davidson, Inc.*,¹⁹⁶ the court affirmed a Board decision granting summary judgment to the cancellation petitioner Harley-Davidson, Inc. based on likelihood of confusion between its registered marks "HARLEY-DAVIDSON" and "HARLEY," for, *inter alia*, jewelry, watches, clothing, and motorcycles; and Ronda's HARLEY mark in stylized letters, registered on the Supplemental Register for "mechanical and quartz watches, mechanical and quartz movements, and watch parts."¹⁹⁷ The court also affirmed the Board's holding that Ronda failed to raise a genuine issue of material fact in its laches defense.¹⁹⁸ On appeal, Ronda challenged the Board's entry of summary judgment for Harley-Davidson on the priority, likelihood of confusion, and laches issues.¹⁹⁹

The court resolved the priority issue by noting that Harley-Davidson used the HARLEY-DAVIDSON mark on jewelry and clothing for a substantial period of time before Ronda.²⁰⁰ On the likelihood of confusion issue, the court agreed that confusion was likely between the marks because: (1) HARLEY-DAVIDSON is a well-known and famous trademark; (2) the term HARLEY is the dominant portion of the mark HARLEY-DAVIDSON, as evidenced by third-party use as well as Harley-Davidson's own advertising; and (3) watches and jewelry are related goods.²⁰¹ Although Ronda emphasized that no evidence of actual confusion was introduced before the Board, actual confusion is only one factor in establishing likelihood of confusion, the absence of which is not determinative.²⁰²

On the issue of laches, the court noted that Ronda must show that (1) Harley-Davidson unduly delayed asserting rights against Ronda, and (2) Ronda suffered prejudice resulting from Harley-Davidson's delay.²⁰³ Ronda argued that the Board erroneously placed the burden of proving laches on Ronda, rather than on the summary judgment movant, Harley-Davidson.²⁰⁴ Because the Board's decision did not identify which party should carry the burden, the court reviewed this

196. 108 F.3d 1393, No. 96-1297, 1997 U.S. App. LEXIS 3597 (Fed. Cir. Feb. 27, 1997) (unpublished table decision).

197. *Id.* at *2 (discussing terms of Serial No. 73-319,201 in the Supplemental Register).

198. *See id.* at *1.

199. *See id.* at *2.

200. *See id.* at *3 (noting that Ronda first used the mark in August 1979).

201. *See id.* at *3-4.

202. *See id.* at *4 (finding that the confusion issue was another factor to be considered).

203. *See id.* (citing *National Cable Television Ass'n, Inc. v. American Cinema Editors, Inc.*, 937 F.2d 1572, 1580, 19 U.S.P.Q.2d (BNA) 1424, 1431 (Fed. Cir. 1991) (holding that defense of laches requires showing of undue delay in asserting rights and prejudice resulting from such delay)).

204. *See id.* at *4-5.

issue *de novo*.²⁰⁵ The court agreed with the Board's holding, finding that even if the Board erroneously imposed the burden on Ronda, it was a harmless error.²⁰⁶

To show that it was prejudiced by Harley-Davidson's delay, Ronda submitted a declaration from its general manager stating that: (1) Ronda used the HARLEY mark since 1980 on watch parts, movements, and watches; (2) Ronda last used the HARLEY mark in 1989 and intended to resume use of the mark; (3) Ronda invests in advertising and promotions of the HARLEY brand in the United States every year; and (4) the HARLEY brand is an important and valuable asset to Ronda, responsible for millions of dollars of its sales, the loss of which would greatly damage Ronda's business.²⁰⁷ The court found that this evidence alone failed to create the genuine issue of material fact necessary to defeat Harley-Davidson's summary judgment motion.²⁰⁸

To defeat the motion, the court noted that Ronda needed to establish the existence of an element essential to its case, one as to which it would bear the burden of proof at trial.²⁰⁹ Because Ronda would ultimately bear the burden of proof on its laches affirmative defense, it needed to point to specific facts demonstrating a genuine issue to be resolved at trial.²¹⁰ Here, the court found that Ronda's mere denials and conclusory statements failed to meet this burden.²¹¹

The court acknowledged its previous holding that "long acquiescence in the use of a trademark by a successful business, even without expansion of trade, may provide a basis for a valid inference of prejudice."²¹² In order to invoke the laches defense successfully, however, a nonexpanding business must be successful, use a trademark for a substantial period of time, and continue to nurture the mark through advertising during that time.²¹³ The court found that Ronda's business growth over four-and-a-half years was not, by

205. *See id.* at *5.

206. *See id.*

207. *See id.* at *5-6 (arguing that the value of the mark to the company increased each year).

208. *See id.* at *6.

209. *See id.* (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986) (stating that Rule 56(e) of the Federal Rules of Civil Procedure requires the party opposing summary judgment to respond only if the moving party has met its initial burden)).

210. *See id.*

211. *See id.* (citing *Barnag Barmer Maschinenfabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 836, 221 U.S.P.Q. (BNA) 561, 564 (Fed. Cir. 1984) (holding that a party opposing a motion must show an on the record evidentiary conflict and that mere denials are insufficient)).

212. *Id.* at *8 (quoting *Ralston Purina Co. v. Midwest Cordage Co.*, 373 F.2d 1015, 1019, 153 U.S.P.Q. (BNA) 73, 76 (C.C.P.A. 1967)).

213. *See id.* at *8-9.

itself, sufficient to demonstrate prejudice *per se*.²¹⁴ The court advised that Ronda's declaration might be sufficient if it presented specific evidence of "increased sales, promotional expenditures, or substantial growth in trade."²¹⁵

Because Ronda failed to raise a genuine issue of material fact on the prejudice element of its laches defense, the court did not address Harley-Davidson's argument that laches can only be asserted successfully in cancellation proceedings if reasonable doubt exists on the ultimate issue of likelihood of confusion.²¹⁶ Similarly, the court also noted that it need not decide whether Ronda's four-and-a-half-year delay constituted "undue delay."²¹⁷

3. *An Appeal from Federal District Court*

In *OddzOn Products, Inc. v. Just Toys, Inc.*,²¹⁸ the court affirmed a district court decision granting summary judgment in favor of defendant Just Toys on plaintiff OddzOn's claims of design patent infringement, trade dress infringement, and state law unfair competition.²¹⁹

OddzOn, a toy and sporting goods company and maker of the popular "Vortex" ball,²²⁰ sued Just Toys, another toy and sporting goods company, for its sale of "Ultra Pass Balls" for design patent infringement, trade dress infringement, and state law unfair competition.²²¹ The "Vortex" ball and "Ultra Pass Balls" were both foam football-shaped balls with a tail and fin.

The court upheld the district court's holding that OddzOn had a valid design patent for its ball and Just Toys did not infringe

214. *See id.*

215. *Id.* at *9 (citing *Ralston Purina*, 373 F.2d at 1019, 153 U.S.P.Q. (BNA) at 76 (finding "no laches where evidence of promotional expenditure was not submitted and sales dated did not show any substantial growth of trade during the period of issue"). *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1033, 22 U.S.P.Q.2d (BNA) 1321, 1329 (Fed. Cir. 1992) (en banc) ("The courts must look for a change in the economic position of the alleged infringer during the period of delay.").

