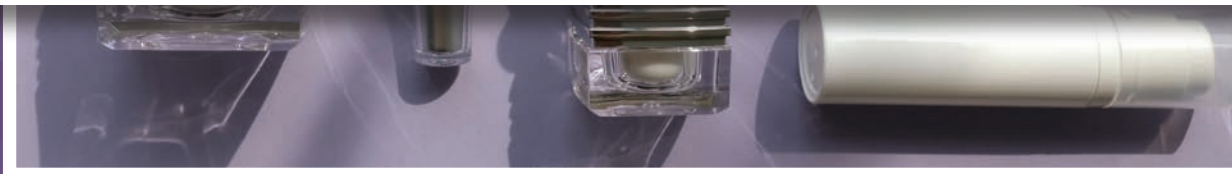




IDEAS ON INTELLECTUAL PROPERTY LAW



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FOR U.S. UTILITY PATENTS*

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*ANT-LIKE PERSISTENCE

Confusion reigns

Ninth Circuit addresses counterfeiting claims

Counterfeiting is a form of trademark infringement, so you might naturally expect that it requires at least the same amount of evidence as an infringement claim to reach trial. One trademark holder, however, recently argued that counterfeiting claims don't require a showing of a likelihood of consumer confusion. In the U.S. Court of Appeals for the Ninth Circuit's first time addressing the issue, it set the trademark holder straight.

BEAUTY BATTLE

Arcona Inc. registered the trademark EYE DEW for skincare products in March 2015. Its EYE DEW product is an eye cream in a tall, cylindrical, silver bottle presented in a slim cardboard outer box. Both the bottle and box feature the EYE DEW mark and the Arcona house mark. (A house mark identifies the source of a product instead of a single product.)



Arcona's product is sold mainly at Nordstrom in the United States and at Sephora in Australia and Asia.

Farmacy Beauty began selling an eye cream named EYE DEW in the United States at Sephora in 2015. Its product comes in a short, wide, white jar in a squarish outer box. The jar and the box feature the phrase and the Farmacy house mark.

In 2017, Arcona sued Farmacy for, among other things, counterfeiting. The trial court dismissed the counterfeiting claim before trial, and Arcona appealed.

ROOT OF THE REQUIREMENT

The trial court found it unlikely that a consumer would confuse the Farmacy product with one of Arcona's EYE DEW products. On appeal, Arcona argued that it wasn't required to show a likelihood of confusion to pursue its counterfeiting claim.

The Court of Appeals shot down that argument. It noted that Section 1114(1)(a) of the federal trademark law (the Lanham Act) — which establishes a claim for counterfeiting — specifically references a likelihood of causing confusion. While the provisions that Arcona cited in support of its position don't mention likelihood of confusion, they both refer to Sec. 1114(1)(a). These references, the court found, underscored the confusion requirement.

Further, the court has repeatedly held that Sec. 1114 requires a likelihood of confusion for trademark infringement claims. Because counterfeiting claims are "the hard core or first degree" of trademark

MAY THE COURT PRESUME?

In the *Arcona* case (see main article), the plaintiff's argument that a counterfeiting claim doesn't require proof of the likelihood of consumer confusion wasn't its only claim. Alternatively, it also asserted that the court should presume a likelihood of confusion because the defendant's EYE DEW statement was identical to its mark.

The U.S. Court of Appeals for the Ninth Circuit rejected this proposition. The court explained that it's not enough for the marks to be identical (assuming they actually are). No presumption of consumer confusion arises unless the products themselves are identical.

In this particular case, the court determined that the products, as a whole, weren't identical. Therefore, it couldn't apply a presumption of consumer confusion.

infringement, the court said, such claims are subject to the same requirement.

DUELING DEWS

So, was consumer confusion likely here? The trial court based its ruling on differences in the branding and packaging of the respective products. But *Arcona* argued that the lower court erred by comparing the products as a whole. Rather, *Arcona* contended, the court should have limited its analysis to the identical marks.

