PROGRAM MATERIALS
Program #30145
July 20, 2020

Recent Developments in Trademark Law

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RECENT DEVELOPMENTS IN TRADEMARK LAW – [30145]

July 20, 2020

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INTRODUCTION

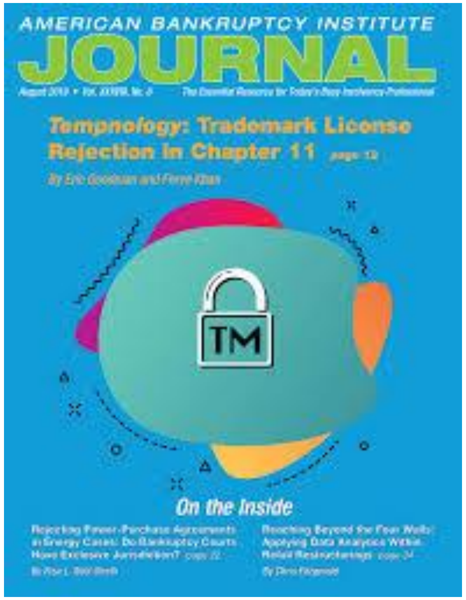
- Who cares anyway? The Value of a Brand.
  A. U.S. Supreme Court . . . Places Its Brand on TM Law.
  B. Newsworthy . . . Even to Non-Trademark Fans.
  C. Non-Case Law Updates (Now, for the Rest of the Story).

A. THE U.S. SUPREME COURT

1. Mission Product Holdings, Inc. v. Tempnology LLC, 139 S. Ct. 1652 (May 20, 2019)
2. Iancu v. Brunetti, 139 S. Ct. 2294 (June 24, 2019)
3. Peter v. NantKwest, Inc., 140 S. Ct. 365 (December 11, 2019)
4. Romag Fasteners Inc. v. Fossil Inc., No. 18-1233 (April 23, 2020)
5. U.S. PTO v. Booking.com B.V., No. 19-46 (June 30, 2020)

A.1. Mission Product Holdings, Inc. v. Tempnology, LLC (Bankruptcy And Trademark Licensing)

- Justice Kagan wrote the 8-1 opinion; Justice Gorsuch dissented.
- Holding: Under Section 365 of the Bankruptcy Code, a debtor-licensor's rejection of a trademark license agreement does not terminate rights of the licensee that would survive the licensor's breach under non-bankruptcy law.
- Summary of facts and decision.
- Practical Ramifications:
  1. Significant;
  2. "Naked" trademark licenses; and
  3. Hobson's choice for debtor-licensor?



A.2. Iancu v. Brunetti (Disparaging, Immoral, or Scandalous Marks)

- Justice Kagan wrote for six justices.
- Holding: Lanham Act provision barring registration of immoral or scandalous trademarks violates the First Amendment.
- Summary of facts and decision.
- Practical Ramifications: More applications will likely be filed and registrations granted for arguably offensive and controversial marks, but the removal of certain bars against trademark registration will not likely force consumers suddenly to embrace offensive brands.

A.3. Peter v. NantKwest, Inc. (Showdown Over the "American Rule")

- Justice Sotomayor delivered the unanimous opinion.
- Holding: The phrase "[a]ll the expenses of the proceedings" in 35 U.S.C. § 145 does not encompasses the personnel expenses the USPTO incurs when its employees, including attorneys, defend the agency in Section 145 litigation.
- Summary of facts and decision.
- Practical Ramifications:

1. The S. Ct. upheld 170 years of patent precedent and 70 years of trademark precedent regarding awards of attorneys' fees.
2. A ruling in favor of the PTO would have chilled a patent or trademark applicant's option to appeal to the district court and thus miss the opportunity to pursue further discovery and augment the record.

A.4. Romag Fasteners Inc. v. Fossil Inc. (Lost Profits as a Remedy for Infringement)

- Justice Gorsuch delivered the unanimous opinion.
- Holding: Willful infringement is not a prerequisite to an award of profits for trademark infringement.
- Summary of facts and decision.
- Practical Ramifications:

1. Resolved 6-6 circuit split over whether willfulness required.
2. Dispensing with willfulness requirement likely will increase trademark infringement case filings and disgorgement awards.
3. Favors trademark owners.

A.5. U.S. PTO v. Booking.com B.V. (Genericness dot "Yeah!")

- Justice Ginsberg wrote for eight justices (Breyer dissented)
- Holding: The addition by an online business of a GTLD (".com") to an otherwise generic term can create a protectable trademark.
- Summary of facts and law.
- Practical Ramifications: The decision essentially maintains the status quo, but strong evidence of consumer perception will be required before generic domains can be protected as trademarks. There is no bright-line rule.

B. NEWSWORTHY . . . EVEN TO NON-TRADEMARK FANS

1. Non-Traditional Marks (Color)
2. Cannabis Marks
3. Likelihood of Confusion & PIs
4. Damages and Willfulness
5. First Sale Doctrine
6. First Amendment
7. False Advertising

Bonus: Artificial Intelligence

B.1. Non-Traditional Marks (Color)

Is the Federal Circuit Color Blind?

[In re Forney Indus., Inc., No. 19-1073 (Fed. Cir. 4/8/20)]

Masters Tournament Green-Gold Jacket

[U.S. Registration No. 6,000,045 (3/3/20)]

B.2. Cannabis Marks

- The cannabis industry
- Applications to register marks with the PTO
- The Agriculture Improvement Act of 2018, Pub. L. 115-334 (“Farm Bill”)
- In re Stanley Brothers Social Enterprises, LLC,

  App. 86/568,478 (TTAB June 16, 2020)
- Woodstock Ventures LC v. Woodstock Roots LLC, 18 Civ. 1840 (S.D.N.Y. 2019)
- Kiva Health Brands Inc. v. Kiva Brands Inc., 402 F. Supp. 3d 877 (N.D. Cal. 2019)

B.3. Likelihood of Confusion and PIs

Stone Brewing Co. LLC
v.
Molson Coors Brewing Co.,
2019 WL 1491962 (S.D. Cal. 2019)

Spangler Candy Co.
v.
Tootsie Roll Indus., LLC,
372 F. Supp. 3d 588 (N.D. Ohio 2019)

B.4. Damages and Willfulness

- Variety Stores v. Walmart, No. 5:14-CV-217-BO (E.D.N.C. 2019)
- "Backyard Grill"
- $95.5 million

B.5. First Sale Doctrine

- Williams-Sonoma Inc. v. Amazon.com Inc., 2019 WL 7810815 (N.D. Cal. 2019)

- Motion to dismiss denied
- Amazon.com offers the Amazon Brand Registry

B.6. First Amendment (1 of 2)

- MGFB Properties, Inc. v. Viacom Inc. f/k/a MTV Networks et al., No. 5:19-cv-00257 (N.D. Fla. Oct. 23, 2019)
- MTV's reality show "Floribama Shore"
- MTV's motion to dismiss denied

B.6. First Amendment (2 of 2)

- *AM General LLC v. Activision Blizzard Inc.*, No. 2:17-cv-08644 (S.D.N.Y. April 2020)
- Activision used HUMVEE trucks in "Call of Duty" video games
- AM General's motion to dismiss granted

B.7. False Advertising

Molson Coors Beverage Co. USA LLC v. Anheuser-Busch Cos., LLC

- Advertisements from Anheuser-Busch that Miller Lite and Coors Light are made using corn syrup as a source of sugar that yeast ferments into alcohol, while Bud Light is made using rice, not corn syrup
- Seventh Circuit held Anheuser-Busch's advertisements do not violate the prohibition of false and misleading advertisements
- Molson Coors admits that corn syrup is used when making Miller Lite and Coors Light and even lists corn syrup as an ingredient on the product packaging
- Seventh Circuit held that Molson Coors "brought this problem on itself" by choosing the word "ingredients" that may have multiple meanings.

C. NON-CASE LAW UPDATES

- PTO Rule Changes
- Foreign Highlights: Madrid Protocol, Argentina, Brexit, China
- PTO Upcoming Trademark Fee Adjustments

C.1. PTO Rule Changes

1. Requirement to file electronically
2. Requirement for email addresses
3. Specimen of use requirements
4. Representation by U.S. attorney for parties not domiciled in U.S. (effective 8/3/19)

C.2. – C.5. Foreign Highlights

- Madrid Protocol
- Impact of Brexit
- China
- Argentina

C-6. PTO Trademark Fee Adjustments

- Earliest effective date of fee adjustments is October 2020
- PTO seeking increases to support critical IT projects, to improve accuracy of the trademark register, and to increase recovery of costs for the rising appeal and trial procedures.
- Five areas for increases:
  - Application filings
  - Petitions, Letters of Protest, and Requests for Reconsideration
  - Post Registration Maintenance filings
  - Deletion of Goods and Services following audit or adverse decision
  - Trademark Trial and Appeal Board filings

QUESTIONS?

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PROGRAM MATERIALS for Program #30145

Recent Developments in Trademark Law[1]

Monday, July 20, 2020

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<u>Trademark Law Update 2020</u>

Trademark rights are now firmly recognized as an integral part of the world's trading system. The volume of trademark litigation, the value of well-recognized brands as company assets, and the extent to which domestic and international economic activity revolves around trademark rights -- all confirm this point. Despite the importance of trademark rights, or perhaps because of that importance, the law of trademarks continues to evolve in 2020.

<u>Context & An Overview of Change: The Last Decade</u>

In the Preface to their law school casebook, <u>Trademarks & Unfair Competition</u> at page vi (6th ed. 2002), authors Peter Maggs and Roger Schechter state: "It has become a bit of a cliché to say that we live in a 'branded' society, in which the power and worth of trademarks as important business assets have never been greater. Clichés, however, sometimes reflect underlying truths. It is an extraordinary time to undertake the study of trademark law. There is a sense of <u>dynamism</u> in this area . . . that is perhaps unmatched anywhere else on the legal landscape." (Emphasis added.) Since the turn of the millennium, we have seen major legislative amendments (e.g., to dilution law), continued controversy over trademark rights on the Internet, and more and more cross-border trademark disputes.

Trademark protection has expanded substantially since the U.S. Court of Appeals for the Federal Circuit began work in 1982 (the court has exclusive review over appeals from decisions of the U.S. Patent and Trademark Office or "PTO"). An overview of such expansion must include the ever-increasing number of designations that qualify for trademark protection. Applications for trademark registrations can now be filed and priority dates can now be obtained before the first use of a mark in commerce; no longer are trademark owners restricted by the underlying common law prerequisite that trademark rights accrue only upon use of the mark. Rights can be acquired on an international basis with far greater ease, based on a single application filed with the PTO. The period of non-use triggering a presumption of abandonment of a mark has been lengthened. The control requirement necessary to validate trademark licensing has been loosely applied. The scope of rights obtained by a trademark owner has expanded, both in terms of the geographic reach of rights (note the "famous marks" or "well-known marks" doctrine may permit a producer using the mark abroad to obtain relief in the

United States if the mark is "well-known" here) and the type of uses against which relief can be secured. Actionable confusion has been expanded to encompass confusion as to matters other than the source of goods (e.g., to include confusion as to affiliation or endorsement), to consumers other than purchasers, at times in post-sale contexts. New causes of action have been created that provide relief without confusion (e.g., dilution). Enforcement powers have been strengthened: plaintiffs can now bring infringement actions based upon in rem jurisdiction over a domain name. And remedies for a successful plaintiff have been enhanced, especially in the areas of counterfeiting and cybersquatting.

U.S. trademark law has historically been a product of the common law. Trademark statutes are generally understood as schemes to acknowledge and confirm the existence of common law rights, and the current statute (the Trademark Act of 1946, also known as the Lanham Act) retains that general approach. Some recent changes in trademark law have occurred, however, by legislation. The Trademark Act of 1946 significantly changed and liberalized the common law to dispense with mere technical prohibitions. The change was so significant that courts have since discounted the precedential value of cases that interpreted trademark law as it existed before 1946. *See, e.g., Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 173 (1995) ("This history undercuts the authority of the precedent on which Jacobson relies. Much of the pre–1985 case law rested on statements in Supreme Court opinions that interpreted pre-Lanham Act trademark law and were not directly related to the holdings in those cases. Moreover, we believe the Federal Circuit was right in 1985 when it found that the 1946 Lanham Act embodied crucial legal changes that liberalized the law . . . ."); *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1360 (CCPA 1973) ("we consider the pre-Lanham Act decisions presented here to be inapt").

The Federal Trademark Dilution Act of 1995 ("FTDA") amended Lanham Act Section 43 to provide a new subsection (c) setting forth a federal cause of action for trademark dilution. 15 U.S.C. § 1125(c). *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333 (Fed. Cir. 2003) (referring to the House Judiciary Committee statements relative to the FTDA, the Federal Circuit noted that the geographic fame of the mark must extend throughout a substantial portion of the United States). Between its effective date and August 5, 1999, the FTDA did not provide grounds for opposition or cancellation in the Trademark Trial and Appeal

Board ("TTAB"). *Babson Bros. Co. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996). On that date in 1999, however, legislation became effective permitting trademark opposition and cancellation proceedings based on dilution. The Trademark Dilution Revision Act of 2006 then amended the Trademark Act of 1946 and the later FTDA of 1995. The 2006 Act was primarily designed to overturn the U.S. Supreme Court decision in *Moseley v. Victoria's Secret Stores, Inc.*, 537 U.S. 418 (2003), which had required a plaintiff to show actual trademark dilution, rather than the likelihood of dilution. The 2006 Act also limited protection for trademark dilution to those marks recognized by members of the general public, rather than marks famous only in a niche market, and slightly amended the "fair use" defense.