216. *See Rhonda AG*, No. 96-1297, 1997 U.S. App. Lexis 3597, at *10 n.1 (*Ultra-White Co. v. Johnson Chem. Indus., Inc.*, 465 F.2d 891, 893, 175 U.S.P.Q. (BNA) 166, 167 (C.C.P.A. 1972) (holding that "evidence of laches may be considered only in cases where likelihood of confusion is reasonably in doubt"); *Swank, Inc. v. Ravel Perfume Corp.*, 438 F.2d 622, 624, 168 U.S.P.Q. (BNA) 723, 725 (C.C.P.A. 1971) ("Where the competing marks are identical or are closely similar, the equitable principles defined by section 19 have been held not to be applicable inasmuch as the public interest is the dominant consideration.")).

217. *See Rhonda AG*, No. 96-1297, 1997 U.S. App. Lexis 3597, at *10 n.1 (leaving open the question of what is required to demonstrate undue delay).

218. 122 F.3d 1396, 43 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 1997).

219. *See OddzOn*, 122 F.3d at 1399, 43 U.S.P.Q.2d (BNA) at 1643.

220. *See id.* (describing Vortex ball patent design).

221. *See id.* at 1399-1400, 43 U.S.P.Q.2d (BNA) at 1643.

OddzOn's patent.²²² Despite their similar appearance, the evidence introduced on summary judgment was insufficient to prove design patent infringement and to show that this similarity was attributable to the ball's ornamental, nonfunctional features rather than its general overall appearance.²²³

Concerning its trade dress claims, OddzOn argued on appeal that the district court erroneously granted Just Toys's motion for summary judgment because OddzOn was not given an opportunity to address the likelihood of confusion issue.²²⁴ The court disagreed, finding that OddzOn responded with a design patent survey, samples of alternative ball designs, and a trade dress likelihood of confusion survey and that OddzOn never suggested that it possessed any other trade dress surveys regarding likelihood of confusion.²²⁵

OddzOn also argued that the "District Court improperly discounted the evidence of record, including its trade dress consumer survey[,] in finding that OddzOn failed to establish a likelihood of confusion under the Ninth Circuit's eight-factor test."²²⁶ The court agreed with the lower court that confusion was not likely because "the defendant's balls are clearly and prominently labeled, the crowded toy market leads to a conclusion that consumers have experience selecting between two marks with care, and the time consumers will spend comparing the balls makes it unlikely that consumers would not be able to discriminate between the two."²²⁷

The court also found that the district court properly discounted OddzOn's trade dress survey to the extent it showed that consumers

222. *See id.* at 1401-04, 43 U.S.P.Q.2d (BNA) at 1644-49.

223. *See id.* at 1405-06, 43 U.S.P.Q.2d (BNA) at 1648. The court also ruled on the unsettled issue of whether the matter encompassed by section 102(f) of the Patent Act, which prohibits one from obtaining a patent on an invention one invented oneself, constitutes "prior art" under section 103. *See* 35 U.S.C. §§ 102(f), 103 (1994). The court held that "subject matter derived from another not only is itself unpatentable to the party who derived it under § 102(f), but, when combined with other prior art, may make a resulting obvious invention unpatentable to that party under a combination of §§ 102(f) and 103." *OddzOn*, 122 F.3d at 1403, 43 U.S.P.Q.2d (BNA) at 1646. In light of the ambiguous nature of the statute, however, the court declined Just Toy's request to remand the case on the issue of inequitable conduct for OddzOn's failure to reveal two confidential disclosures to the PTO. *See id.* (explaining that as a matter of law OddzOn could not have acted with deceptive intent when it failed to disclose this information).

224. *See OddzOn*, 122 F.3d at 1407 (suggesting that the district court entered summary judgment *sua sponte*).

225. *See id.* (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986) (holding that a summary judgment is appropriate "after adequate time for discovery and upon motion, against the party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial").

226. *See id.* at 1407-08, 43 U.S.P.Q.2d (BNA) at 1649. For the Ninth Circuit's likelihood of confusion test, see *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49, 204 U.S.P.Q. (BNA) 808, 814 (9th Cir. 1979).

227. *OddzOn*, 122 F.3d at 1408, 43 U.S.P.Q.2d (BNA) at 1649 (stating the basis for the court's decision).

believed the two balls could be associated with each other simply because they both had tails and fins.²²⁸ The court believed that the survey artificially adduced this association because it called for respondents to compare the two "tail and finned" balls at issue in the case with three additional balls that lacked fins and tails, thereby contaminating the survey.²²⁹

As to the products' packaging, the court agreed that, despite some shared similarities such as the rectangular shape of the toys' packaging, there were also many differences that obviated a likelihood of confusion.²³⁰ For instance, "OddzOn's packaging carried prominent sports stars' pictures and endorsements, while Just Toys's packaging did not," and both packages employed different color schemes.²³¹

Lastly, OddzOn argued that the district court improperly found that there was no unfair competition under state law because it failed to address the evidence of design patent and trade dress infringement.²³² The court dismissed this argument in view of its holding of noninfringement and because the evidence introduced to the lower court was equally insufficient to support a claim of unfair competition.²³³

B. Priority Under Section 44 of the Lanham Act²³⁴

In *In re Hacot-Colombier*,²³⁵ the court affirmed a Board decision affirming the PTO's refusal to register appellant Hacot's mark on the ground that the drawing in the application improperly and materially altered the character of the mark depicted in the foreign registration upon which priority was claimed.²³⁶

Hacot filed an application under section 44(d) of the Trademark Act seeking a United States registration based upon the priority date of its French application.²³⁷ The PTO examining attorney rejected

228. *See id.*

229. *See id.*

230. *See id.* (suggesting that OddzOn's arguments regarding infringement of its trade dress are equally unpersuasive).

231. *Id.*

232. *See id.*

233. *See id.* The court also did not address Just Toys' cross-motion that the district court "erroneously affirmed the magistrate judge's order compelling production of privileged documents relating to Just Toys' defense to the charge of willful infringement." *See id.* at 1408-09, 43 U.S.P.Q.2d (BNA) at 1650. Instead, the court found that the issue was moot in view of the district court's holding of non-infringement. *See id.*, 43 U.S.P.Q.2d (BNA) at 1650.

234. 15 U.S.C. § 1126(d) (1994).

235. 105 F.3d 616, 41 U.S.P.Q.2d (BNA) 1523 (Fed. Cir. 1997).

236. *See id.* at 617, 41 U.S.P.Q.2d (BNA) at 1524-25.