Courts shouldn't myopically focus on only the alleged counterfeit marks, to the exclusion of the entire product or common sense.

The appellate court noted that it has never adopted such a "rigid approach." To the contrary, it said, a court shouldn't myopically focus on only the alleged counterfeit marks, to the exclusion of the entire product or common sense.

The court acknowledged that the products in this case competed in the same space and geographic area but pointed out significant differences between the two products. It found that no reasonable consumer would be confused because attributes such as the

packaging, size, color and shape weren't remotely similar. Moreover, the products each bore their house marks prominently on their packaging.

The Court of Appeals also considered third-party use of the mark. Pharmacy's evidence showing that other companies in the beauty industry use the phrase EYE DEW suggested that the mark wasn't unique or strong.

Finally, the court found no evidence that Pharmacy's use of the mark was intentional. In fact, Pharmacy even submitted evidence that the phrase was meant to describe its product and wasn't an intentional copying of *Arcona*'s trademark. *Arcona* didn't dispute this evidence.

The Ninth Circuit ultimately concluded that the two products, viewed in their entirety, didn't remotely resemble each other. Because Pharmacy's use of the EYE DEW mark wasn't likely to cause consumer confusion, the court affirmed the district court's ruling.

NOT JUST COSMETIC

In addition to establishing the likelihood-of-confusion requirement for counterfeiting claims, this case provides a useful lesson on the quantum of evidence a trademark holder must submit to satisfy the requirement. That the marks are identical generally may prove insufficient on its own — courts might also evaluate the entire product, including packaging, industries and geographic areas. ▣

Any way you slice it

Copyright Act requires domestic infringement

In an opinion hot out of the oven, the U.S. Court of Appeals for the D.C. Circuit recently weighed in on a case that tested the extraterritorial limits of the federal Copyright Act. Unfortunately for the U.S.-based copyright owner, the court determined that its allegations of infringement fell short of what was necessary to sustain a case against foreign defendants.

PIZZERIA GETS CHEESED

IMAPizza LLC owns “&pizza,” a U.S. restaurant chain that’s pursuing expansion into the United Kingdom. At Pizza is a UK corporation that operates the “@pizza” restaurant in Edinburgh and is owned by two UK citizens.

According to IMAPizza, the At Pizza owners visited &pizza locations in the United States to learn about and copy their appearance and operations. In addition to taking photos, they downloaded copyrighted photos of the restaurants from websites operating on U.S. servers. They subsequently marketed and created a copycat version of the &pizza restaurants.

IMAPizza sued At Pizza. It alleged the company infringed IMAPizza’s “exclusive rights” in its photographs and its architectural and interior design plans by making unauthorized copies of copyrighted pictures of its restaurants and taking photos of those restaurants. The trial court dismissed the claim, and IMAPizza appealed.

THE CLAIM IS TOSSED

As the Court of Appeals noted on review, the U.S. Copyright Act “governs domestically but does not rule the world.” The court, therefore, had to determine whether At Pizza committed an act of infringement in the United States. IMAPizza claimed two infringing acts happened domestically — the downloading of copyrighted photos from websites on U.S. servers and the taking of photos in U.S. restaurants.



The appellate court agreed with the trial court that the Copyright Act doesn’t apply to “ephemeral transmission of a picture across the internet.” Rather, a copy becomes “fixed,” as required for infringement, when the picture is reproduced for a viewer.

The court found that IMAPizza failed to plausibly allege that any such reproduction occurred in the United States. A transmission involves two potentially infringing acts:

1. The unauthorized uploading of a file, and
2. The unauthorized downloading of a file.

Either act could create a copy that would constitute a domestic act of infringement if completed in the United States. But IMAPizza didn’t allege that the upload by the defendant was unauthorized or that the download of pictures occurred within the United States.