President Bush signed into law the implementing legislation for the Madrid Protocol on November 2, 2002. Sections 60-74 were added to the Lanham Act as Subchapter IV, titled "The Madrid Protocol." *See* 15 U.S.C. §§ 1141-1141n. On November 2, 2003, registration under the Madrid Protocol became available through the PTO. Thus, a U.S. company can now file an intent-to-use application in the U.S. and then file in the PTO, in English, using U.S. currency, an application for registration of the mark in any of the Madrid Protocol member countries. Thereafter, the appropriate trademark offices in each of the designated countries will examine the application under their domestic law. This streamlined process reduces to a considerable extent the foreign trademark registration expenses of a U.S. company.

Many other expansions in trademark protection are due to the constant application by courts of existing legal norms to changing social and economic facts. The development of rules of trademark law, which is part of the broader law of unfair competition, or the adjudication of trademark claims, should reflect a balance among the rights of competitors, the goodwill of producers, and the interests of consumers. The dynamic nature of trademark law is reflected in various important changes, some of which are listed below.

1. In the twentieth century, both the state and federal courts tended to be highly solicitous of an individual's personal right to use his or her name in trade. More recently, courts have adopted a more flexible approach to the conflicting property interests involved in surname trademark infringement cases. Courts have been willing, for example, to enjoin the use of a surname unless accompanied by a disclaimer.

2. Although initially reluctant to do so, the PTO has accepted applications to register trade dress under the Lanham Act since at least the late 1950's. That trend has continued with an expansion of trade dress rights. The U.S. Supreme Court has spurred the expansion with cases such as *Two Pesos, Inc. v. Taco Cabana, Inc*., 505 U.S. 763 (1992) (proof of secondary meaning is not required to prevail on a claim under Section 43(a) of the Lanham Act where the product packaging trade dress at issue is inherently distinctive), and *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (in an action for infringement of unregistered trade dress under Section 43(a) of the Lanham Act, a product design is distinctive and therefore can be protected upon a showing of secondary meaning).

3. Immediately after the enactment of the Trademark Act of 1946, ambiguity persisted about whether Section 43(a) encompassed false advertising claims. Certain courts gave the provision a narrow construction. *See, e.g*., *Samson Crane Co. v. Union National Sales*, 87 F. Supp. 218 (D. Mass 1949), *aff'd*, 180 F.2d 896 (1st Cir. 1950). Courts gradually adopted a broader reading of the provision, however, and began to grant relief against false advertising. In 1989, Congress amended Section 43(a), codifying this line of cases and explicitly providing a general remedy for false advertising. *See* Trademark Law Revision Act of 1988, Pub. L. 100-667, 102 Stat. 3935 (effective Nov. 16, 1989). One of the main innovations of the Lanham Act is to permit competitors in an open market to enjoin false advertising. Previously, a plaintiff could succeed on a false advertising claim only if it was the sole source of the "genuine" goods (i.e., goods having the advertised virtue). Even when consumers are duped into buying the false advertiser's goods, there is often no way to be certain that the consumer would have bought from the plaintiff in an open market free from fraud; thus, plaintiffs found proof of harm difficult.

4. Trademarks themselves evolve over time, especially pictorial trademarks such as Betty Crocker, the sailor boy on the Cracker Jack package, and the Quaker Oats man. Such trademark transformations have occasionally been challenged as an abandonment of the earlier version of the mark. Courts have generally rejected such challenges as long as the new version of the mark does not alter the "commercial impression" of the original version.

5. One of the more traditional trademark law doctrines is known as the "Dawn Donut" compromise. Pronounced in *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358

(2d Cir. 1959), the doctrine allowed a junior user to continue using a trademark in a geographic area until the senior user is ready to use the mark in that area. Courts have recently questioned whether the compromise has outlived its usefulness, given that our society is far more mobile than it was a half-century ago and that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes. Clearly, the principle of territoriality in trademark law warrants revision in light of digital communication technologies and free trade, both of which enable goodwill and consumer understandings to develop in patterns that increasingly do not correspond to established geographic, political, or economic units.

6. The emergence of the Internet as a, perhaps the, major venue for commerce has required re-evaluation of many of the traditional trademark law principles. It is entirely appropriate that trademark law reconsider many of the principles, even basic principles, given the centrality of trademarks to modern life. Among those principles are trade identification, consumer confusion, and false advertising. The questions surrounding how to protect trademarks in cyberspace has dominated trademark law in recent years.

For example, the Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d), was adopted in 1999 specifically to provide courts with a preferable alternative to stretching the dilution law to cover cybersquatting cases. Cybersquatting involves the registration, as domain names, of well-known trademarks by non-trademark holders in violation of the rights of the trademark owners. Often, cybersquatters try to sell the names back to the trademark owners. The last decade has seen the courts tackle a number of trademark issues under the ACPA.

These Internet questions are being addressed by legislatures, alternative dispute resolution procedures, and judicial case law. The Federal Circuit is among the tribunals helping to shape modern trademark law. The courts will undoubtedly remain central, along with scholars, federal and state legislatures, and stakeholders, to the ongoing debate involved in developing -- in a transparent fashion -- the trademark law of the next decade (2020-2029).

The Last Year (2019-20)

Thus, trademark law has proven dynamic in the first nineteen years of this millennium, and no more so than in the past year. This annual review highlights four "hot" topics from the Spring of 2019 through the Spring of 2020, each of which is discussed in more detail below.

*. Introduction: Who Cares, Anyway? The Value of a Brand.

A. The U.S. Supreme Court . . . Places its Brand on Trademark Law.

1. Bankruptcy and Trademark Licensing.
2. Disparaging, Immoral, or Scandalous Marks.
3. Showdown Over the "American Rule."
4. How available are lost profits as a remedy for trademark infringement?
5. Genericness dot "Yeah!"

B. Newsworthy . . . Even to Non-Trademark Fans.

1. Non-Traditional Color Trademarks.
2. The Cannabis Industry and Trademarks.
3. Likelihood of Confusion: Beer, Candy, and Preliminary Injunctions.
4. Damages and Willfulness.
5. First Sale Doctrine.
6. The Interface Between Trademark Rights and the First Amendment /
7. False Advertising

Bonus. Artificial Intelligence in the Trademark World.

C. PTO Rule Changes and Foreign Notes . . . It's A Small, Small World, After All.

1. PTO Rule Changes.
2. Madrid Protocol.
3. Argentina.
4. Brexit.
5. China.
6. PTO Upcoming Trademark Fee Adjustments

*. **Introduction: Who Cares, Anyway? The Value of a Brand**

In the latest rankings of Forbes, see the table below, Apple is the world's most valuable brand, achieving a valuation of about $205 billion. Other technology companies in the top-ten list of the world's most valuable brands were Google ($168 billion), Microsoft ($125 billion), Amazon ($97 billion), Facebook ($89 billion), and Samsung ($53 billion). Non-technology companies in the top ten were Coca-Cola (#6 at $59 billion); Disney (#8 at $52 billion); Toyota (#9 at $45 billion); and McDonalds's (#10 at $44 billion). And these valuations are dynamic: eight in the top ten went up. Apple's brand value represents a rise of 12% over last year's figure; Google, 27%; Microsoft, 20%; and Amazon, 37%.

Value alone is not everything, however, and brand ratings additionally account for other financial metrics, as well as qualitative measures such as brand affection and loyalty. Regardless of the measure, the figures clearly demonstrate the economic impact that a strong brand can generate – with trademarks the central component. Among the lesser known consequences of a valuable brand is the concept of brand mortgaging, a tactic successfully used by Ford to secure the funding that allowed its restructuring. Brand valuation is an important task that assesses the financial value of a brand for a clear picture of how it contributes to business results. Brand valuations have been used to plan, build, and monitor brand strategies over time, assess acquisitions, or help with investment/trade-off decisions.

	LOGO	BRAND	VALUE	CHANGE	INDUSTRY
1		Apple	$205 B	12%	Technology
2		Google	$168 B	27%	Technology
3		Microsoft	$125 B	20%	Technology
4		Amazon	$97 B	37%	Technology
5		Facebook	$89 B	(-6%)	Technology
6		Coca-Cola	$59 B	3%	Beverages
7		Samsung	$53 B	11%	Technology
8		Disney	$52 B	10%	Leisure

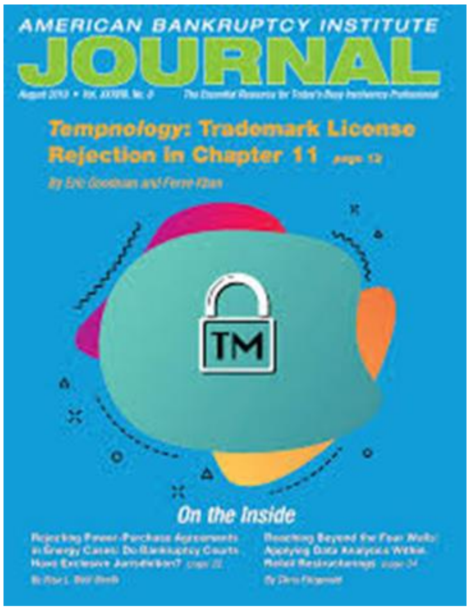
9		Toyota	$45 B	0%	Automotive
10		McDonald’s	$44 B	6%	Restaurants

Takeaway: Brands can be incredibly valuable and important assets, and their value and importance continue to increase in the global economy.

A. <u>The U.S. Supreme Court. . . Places its Brand on Trademark Law</u>

After issuing a total of 12 copyright and trademark rulings in an eight-year span, the 2019 and 2020 terms will see the court issue 10 such decisions. The increased number of cases before the Court reflects the increasingly important role that trademarks and copyrights play in our society and economy.

A1. Bankruptcy and Trademark Licensing.



The U.S. Supreme Court decided *Mission Product Holdings, Inc. v. Tempnology LLC* , 139 S. Ct. 1652, on May 20, 2019, after granting certiorari from the First Circuit (*Mission Product Holdings, Inc. v. Tempnology LLC*, 879 F.3d 389 (1st Cir. 2018)). Justice Kagan wrote the 8-1 opinion; Justice Gorsuch dissented.

Tempnology made and owned the intellectual property directed to specialized products such as towels, socks, headbands, and other accessories designed to stay at a low temperature even when used during exercise. Tempnology and Mission executed an agreement in 2012, which expired in 2016, that granted Mission (1) distribution rights to some of Tempnology's products, (2) a nonexclusive license to Tempnology's patents, and (3) a non-exclusive license to use Tempnology's trademark and logo to sell and promote the products. After accruing multi-million-dollar operating losses in 2013 and 2014, Tempnology filed for bankruptcy under

Chapter 11 of the Bankruptcy Code in September 2015. The following day, Tempnology moved to reject its agreement with Mission under Section 365(a) of the Bankruptcy Code, which allows a debtor-in-possession to "reject any executory contract" that is not beneficial to the company.

Although the parties did not dispute that Mission could insist that the rejection not apply to the patent license in the agreement, it was unsettled in the First Circuit (where the proceedings were brought as a case of first impression) whether Mission could also insist that the rejection not apply to the trademark licenses. The bankruptcy court found that Tempnology's rejection of the agreement left Mission with only a claim for damages for breach of contract, and no claim that Tempnology was under an obligation to further perform the license agreement. The First Circuit affirmed. The question addressed by the U.S. Supreme Court was: Under Section 365 of the Bankruptcy Code, does a debtor-licensor's rejection of a trademark license agreement -- which "constitutes a breach of such contract" under 11 U.S.C. § 365(g) -- terminate rights of the licensee that would survive the licensor's breach under non-bankruptcy law? In other words, does the debtor-licensor's rejection of a trademark license deprive the licensee of its rights to use the trademark? The Court held "no," and reversed the First Circuit's decision.

The question of how trademark rights should be treated in the context of bankruptcy had split the circuits and led to uncertainty in the market for trademark licenses. The U.S. Supreme Court resolved the circuit split that traced back to the Fourth Circuit's 1985 decision in *Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043 (4th Cir. 1985). In *Lubrizol*, the Fourth Circuit held that rejection of an executory patent license agreement by a debtor-licensor terminates the license. Although Congress abrogated that result by amending the Bankruptcy Code in 1987 to address patent, copyright, and trade secret licenses, 11 U.S.C. § 365(n) (allowing licensees to continue operations under their patent, copyright, or trade secret license), it expressly left open the impact of rejection on trademark license agreements for further study and consideration. *Lubrizol* remained law in the Fourth Circuit with respect to trademark licenses, and courts in some other circuits continued to rely on *Lubrizol* in holding that a trademark licensee's rights are terminated upon rejection.