237. *See id.*, 41 U.S.P.Q.2d (BNA) at 1524.

the application on the ground that its drawing did not depict a "substantially exact representation of the mark as it appeared in the foreign registration certificate."²³⁸ Hacot later requested reconsideration of the refusal and submitted an amended drawing.²³⁹ The examining attorney rejected the request, making the refusal final.²⁴⁰ The Board affirmed the examining attorney's decision.²⁴¹

On appeal, Hacot argued that its drawing was permissible under the relevant federal regulations.²⁴² Under section 44(d) of the Trademark Act, an applicant may receive a priority filing date based on the filing date of a foreign application if the applicant files its United States application within six months of filing its original application for the identical mark in a treaty country.²⁴³ To qualify, however, an applicant must include a drawing of the mark with its U.S. trademark application.²⁴⁴ Under federal regulation 37 C.F.R. § 2.51, that drawing must be a "*substantially exact representation* of the mark as it appears in the drawing in the registration certificate" of the foreign registration upon which priority is claimed.²⁴⁵

Thus, the court framed the essential inquiry as whether the mark appearing in the drawing was a "substantially exact representation" of the mark in the priority application. The court noted that the term "substantially" in the regulations allows some slight "inconsequential" variation from the "exact representation" standard.²⁴⁶ For instance, an applicant may delete nonmaterial informational matter, such as net weight or content information, from the foreign representation of an entire label.²⁴⁷ In this case, however, the court agreed with the Board that Hacot's originally filed mark differed substantially from the registered foreign mark because it deleted the HACOT-COLOMBIER H&C house mark and employed a different tree design from the one depicted in the foreign registration.²⁴⁸

Hacot later tried to cure this defect by filing an amended drawing,

238. *Id.*

239. *See id.*

240. *See id.*

241. *See id.*

242. *See id.* at 619, 41 U.S.P.Q.2d (BNA) at 1525-26.

243. *See id.* at 618, 41 U.S.P.Q.2d (BNA) at 1525 (noting the foreign filing procedures under 15 U.S.C. § 1126(d) (1994)).

244. *See id.* (discussing 37 C.F.R. § 2.21(a)(3) (1996)).

245. 37 C.F.R. § 2.21(a)(3) (1996) (emphasis added); *see Hacot*, 105 F.3d at 618, 41 U.S.P.Q.2d (BNA) at 1525.

246. *See Hacot*, 105 F.3d at 618, 41 U.S.P.Q.2d (BNA) at 1525 (providing example of "inconsequential" variables).

247. *See id.* at 618-19, 41 U.S.P.Q.2d (BNA) at 1525 (citing *United Rum Merchants Ltd. v. Distillers Corp.*, 9 U.S.P.Q.2d (BNA) 1481, 1483-84 (T.T.A.B. 1988)).

248. *See id.*, 41 U.S.P.Q.2d (BNA) at 1524-25 (depicting the three different tree designs produced by Hacot-Colombier).

which the PTO also rejected. On appeal, Hacot argued that it could do so under 37 C.F.R. § 2.72(a), the federal regulation governing the amendment of a mark in an application, which specifically provides that “[a]mendments may not be made to the description or drawing of the mark if the character of the mark is materially altered.”²⁴⁹ Subsection (d) provides that “[i]n applications under section 44 of the Act, amendments of the description or drawing of the mark may be permitted only if warranted by the description or drawing of the mark in the foreign registration certificate.”²⁵⁰ Hacot argued that section 2.72(d) trumps section 2.72(a) because “as long as the proposed amendments to the drawing bring the United States application into closer conformity with the foreign application, such changes are not material alterations in violation of section 2.72(a).”²⁵¹

The court rejected Hacot’s argument, citing to a prior Board ruling that section 2.72(d) cannot be read so broadly as to permit any amendment to the drawing in a United States application so long as the new mark resembles the mark in the foreign registration.²⁵² Rather, the Board found that subsection (d) must be read in conjunction with subsection (a), which prohibits an amendment to the drawing if such an amendment would constitute a material alteration of the character of the mark.²⁵³ Otherwise, the court reasoned, subsection (d) would be superfluous.²⁵⁴ An amendment, even if immaterial, “must bring the United States application closer to the foreign registration.”²⁵⁵ Furthermore, an amendment that conforms to the foreign registration must still be a nonmaterial alteration.²⁵⁶ Otherwise, the court cautioned, under Hacot’s reasoning an applicant could secure a priority date by filing any mark with later “potentially numerous” amendments under section 2.72(d), thereby negating the “same mark” requirement in

249. 37 C.F.R. § 2.72(a) (1996), cited in *Hacot*, 105 F.3d at 619, 41 U.S.P.Q. (BNA) at 1525.

250. 37 C.F.R. § 2.72(d) (1996).

251. *Hacot*, 105 F.3d at 619, 41 U.S.P.Q.2d (BNA) at 1525-26 (recounting Hacot’s argument).

252. See *id.*, 41 U.S.P.Q.2d (BNA) at 1526. The court stated that the Board’s previous holdings deserve deference. See *id.* (citing *In re Abolio y Rubio S.A.C.I. y G.*, 24 U.S.P.Q.2d (BNA) 1152, 1154-55 (T.T.A.B. 1992) (explaining the agency’s interpretation by the Board); *In re Dr. Pepper Co.*, 836 F.2d 508, 510, 5 U.S.P.Q.2d (BNA) 1207, 1209 (Fed. Cir. 1987) (according deference to a reasonable agency interpretation)).

253. See *Hacot*, 41 U.S.P.Q.2d (BNA) at 1526 (citing *Abolio*, 24 U.S.P.Q.2d (BNA) at 1154-55, in support of the interpretation that “Rule 2.72 includes both a prohibition against material alterations and a requirement that any alteration conform to the foreign registration”).

254. See *id.*

255. *Id.*

256. See *id.* at 619-20, 41 U.S.P.Q.2d (BNA) at 1526 (noting that otherwise adverse consequences would occur to enable a party to secure a priority date by filing any dissimilar mark).

section 44(d).²⁵⁷ Borrowing from a previous Board case, the court noted that under the proper test:

[T]he modified mark must contain what is the essence of the original mark, and the new form must create the impression of being essentially the same mark. The general test of whether an alteration is material is whether the mark would have to be republished after the alteration in order to fairly present the mark for purposes of opposition.²⁵⁸

In addition, Hacot argued that its amended alteration was not material simply because it added the "HACOT-COLOMBIER" house mark.²⁵⁹ The court acknowledged that when an applicant owns a registration for a mark it seeks to add to a pending mark, covering the same goods or services as those listed in the pending application, the composite resulting from the combination of the two does not materially alter or affect the mark.²⁶⁰ This is because the newly formed composite mark does not require a new search or republication.²⁶¹

Here, however, the court found that Hacot's addition of its house mark remained a material alteration because its original application covered goods only in International Class 2 (natural dyes for textile manufacturer), while its house mark covered goods in Classes 20 (pillows), 22 (down feathers), and 24 (sheets, pillow cases, quilt covers, mattress covers).²⁶² Because a competitor in the natural dye industry would not be on notice that Hacot might combine these marks, the addition of the house mark was a material alteration.²⁶³ Further, at the time Hacot filed the original application, its house mark had not yet matured to registration.²⁶⁴

Finally, Hacot argued that the case was controlled by *In re ECCS, Inc.*,²⁶⁵ a case decided in the Federal Circuit a year earlier. There, the applicant filed an application whose drawing page differed from the

257. See *id.* at 620, 41 U.S.P.Q.2d (BNA) at 1526.

258. *Id.* (quoting *Visa Int'l Serv. Ass'n v. Life-Code Sys., Inc.*, 220 U.S.P.Q. (BNA) 740, 743-44 (T.T.A.B. 1983) (elaborating on the test necessary to comply with Rule 2.72(a) that drawing can be amended as long as amendment does not alter "initial filing")); see also *TMEP*, *supra* note 31, § 807.14(a) (noting that "as a general rule, in the case of additions to marks, the addition of any element which would require a further search would represent a material alteration").