IMAPizza asserted that the U.S. servers from which the downloading occurred were where the copying took place. The court, however, found no support for the notion that downloading a picture from a U.S. server creates a copy in the United States, in addition to the copy where the receiving device is located. As a result, there was no claim of domestic infringement.

A court can apply
the Copyright Act to
foreign acts of infringement if
an initial infringing act occurred in
the United States.

The Court of Appeals also dismissed IMAPizza’s argument regarding the taking of photos in its U.S. restaurants. It explained that the Copyright Act

doesn’t create a right to prevent the taking of photos of an architectural work if it’s embodied in a building located in, or ordinarily visible from, a public place.

Finally, the court rejected IMAPizza’s contention that the Copyright Act applied under the “predicate act” test. This test provides that a court can apply the law to foreign acts of infringement if an initial infringing act occurred in the United States. The court found that the test didn’t apply in this situation because IMAPizza didn’t allege or provide evidence that an act of infringement occurred in the United States.

THE CRUST OF THE MATTER

Foreign parties may be held liable for infringement under the Copyright Act. However, as this case demonstrates, protection only extends beyond U.S. borders when the alleged infringement first occurred domestically. □

USPTO responds to *Booking.com* ruling with revised guidelines

In the wake of the U.S. Supreme Court ruling in the *Booking.com* case last year, the U.S. Patent and Trademark Office (USPTO) has updated its guidance for evaluating so-called “generic.com” marks for trademark registration. Although the Court’s ruling opened the door to registration for such marks, applicants nonetheless may find it an uphill battle.

THE SUPREME COURT’S RULING

The *Booking.com* case arose out of the USPTO’s refusal to register the mark because it was generic as applied to hotel reservation services — or was at best merely descriptive and hadn’t yet acquired distinctiveness. On review, the Court focused on whether the USPTO could employ a per se rule that a

generic term combined with a top-level domain name (for example, .com, .net or .org) is generic.

The Court rejected such a rule. It held that whether a generic.com term is in fact generic depends on whether consumers perceive it as the name of a class of goods or services or as a term capable of distinguishing among members of the class.

According to the new guidelines, the holding means that a proposed generic.com mark isn’t automatically generic — nor is it automatically not generic. As with any other distinctiveness analysis, examining attorneys must evaluate all of the available evidence to determine whether the relevant consumers view the term as generic for the identified class or as capable

of serving as a mark. In other words, a generic.com term can still be refused as generic.

EVIDENCE OF GENERICNESS

The guidelines state that domain names containing the proposed mark for third-party websites whose name directly describes their offerings (for example, [adjective]generic.com) is a “competent” source of consumer understanding that can support a genericness finding. But even without such evidence, a generic refusal may be appropriate if other evidence establishes that the combination of the generic elements yields no additional meaning in helping consumers distinguish between particular goods or services.

Evidence of consumer perception may include dictionary definitions, usage by consumers and competitors, use in the trade, and any other sources of evidence bearing on consumer perception, such as consumer surveys. When issuing a refusal, the examiner must explain how the evidence supports their conclusion.

EVIDENCE OF ACQUIRED DISTINCTIVENESS

A trademark application might include a claim of acquired distinctiveness, providing proof that consumers now associate the mark with the applicant as the source of goods or services. The guidelines specify that applicants for generic.com terms generally will have a greater evidentiary burden to establish this. Evidence of five years’ use or reliance solely on a prior registration usually will be insufficient.



To show acquired distinctiveness, an applicant might submit:

- Consumer declarations,
- Declarations or other evidence showing the duration, extent and nature of its use of the mark, including the degree of exclusivity of use,
- Related advertising expenses,
- Letters or statements from the trade or public, and
- Consumer surveys.

The Supreme Court cautioned that consumer surveys must be properly designed and interpreted to ensure they’re accurate and reliable representations of consumer perception.

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Citing this caveat, the USPTO is requiring applicants to provide a report, typically from a survey expert, documenting the survey procedures and the statistical accuracy of the results. The report should be accompanied by information on how the survey was conducted, the questionnaire, the demographic of consumers surveyed, the number of participants surveyed and the geographic scope of the survey.