Among the circuits that disagreed with the Fourth Circuit was the Seventh Circuit. In *Sunbeam Prods. Inc. v. Chicago Am. Mfg., LLC*, 686 F.3d 372 (7th Cir. 2012), the Seventh

Circuit held that, although rejection eliminates the debtor-licensor's obligation to perform under the agreement, it does not terminate the licensee's right to continue to use the trademark for the duration of the agreement. Thus, rejection relieved the licensor of any obligations under the agreement and was a breach that may cause harm to the licensee for which the licensee might have a remedy, but the licensee may continue to use the licensed mark. Under the Seventh Circuit's reasoning, rejection did not terminate either the licensee's right to continue using the licensed mark or its obligation to continue to comply with the license. Those obligations might include making royalty payments and maintaining quality control, which the licensor may continue to enforce.

The Solicitor General argued that the Court should adopt the Seventh Circuit's position because, among other reasons, a licensor cannot unilaterally revoke a trademark license outside of bankruptcy. Others suggested a case-by-case approach, which might depend on the language of the particular license at issue. The Court agreed with the Solicitor General and with the Seventh Circuit, against the First and Fourth Circuits, holding that rejection of a trademark license in bankruptcy constitutes a breach by the debtor-licensor and not a rescission. Therefore, all the rights that would ordinarily survive a contract breach (typically including the licensee's right to continue use of the mark) remain in place.

Tempnology's principal counterargument rested on a negative inference drawn from provisions of Section 365 that identified categories of contracts (including other IP contracts) under which a counterparty could retain specified rights after rejection. Tempnology argued that these provisions indicated that the ordinary consequence of rejection must be something other than a breach. The Court was not persuaded, stating that Congress did not intend for these provisions to alter the basic conclusion that a rejection operates as a breach of contract.

Takeaways:

(a) The International Trademark Association (INTA) characterized the question presented as "the most significant unresolved legal issue in trademark licensing." The decision is definitely a "win" for trademark licensees: the rejection of an executory trademark license agreement by a bankrupt licensor results in a breach of that agreement rather than a rescission of the agreement.

(b) Some question whether the Court's decision will result in "naked" trademark licenses, where the licensor fails to exercise control over the nature and quality of the goods and/or services sold by the licensee under the licensed mark, which can abandon rights in the trademark. The Court acknowledged that its decision might force a debtor to choose between expending scarce resources on quality control and risking the loss of a valuable asset, but dismissed such "trademark-related concerns" as subservient to general bankruptcy law.

(c) Thus, the decision may place the debtor-licensor in the position of choosing between (1) retaining burdensome obligations associated with monitoring quality control, or (2) abandoning a valuable trademark.

(d) It is surprising that trademarks, unlike patents, copyrights, or trade secrets, were not considered intellectual property and were treated differently under the Bankruptcy Code.

(e) From a contractual perspective, the decision will require additional provisions related to after-effects of bankruptcy with regard to a licensee's right to continued use of a licensed trademark. Justice Sotomayor, in her concurring opinion, noted that whether a trademark licensee retains rights to use a licensed mark following a debtor-licensor's rejection must be determined under applicable non-bankruptcy law, and that the result will likely turn on the language of the contract or on state law. For example, a licensor might want to draft its license agreement to permit an actual rescission in the event of a rejection.

(f) An extra takeaway is directed to those trademark owners who conduct a business that is related to, sells to, or derives substantial revenue from a cannabis business or licenses marks to or from a cannabis business. If for some reason things do not go well, bankruptcy may not be an option. Notwithstanding state laws legalizing cannabis, cannabis is still an "illegal drug" under the Controlled Substance Act. Therefore, the Department of Justice and most bankruptcy courts have taken the position that cannabis companies and companies that are related to a cannabis business – whether growers, marketers, retail stores, landlords, or manufacturers of products used by cannabis companies – are not eligible to file for bankruptcy because the filing would require a federal court to approve a business that operates in violation of federal criminal law.

A2. Disparaging, Immoral, or Scandalous Marks.

Recent developments in the U.S. Patent and Trademark Office (PTO), the courts, and the popular press have highlighted the important issue of how we treat trademarks that either disparage a segment of our population or are determined to be "immoral" or "scandalous." In order of increasing adverse consequences, the law might (1) refuse to grant a trademark owner the benefits of a federal registration, (2) decline to enforce the owner's rights against other parties, or (3) preclude the owner from itself using the trademark. With respect to the fist consequence, the Trademark (or "Lanham") Act refuses registration of a disparaging, immoral, or scandalous mark under 15 U.S.C. § 1052(a) (Section 2(a) of the Lanham Act).

Two recent cases separately addressed the "disparaging" prong of that provision. One case involved the Redskins football team; the other involved an Asian-American rock band called "The Slants." The PTO denied both the team's and the band's applications to register their respective marks as disparaging, and both parties appealed. Each party made the same argument: Section 2(a) is an unconstitutional restriction against free, even if unpopular, speech.

In *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015), a split en banc U.S. Court of Appeals for the Federal Circuit ruled in favor of the band and held that the federal government's ban on disparaging trademark registrations violates the First Amendment. Stated the Federal Circuit: "Many of the marks rejected as disparaging convey hurtful speech that harms members of oft-stigmatized communities. . . . But the First Amendment protects even hurtful speech." The government cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks. Long-standing Federal Circuit precedent held that Section 2(a) passed constitutional muster because it did not actually stop trademark owners from using an offensive mark, merely from registering it with the government. The court noted, however, that the First Amendment's protections have never been limited to situations where the government outright bars speech: "That principle governs even when the government's message-discriminatory penalty is less than a prohibition." On April 20, 2016, the PTO filed a writ of certiorari asking the U.S. Supreme Court to consider the case.

Concurrently, *Pro-Football Inc. v. Blackhorse*, No. 15-1874, was pending before the U.S. Court of Appeals for the Fourth Circuit. That appellate court was reviewing the decision of the U.S. District Court for the Eastern District of Virginia, 112 F. Supp. 3d 439 (E.D. Va. 2015). The district court affirmed the PTO's decision to cancel the football team's registrations, rejecting the constitutional challenge on the ground that trademarks constitute "government speech" and, therefore, are not subject to First Amendment scrutiny.

On September 29, 2016, the U.S. Supreme Court granted the PTO's petition for a writ of certiorari in the *Tam* case. *Lee v. Tam*, No. 15-1293. The question presented was: "Whether the disparagement provision of the Lanham Act, 15 U.S.C. 1052(a), which provides that no trademark shall be refused registration on account of its nature unless, inter alia, it '[c]onsists of . . . matter which may disparage . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute' is facially invalid under the Free Speech Clause of the First Amendment." The First Amendment to the United States Constitution states: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances." The U.S. Supreme Court heard oral argument on January 18, 2017, and decided the case, captioned *Matal v. Tam*, 137 S. Ct. 1744 (2017), in June 2017.

The U.S. Supreme Court's decision declared that the Lanham Act's ban on disparaging trademark registrations was unconstitutional. The decision overturned the refusal to register the rock band's mark, "The Slants," on the ground that the mark was "disparaging" to people of Asian descent. The decision also ended the decades-long, tortured, and highly publicized effort to cancel registration of several Washington Redskins marks.

The 39-page opinion was written by Justice Samuel Alito and accompanied by several concurrences. All eight participating justices agreed on the key holding: the Lanham Act's disparagement clause unconstitutionally discriminated against unpopular speech. "We now hold that this provision violates the Free Speech Clause of the First Amendment," Justice Alito wrote. "It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend." More specifically, the Court found the disparagement clause unconstitutional because it constituted "viewpoint discrimination" and the government failed to meet the exceedingly difficult corresponding level of judicial review known as "strict scrutiny."

In its entirety, Section 2(a) of the Lanham Act directed the PTO to refuse to register any trademark that "[c]onsists of or comprises **immoral**, deceptive, or **scandalous** matter; or matter which may **disparage** or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute." (Emphasis added.) The U.S. Supreme Court expressly limited its decision in *Tam* to the unconstitutionality of the disparagement clause and did not address the "immoral" or "scandalous" clauses of Section 2(a). Many opined, however, that the Court might ultimately find those clauses of Section 2(a) unconstitutional for the same reasons.

The Federal Circuit dropped the proverbial "other shoe" in *In re Brunetti*, 877 F.3d 1330 (Fed. Cir. Dec. 15, 2017), unanimously finding the Lanham's Act's "immoral" and "scandalous" clauses unconstitutional for largely the same reasons recited by the U.S. Supreme Court in *Tam*. At issue in *Brunetti* was a trademark application to register the mark FUCT as used on apparel (see image below), which the applicant, Erik Brunetti, has continuously used since 1990. The PTO refused to register the mark in July 2013, finding it phonetically equivalent to the "F" word. Therefore, ruled the PTO, the mark was both "vulgar" and within the Lanham Act's ban on "scandalous" and "immoral" trademarks. Brunetti appealed to the Federal Circuit in 2014, which put the case on hold after the U.S. Supreme Court agreed to hear *Tam* in 2016, given the possibility that the *Tam* decision would resolve *Brunetti*.

After *Tam* was decided without expressly finding Section 2(a) unconstitutional in its entirety, the Federal Circuit reversed the PTO on the (now unsurprising) ground that the ban against registration of immoral or scandalous marks in Section 2(a) of the Lanham Act is unconstitutional under the First Amendment. The Federal Circuit reasoned that the ban targets "the expressive content of speech," and thus must receive strict scrutiny, under which test it is undisputedly unconstitutional. Even under the more permissive test of intermediate scrutiny, however, which would apply if the ban were treated as a regulation of mere commercial speech, the ban was unconstitutional because (i) the government failed to identify a substantial government interest served by the clause, and (ii) the record indicated that the ban was not carefully tailored in either its design or application. Finally, the Federal Circuit concluded that there is no "reasonable definition" of the statutory terms "scandalous" or "immoral" that would preserve constitutionality. The vagueness of the immoral and scandalous clauses was demonstrated by the remarkable number of inconsistent results over the years, and because determinations of what is and is not vulgar are inherently subjective and vary over time. Among other examples, the Federal Circuit discussed 40 trademark applications containing the term MILF, only 20 of which were refused under the ban.

The U.S. Supreme Court granted a petition for writ of certiorari on January 4, 2019, and decided the case, captioned *Iancu v. Brunetti*, 139 S. Ct. 2294, on June 24, 2019. Writing for six justices, and as expected, Justice Elena Kagan applied the reasoning of the Court's decision in *Tam*, affirmed the Federal Circuit's decision, and held that the Lanham Act provision which bars the registration of immoral or scandalous trademarks violates the First Amendment. "The rejected marks express opinions that are, at the least, offensive to many Americans," wrote Justice Kagan. "But as the Court made clear in *Tam*, a law disfavoring 'ideas that offend' discriminates based on viewpoint, in violation of the First Amendment." The government argued that the immoral or scandalous bar is viewpoint-neutral because the statute can be read narrowly to only bar registration of "marks that are offensive [or] shocking to a substantial segment of the public because of their *mode* of expression, independent of any view that they may express." Justice Kagan stated that the Court could not adopt this narrow reading because it was not evidenced in the statutory language: "To cut the statute off where the government urges is not to interpret the statute Congress enacted, but to fashion a new one."

The government's position found a more receptive audience with Chief Justice John Roberts and Justices Stephen Breyer and Sonia Sotomayor – each of whom stated that they would have split the statutory provision in half and upheld a portion of it. Chief Justice Roberts filed a concurring and dissenting opinion arguing that, although the immoral portion of the statute could not be read narrowly in a way that would eliminate its viewpoint bias, the scandalous portion could be read in that manner. Justice Breyer filed a concurring and dissenting opinion, agreeing with Justice Sotomayor that the word "scandalous" should be interpreted to refer to only certain obscene *modes* of expression. Justice Sotomayor, joined by Justice Breyer, filed a concurring and dissenting opinion, arguing that the Court should have applied the proposed narrow construction to the term "scandalous." Finally, Justice Alito filed a concurring opinion, contending that "[v]iewpoint discrimination is poison to a free society," and that the responsibility falls on Congress to fashion a more focused statute. Predicting what Congress will do is always difficult, but legislation amending the Lanham Act to prevent registration of offensive trademarks is something that might gain bipartisan traction.

Other than a possible Congressional response, what are the ramifications of these important judicial decisions under Section 2(a)? First, although the PTO may no longer refuse registration of marks on the grounds that the marks are disparaging, immoral, or scandalous, the Court's recent decisions do not mean that any and all marks can now become federally registered. The PTO still has many other bases to refuse trademark registrations. Marks cannot be registered, for example, if they are used in connection with goods and services that are considered illegal under federal law (e.g., marijuana). Another criterion for federal registration is that the mark not create a likelihood of confusion with other registered or pending trademarks. And trademark owners must actually use marks in commerce before the marks can be registered. Nevertheless, in light of *Tam* and *Brunetti*, more applications will likely be filed and registrations granted for arguably offensive and controversial marks. Query whether the use of such marks to distinguish one's goods and services is desirable, however, given the risk of losing at least some would-be customers who might be offended in some circumstances.

A few trademark practitioners also question whether another ramification of the decisions might be a future constitutional challenge to federal trademark dilution laws. Trademark infringement laws restrict free speech, but they do so to protect consumers from confusion. Dilution laws do not have that justification; they prohibit the use and registration of famous trademarks even when consumer confusion is not likely (think a prohibition against "Apple" brand shoes). Thus, some practitioners have wondered whether the speech restrictions imposed by dilution, lacking the purpose that infringement laws serve, will still pass muster under the First Amendment. This question matters because larger companies with famous marks often assert dilution to stop use and preclude registration of marks when there is no likelihood of confusion and no competition.