259. See *Hacot*, 105 F.3d at 620, 41 U.S.P.Q.2d (BNA) at 1527.

260. See *id.* (citing *In re Nationwide Indus., Inc.*, 6 U.S.P.Q.2d (BNA) 1882, 1885 (T.T.A.B. 1988) (describing a court ruling that allowed applicant to "amend its application to the mark "SNAP RUST BUSTER," a combination of its original application ("RUST BUSTER") and its registered house mark ("SNAP"))).

261. See *id.*

262. See *id.*

263. See *id.*

264. See *id.*

265. 94 F.3d 1578, 39 U.S.P.Q.2d (BNA) 2001 (Fed. Cir. 1996).

specimens of use that were filed.²⁶⁶ The applicant later amended the drawing to conform to the specimens.²⁶⁷ Vacating the Board's refusal to allow this amendment, the court noted that the application was "internally inconsistent" and that the examiner should have looked to the specimens to establish the applicant's actual rights to use the mark and to resolve the ambiguity.²⁶⁸

In *Hacot*, however, the court noted that the original 1992 application contained no ambiguity and it was not until April 22, 1993 (ten months after the original filing) that Hacot supplied the examiner with a copy of the French registration.²⁶⁹ At that point, when the ambiguity arose, it was well after the six-month window for foreign priority filing.²⁷⁰ Thus, to grant Hacot the benefit of the priority date would allow a party seeking the benefit of foreign priority to file any drawing, then conform the drawing to the foreign filing at a later date.²⁷¹ Characterizing the statutory and regulatory rules as "not too loose," the court ruled that the Board properly enforced them to prevent fraud or improper advantage.²⁷²

C. *A New Look at the Requirement of "Use in Commerce" Under the Trademark Law Revision Act of 1988*

The court's decision in *R.I. Productions v. Paramount Pictures Corp.*,²⁷³ is one of the first to provide trademark practitioners and owners with some guidance on what quantum and nature of use is necessary to constitute an "ordinary use in trade" sufficient to support registration under the Trademark Law Revision Act of 1988 (the "Revision Act").²⁷⁴ Prior to the effective date of the Revision Act, "token" use of

266. See *id.* at 1579, 39 U.S.P.Q.2d (BNA) at 2002-03.

267. See *id.*

268. See *id.* at 1581, 39 U.S.P.Q.2d (BNA) at 2004.

269. See *Hacot*, 105 F.3d at 621, 41 U.S.P.Q.2d (BNA) at 1528.

270. See *id.* Practically, a foreign application, on which a U.S. Application is based, will rarely proceed to registration within the six month priority window. Those countries that generally do issue registrations within six months of an application's original filing include: Algeria (approximately 2 months), Anguilla (approximately 4 months), Aruba (approximately 2-4 weeks), Burundi (approximately 3 months), Cambodia-Kampuchea (approximately 1 month), Denmark (approximately 3-5 months), Dominican Republic (approximately 3 months), Gibraltar (approximately 1 month), Guernsey (approximately 3 months), Jersey (approximately 1 week), Laos (approximately 1 month), Mexico (approximately 2 months), Monaco (approximately 3 months), Netherlands Antilles (approximately 1 month), Rwanda (approximately 3 months), Syria (approximately 3 months), Tanganyika-Tanzania Republic (approximately 4 months), and Zanzibar-Tanzania Republic (approximately 4 months).

271. See *id.*

272. See *id.*

273. 108 F.3d 1392, No. 96-1096, 1997 U.S. App. LEXIS 3079 (Fed. Cir. Feb. 21, 1997) (unpublished table decision).

274. Pub. L. No. 100-667, 102 Stat. 3935, 1946-48 (1988) (codified at 15 U.S.C. § 1127 (1994)) [hereinafter "Revision Act"].

a trademark was sufficient to support a registration.²⁷⁵ The Revision Act replaced the need for a “token use” to reserve marks with a dual system of registration based on either a registrant’s use of, or intent to use, a mark.²⁷⁶ Consequently, the Revision Act instituted the requirement that use of a mark in the “ordinary course of trade” (as contrasted with mere token use) is necessary to support federal registration.²⁷⁷ The express language of the Revision Act, however, fails to explain how to apply this standard.²⁷⁸ In *R.I. Productions*, the court found an ideal opportunity to grapple with this issue.

The case reached the Federal Circuit on appeal from a Trademark Trial and Appeal Board decision granting summary judgment sustaining Paramount’s opposition to an application to register the mark “THE ROMULANS” for a parlor game.²⁷⁹ Appellant White was the owner of a federal registration for the identical mark “THE ROMULANS” for live and recorded performances by a vocal and instrumental group.²⁸⁰ White sought to register the mark THE ROMULANS for a connect-the-dots board game used to promote his band.²⁸¹ Paramount Pictures opposed his application based upon use of the identical term “ROMULANS” to identify an alien race of space creatures featured in its many “Star Trek” movies and television series.²⁸² The Board granted Paramount’s motion for summary judgment on two grounds, holding that White’s mark did not qualify for trademark registration because the game in question was not a “good” and his limited distribution of the game was not a “bona fide use in commerce.”²⁸³ On appeal, the Federal Circuit considered whether the standards for summary judgment had been met on the issue of “bona fide use.”²⁸⁴ Finding in the affirmative, the court

275. See *R.I. Productions*, 1997 U.S. App. LEXIS 3079, at *6 (stating that the Revision Act altered the concept of trademark use).

276. See *id.*; see also 3 MCCARTHY, *supra* note 31, § 19:01[5] (discussing the impact of the Revision Act on registration).

277. See *R.I. Productions*, 1997 U.S. App. LEXIS 3079, at *6 (citing 15 U.S.C. § 1127 (1994)).

278. See *id.* (stating that the Federal Circuit has not yet developed any bright line rules regarding “ordinary use in trade”).

279. See *id.* at *1.

280. See *id.* at *3 n.1. Paramount Pictures had earlier unsuccessfully opposed White’s application to register the mark “THE ROMULANS” for “entertainment services, namely, live and recorded performances by a vocal and instrumental group” *Id.* (citing *Paramount Pictures Corp. v. Romulan Invasions*, 7 U.S.P.Q.2d (BNA) 1897, 1897 (T.T.A.B. 1988)).

281. See *id.* at *2.

282. See *id.* at *2-3. The Board considered and ruled in Paramount’s favor on the issue of whether Paramount had standing to oppose the mark. See *id.* at *4 n.2.

283. See *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d (BNA) 1768, 1772-76 (T.T.A.B. 1994).

284. See *R.I. Productions*, 1997 U.S. App. LEXIS 3079, at *4-5 (addressing Paramount’s argument that the connect-the-dots game does “not meet the requirements of bona fide sales of a good in commerce needed for trademark registration”).

deemed it unnecessary to consider the subsequent issue of whether the game constituted a "good" within the meaning of the Lanham Act.²⁸⁵

The court relied on the legislative history of the Revision Act for guidance on the quantum and nature of use required to satisfy the requirement of "bona fide use of a mark in the ordinary course of trade."²⁸⁶ The court also applied case law setting forth minimum requirements under the old "token use" system,²⁸⁷ on the theory that uses that did not qualify under the token-use system (e.g., "sporadic, casual, and nominal use") clearly did not qualify under the newer, more stringent "bona fide use" system.²⁸⁸ Only a use sufficient to reflect "*a continual effort to create a viable business in the goods so marked*" rises to a level necessary to satisfy the use requirements of the new Revision Act.²⁸⁹

In order to evaluate the propriety of the Board's grant of summary judgment in Paramount's favor, the Federal Circuit conducted an independent evaluation of the facts alleged by White to support registration of his application.²⁹⁰ White testified that he generally distributed his game for free at band performances or, occasionally, to interested fans by mail.²⁹¹ Sale estimates indicated that only 20-25 games per year were actually sold, at prices ranging between \$.25 to \$1.00 each, and never more than at his own cost.²⁹² At best, White's annual sales estimates approximated no more than \$12.50 a year.²⁹³ The evidence reflected that the volume of appellant's sales were far below what would be typical in the wider board/parlor game industry.²⁹⁴ The circuit court affirmed the Board's finding that White's use of "THE ROMULANS" mark simply did not qualify as a

285. *See id.* at *5.