FUNCTION MATTERS

An application for a generic.com term also could run into a failure-to-function refusal. The revised guidelines make clear that generic.com terms, used solely as website addresses and not in a trademark or service mark manner, don’t qualify for registration. If an examining attorney finds such a “failure to function,” the guidelines state, a refusal is appropriate. □

Objectively reasonable belief doesn't preclude induced infringement liability

An alleged patent infringer's conduct may be objectively reasonable — but that doesn't mean the conduct can't support liability for induced infringement. This is the lesson from a recent decision by the U.S. Court of Appeals for the Federal Circuit, where the defendant relied on a favorable court ruling and a stipulation by the parties that the plaintiff couldn't show induced infringement.

A MATTER OF INTERPRETATION

In 2010, TecSec Inc. sued Adobe Inc., IBM and other companies for patent infringement. The trial court dismissed IBM from the case in March 2011, based on its “claim construction” (the court's interpretation of certain patent terms).

In 2012, TecSec and Adobe stipulated that, under the trial court's claim construction — which TecSec reserved the right to appeal — TecSec couldn't show that users of Adobe's accused products infringed its patents. In October 2013, on TecSec's appeal, the Federal Circuit reversed the trial court's construction and returned the case to the lower court.

Before the case went to trial, the court excluded all evidence of induced infringement after March 2011. It explained that the 2011 claim construction and the 2012 stipulation made it legally impossible for Adobe to subsequently have had the knowledge of the infringing nature of the allegedly induced customer actions that's required for inducement liability.

A jury found that Adobe hadn't committed inducement of infringement. TecSec appealed.

OBJECTIVE VS. SUBJECTIVE

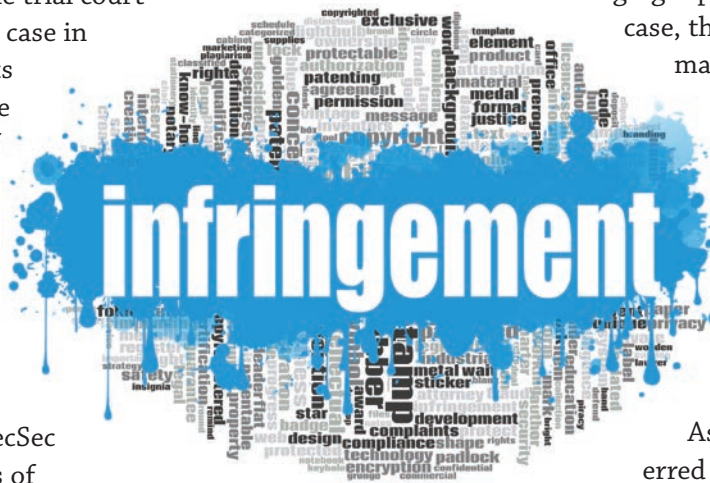
A party can be liable for inducing others to infringe a patent only if it had knowledge that the induced acts constituted infringement. This intent standard focuses on the defendant's subjective state of mind.

A defendant can have the requisite subjective state of mind if a person could believe with objective reasonableness that the induced conduct wasn't infringing. Applying this reasoning to the case, the court found that Adobe may have had the necessary knowledge of infringement if it believed — and as the court held in 2013 — that the 2011 claim construction was incorrect, even if objectively reasonable, and would be reversed.

As a result, the trial court erred in concluding that, after the claim construction, Adobe lacked the requisite intent. Instead, the court should have allowed the excluded evidence and let the jury determine whether Adobe had the necessary intent.

STAY TUNED

The Federal Circuit also rejected the trial court's second ground for limiting evidence of induced infringement — that it would taint the trial and any verdict with undue prejudice and juror confusion. As a result, the case was returned to the lower court, where Adobe could yet be found liable for induced infringement during the period at issue. □





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