<u>Takeaway</u>: More applications will likely be filed and registrations granted for arguably offensive and controversial marks, but the removal of certain bars against trademark registration will not likely force consumers suddenly to embrace violent, hateful, or offensive brands.

A3. Showdown Over the "American Rule."

On March 8, 2018, the en banc U.S. Court of Appeals for the Federal Circuit heard oral arguments in *NantKwest v. Lee*, Case No. 16-1794 (Fed. Cir.). The issue before the court was whether the Federal Circuit panel in *NantKwest v. Matal*, 860 F.3d 1352 (Fed. Cir. 2017), correctly determined that 35 U.S.C. § 145 ("[a]ll the expenses of the proceedings") authorizes an award to the United States Patent and Trademark Office ("PTO") of its attorneys' fees following appeal in a patent case. The Federal Circuit in July 2018 struck down the PTO's controversial fee-shifting policy, creating a split in the circuits, ripe for U.S. Supreme Court consideration. *NantKwest, Inc. v. Iancu*, 898 F.3d 1177 (Fed. Cir. 2018) (en banc).

NantKwest is a drugmaker arguing that it is not responsible for paying PTO attorneys' fees regardless of who wins the case. NantKwest filed a Section 145 civil action in the Eastern District of Virginia seeking review of the PTO's decision rejecting patent claims for a method of treating cancer by administering natural killer cells. The district court granted summary judgment in favor of the PTO, and the PTO filed a motion under Section 145 seeking "expenses of the proceeding." The district court denied the PTO's motion, ruling that the policy violated the long-standing "American Rule" against awards of attorneys' fees. The Federal Circuit agreed and affirmed the district court's judgment. The Federal Circuit held that the American Rule prohibits courts from shifting attorneys' fees from one party to another absent a "specific and explicit" directive from Congress. The phrase "[a]ll the expenses of the proceedings" in Section 145 falls short of this stringent standard.

By way of background, the 2015 U.S. Court of Appeals for the Fourth Circuit decision in *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), rattled trademark practitioners after the circuit court affirmed the district court's decision holding that the American Rule applies only when the award of attorneys' fees depends on whether the party seeking the fees prevails. The *Shammas* case addressed for the first time whether the PTO could recover attorneys' fees pursuant to 15 U.S.C. § 1071(b)(3) ("unless the court finds the expenses to be unreasonable, all of the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not"). The Fourth Circuit concluded that Section 1071(b) renders applicants always responsible for the PTO's attorney fees -- win or lose.

Enter the U.S. Supreme Court. The Court decided *Peter v. NantKwest, Inc.*, 140 S. Ct. 365, on December 11, 2019, after granting certiorari on March 4, 2019, and hearing oral argument on October 7, 2019. Justice Sotomayor delivered the opinion for a unanimous Court, which granted certiorari to resolve the inconsistencies between *Shammas* and *Nantkwest*.

The Court decided the circuit split and addressed the legality of the PTO's controversial policy of seeking attorneys' fees regardless of the outcome of a case. Under the "American Rule," absent an exception such as a clear statement in the applicable statute that expressly authorizes the recovery of attorney fees, each party to a lawsuit must bear its own attorneys' fees and expenses for the litigation. Although contrary to the "American Rule," the PTO's policy is supported by language in both the Patent Act and the Trademark Act. Both Acts state that unsuccessful applicants who seek de novo appeal in a district court from an adverse PTO decision -- as opposed to a more streamlined record appeal directly to the U.S. Court of Appeals for the Federal Circuit -- must pay all expenses of the proceeding. For decades, the PTO interpreted the statutory language to include only relatively minor expenses, like travel costs and expert fees. The PTO began in 2013, however, to seek the substantially larger "expense" of attorneys' fees.

The Court concluded that the PTO cannot recover the pro rata salaries of its legal personnel under Section 145 and, therefore, affirmed the judgment of the Federal Circuit. The Court explained that, under the centuries-old presumption commonly known as the "American rule," each litigant pays its own attorneys' fees "win or lose, unless a statute or contract provides otherwise." The Court rejected the PTO's argument that the American rule did not apply to Section 145 because that statute does not award attorneys' fees to the prevailing party. "This Court has never suggested that any statute is exempt from the presumption against fee shifting," including those that do not explicitly award attorneys' fees to prevailing parties.

The Court further explained that "in common statutory usage, the term 'expenses' alone has never been considered to authorize an award of attorney's fees with sufficient clarity to overcome the American Rule presumption." Rather, citing the 1891 edition of Black's Law Dictionary, among other dictionaries, the Court added that the term "expenses of the proceedings" "has long referred to a class of expenses commonly recovered in litigation to which attorney's fees did not traditionally belong." The Court also noted that the fact "that 'expenses' and 'attorney's fees' appear in tandem across various statutes shifting litigation costs indicates that Congress understands the two terms to be distinct and not inclusive of each other."

The Court asserted that "the Patent Act's history reinforces that Congress did not intend to shift fees in §145 actions." The Court observed that, until now, the PTO had never sought its attorneys' fees under Section 145 and that, "[i]n later years, when Congress intended to provide for attorney's fees in the Patent Act, it stated so explicitly." For example, Section 285 of the Patent Act states: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." Thus, the Court concluded that the plain text of Section 145 does not overcome the American Rule's presumption against fee shifting to permit the PTO to recoup its legal personnel salaries as "expenses of the proceedings."

Takeaway: There was concern among trademark and patent practitioners that siding with the Fourth Circuit would lead to an over 170-year break in precedent on the patent side and 70 years on the trademark side regarding the awarding of attorneys' fees. Clearly concerned about a ruling in favor of the PTO, the International Trademark Association ("INTA") filed an amicus brief in the *NantKwest* case as it did in the *Shammas* case. A ruling in favor of the PTO would have chilled a patent or trademark applicant's option to appeal to the district court and thus miss the opportunity to pursue further discovery and augment the record. The U.S. Supreme Court's decision alleviated those concerns.

A4. How available are lost profits as a remedy for trademark infringement?

The issue of whether a trademark owner that successfully proves infringement may recover the infringer's profits without showing that the infringer acted "willfully" has long divided courts. The issue is important because actual damages are often much harder to prove in trademark cases than in copyright or patent cases. Moreover, the Trademark Act lacks the statutory damages provisions of copyright law or the reasonable royalty provision of patent law. Accordingly, the uncertainty of whether some form of monetary relief exists at the end of prolonged and expensive trademark infringement litigation renders it difficult for clients to make educated and informed business decisions about their litigation strategy. Experience shows that the difficulty of proving actual damages is a disincentive to pursuing trademark cases beyond a motion for preliminary injunctive relief and, in some case, at all.

In *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-1233 (April 23, 2020), the U.S. Supreme Court held that willful infringement is ***not*** a prerequisite to an award of profits for trademark infringement. The Court had granted certiorari on June 28, 2019 and heard oral argument on January 14, 2020. Justice Gorsuch delivered the opinion for a unanimous Court, which resolved a sharp six-to-six split among the circuits over the importance of willfulness. Some courts had held willfulness to be a bright-line prerequisite to an award of profits; other courts had ruled that willfulness was just one factor in a broader analysis.

The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits did not require willfulness. *See, e.g.*, *Banjo Buddies v. Renosky*, 399 F.3d 168, 171 (3d Cir. 2005); *Synergistic Int'l v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *Quick Techs. v. Sage Grp. PLC*, 313 F.3d 338, 349 (5th Cir. 2002); *Laukus v. Rio Brands*, 391 F App'x 416, 424 (6th Cir. 2010); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989); and *Optimum Techs. v. Home Depot U.S.A.*, 217 F. App'x 899, 902 (11th Cir. 2007). In the Second, Eighth, Ninth, Tenth, and

District of Columbia Circuits, on the other hand, a showing of willfulness was a prerequisite for awarding a defendant's profits. *See, e.g., Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014); *Minn. Pet Breeders v. Schell & Kampeter*, 41 F.3d 1242, 1247 (8th Cir. 1994); *Stone Creek v. Omnia Italian Design*, 875 F.3d 426, 441 (9th Cir. 2017); *W. Diversified Servs. v. Hyundai Motor Am.*, 427 F.3d 1269, 1273 (10th Cir. 2005); and *ALPO Petfoods v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990). In the First Circuit, a showing of willfulness was "usually" required unless the plaintiff and defendant are direct competitors. *Fishman Transducers v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012).

The backstory began with an agreement between the parties allowing Fossil to use Romag's magnetic snap fasteners in Fossil products such as watches and wallets. Romag then became aware that factories in China making products for Fossil were using counterfeit Romag fasteners. Romag sued Fossil under Section 43(a) of the Trademark Act, 15 U. S. C. §1125(a), alleging trademark infringement and that Fossil falsely represented that its fasteners came from Romag. A jury agreed, found that Fossil had acted "in callous disregard" of Romag's rights but that Fossil had not acted willfully, and awarded Romag $6.7 million of Fossil profits. The district court denied Romag the profits awarded by the jury, however, because a plaintiff seeking an award of profits must prove that the defendant's violation was willful under Second Circuit law. Fossil had also asserted patent claims; therefore, the appeal was to the U.S. Court of Appeals for Federal Circuit. That court applied the law of the Second Circuit to the trademark issues and affirmed.

The U.S. Supreme Court disagreed. Central to the case is an interpretation of the applicable statutory provisions. The damages provision of the Trademark Act states that, "subject to the principles of equity," a trademark-infringement plaintiff may recover "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. § 1117(a). Important is the distinction that, although Section 1117(a) requires "a willful violation" (a phrase added by Congress in a 1999 amendment) for a plaintiff to receive any of the listed remedies for a violation of Section 1125(c) (trademark dilution), Section 1117(a) does not use "willful" in reference to violations of Section 1125(a) (trademark infringement). Romag argued that the statute should be interpreted to include a bright-line requirement of willfulness for both trademark infringement and dilution, while Fossil argued that the absence of the word "willful" in the relevant statutory provision requires that willfulness be just one factor in the broader inquiry for awarding defendant's profits in infringement cases.

The Court explained that a showing of willfulness is a precondition to a profits award for a claim for trademark dilution, but that "Romag alleged and proved a violation of §1125(a), a provision establishing a cause of action for the false or misleading use of trademarks. And in cases like that, the statutory language has never required a showing of willfulness to win a defendant's profits." Furthermore, the Court noted, the Trademark Act frequently mentions mental states in several of its provisions; therefore, the absence of such a precondition in Section 1125(a) "seems all the more telling." Although still an important consideration in awarding profits under Section 1117(a), willfulness is not an absolute precondition. Finally, the Court acknowledged the many policy arguments made by both parties and *amici*, but pointed out that reconciling such policy goals is the responsibility of policymakers (i.e., Congress).

Takeaways: The decision in *Romag* increases the value of trademarks and of trademark protection. An infringer's profits are often the most viable method for quantifying damages for trademark infringement. In addition, the decision will undoubtedly have a significant impact on trademark infringement litigation, enhancing the monetary remedies available to trademark owners and encouraging them to enforce their rights.

A5. Genericness dot "Yeah!"

In *United States Patent and Trademark Office v. Booking.com B.V.*, No. 19-46 (June 30, 2020), the U.S. Supreme Court considered whether "the addition by an online business of a generic top-level domain ('.com') to an otherwise generic term can create a protectable trademark" and answered "yes." The Court heard oral arguments on May 4, 2020, for the first time by teleconference (with streaming live audio available) given the pandemic. Justice Ginsberg delivered the 8-1 opinion, with only Justice Breyer dissenting (he characterized the majority's decision as "inconsistent with trademark principles and sound trademark policy").

The case involves the online hotel reservation service, booking.com, which seeks to register its website name as a trademark with the PTO. Booking.com launched its famous "Booking.yeah" brand campaign in 2013, attempting to transform the word "booking" from a simple transaction and company name into an adjective for the sheer, unbridled joy and satisfaction when a traveler opens the door to their accommodation and know they got it right.

Under U.S. trademark law, a designation is generic and cannot be protected as a trademark if its primary significance to the relevant public is the goods or services it covers. 15 U.S.C. § 1064(3); *Kellogg Co. v. National Biscuit Co*., 305 U.S. 111, 118 (1938). The Trademark Trial and Appeal Board recognizes a two-part test for genericness: (1) what is the genus of goods or services at issue; and (2) does the relevant public understand the designation primarily to refer to that genus of goods and services? To register a designation as a trademark, the designation must be "distinctive," i.e., capable of distinguishing the applicant's goods or services from those of others. Courts typically measure distinctiveness on an ascending scale from non-protectable to strong: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *See Two Pesos, Inc. v. Taco Cabana, Inc*., 505 U.S. 763, 768 (1992). Generic designations refer to "the genus of which the particular product is a species" and cannot distinguish the goods or services of an applicant and, therefore, cannot be registered. The issue in *Booking.com* is whether adding ".com" to the end of an otherwise generic term can transform the combination into the kind of distinctive source-designator that trademark law protects.