286. *Id.* at *6-7 (discussing House and Senate reports on the Lanham Act). Section 45 of the Lanham Act defines the term "use in commerce" as "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." 15 U.S.C. § 1127 (1994).

287. *See R.I. Productions*, 1997 U.S. App. LEXIS 3079, at *7-8 (citing *Bellanca Aircraft Corp. v. Bellanca Aircraft Eng'g, Inc.*, 190 U.S.P.Q. (BNA) 158, 167 (T.T.A.B. 1976) and *Mastic, Inc. v. Mastic Corp.*, 230 U.S.P.Q. (BNA) 699, 701 (T.T.A.B. 1986)).

288. *See id.* at *7-9.

289. *Id.* at *8 (quoting *LaMaur, Inc. v. International Pharm. Corp.*, 199 U.S.P.Q. (BNA) 612, 617 (T.T.A.B. 1978)) (emphasis added).

290. *See id.* at *5.

291. *See id.* at *2.

292. *See id.* at *2, *9 (stating that White did not keep business records of the games he sold). Appellant also states that he gives the games away for free if he is "in a good mood." *Id.* at *9.

293. *See id.* at *9.

294. *See id.* (stating that White's volume of use, i.e., gross income from the games, is not typical for his particular industry insofar as it did not constitute a "continual effort to create a viable business in the goods so worked") (internal quotation marks omitted).

“use in commerce” as contemplated by the Revision Act.²⁹⁵

D. A Consideration of Single Color Marks

In *In re Hudson News Co.*²⁹⁶ the Federal Circuit upheld, without opinion, a Board decision that two applications for the color blue for “retail store services featuring newspapers, magazines, books, snack foods, clothing, film and other sundries”²⁹⁷ were neither functional nor inherently distinctive.²⁹⁸

Hudson filed two applications that included descriptions and nonpictorial drawings of the marks sought to be registered.²⁹⁹ The first description portrayed the marks as “a distinctive trade dress consisting of the color blue utilized as a motif in association with the store name and other trade dress elements such as carpeting, neon lighting, publication(s), display panels and surrounds, shelving and employee uniforms.”³⁰⁰ The second description read:

The mark is a distinctive trade dress composed of a cool bluish, clean and salubrious newsstand shopping environment. The blue motif is created and enhanced by blue neon lighting associated with the store name and publication(s) displays, blue carpeting, blue accents, and blue employee uniforms. The blue motif is further enhanced by extensive use of clear, acrylic plastic shelving and coverings for displays which both reflect and allow for the passage of the reflected bluish light throughout.³⁰¹

The drawing pages for the applications indicated the notation “no drawing” where the mark normally appears and included the statement “[t]he mark is nonfunctional, inherently distinctive and is used as trade dress in applicant’s retail newsstand stores.”³⁰² The examiner refused registration for both applications on the grounds that (1) the matter sought to be registered was *de jure* functional; and (2) even if the matter sought to be registered was not *de jure* functional, the trade dress was not inherently distinctive.³⁰³ The applicant appealed, arguing that its trade dress was registrable under the Supreme Court’s decision in *Two Pesos, Inc. v. Taco Cabana*.³⁰⁴

295. *See id.*

296. 114 F.3d 1207, Nos. 97-1050, 97-1051, 1997 U.S. App. LEXIS 15556 (Fed. Cir. June 12, 1997) (unpublished table decision).

297. *In re Hudson News Co.*, 39 U.S.P.Q.2d (BNA) 1915, 1916 (T.T.A.B. 1996) (citing Application Serial No. 74-441,602).

298. *See id.* at 1924.

299. *See id.* at 1916.

300. *Id.* (quoting Application Serial No. 74-441,602).

301. *Id.* (quoting Application Serial No. 74-441,603).

302. *Id.*

303. *See id.*

304. *See id.* (citing *Two Pesos, Inc. v. Taco Cabana*, 505 U.S. 763, 23 U.S.P.Q.2d (BNA) 1081

The examiner reasoned that the applications described the marks as consisting primarily of the color blue, which, as a common decorating color used in retail stores and for which there is a competitive need, is *de jure* functional.³⁰⁵ The examiner also argued that the applicant's blue trade dress was *de jure* functional because it created a soothing, calming environment that competitors should be free to recreate in their stores.³⁰⁶ The examiner noted further that even if the marks were not *de jure* functional, they were not inherently distinctive because, "as a color mark" they would require secondary meaning for protection.³⁰⁷

The Board held that the marks were not *de jure* functional because the examiner's evidence of record did not indicate that the color blue had any utilitarian purpose.³⁰⁸ Nor was there evidence in the record clarifying how registering the applicant's "blue motif" would hinder competition.³⁰⁹ The Board noted that even if the particular blue is a soothing color, a blue interior would not necessarily benefit a retail newsstand.³¹⁰ The evidence did not suggest that a newsstand (or any retail store) with a blue interior would attract more customers and/or increase sales.³¹¹ Simply because "people are soothed by or feel good in a blue environment does not necessarily mean that these people, as customers in applicant's newsstand, will buy more products."³¹² Thus, the examiner failed to prove that a blue interior of a retail store is the best or one of the few superior designs that is desirable for competitors to use—the appropriate test for *de jure* functionality.³¹³

The Board contrasted this case from others where colors have been held to clearly form a function—for example the use of the color coral to make ear plugs more visible to allow for easier and quicker employee safety checks.³¹⁴ The Board also disagreed with the examiner that certain colors may be functional if they have some sort

(1992), which applicant cited in support of registering trade dress).

305. *See id.* at 1917.

306. *See id.*

307. *See id.* (stating that examiner's interpretation of Supreme Court's language in *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 U.S.P.Q.2d (BNA) 1161 (1995), suggests that color marks require secondary meaning in order to be afforded protection).

308. *See id.* at 1920.

309. *See id.*

310. *See id.*

311. *See id.* ("On the evidence of record, we fail to see how the color blue has a utilitarian purpose and/or why registering this applicant's 'blue motif' would hinder competition.").

312. *Id.*

313. *See id.* (citing *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1531, 32 U.S.P.Q.2d (BNA) 1120, 1122 (Fed. Cir. 1994)).

314. *See In re Howard S. Leight & Assocs.*, 39 U.S.P.Q.2d (BNA) 1058, 1059-60 (T.T.A.B. 1996).

of psychological effect in light of the examiner's failure to produce evidence directly demonstrating that the color blue had this effect.³¹⁵

Last, the Board noted that the purpose of the publication requirement was to allow applicant's competitors an opportunity to oppose his application if they believed registration would hinder competition.³¹⁶ Applicant's competitors would be in a better position to introduce evidence reflecting marketplace realities than the PTO.³¹⁷

On the issue of inherent distinctiveness, the court noted that the Supreme Court in *Two Pesos* did not determine the proper test for evaluating whether trade dress is inherently distinctive.³¹⁸ The Board noted that the Federal Circuit frames the test as whether a trade dress is "a 'common' basic shape or design, whether it [is] unique or unusual in a particular field, [or] whether it [is] 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."³¹⁹ More simply stated by the court, the appropriate test is "whether or not the trade dress is of such a design that a buyer will immediately rely on it to differentiate the product from those of competing manufacturers."³²⁰

The Board found that the dress at issue in this case was "quite pedestrian" and not "striking" or "unusual" as the applicant alleged.³²¹ The Board did not believe that consumers would immediately recognize that the blue motif trade dress identified the store's services.³²² Rather, the Board concluded that consumers would view the trade dress as nothing more than interior decoration and dismiss the "motif" of carpeting, neon lighting, plastic display racks, uniforms, and unidentified "accents" because such designs could be

315. See, e.g., *Deere & Co. v. Farmhand Inc.*, 560 F. Supp. 85, 101, 217 U.S.P.Q. (BNA) 252, 264-65 (S.D. Iowa 1982), *aff'd*, 721 F.2d 253 (8th Cir. 1983) (holding that the color green is functional because farmers like to have farm accessories color coordinated with their tractor); *Norwich Pharm. Co. v. Sterling Drug Inc.*, 271 F.2d 569, 572 n.7, 123 U.S.P.Q. (BNA) 372, 375 n.7 (2d Cir. 1959) (inferring that the purported "psychosomatic effect" of the color pink for a stomach upset remedy might be characterized as functional); *Doeskin Prods., Inc. v. Levinson*, 132 F. Supp. 180, 183-84, 105 U.S.P.Q. (BNA) 329, 332 (S.D.N.Y. 1955) (assessing that psychological reaction to pastel shades in facial tissues create mental impression of "softness").

316. See *Hudson*, 39 U.S.P.Q.2d (BNA) at 1920-21.

317. See *id.* at 1921.

318. See *id.*

319. *Id.* at 1922 (quoting *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*, 568 F.2d 1342, 1344 196 U.S.P.Q. (BNA) 289, 291 (C.C.P.A. 1977) (illustrating the test used by other courts to resolve issues of inherent distinctiveness)).

320. *Id.* (quoting *Tone Bros., Inc. v. Sysco Corp.*, 31 U.S.P.Q.2d (BNA) 1321, 1331 (Fed. Cir. 1994) in adopting the Federal Circuit's articulation of the proper test).

321. See *id.* at 1923.

322. See *id.*

found at a number of retail establishments.³²³ The Board concluded that decorating in one color does not transform a trade dress into an inherently distinctive mark.³²⁴

As an aside, the court noted in a footnote that the debate continues over the holding in *Qualitex Co. v. Jacobson Products Co.*,³²⁵ as to whether single-color marks may be inherently distinctive, or whether they require secondary meaning for protection.³²⁶ Some courts have held that single-color marks cannot be inherently distinctive and necessarily require a showing of secondary meaning.³²⁷ Were a court to hold that a single color could be inherently distinctive, candidates for such marks would likely have to substitute a product's common color with a unique, unusual, or unexpected color. Examples of inherently-distinctive single color marks could include bright red automobile tires, purple orange juice, pink hammers, navy blue butter, and fluorescent green coffee.³²⁸

E. *The Scope of the Board's Authority to Impose Sanctions*

In *Carolina Exports International, Inc. v. Bulgari*,³²⁹ the court addressed the scope of the Board's authority to impose sanctions on a

323. *See id.*

324. *See id.*

325. 514 U.S. 159, 162, 34 U.S.P.Q.2d (BNA) 1161, 1162 (1995) (holding that a mark consisting of a color alone can act as a source identifier and be registered under the Lanham Act).

326. *See Hudson*, 39 U.S.P.Q.2d (BNA) at 1923 n.17 (discussing *Qualitex*, 514 U.S. at 162, 34 U.S.P.Q.2d (BNA) at 1162, which held that color alone is protectable and registrable).

327. *See Forschner Group, Inc. v. Arrow Trading Co.*, 124 F.3d 402, 408, 43 U.S.P.Q.2d (BNA) 1942, 1946-47 (2d Cir. 1997) ("As an element of trade dress . . . we observe that color is never inherently distinctive, but is capable of identifying a product's source and may be a protected trademark only when it has attained secondary meaning and has come to be associated in the consuming public's mind with a single source of origin."); *Carillon Importers Ltd. v. Frank Pesce Group, Inc.*, 913 F. Supp. 1559, 1563 (S.D. Fla. 1996) ("As a matter of policy, color alone is not protected as trade dress, unless it has acquired a secondary meaning."); *aff'd*, 112 F.3d 1125 (11th Cir. 1997); *see also Knitwares, Inc. v. Lollytogs, Ltd.*, 71 F.3d 996, 1008, 36 U.S.P.Q.2d (BNA) 1737, 1746 (2d Cir. 1995) (interpreting *Qualitex* as standing for the proposition that color alone may not be inherently distinctive); *Mana Prods., Inc. v. Columbia Cosmetics Mfg., Inc.*, 65 F.3d 1063, 1070, 36 U.S.P.Q.2d (BNA) 1176, 1181 (2d Cir. 1995) ("While there is no fixed rule for the amount of proof necessary to prove secondary meaning, in the case of a color mark for a trade dress the burden is heavy because color marks by their very nature are not generally distinctive.");

328. *See Kevin M. Jordan & Lynn M. Jordan, Qualitex Co. v. Jacobson Products Co.: The Unanswered Question—Can Color Ever be Inherently Distinctive?*, 85 TRADEMARK REP. 371, 396 (1995) ("[I]f a manufacturer sold potato chips, dyed purple, under the name of 'Psychedelic Spuds,' should it not be able to secure trademark protection for the purple color as soon as the product reaches consumers"); *see also Jonathan Hudis, Removing the Boundaries of Color*, 86 TRADEMARK REP. 1, 7 (1996) (explaining that the *Qualitex* decision supports the registrability of inherently distinctive color marks, without first proving secondary meaning).

329. 108 F.3d 1394, No. 96-5082, 1997 U.S. App. LEXIS 4701 (Fed. Cir. Mar. 7, 1997) (unpublished table decision).

disobedient party in an opposition proceeding.³³⁰ Bulgari, owner of the famous "BULGARI" mark, opposed Carolina's application to register the identical mark "BULGARI" for "wine and spirits."³³¹ During the discovery phase of the opposition, Bulgari sought information regarding Carolina's compliance with governmental regulations.³³² When Carolina failed to respond to its discovery requests, Bulgari filed a motion to compel which was granted by the Board.³³³

In response to Carolina's failure to comply with the Board's Order, Bulgari sought, and the Board imposed, sanctions tailored to the subject of Carolina's disobedience—namely, its failure to provide discovery about governmental compliance or noncompliance. The Board chose to accept as conclusively proven that Carolina's "BULGARI" wines and spirits did not comply with the governing regulatory laws.³³⁴ This fact formed the basis for Bulgari's amended Notice of Opposition and its later successful motion for summary judgment.³³⁵

On appeal, Carolina argued that the Board erred in imposing sanctions for two reasons. Carolina claimed that though it had received a copy of the Board's Order compelling production, it never received a copy of Bulgari's original moving papers and thus could not be sanctioned for noncompliance.³³⁶ In the alternative, Carolina opposed sanctions because they had the ultimate effect of dismissing Carolina's case.³³⁷

The court did not agree with either of Carolina's claims.³³⁸ According to the court, Trademark Rule 2.120(g)(1)³³⁹ empowers the Board with discretionary authority to impose sanctions on a party who has failed to comply with a discovery order, including, in particular, an order compelling discovery.³⁴⁰ Pursuant to FED. R. CIV.