The PTO refused registration based on its conclusion that the term "booking" is generic for the services identified in the application for registration and that the addition of the generic top-level domain ".com" did not create a protectable mark. Booking.com challenged that decision in court. The company prevailed in 2017, when the district court in Virginia held that even though the word "booking" is generic for the services, adding the top-level domain ".com" entitled the company to trademark protection. The PTO appealed to the U.S. Court of Appeals for the Fourth Circuit, which also sided with Booking.com -- but for slightly different reasons. The appellate court reasoned that "booking.com" must be assessed as a whole, rather than considering "booking" and ".com" separately. The court held that the PTO failed to offer any evidence showing that consumers believe "booking.com" refers in general to online hotel reservation services. The court further held that the mark is not generic because the "primary significance" of "booking.com" to consumers – as evidenced by a consumer survey – is as a brand name, not as a category of services. The PTO then asked the U.S. Supreme Court to review the judgment.

The PTO contended that the judicial ruling was contrary to prior decisions which held that generic terms cannot be trademarked even with "dot-com" after their names. In 2009, the U.S. Court of Appeals for the Federal Circuit held that "Hotels.com" and "Mattess.com" were not entitled to trademark protection (although the PTO registered "art.com" for art prints and "dating.com" for dating services as well as "weather.com," "answers.com," and "ancestry.com"). The PTO further contended that ".com" is akin to entity designations such as "Co." or "Inc.," which also cannot transform generic terms into protectable trademarks. *See, e.g., Goodyear's India Rubber Clove Mfg. Co. v. Goodyear Rubber Co*., 128 U.S. 598 (1888). Booking.com countered with "overwhelming evidence" that consumers view the term Booking.com as a company name, noting a survey that it said indicates nearly 75% of consumers recognize Booking.com as a brand and not a generic service. Perhaps the dispute reduces to the following: the PTO contended that "booking.com" falls under the generic term classification because "booking" and ".com" are both generic terms, while Booking.com responded that the term "booking.com" is not generic as a whole.

The American Intellectual Property Law Association's amicus brief cautioned against a per se rule that any generic term combined with a generic gTLD yields an unprotectable designation, suggesting instead that the Court adopt the Trademark Manual of Examining Procedure's current guidance: review each mark combining a generic term with a generic gTLD on a case-by-case basis. The brief argued that, in some cases, adding a gTLD to a generic term may create a compound term that merely describes the product or service being offered, but is not itself a generic term. In that situation, an applicant should be afforded the opportunity to show that the term has acquired secondary meaning and become distinctive and source-identifying for the applicant's goods or services. The IP Owners Association filed an amicus brief in support of Booking.com arguing that (1) a generic term added to a generic top-level domain should not be considered generic per se; and (2) granting trademark protection to a generic term added to a generic TLD will not necessarily result in overly broad marks. Others, including the PTO, opined that allowing registrations for "generic.com" (i.e., generic URL) terms would have the anticompetitive effect of preventing competitors from using the same term to refer to similar goods and services at a different web address (e.g., "ebooking.com," "hotelbooking.com"). Booking.com said those fears are unfounded, and that companies with similar dot-com names must be able to protect their brands.

The Supreme Court rejected "the PTO's sweeping rule" in favor of relying on consumer perception. The Court explained that (1) "generic" terms are those that name a "class" of goods or services, rather than any particular feature of the class; (2) "for a compound term, the distinctiveness inquiry trains on the term's meaning as a whole, not its parts in isolation"; and (3) the relevant meaning of a term is its meaning to consumers. Thus, "[a] term styled "generic.com" is a generic name for a class of goods or services only if the term has that meaning to consumers." In this case, consumers did not "perceive the term 'Booking.com' to signify online hotel-reservation services as a class," but rather perceived that the term was "descriptive of services involving 'booking' available at that domain name" and had acquired secondary meaning as to hotel reservation services. "That should resolve this case: Because 'Booking.com' is not a generic name to consumers, it is not generic."

The Court rejected the PTO's argument that trademark protection for a term like "Booking.com" would hinder competitors. The Court noted that this concern exists with any descriptive mark, and that trademark law hems in the scope of such marks because a "competitor's use does not infringe a mark unless it is likely to confuse consumers." Booking.com B.V. itself conceded that the descriptive nature of its mark makes it harder for it to show a likelihood of confusion and that close variations are unlikely to infringe. With respect to survey evidence, the Court held that sources such as dictionaries, usage by consumers and competitors, and any other source of evidence bearing on how consumers perceive a term's meaning may also inform whether a mark is generic or descriptive.

Interestingly, in her concurring opinion Justice Sotomayor agreed with the dissent's observation "that consumer-survey evidence 'may be an unreliable indicator of genericness.'"

Takeaways: Although the rejection of the PTO's proposed bright-line rule will allow brand owners to register similar generic domains as trademarks, such designations will not automatically be deemed distinctive. Booking.com may prove to be an exception, supported by ample evidence of consumer perception.

The decision in *Booking.com* essentially maintains the status quo. A per se rule created by the U.S. Supreme Court that any generic term combined with a generic gTLD yields an unprotectable designation would have expanded the scope of unprotectable generic terms and could have had a significant impact on online commercial activities. Well-known domain names would have lost protection under such a rule and companies might have had to reconsider the use of such names in the future. The Court's decision avoids such consequences.

B. Newsworthy . . . Even to Non-Trademark Fans.

B1. Non-Traditional Color Trademarks

A nontraditional trademark is a trademark that does not belong to a category that is typically thought of as a trademark, such as letters, numbers, words, logos, symbols, etc., but meets the requirements of a trademark, i.e., it is a brand source identifier used to distinguish goods or services of one source from those of another. Examples of nontraditional trademarks include shapes (McDonald's golden arches), sounds (NBC chimes), scents (floral scents for sewing thread and yarn), textures (velvet textured covering on a bottle of wine), and colors (robins' egg blue for Tiffany and Company's catalog covers). The U.S. Patent and Trademark Office and the U.S. Court of Appeals for the Federal Circuit recently offered guidance with respect to one nontraditional trademark: color.

Masters Tournament Green-Gold Jacket

Augusta National, Inc. (Augusta) filed Application Serial No. 88/310,303 to register a green jacket with gold buttons used in connection with (after amendment during the prosecution of the application) "Promotion of goods and services through sponsorship of sports events," in International Class (IC) 35, and "Organizing and conducting golf tournaments," in IC 41. Augusta filed the application with the PTO on February 21, 2019, citing a first use date of April 1949.

On April 12, 2019, the PTO initially refused registration of the mark as a non-distinctive product design because product designs can never be inherently distinctive. On May 8, 2019, the PTO issued a second Office Action, superseding the first, and rejected the application as non-distinctive trade dress that would not be perceived as a service mark but only as decoration or ornamentation. Augusta responded to the refusal asserting a claim that the mark has acquired distinctiveness under Trademark Action Section 2(f), as well as extensive third-party coverage and consumer recognition of the mark in connection with the relevant services. In the response to the second Office Action, Augusta explained that the colors of the jacket had become a symbol for Augusta National to its membership in 1937 and provided recognition of the champion of the Masters Tournament since 1949 (the jacket is awarded to the winner of the golf tournament each year). Augusta submitted two hundred pages of exhibits to show the fame and recognition of the color of the green jacket. The PTO accepted the arguments and on March 3, 2020, Augusta secured U.S. Registration No. 6,000,045 for the colors of the green jacket.

<u>Takeaway</u>: Non-traditional trademarks, such as color, typically must be shown to have acquired distinctiveness to be registrable with the PTO.

Is the Federal Circuit Color Blind? 

Forney Industries, Inc. filed an application (Serial No. 86/269,096) seeking to register on the principle register a color mark (depicted above) as used on packaging for welding and machining goods. The application described the mark as follows: "The mark consists of a solid black stripe at the top. Below the solid black stripe is the color yellow which fades into the color red. These colors are located on the packaging and or labels." The application offered no proof of acquired distinctiveness (secondary meaning) despite Forney's use of its multi-color mark on packaging for about 30 years.

Affirming the Examining Attorney, the PTO Trademark Trial and Appeal Board refused registration because "a color mark consisting of multiple colors applied to product packaging is not capable of being inherently distinctive." The TTAB cited two U.S. Supreme Court decisions, *Qualitex* and *Wal-Mart*, and decided that packaging marks using color without defined borders or shape cannot be inherently distinctive. (Color in product packaging can be inherently distinctive if specific colors are used in combination with a well-defined shape, pattern, or other distinctive design.) The TTAB stated that such controlling precedent does not distinguish between color marks for products and color marks for product packaging; both require secondary meaning to be registrable.

In *Qualitex Co. v. Jacobson Products Co*., 514 U.S. 159 (1995), the Court stated: "over time, customers may come to treat a particular color on a product or its packaging . . . as signifying a brand. And, if so, that color would have come to identify and distinguish the goods -- i.e. to 'indicate' their 'source' -- much in the way that descriptive words on a product . . . can come to indicate a product's origin." The Court seemed to state that, as a rule, color marks on products or packaging require proof of secondary meaning to be protected. Later, in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc*., 529 U.S. 205 (2000), the Court clarified its rule: "with respect to at least one category of mark -- colors -- we have held that no mark can ever be inherently distinctive." The Court also stated: "In *Qualitex*, . . . [w]e held that a color could be protected as a trademark, but only upon a showing of secondary meaning."

In *In re Forney Indus., Inc*., No. 19-1073 (Fed. Cir. 4/8/20), the Federal Circuit overturned the PTO's refusal to register the trademark and remanded. Forney argued that the PTO erred in finding "that a color mark can never be inherently distinctive in the trade dress context," and that if it could, inherent distinctiveness required "a well-defined peripheral shape or border." The Federal Circuit agreed with Forney, holding that "color marks can be inherently distinctive when used on product packaging, depending upon the character of the color design." The Federal Circuit found that the TTAB's decision overstated U.S. Supreme Court precedent. The court explained that U.S. Supreme Court precedent differentiates product packaging from product design and "does not support the [PTO's] conclusion." Although "product design trade dress . . . can only qualify for protection through acquired distinctiveness," the Federal Circuit held that "a distinct color-based product packaging mark can indicate the source of the goods to a consumer, and, therefore, can be inherently distinctive." The court found no basis for the PTO's rule "that a multi-color mark must be associated with a specific peripheral shape in order to be inherently distinctive."

To the extent the *Forney* decision is read to hold that color marks on product packaging can be inherently distinctive; it appears inconsistent with both *Qualitex* and *Wal-Mart*. Perhaps the Federal Circuit holding is narrower and supports only the principle that certain multi-color product packaging marks that are sufficiently definite can be inherently distinctive. Time will tell.

Takeaway: Meanwhile, and until and unless the U.S. Supreme Court advises otherwise, color trademarks can be protected immediately when used on product packaging. Proof of secondary meaning is not required. Because Federal Circuit precedent controls how the PTO addresses applications to register marks, registrations for color marks used on product packaging should be easier to obtain. Therefore, Christian Louboutin should consider using and registering red shoeboxes.

B2. The Cannabis Industry and Trademarks

The cannabis industry continues its upward trajectory of growth with the global legal marijuana market size expected to reach $73.6 billion by 2027, according to a report published by Grand View Research, Inc. In 2019 the medical marijuana segment held the leading revenue share of 71.0%, owing to the growing adoption of cannabis as a pharmaceutical product for treating severe medical conditions, such as cancer, arthritis, among others. Many states continue to authorize the legal use of marijuana, with Illinois becoming the 11th state in 2019 to legalize recreational use of marijuana. Also, CBD-based products (cannabidiol), a non-psychoactive cannabis derivative, are flourishing in the wellness market.

Trademark protection and enforcement for cannabis products and services continues to challenge trademark owners and those seeking to adopt trademarks. Federal trademark registration can be difficult to obtain for cannabis products and services since marijuana is a substance which cannot be lawfully distributed or dispensed under federal law. The federal Controlled Substances Act ("CSA") prohibits manufacturing, distributing, dispensing, or possessing certain controlled substances, including marijuana and marijuana-based preparations. 21 U.S.C. §§ 812, 841(a)(1), 844(a). Thus, any U.S. federal trademark application listing cannabis-based goods or services must be refused registration. It does not matter if state laws have legalized marijuana activities; it remains a controlled substance under federal law and is subject to the CSA's prohibitions.

There is a glimmer of hope for some trademark applications for cannabis-based goods and services trademark. The Agriculture Improvement Act of 2018, Pub. L. 115-334, otherwise known as the 2018 Farm Bill, removed “hemp” from the CSA’s definition of marijuana. This means that cannabis plants and derivatives such as CBD containing no more than .03% THC (tetrahydrocannabiol) concentration on a dry-weight basis are no longer controlled substances under the CSA. On May 2, 2019, the U.S. Patent and Trademark Office issued trademark application examination guidelines in response to the removal of “hemp” from the CSA’s definition of marijuana. PTO Examination Guide 1-19, Examination of Marks for Cannabis and Cannabis-Related Goods and Services after Enactment of the 2018 Farm Bill, May 2, 2019.

For trademark applications filed on or after December 20, 2018 which identify goods encompassing cannabis or CBD, the 2018 Farm Bill potentially removes the CSA as a ground for refusal, but only if the goods are derived from “hemp.” The identification of goods must specify that the products contain less than .03% THC. For trademark applications filed prior to December 20, 2018 which identify the same goods, registration will be refused and continue to be refused because the applications did not have a valid basis to support registration at the time of filing because the goods, at the time, violated federal law. If, however, those goods derive from “hemp,” an applicant will have the option of amending the filing date and filing basis of the application to overcome the CSA as a ground for refusal.