330. *See id.* at *3-6 (discussing the Board's decision to grant sanctions for failure to comply with Board's discovery order).

331. *See id.* at *1.

332. *See id.* at *1-3.

333. *See id.* at *2.

334. *See id.*

335. *See id.* at *2-3.

336. *See id.* at *3 (noting Carolina's objection to sanctions based on the fact that it did not receive notice pursuant to FED. R. CIV. P. 37).

337. *See id.*

338. *See id.* at *4-5 (noting the Court's reasoning for rejecting Carolina's arguments).

339. 37 C.F.R. § 2.120(g) (1996).

340. *See Bulgari*, 1997 U.S. App. LEXIS 4701, at *4-5 (noting that the Board did not misinterpret the law in providing sanctions for noncompliance with the discovery order). Indeed, the Board is empowered to impose sanctions for failure to comply with an order only when the Board has issued an order relating to discovery (i.e., an order compelling discovery or a protective order) and the order has been violated. *See* TRADEMARK TRIAL AND APPEAL BOARD

P. 37(b)(2) and Trademark Rule 2.120(g)(1), a party subjects itself to sanctions for failure to obey an order of the Board.³⁴¹ The circuit court's review of the record led it to conclude that Carolina had received and purposely ignored the Board's order, and Carolina did not bother to seek reconsideration.³⁴² As such, the court concluded, the Board's imposition of sanctions was appropriate.³⁴³

The court was equally unpersuaded by Carolina's second argument regarding an alleged abuse of discretion in the Board's selection of sanctions.³⁴⁴ Trademark Rule 2.120(g)(1) gives the Board discretion to enter sanctions, including the entry of orders permitted in FED. R. CIV. P. 37(b)(2).³⁴⁵ In selecting the appropriate sanctions, the Board followed the express language of FED. R. CIV. P. 37(b)(2)(A) by establishing the facts relating to its discovery order as conclusively proven.³⁴⁶ The fact that the Board's sanctions ultimately led to an adverse grant of summary judgment did not affect the court's perception of the validity of the sanctions.³⁴⁷ As the court recognized, a contrary result would allow Carolina (and likely encourage others) to benefit from the "blatant disregard of an order to avoid a grant of summary judgment."³⁴⁸ The court concluded that there was no abuse of discretion because Carolina refused to produce the compelled information.³⁴⁹

MANUAL OF PROCEDURE § 527.01 (1995) [hereinafter TBMP] (citing *MacMillan Bloedel Ltd. v. Arrow-M Corp.*, 203 U.S.P.Q. (BNA) 952, 954 (T.T.A.B. 1979) (refusing to recognize a party's statement regarding the opposition's noncompliance with discovery requests as a sufficient basis for sanctions under Rule 2.120(c)); *General Sealer Corp. v. H.H. Robertson Co.*, 193 U.S.P.Q. (BNA) 384, 384 (T.T.A.B. 1976) (construing motion for summary judgment as motion to compel discovery for purpose of permitting Board to impose sanctions for failure to comply); *Spa Int'l, Inc. v. European Health Spa, Inc.*, 184 U.S.P.Q. (BNA) 747, 747 (T.T.A.B. 1975) (ruling that Board cannot impose sanctions under Rule 2.120(c) when the party seeking sanctions has not followed proper procedure for obtaining order compelling such discovery); *Johnson & Johnson v. Diamond Med., Inc.*, 183 U.S.P.Q. (BNA) 615, 616 (T.T.A.B. 1974) (stating that the party must willfully fail to comply with Board's Order permitting discovery as prerequisite to imposition of sanctions by Board)).

341. See *Bulgari*, 1997 U.S. App. LEXIS 4701, at *4.

342. See *id.* at *4-5.

343. See *id.* at *5.

344. See *id.* (finding no abuse of discretion in Board's decision to award sanctions it deemed appropriate).

345. See *id.* Rule 527.01 of the TBMP lists the sanctions which may be entered by the Board as follows: "striking all or part of the pleadings of the disobedient party; refusing to allow the disobedient party to support or oppose designated claims or defenses; prohibiting the disobedient party from introducing designated matters into evidence; and entering judgment against the disobedient party." TBMP, *supra* note 340, § 527.01. The Board does not have the authority to hold any person in contempt, or to award any expenses, including attorneys' fees, to any party. See 37 C.F.R. §§ 2.120(g)(1), 2.127(f) (1996); TBMP, *supra* note 340, § 502.06.

346. See *Bulgari*, 1997 U.S. App. LEXIS 4701, at *5.

347. See *id.* at *5-6.

348. *Id.*

349. See *id.* at *6.

Carolina raised two additional unsuccessful challenges to the Board's ruling on appeal. Carolina argued that the Board erred in granting Bulgari leave to amend its pleadings because Carolina sustained great prejudice due to the Board's decision to grant summary judgment in Bulgari's favor based upon those amended pleadings.³⁵⁰ The court concluded that any prejudice to Carolina related solely to its inability to defend itself against a conclusively proven fact, rather than the timing of Bulgari's motion.³⁵¹

Carolina also found fault with the Board's grant of summary judgment based solely upon Bulgari's amended Notice of Opposition rather than upon a "claim, counterclaim, or cross-claim."³⁵² The court disagreed, holding that an amended pleading, including an amended notice of opposition, does not preclude a grant of summary judgment.³⁵³ The court therefore affirmed the Board's decision in its entirety.³⁵⁴

F. Priority of Use and Inequitable Conduct

In *Metro Traffic Control, Inc. v. Shadow Network Inc.*,³⁵⁵ one of the few cases involving a Federal Circuit reversal of a Trademark Trial and Appeal Board holding, the court addressed issues of priority of use and inequitable conduct raised in a cancellation proceeding involving the "SHADOW TRAFFIC" service mark.³⁵⁶ As the court acknowledged upfront, the factual background of the case is "as congested as the streets of New York or Philadelphia during rush hour."³⁵⁷

The "SHADOW TRAFFIC" mark was coined and first used by a Pennsylvania corporation ("SNI-PA") to identify its Philadelphia-area traffic-reporting services in 1976.³⁵⁸ In 1979, the principals of SNI-PA entered into a joint venture with New York-based individuals to

350. See *id.*

351. See *id.* at *7 ("The question of prejudice is largely dependent upon the timing of the motion to amend.") (citing *Charles Greiner & Co. v. Mari-Med Mfg., Inc.*, 962 F.2d 1031, 1038, 22 U.S.P.Q.2d (BNA) 1526, 1531 (Fed. Cir. 1992)); *Richardson Greenshields Sec., Inc. v. Lau*, 825 F.2d 647, 653 n.6 (2d Cir. 1987) (permitting leave to amend an answer where amended counterclaims required only limited discovery and thus did not constitute abuse of the discovery process in an attempt to force settlement).