Even if an applicant’s goods are legal under the CSA, not all goods for CBD or hemp-derived products are lawful following the 2018 Farm Bill. Lawful use issues may still be raised under the Federal Food Drug and Cosmetic Act (FDCA), as the FDCA continues to ban foods or dietary supplements containing CBD. Under the PTO examination guidelines registration of marks for foods, beverages, dietary supplements, or pet treats containing CBD will be refused as unlawful under the FDCA, even if those products derived from hemp. Products not ingested, such as topical cosmetic products infused with CBD, are likely to be approved for registration. Also, trademark applications covering services involving cannabis-related activities will be examined for compliance with the CSA and the 2018 Farm Act, similar to the examination of trademark applications for goods.

The Trademark Trial and Appeal Board of the PTO (the “TTAB”) in June 16, 2020 decision dealt specifically with the issue of a trademark application covering “hemp oil extracts sold as an integral component of dietary and nutritional supplements” and the lawful use of a mark with such goods. The TTAB in a precedential decision, affirmed the refusal to register the mark CW for CBD-containing hemp oil extracts, as use of the mark with such goods is *per se* unlawful. *In re Stanley Brothers Social Enterprises, LLC*, App. 86/568,478 (TTAB June 16, 2020) [precedential]. This decision clarifies the PTO's requirements for registration of marks for use with certain hemp-derived products containing CBD.

Here, application was refused registration on the grounds that the "hemp oil extracts sold as an integral component of dietary and nutritional supplement" goods violated the FCDA as well as the CSA because the hemp oils extracts contain the cannabis plant extract cannabidiol otherwise known as CBD.

The FDCA prohibits distribution in interstate commerce of food to which has been added a drug or biological product for which substantial clinical investigations have been instituted and made public. The FDA prohibits marketing items as dietary supplements if they were not marketed in food before substantial clinical investigations involving the item were instituted. The applicant's "hemp oil extracts" were dietary supplements and therefore considered to be "food" since oil contained CBD. The FDA has publicly announced ongoing clinical investigations for CBD. The applicant produced no probative evidence indicating that CBD had been marketed in food before any clinical investigations involving CBD had been instituted. In addition, the applicant's arguments that the Farm Bill's industrial hemp provision exempts it from this portion of the FDCA were rejected by the TTAB. The Industrial Hemp Provision of the Farm Bill permits authorized entities to "grow or cultivate industrial hemp" under certain circumstances, but it does not permit the distribution or sale of CBD in food when CBD is the subject of clinical investigation, even if the CBD is derived from industrial hemp which falls outside the CSA.

The TTAB concluded that the applicant's application and its goods constituted a *per se* violation of the FDCA, as the goods consisted of food to which CBD was added, clinical trials of CBD had been instituted (and their existence made public), and there was no record that CBD was marketed in food before the substantial clinical investigations for CBD were instituted. The TTAB did to reach a decision regarding the unlawful use based on a violation of the CSA.

In addition, in 2019, two noteworthy cases illustrate the continued issues facing those cannabis businesses wanting to enforce and protect their trademarks.

In *Woodstock Ventures LC et al. V. Woodstock Roots LLC*, 18 Civ. 1840 (PGG) (S.D.N.Y. 2019), Woodstock Roots, owner of a federal registration for the mark WOODSTOCK for "smoker's articles," asked the court to enjoin Woodcock Ventures' use of "Woodstock" for the sale of recreational marijuana. Woodstock Ventures is the owner of the rights to the famous "Woodstock" music festival. The court refused to grant the preliminary injunction, since Woodstock Roots, during prosecution of its trademark application for WOODSTOCK for "smoker's articles" expressly disavowed to the U.S. Patent and Trademark Office that its "smoker's articles" were "intended for use with recreational marijuana." The court ultimately held that there was no likelihood of confusion between WOODSTOCK marks used for recreational marijuana and smoker's articles not for marijuana use.

In *Kiva Health Brands Inc. v. Kiva Brands Inc.*, 402 F. Supp. 3d 877 (N.D. Cal. 2019), Kiva Brands sold KIVA-branded cannabis-infused chocolate and candy, and was sued by Kiva Health, a natural foods company, and owner of a federal registration for the mark KIVA for food products. Kiva Brands counterclaimed for cancellation of the KIVA registration based on Kiva Brands' prior common law trademark rights and infringement of its prior common law rights under the Lanham Act. Both counterclaims brought by Kiva Brands were dismissed, primarily because its use of the "Kiva" brand for marijuana products is illegal under federal law, and thus no legally recognized prior trademark rights can be recognized. Any use in commerce must be lawful use and only lawful use can be used to claim trademark priority over another mark. Kiva Brands may have been first to use the KIVA mark but its use was unlawful.

Takeaways: Cannabis product and service offerings and businesses require special attention to the interplay of common law trademark rights, federal trademark rights and examination of new trademark application, and legislative changes and updates. Common law users of cannabis-related products and services should seek trademark registrations for legal products or services which could used in the future to enforce rights for related products or services that are currently illegal but one day may become legal. Also, the recent TTAB *Stanley* decision clarifies the PTO's requirements for registration of marks for use with certain hemp-derived products containing CBD.

B3. Likelihood of Confusion: Beer, Candy, and Preliminary Injunctions

Stone Brewing Co. LLC v. Molson Coors Brewing Co., No. 18cv331-BEN-LL, 2019 WL 1491962 (S.D. Cal. 2019).

On April 4, 2019, the Southern District of California denied a preliminary injunction motion filed by Stone Brewing Co. asking the court to order MillerCoors to pull packaging of Keystone beer that emphasized the word "Stone." MillerCoors stated that it decided on the new branding because "Stone" and "stones" are longtime nicknames for the low-priced Keystone Light beer. Stone Brewing alleged that when MillerCoors rebranded their Keystone beers in April 2017 as "Stone" by formulating new cans, boxes, and logos to emphasize the word "STONE" as a primary mark, MillerCoors deliberately infringed on Stone Brewing's incontestable registered trademark STONE® for beer.

Stone Brewing is one of the largest craft brewers in the United States and alleged in its complaint filed in February 2018, that consumers looking for its craft beers are likely to be confused and instead get MillerCoors' "watered-down imitation of beer in its place." The judge refused to grant the preliminary injunction motion filed by Stone Brewing because, even though Stone had a "moderately strong" chance at eventually winning a lawsuit for trademark infringement, Stone Brewing failed to demonstrate that it would suffer any irreparable harm absent a preliminary injunction.

In August 2019, both parties filed motions for summary judgement in an effort to have a quick resolution to their dispute. MillerCoors claimed that it was the first party to use the "Stone" and "Stones" mark throughout the United States, even before Stone Brewing existed. MillerCoors further claimed that consumers would not be confused that they were buying MillerCoors' beer rather than Stone Brewing's because the word Keystone is used all over the packaging. Stone Brewing claimed to have evidence of actual confusion citing a customer who contacting Stone Brewing to ask if it was making a "Stone Lite" brew, just as MillerCoors was launching its campaign for the rebrand. On March 30, 2020, the court rejected MillerCoors' motion for summary judgment. The Court also granted partial judgment in Stone's favor and ruled that the case must go to trial with a number of factors weighing in Stone's favor, including the following:

- The STONE® trademark "has obtained incontestable status" and that Stone "has a valid and legally protectable mark."
- A jury could find MillerCoors has been "willfully using Stone Brewery's mark to suggest a connection between Keystone Light and the Stone Brewery product line" and "such actions have created confusion in the promotion of Keystone Light and Stone products throughout the marketplace."
- There was a "fourteen-year gap" in Keystone's evidence of purported historical use of "STONES".

Takeaway: We will continue to monitor this case in 2020. Meanwhile, it is noteworthy that even through the judge remarked that Stone Brewing had a "moderately strong" shot at winning the trademark infringement lawsuit, it was not enough to issue a preliminary injunction.

Spangler Candy Co. v. Tootsie Roll Indus., LLC, 372 F. Supp. 3d 588 (N.D. Ohio 2019)

Spangler Candy Company manufactures Dum-Dum lollipops and has sold its lollipops in red bags since 2011. In 2018, Tootsie Roll Industries rebranded the packaging of its Charms lollipops from a yellow bag to a red bag. On March 13, 2019, a judge in the Northern District of Ohio granted a preliminary injunction barring Tootsie Roll Industries from selling lollipops in red bags. The judge considered expert reports, executive testimony, and photographs of candy-colored products and held that Spangler was likely to succeed at trial on trade dress infringement, and would be harmed irreparably if red bags of Charms appeared on shelves next to red bags of Dum-Dums. Interestingly in this case, the judge granted the injunction based on evidence that Tootsie Roll Industries had rebranded its packaging in an effort to divert business from Spangler Candy Company and acted with an intent to deceive.

Takeaway: We will continue to monitor this case in 2020 but it is noteworthy because the injunction was issued finding Tootsie Roll acted with an intent to deceive.

B4. Damages and Willfulness

Variety Stores v. Walmart, No. 5:14-CV-217-BO (E.D.N.C. 2019)

In 2014, Variety Stores filed suit against Walmart for trademark infringement, unfair competition, and deceptive practices, after Walmart started using the trademark "Backyard Grill" in connection with grills and grilling supplies. Variety Stores owns a federal trademark registration for the mark "The Backyard" for "lawn and garden supplies and equipment" and has common law rights in the marks "Backyard" and "Backyard BBQ" in connection with "lawn and garden equipment, grills, and grilling products." Variety Stores is a small company that has used the marks "Backyard," "The Backyard," and "Backyard BBQ" since 1993 in approximately 300 stores.

The district court determined that Walmart's use of the mark "Backyard Grill" was likely to confuse consumers and that Walmart ignored its own internal legal advice regarding use of the mark "Backyard Grill." The district court further determined that Walmart deliberately sought to cause consumer confusion and force Variety Stores, a smaller retailer, from the market. Therefore, the district court initially awarded $32.5 million to Variety Stores. Variety Stores moved for a separate jury trial to determine additional non-disgorgement damages. Denial of that motion lead Variety Stores to appeal to the Fourth Circuit. The Fourth Circuit declared the district court's original $32.5 million judgment void, because a jury, not a judge, should have decided several of the disputed infringement factors. Accordingly, in February 2019 the jury awarded $95.5 million on the grounds that Walmart had infringed the trademark "BACKYARD" and that the infringement was willful. In June 2019, Walmart appealed the decision.

Takeaway: We will continue to monitor this case in 2020, which resulted in an unusually large monetary award for a trademark case.

B5. The First-Sale Doctrine

Williams-Sonoma Inc. v. Amazon.com Inc., No. 18-cv-07548-EDL 2019 WL 7810815 (N.D. Cal. 2019)

WSI

In business in the United States since 1956, Williams-Sonoma is a retailer of high-end housewares and home furnishings with over 600 retail stores and eight websites. Williams-Sonoma owns a number of trademark and service mark registrations including U.S. Registration No. 2,353,758 identifying “retail store services, mail order catalog services, and on-line retail store services featuring culinary equipment, housewares, kitchenware and cookware” and Registration No. 2,410,528 identifying “on-line gift registry services” both for the mark WILLIAMS-SONOMA. Amazon is one of the world’s largest online retailers. Williams-Sonoma does not sell its goods through Amazon. Williams-Sonoma sued Amazon, claiming that Amazon infringed and diluted Williams-Sonoma’s service mark and engaged in unfair competition by marketing Williams-Sonoma products for resale on the Amazon.com website.

Amazon filed a motion to dismiss based on the protection offered by the first-sale doctrine. That doctrine allows resale of goods in a non-confusing way. Amazon further argued that its use of the Williams-Sonoma mark was no more than truthful advertising for resale of Williams-Sonoma products. Williams-Sonoma argued that Amazon essentially set itself up as an unauthorized website for Williams-Sonoma, including using images from Williams-Sonoma’s website. Although the court did not fully agree with this argument, because use of the Amazon mark was prevalent throughout the website, the court ruled in Williams-Sonoma’s favor. In May 2019, the court denied the motion to dismiss in a “close call” for which no case law existed that precisely addressed the issue.

As many know, Amazon.com offers the Amazon Brand Registry as a way for brand owners to protect their brand while using the Amazon.com website. In order to enroll in the Brand Registry, participants based in the United States must (1) have a trademark registration on the Principal Register of the U.S. Patent and Trademark Office, (2) be able to verify themselves as the rights holder, and (3) have an Amazon Brand Registry account. It is not clear if Williams-Sonoma had a registration with the Amazon Brand Registry but it will be curious to see during this case if the Amazon Brand Registry is discussed as a way that Williams-Sonoma could have policed use of its trademarks on Amazon.com.

Takeaway: We will continue to monitor this case in 2020 as the court considers this interesting trademark matter.

B6. The Interface Between Trademark Rights and the First Amendment

MGFB Properties, Inc. v. Viacom Inc. f/k/a MTV Networks et al., No. 5:19-cv-00257 (N.D. Fla. Oct. 23, 2019).

On August 6, 2019, MGFB Properties, Inc. (MGFB) filed a lawsuit in the Northern District of Florida against Viacom Inc. f/k/a MTV Networks (MTV) alleging trademark infringement for MTV's reality show "Floribama Shore" and sought an injunction requiring MTV to stop using the name and pay damages, including some of the show's profits. MGFB is the owner of the Flora-Bama Lounge, a bar between the Florida and Alabama borders and has trademark rights in the mark FLORA-BAMA with over 55 years of use.

MGFB claims that MTV knowingly infringed its trademark rights and was aware of MGFB's Flora-Bama Lounge when it originally aired the show Floribama Shore in 2017. MGFB claims that MTV was well aware of the Flora-Bama Lounge and even tried to allow MGFB to film the reality show at the location. MGFB declined to allow MTV to film the show at the Flora-Bama Lounge because, allegedly, MGFB was contemplating a show of its own. According to the suit, MGFB alleges that MTV's use of the show name Floribama Shore "severely harmed" any effort for MGFB to produce a show. MGFB further alleges that its trademark FLORA-BAMA is famous because well-known musicians frequent the bar. In fact, MTV was put on notice as to the strength of the FLORA-BAMA trademark because MTV aired a special about country singer Kenny Chesney, in 2014, that took place on a beach outside the Flora-Bama Lounge that drew over 40,000 concert goers. MGFB further alleges that MTV's use of the mark has confused customers (and media outlets) into thinking there is a relationship between the Flora-Bama Lounge and the Floribama Shore reality show.

On October 4, 2019, MTV filed a motion to dismiss the lawsuit claiming that under the First Amendment, trademarks can be used in expressive works like the show name "Floribama Shore." Previously, courts have held that trademark owners cannot challenge use of their trademarks in creative and expressive works unless the use of the marks are (1) completely irrelevant to the work, or (2) if the author explicitly misleads consumers. Regarding the first point, MTV contended that the word "Floribama" is relevant to the work because it shows a "cultural and geographic setting for the series." Regarding the second point, MTV claimed that consumers were not misled because the word "Floribama" is used between the words "MTV" and "Shore." MTV further tried to distinguish its use of the word by the spelling differences of "Floribama" versus MGFB's use of the mark FLORA-BAMA.

On October 23, 2019, the U.S. District Court for the Northern District of Florida denied MTV's motion to dismiss the lawsuit rejecting the claim that MTV can use the name under the First Amendment even though MGFB has trademark rights to the mark FLORA-BAMA. The court held that MTV failed to show that the Floribama Shore reality show was an expressive work protected by the First Amendment and this claim does not apply if the name of the show explicitly misleads customers. The court held that MGFB's complaint alleges enough facts that would invoke an exception to protection of an expressive work by the First Amendment.

<u>Takeaway</u>: We will continue to monitor this case in 2020. The case involves the important interface between trademark rights and the First Amendment.

AM General LLC v. Activision Blizzard Inc., No. 2:17-cv-08644 (S.D.N.Y. 2020).

The automaker AM General owns federal trademark Registration No. 1,697,530 for the mark HUMVEE as used on its trucks. More than 250,000 Humvee® trucks have been sold since

1983, making the trucks an important component of the nation's military history over the past quarter-century. As a result, the trucks have become a fixture in movies, television shows, newscasts, and video games. A group of law professors said the truck has been featured in more than 1,000 movies and shows.

Nevertheless, AM General sued game developer Activision in November 2017, asserting that featuring Humvee trucks in "Call of Duty" video games infringed AM General's trademark rights. "Call of Duty" is one of the best-selling game franchises in the world, selling more than 250 million copies since it launched in 2003. The 16th and latest installment, "Modern Warfare," launched last fall. AM General claimed that Activision had "reaped billions of dollars" by using the trucks in the games to trick consumers into thinking the company officially approved of the games or was involved in their creation.

The New York district court dismissed the lawsuit in April 2020, citing the First Amendment and stating that Activision has the right to use a real-life vehicle in a work that aims to realistically depict modern combat. The court reasoned: "If realism is an artistic goal, then the presence in modern warfare games of vehicles employed by actual militaries undoubtedly furthers that goal." Under a doctrine known as the *Rogers* test, courts will dismiss such cases unless the trademark owner can prove its trademark is completely irrelevant to the work, or that the author is using it to explicitly mislead consumers. The court held that AM General had not cleared either hurdle.

Takeaway: The case is just the latest to reaffirm that video games, like movies and television shows, can feature real-life trademarks without liability -- protected by the First Amendment.

B7. False Advertising

Molson Coors Beverage Co. USA LLC v. Anheuser-Busch Cos., LLC, Case Nos. 19-2200, 19-2713, 19-2782, 29-3097 & 19-3116 (7th Cir. May 1, 2020).

On May 1, 2020, the Seventh Circuit resolved a yearlong false advertising battle between Molson Coors and Anheuser-Busch. The Seventh Circuit found in favor of Anheuser-Busch.

The case began in 2019 when Molson Coors, producer of Miller Light and Coors Light, sued Anheuser-Busch, producer of Bud Light, following a Super Bowl commercial and ad campaign. The ads claimed that Miller Lite and Coors Light are made using corn syrup as a source of sugar that yeast ferments into alcohol, while Bud Light is made using rice, not corn syrup. Molson Coors filed suit alleging that Anheuser-Busch launched a false and misleading advertising campaign targeting Miller Lite and Coors Light in order to deceive beer consumers. Specifically, Molson Coors claimed Anheuser-Busch's advertisements violates §43 of the Lanham Act by implying that a product made from corn syrup also contains corn syrup.

In its complaint with the district court, Molson Coors claimed Anheuser-Busch's campaign was intentionally designed to mislead consumers into believing that when they drink Miller Lite or Coors Light, they are consuming corn syrup, even if the ads did not explicitly say the beer contained corn syrup. Slogans such as "Brewed with no corn syrup" were used in Bud Light ads, and "no corn syrup" was added to the Bud Light packaging. Molson Coors also argued that the campaign was damaging because "Consumers have become increasingly health-conscious in recent years, and negatively associate corn syrup, particularly the [high fructose corn syrup] sweetener added to some soft drinks … with adverse health effects and an unhealthy lifestyle." The district court partially granted Molson Coors' request for a preliminary injunction regarding some of the packaging and advertisements and then later extended the ban to prevent all advertisement and packaging that stated that Bud Light contained no corn syrup. The district court further stated that Anheuser-Busch could not say or imply anything that would cause consumers to think that its rival's products contain corn syrup.

The Seventh Circuit culled down the issue in this case to be if "the true statement 'their beer is made using corn syrup and ours isn't' wrongly implies that 'their beer contains corn syrup.'" In determining the answer to this question, the court focused on the fact that Molson Coors admits that corn syrup is used when making Miller Lite and Coors Light and even lists corn syrup as an ingredient on the product packaging. Molson Coors argued that a list of ingredients is different than what the finished products contains (for example neither party lists "alcohol" as an ingredient on the packaging), however, even some of Molson Coors's own managers believed that corn syrup was present in the beer. The court held that Molson Coors "brought this problem on itself" by choosing the word "ingredients" that may have multiple meanings and found that Anheuser-Busch's advertisements do not violate the prohibition of false and misleading advertisements under §43 of the Lanham Act. The court further stated that if Molson Coors didn't like the advertisements, it should create its own to mock Anheuser-Bush.

Takeaway: Although the court did not find Anheuser-Busch's advertisements to be false or misleading, when making statements about third parties, advertisers should be careful as to not only what the ads literally say but what they may imply about the third party's products.

Bonus. Artificial Intelligence in the Trademark World.

Artificial intelligence or "AI" is defined as the theory and development of computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages. Computer scientists sometimes call AI "machine intelligence" to distinguish intelligence demonstrated by machines from the natural intelligence displayed by human beings. Leading AI textbooks define the field as the study of intelligent agents: any device that perceives its environment and takes actions that maximize its chance of successfully achieving its goals. Colloquially, the term AI is often used to describe machines (or computers) able to mimic cognitive functions that human beings associate with the human mind, such as learning and problem solving. Although lacking a uniformly accepted and clear definition, AI generally involves four steps: collect data, run the data through an analytical model to predict, optimize the model and make decisions, then have the system adapt or learn.

As AI becomes commonplace, it is playing an increasingly large and important role in the American legal system. AI is a part of how attorneys practice law, is used by a diverse array of clients, and even plays a role in the judicial process itself. From AI-driven document review to computer sentencing guidelines to automated decision systems, nearly every lawyer will encounter AI at some point in the near future (if they have not already done so). The legal profession is struggling to keep up with the technological advances inherent in AI, grappling with the fundamental elements of how AI works and trying to understand its benefits and drawbacks.

More specifically, AI is a tool that may provide attorneys, judges, and businesses with potentially new insights into trademarks. Like most computer programs, however, AI will for the foreseeable future require human knowledge and interaction to maximize the utility of AI applications to trademarks (as well as to other disciplines), and undue reliance on AI may result in unintended and unreliable consequences. Attorneys, judges, and businesses must understand the technology to analyze and apply the critical thinking needed to evaluate AI applications and other developing and evolving computer programs as tools. A September 2019 TED (technology, entertainment, design) talk titled "How humans and AI can work together to create better businesses" provides entertaining information about some of the experiences by businesses using AI, which may provide insights into what might be expected of AI in the trademark field. The TED talk is available at: https://www.ted.com/talks/sylvain_duranton_how_humans_and_ai_can_work_together_to_create_better_businesses.

Others have already begun to develop insights into the impact of AI on trademark law. The U.S. Patent and Trademark Office ("PTO") held a full-day conference on January 31, 2019, titled "Artificial Intelligence: Intellectual Property Policy Considerations." (The PTO has also launched a page on its website, www.uspto.gov, that provides information on its AI initiatives, public notices and responses, AI-related events, and outside resources.) Acknowledging that AI is expected to produce a new wave of innovation and creativity while posing novel challenges and opportunities for intellectual property (IP) policy, the conference included six panels featuring IP specialists from around the world. The trademark-focused portion of the day was a panel presentation titled "Does AI dream of electric brands?" The trademark panel considered questions such as: (1) how is AI being used to enforce trademark rights, (2) how will AI affect trademark protection and branding, (3) will AI change the likelihood of confusion and liability analyses, and (4) how will AI impact the branding of products and the protection of trademarks?

Trademark law considers marks in the context of goods and services. The keys to a purchasing decision for goods and services are the information available to the consumer when making their decision, and who helps the consumer to make their decision (e.g., a store clerk). Companies offer virtual assistants. AI may soon make purchasing decisions for consumers entirely "behind the scenes." Ironically, therefore, AI may give consumers <u>less</u> information. Some consumers are happy to delegate their purchasing decision to an AI agent even now; others may be more comfortable over time. (Although fear and uncertainty about AI may prevail now, at least among some people, acceptance and familiarity with AI, over time, will likely eliminate those concerns.) Many consumers want to delegate decisions sometimes, but not other times.

AI notices trends and prior decisions, and makes recommendations or at least narrows options, for consumers. As AI gets better at predicting, the consumer may be delivered a product the consumer ostensibly wants without even asking (a shift from suggesting through offering to providing!). Eventually, the consumer may interact only with an AI agent as to why the consumer does or does not want an item. Keith Weed, chief marketing officer at Unilever, was quoted in The Economist as saying, “We’ll be having bots trying to influence your bots about buying our products.” Rather than build an association between brand and product (by investing in advertising), it may be more helpful in the world of AI to build an association between functionality and brand by investing in back-room AI so that brands use technologies in the “right” way (e.g., Google and Amazon).

Conventional trademark law is all about human beings and human interaction both with brands and in the purchasing process. But retail in the AI environment will be predictive rather than reactive. AI effectively reduces or, at its most extreme, completely removes the human being from the product suggestion and product purchasing process. Trademark law coped with the self-service revolution of the 1900’s, the Internet revolution at the turn of the century, and, mostly, with the recent social media revolution. In their article titled, “AI is Coming and It Will Change Trademark Law,” ManagingIP.com at 9-13 (2017), authors Lee Curtis and Rachel Platts ask: Can trademark law deal with the AI “fourth revolution,” which is changing the retail process from “shopping-then-shipping” to “shipping-then-shopping”? In its extreme application, shipping-then-shopping completely takes over the purchasing decision and, given the likely increase in returns, will increase the need to assess trademark issues such as post-sale confusion.

This AI revolution raises several interesting trademark law questions:

Can AI be confused (likely or actually)?

Does AI take the place of the average consumer or is AI a “sophisticated” consumer and does that assessment depend upon the type of product or service at issue? (It would seem that an AI’s level of attention does not vary according to the product or service.)

Does AI emphasize the beginning syllable of a trademark rather than the end, or the logo over the words in a composite mark, for a likelihood of confusion analysis?

Does AI have any bias in analyzing marks?

Will AI consider brands at all -- or will AI simply focus on price, taste, nutritional information, availability, style, speed of delivery, quality, and the like when making a purchasing decision?

Consider the applicability to an AI agent of secondary infringement liability under conventional trademark law, i.e., is the agent or entity behind the agent liable for a consumer's confusion or poor decision? More specifically, when your Amazon Echo suggests and buys a product for you that infringes a registered trademark or is a counterfeit, does Amazon become a secondary infringer? Perhaps not, but the entity may be required to have takedown procedures.