352. See *Bulgari*, 1997 U.S. App. Lexis 4701, at *7-8.

353. See *id.* (citing *Marmark Ltd. v. Nutrexpa S.A.*, 12 U.S.P.Q.2d (BNA) 1843, 1845 (T.T.A.B. 1989) (acknowledging that a summary judgment has been granted on the basis of amended pleadings)).

354. See *id.*

355. 104 F.3d 336, 41 U.S.P.Q.2d (BNA) 1369 (Fed. Cir. 1997).

356. See *id.* at 337-38, 41 U.S.P.Q.2d (BNA) at 1370-72.

357. *Id.* at 337, 41 U.S.P.Q.2d (BNA) at 1370.

358. See *id.*

establish "SHADOW TRAFFIC" traffic-reporting services in the New York metropolitan area ("SNI-NJ").³⁵⁹ Though the principals ended their joint venture relationship in 1981, the remaining entities, SNI-PA and SNI-NJ, agreed to use concurrently the "SHADOW TRAFFIC" mark and to participate jointly in the solicitation of advertising.³⁶⁰

In 1984, SNI-PA was acquired by another company and its name was changed to Shadow Traffic Network, Inc. ("STNI").³⁶¹ STNI's use of the "SHADOW TRAFFIC" mark continued thereafter without change.³⁶²

In 1985, SNI-NJ filed an application to register the mark "SHADOW TRAFFIC," claiming ownership since 1979, and substantially exclusive use of the mark since 1979.³⁶³ SNI-NJ's application made no mention of SNI-PA's prior use or STNI's ongoing use of the identical mark.³⁶⁴

In 1986, SNI-NJ was itself acquired by Shadow Traffic Network New Jersey (STNNJ), an entity comprising owners and directors of STNI.³⁶⁵ STNNJ financed the acquisition through a bank loan secured through the assets of STNNJ (which included the registered service mark "SHADOW TRAFFIC") and some stockholdings owned by individual investors in STNI.³⁶⁶ Although STNI was a party to the transaction, it did not pledge any of its assets to secure the loan.³⁶⁷

In 1990, STNNJ defaulted on the bank loan and the pledged assets of SNI-NJ, including the "SHADOW TRAFFIC" registration, were sold to a third party named Citi Traffic.³⁶⁸

In 1991, STNI was purchased by Metro Traffic.³⁶⁹ The purchase included SNI-PA's common law service mark rights in the SHADOW TRAFFIC mark.³⁷⁰ Sometime thereafter, Metro Traffic petitioned to cancel Citi Traffic's "SHADOW TRAFFIC" registration on grounds of priority and fraudulent procurement.³⁷¹ Though the Board held that Metro Traffic had established priority of use, it also held that this priority was relinquished as a result of the 1990 default on the loan

359. *See id.*

360. *See id.*

361. *See id.*

362. *See id.*

363. *See id.*, 41 U.S.P.Q.2d (BNA) at 1370-71.

364. *See id.*, 41 U.S.P.Q.2d (BNA) at 1371.

365. *See id.* at 337-38, 41 U.S.P.Q.2d (BNA) at 1371.

366. *See id.* at 338, 41 U.S.P.Q.2d (BNA) at 1371.

367. *See id.*

368. *See id.*

369. *See id.*

370. *See id.*

371. *See id.*

used for the purchase of STI-NJ.³⁷² The Board also concluded that Metro Traffic had failed to prove fraudulent procurement by clear and convincing evidence.³⁷³

On appeal, the Federal Circuit found clear error in the Board's finding that Metro Traffic did not show priority of use.³⁷⁴ Furthermore, the circuit court determined that although the Board correctly found that SNI-PA had first used the "SHADOW TRAFFIC" mark, the Board erred in its holding that those rights were relinquished by virtue of the 1990 default.³⁷⁵ According to the Federal Circuit, this error derived from the Board's failure to recognize that STNI and STNNJ were separate entities and its resulting confusion about which entity had defaulted on the loan.³⁷⁶ The court reasoned that because STNI never pledged any assets to the bank, it did not forfeit any assets upon default.³⁷⁷ The court therefore vacated the Board's decision on priority of use.³⁷⁸

The court emphasized, however, that reversing the Board's decision would not "automatically entitle Metro Traffic to cancellation."³⁷⁹ If the Board were to find that STNI and STNNJ held themselves out to the public as a single operation, it could also find that STNI's prior common law rights in the "SHADOW TRAFFIC" mark merged into STNNJ's registration during the period of joint operation and control.³⁸⁰ The court remanded the case to the Board for consideration of this issue.³⁸¹

The court did let stand, however, the Board's rejection of Metro Traffic's claim of fraudulent procurement.³⁸² Metro Traffic based its allegations of fraudulent inducement on three allegedly false statements concerning ownership, substantially exclusive use, and the rights of others to use the mark contained in the declaration accompanying SNI-NJ's application for the "SHADOW TRAFFIC" mark.³⁸³ The court found no clear error in the Board's conclusion that these statements, though false, were not fraudulent.³⁸⁴

372. *See id.*

373. *See id.*, 41 U.S.P.Q.2d (BNA) at 1371-72.

374. *See id.* at 339, 41 U.S.P.Q.2d (BNA) at 1372.

375. *See id.*

376. *See id.*

377. *See id.*

378. *See id.* (reasoning that since STNI did not pledge its common law rights to the service mark, it did not lose them upon loan default).

379. *Id.* at 340, 41 U.S.P.Q.2d (BNA) at 1372.

380. *See id.*, 41 U.S.P.Q.2d (BNA) at 1372-73.

381. *See id.*, 41 U.S.P.Q.2d (BNA) at 1372.

382. *See id.* at 341, 41 U.S.P.Q.2d (BNA) at 1373.

383. *See id.* at 340, 41 U.S.P.Q.2d (BNA) at 1373.

384. *See id.* at 341, 41 U.S.P.Q.2d (BNA) at 1373 (determining that declarant did not

Like the Board had before it, the court drew a distinction between a false statement occasioned by a misunderstanding, inadvertence, negligent omission and the like, and a fraudulent statement made with the willful intent to deceive.³⁸⁵ Upon review of the testimony, the Board concluded that the three challenged statements stemmed not from an intent to deceive, but rather from confusion over the complex factual circumstances and ongoing cooperative relationships of the Philadelphia and New Jersey "SHADOW TRAFFIC" entities.³⁸⁶ The court deferred to the Board's findings and declined to overturn this aspect of its opinion on appeal.³⁸⁷

CONCLUSION

In sum, the Federal Circuit's 1997 decisions lend insightful analysis to a number of important procedural and substantive trademark issues. Its decisions add a wealth of direction to the ever-growing body of trademark law.

understand legal implications of statements).

385. *See id.* at 340, 41 U.S.P.Q.2d (BNA) at 1373 (citing *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. (BNA) 1033, 1044 (T.T.A.B. 1981), stating that false misrepresentation made without willful intent does not constitute fraud)).

386. *See id.* at 341, 41 U.S.P.Q.2d (BNA) at 1373.

387. *See id.*