Counterfeits are an increasing problem, with counterfeit goods comprising an estimated $461 billion or 2.5 percent of all global trade. AI offers hope in addressing the problem. For example, AI can help to identify counterfeit products and remove them from purchasing options. Amazon has a brand registry program to help brand owners. How can AI be further leveraged to solve the age-old problem of counterfeiting?

Given the future of AI, perhaps brands will become much less relevant to the purchasing decision. *See* J. Herrman, "All Your Favorite Brands, From BSTOEM to ZGGCD/How Amazon is causing us to drown in trademarks," The N.Y. Times (Feb. 11, 2020) (as used by Amazon sellers with minimal conventional marketing, pseudo-brands are challenging what it means to be a brand and, for many categories of products, sellers simply use Amazon's brand name and platform to sell their products). Regardless, it is quite possible that many of the long-held principles of existing trademark law will become irrelevant in the age of AI, or will at least need to be applied in a new way.

A report from Stanford University and New York University researchers commissioned by the Administrative Conference of the United States and issued on February 18, 2020, summarized the PTO's AI activities. The PTO has been experimenting with using AI when examining applications to register marks, and although such automation offers "substantial" benefits, the report identifies risks about due process and labor. Among the benefits to the PTO are handling searches and classifications so that trademark examiners can focus more on analysis. The PTO has "experimented" with AI and machine learning tools to automate classification, and with prototyped models for searching for prior marks, according to the report.

These changes may "significantly improve the trademarking process" in the future. So far, however, the implementation has been "suboptimal," with the report citing issues like duplicate images and text identification.

On a broader scale, the report cited three main concerns for AI usage at the PTO. First, AI raises due process concerns, particularly concerns that search results would be harder to decipher, which would violate requirements for decisions to be explainable. Second, the unions that represent trademark examiners could be resistant to AI if there is any reduction in hours or other employment effects. Finally, the report warns that applicants may try to game the system by drafting their applications in ways that they know will avoid prior marks. The report suggested creating a rule to clarify the duties and obligations of applicants to minimize this risk.

There is great consensus and little doubt that AI will revolutionize trademark prosecution and enforcement over the next few years. According to research summarized in the Hogan Lovells Brand Benchmarking 2018 report, which targeted over 200 brand owners from a wide range of industries, a resounding 93% of businesses feel positive about the new technology. Time and cost savings are expected to be the biggest benefits of AI, which will impact trademark prosecution clearance searches, according to 93% of respondents. With respect to enforcement, AI is expected to facilitate online infringement searches and the preparation of take down notices. Although there is some concern about job security, the majority of businesses surveyed do not see AI as a threat. Commenting on the findings, Lloyd Parker, Asia Pacific and Middle East Head of Intellectual Property at Hogan Lovells, said: "There is a great opportunity for brand owners to use AI to gain efficiencies, speed up their work and streamline processes, while reducing costs and ensuring resources are used effectively. However, there is [a] worrying lack of awareness about AI and businesses risk missing out on its benefits due to insufficient knowledge and investment in the new technology. This is an area where all companies should be paying more attention and seeking out beneficial opportunities."

C. PTO Rule Changes and Foreign Notes . . . It's A Small, Small World, After All.

C1. PTO Rule Changes

Three changes to the United States Patent and Trademark Office (PTO) Rules of Practice were effective as of **February 15, 2020**. The PTO continues its initiatives to improve administrative efficiency, optimize workflow processes, and reduce processing errors, while also continuing to maintain the integrity of the trademark register. The new rules cover electronic filings, email address requirements, and specimen of use requirements.

1. Requirement to File Electronically

All formal correspondence concerning a trademark application or registration must be filed electronically through the PTO's Trademark Electronic Application System (TEAS). This includes the initial trademark application filing, responses to Office Actions, and registration maintenance and renewal filings. Unless an exception for a paper filing applies, any paper submissions filed after February 15, 2020 will receive a PTO notice indicating that the submission will not be processed and will be destroyed, and any filing fees will be returned.

2. Requirement for Email Addresses

All new applications filed after February 15, 2020 must include an email address for the applicant, and if represented by an attorney, the email address of the attorney. In addition, any other formal correspondence filed with the PTO after February 15, 2020 will require the addition of the applicant's or registrant's email address. This requirement will allow the PTO to contact the owner electronically if the attorney-of-record's email cannot be used, such as when representation ends.

The PTO recognizes the issues raised concerning a client's email being made public record, and the possibility of an avalanche of spam and solicitations to the client and its contact email. To that end, many law firms are using a general email for its clients wishing to maintain privacy and also avoid unnecessary span and solicitations.

3. Specimen of Use Requirements

The PTO rules for specimens of use were amended in accordance with statutory requirements, precedential case law, electronic filing requirements, and a clearer statement for actual use in commerce requirement. Trademark specimens must show <u>actual</u> use of the mark on the goods, on containers or packaging for the goods, on labels or tags affixed to the goods, or on displays associated with the goods. For example, a label or tag should be attached to the goods, and if the label or tag is not shown physically attached to the goods, should also include informational matter on the label, such as, if applicable for the particular goods, net weight, volume, or lists of contents or ingredients.

For services the specimens must show a direct association between the mark and the services through use in the sale, performance, rendering, or advertising of the services.

The rules also clarify that specimens of use for webpage specimens are required to show or provide the URL, as well as the access or print date. In addition, digitally created or altered specimens, such as a computer illustration or artist's rendering, will continue to be unacceptable as specimens of use.

Also, effective **<u>August 3, 2019</u>**, the PTO amended its rules to require that applicants, registrants, and parties to proceedings whose domicile is not located within the United States (U.S.) or its territories) be represented by an attorney who is an active member in good standing of the bar of the highest court of a state in the U.S. (including the District of Columbia or any Commonwealth or territory of the U.S.). In addition, the amended rule also provides that attorneys provide their bar information when representing applicants and registrants, whether domiciled inside or outside the U.S. The amended rule also removes the ability of foreign patent attorneys or agents to seek reciprocal recognition to practice before the PTO in trademark matters.

Currently, only Canadian attorneys and agents are reciprocally recognized under Rule 11.14(c)(1), and their representation is limited to applicants, registrants, and parties located in Canada (Canadians). Effective **August 3, 2019**, Canadian trademark attorneys and agents continue to be authorized to represent Canadian parties in trademark matters before the PTO as additionally appointed practitioners, so long as they remain registered and in good standing in Canada and are formally reciprocally recognized by the PTO's Office of Enrollment and Discipline (OED). Currently reciprocally recognized Canadian patent attorneys and agents may complete prosecution of an application or post-registration maintenance filing (for which they are listed as the representative) which was pending with the PTO before August 3, 2019, but may not handle new trademark matters. After August 3, 2019, Canadian applicants and registrants must appoint U.S. counsel and may also appoint a Canadian trademark attorney or agent who is formally reciprocally recognized by OED as an additional practitioner.

On the issue of Canadian trademark attorneys, the Trademark Trial and Appeal Board ("Board") ruled in a precedential Order in February 2020 that a Canadian party to a proceeding before the Board must appoint a qualified attorney licensed to practice law in the United States even if the party has hired a Canadian attorney who has been granted reciprocal recognition by the PTO. *Cloudworks Consulting Services Inc. v. Ongoing Operations, LLC*, Cancellation No. 92073144 (February 21, 2020) [precedential]. The Board ruled that a reciprocally recognized Canadian attorney or agent may appear only as an "additionally appointed practitioner." The qualified United States attorney must file documents with the Board and the Board will correspond only with the qualified United States attorney.

C2. Madrid Protocol

The Madrid Protocol system is a mechanism for obtaining the international registration of a trademark by filing a single application and designating the member countries of the Madrid Protocol in which protection is sought. In 2019, the following countries became members of the Madrid Protocol: Canada, Brazil, and Malaysia. The Madrid Protocol now has 103 members covering 122 countries and enables applicants to easily file a trademark application in any or all of the countries.

Takeaway: There are now even more countries for an applicant to designate after filing a single International Registration application.

C3. Argentinean Trademark Law

On June 3, 2019, new trademark laws went into effect in Argentina requiring a sworn Affidavit of Use to be filed with the Argentinean Trademark Office (ATO) between the fifth and sixth year after registration and within the fifth and sixth year after renewal of a registration. Previously, registrants knew that their marks were vulnerable to non-use cancellation actions three years after registration but no proof, or declaration, of use was needed at that time. With the new changes, now, a registrant must file an official form declaring actual and effective use of its trademarks (no proof is needed) or become vulnerable to non-use cancellation actions. The registrant must indicate the goods and/or services that use of the mark is being declared. If a timely Affidavit of Use is not filed, the mark is vulnerable to non-use cancellation actions and renewal of the application will not be processed at the time renewal is due. In addition, an Affidavit of Use must also be submitted at the time the registration is renewed, i.e., ten years after registration.

Takeaway: Registrants in Argentina should be aware that Affidavits of Use are required between the fifth and sixth year after registration, within the fifth and sixth year after renewal of a registration, and at renewal or risk losing trademark rights.

C4. The Impact of Brexit

The United Kingdom (UK) left the European Union (EU) on January 31, 2020 (commonly referred to as "Brexit") with a transition period until December 31, 2020. Brexit's effect on intellectual property rights in the EU applies specifically to trademarks because patents are issued by the European Patent Office that is governed by the European Patent Convention, an agreement that is separate from the EU. Likewise, copyrights are governed by international treaties that provide reciprocal rights for copyright protection of which both the UK and the EU are members, however, the UK has stated that it would not adopt the new changes to EU copyright law that were approved last year. We will continue to monitor changes to UK copyright law. EU trademark rights and registered designs, however, previously conveyed protection to the member states of the EU, that included the UK. Until the expiration of the transition period, December 31, 2020, EU law will continue to apply to the UK. Accordingly, no changes will be made to EU trademarks and registered designs until December 31, 2020.

A. Registered EU Trademarks

At the expiration of the transition period on December 31, 2020, and as anticipated, the UK will provide for a form of "grandfathering" registered EU trademarks and registered designs. Specifically, owners of registered EU trademarks and registered designs will receive a duplicate right in the UK as if the EU rights were registered or granted before the end of the transition period. The grandfathered UK trademark registrations will be numbered with a prefix of UK009 and the last eight digits of the corresponding EU registration. The new UK registrations will continue to retain the filing date of the corresponding EU Registrations and inherit any priority and/or seniority dates. Accordingly, to receive duplicate rights in the UK, the EU trademarks and designs must be registered as of December 31, 2020. Registrants may also opt out of the corresponding protection in the UK.

B. Pending EU Trademark Applications

EU trademark applications that are pending at the end of the transition period will not be automatically granted corresponding trademark rights in the UK. Rather, applicants may apply to register corresponding UK trademarks within nine months of the transition period, retain the earlier filing date of the corresponding EU application, and retain any priority and/or seniority dates.

If you need any assistance with the EU and/or UK trademark rights, please do not hesitate to contact an attorney in Stradley Ronon's Intellectual Property Group.

Takeaway: Review you or your client's trademark portfolio in the EU and discuss options for entering the UK prior to the expiration of the transition period.

C5. China

Revisions to Chinese trademark law came into effect in April 2019 allowing trademark examiners to reject bath faith trademarks at the application stage. A new provision was added to Article of Chinese Trademark Law that states "Malicious trademark registration without an intention to use should be rejected." Accordingly, the trademark examiner can make that decision fairly early in the trademark application process. We will continue to monitor how this change in trademark law will be implemented because "without an intention to use" is not defined by law.

Takeaway: Review yours or your client's trademark portfolio and continue to discuss foreign filing strategy and potentially review trademark filings in China. Alert foreign associates early if your client thinks a third party has maliciously filed its trademarks in China.

C6. PTO Upcoming Trademark Fee Adjustments

The U.S. Patent and Trademark Office ("PTO") held a public hearing on September 23, 2019 to present its new trademark fee increase proposal, and on June 19, 2020, the PTO published in the *Federal Register* its "Notice of Proposed Rulemaking, Trademark Fee Adjustment." The earliest effective date of the fee changes is October 2020, and written comments are due on August 3, 2020.

By way of background, the PTO is seeking to increase its fees to support critical IT projects which are necessary to address the impacts of increased filings and costs to support all trademark operations. Other considerations for the fee increases are improving the accuracy of the trademark register and proof of use, and addressing changes in filing behaviors which could result in fewer post registration filings. The PTO is also seeking to increase recovery of costs for the rising appeal and trial proceedings. Increased fees are being proposed for both paper and electronic filing, with those increases for paper filings providing a strong incentive for electronic filings.

The new proposals are based on the same assumptions concerning revenue and workload as the 2019 proposal, but the notice explains that circumstances have changed since the last year. Specifically, “fee collections have been lower than anticipated, in part due to lower than expected application filings as a result of the COVID-19 outbreak, and the assumed implementation date [of August 2020] is no longer accessible.” The notice states that “[w]ithout the proposed fee adjustments … budgetary requirements would exceed revenues and available operating reserve balances beginning in FY 2022 through FY 2025.”

Proposed trademark fee increases will affect five areas:

- Application filings.
- Petitions, Letters of Protest, and Requests for Reconsideration.
- Post Registration Maintenance filings.
- Deletion of Goods and Services following audit or adverse decision.
- Trademark Trial and Appeal Board (“TTAB”) filings.