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Recent Development

RECENT DEVELOPMENTS IN TRADEMARK LAW

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**\*442 I. Introduction**

This Article provides a summary of several notable cases appearing in the December 1996 through the February 1997 volumes of the United States Patent Quarterly. Two cases regarding procedural matters were selected. The first is from the Fourth Circuit and involves federal question jurisdiction. The other decision is from the Second Circuit and concerns the issue of standing under the Lanham Act. This Article also summarizes three cases relating to infringement and dilution issues. The first is from the First Circuit and involves likelihood of confusion. The other two cases are from California district courts and involve the new Federal Dilution Act. In addition, this Article includes three cases from the Trademark Trial and Appeal Board (TTAB) concerning registration issues. The Article also covers a trade dress case from the Eleventh Circuit and a recently withdrawn opinion from the Fifth Circuit regarding trade secrets. Finally, the Article summarizes a Second Circuit opinion involving collateral estoppel. In all, eleven cases are summarized.

**II. Procedure**

**A. Federal Question Jurisdiction**

**1. *Gibraltar, P.R., Inc. v. Otoki Group, Inc.*<sup>1</sup>**

The Fourth Circuit recently held that a dispute over ownership of trademarks did not depend on the resolution of a federal question.<sup>2</sup> The plaintiff entered into a joint venture agreement with Otoki.<sup>3</sup> The agreement provided that the joint venture entity, Acorn Partners, had the right to use all of Otoki's trademarks.<sup>4</sup> Later, the agreement was amended to assign Acorn Partners all of Otoki's "right, title and interest in and to all trademarks and trade names."<sup>5</sup> Otoki contended "that the amendment and assignment were invalid, while Gibraltar argued that they were properly approved."<sup>6</sup> Gibraltar demanded arbitration under a clause in the joint venture agreement requiring all disputes arising out of the agreement to be arbitrated.<sup>7</sup> When Otoki refused, Gibraltar filed suit in federal district court.<sup>8</sup> The district court dismissed the action for lack of subject matter jurisdiction.<sup>9</sup>

**\*443** Gibraltar argued that subject matter jurisdiction existed under either the Lanham Act or the Declaratory Judgment Act (DJA).<sup>10</sup> Regarding the DJA, the Fourth circuit disagreed with Gibraltar, holding that the DJA does not provide a source of jurisdiction which is independent of substantive federal law.<sup>11</sup> As such, Gibraltar would have to rely on the Lanham Act for subject matter jurisdiction.<sup>12</sup>

The Fourth Circuit concluded that Gibraltar's action posed a question of ownership under state law, rather than trademark infringement under the Lanham Act.<sup>13</sup> For federal jurisdiction to exist, the court held that either "federal law must provide the cause of action or the exclusive remedy," or the case must involve a substantial federal interest.<sup>14</sup> The court reasoned that resolution of Gibraltar's claims did not depend on the Lanham Act or any other federal law, but rather upon the construction

of the joint venture agreement under state law.<sup>15</sup> As such, the Lanham Act did not confer federal jurisdiction on Gibraltar's claims.<sup>16</sup> The court affirmed dismissal for lack of subject matter jurisdiction.<sup>17</sup>

## **B. Standing**

### **1. *PDK Labs, Inc. v. Friedlander***<sup>18</sup>

The Second Circuit affirmed a declaratory judgment that the defendant lacked standing to sue the plaintiff for false advertising under section 43(a) of the Lanham Act.<sup>19</sup> The plaintiff, PDK, manufactured, sold and distributed weight loss products.<sup>20</sup> The defendant, Friedlander, was a self-described expert in marketing weight loss products.<sup>21</sup> Friedlander obtained a patent on a manufacturing method for \*444 weight loss products and often sought investments needed to develop his weight loss products.<sup>22</sup> He repeatedly contacted PDK alleging that several of its products infringed his patent, and that the sale of these products constituted flagrant false advertising under section 43(a) of the Lanham Act.<sup>23</sup> In response to these threats, PDK filed a declaratory judgment action seeking a declaration that Friedlander had no standing to bring any lawsuit arising from PDK's advertising and sale of its products.<sup>24</sup>

The district court granted the declaratory judgment and dismissed several of Friedlander's counterclaims,<sup>25</sup> upon a finding there was no obvious competition between Friedlander and PDK.<sup>26</sup> Ultimately, the district court concluded that Friedlander had no standing under the Lanham Act to claim that PDK was injuring his competing products when those products did not exist.<sup>27</sup>

Although the case also involved a personal jurisdiction issue, the case was decided on the question of Friedlander's standing to bring suit under the Lanham Act.<sup>28</sup> The Second Circuit pointed out that a plaintiff bringing suit under section 43(a) must demonstrate a "reasonable interest to be protected" against the advertiser's false or misleading claims and a "reasonable basis" for believing that this interest is likely to be damaged by the defendant's conduct.<sup>29</sup> The "reasonable basis" includes both a showing of likely injury and a causal nexus to the false advertising.<sup>30</sup>

The Second Circuit rejected Friedlander's argument that he had a commercial interest to be protected, concluding that he and PDK did in fact compete in the weight loss product market.<sup>31</sup> Friedlander asserted that both his undeveloped products and PDK's retail products required pre-market FDA approval.<sup>32</sup> He then reasoned that if PDK were behaving lawfully, Friedlander and PDK would be competitors in the weight loss product development business.<sup>33</sup> As such, Friedlander \*445 continued, it was unfair to deny him standing as a competitor of PDK simply because PDK did not abide by FDA requirements.<sup>34</sup> The Second Circuit dismissed Friedlander's arguments regarding the "complex web of federal regulations" as beside the point.<sup>35</sup> Instead, the court focused on the fact that Friedlander and PDK were not competitors for purposes of the Lanham Act because Friedlander did not sell any products that competed with PDK's products.<sup>36</sup> The court noted that this fact was true regardless of whether PDK was abiding by FDA regulations—a question on which the court expressed no opinion.<sup>37</sup>

Next, the court reasoned that even if Friedlander possessed some protectable interest under the Lanham Act, he presented no evidence that any of PDK's products or advertisements harmed his efforts to solicit investments for his undeveloped weight loss products.<sup>38</sup> As such, Friedlander demonstrated no "reasonable basis" for his belief that PDK's advertising injured his interests.<sup>39</sup> In short, the court found no legal support for the position that Friedlander had standing under the Lanham Act to challenge the retail advertising of a product already in the market.<sup>40</sup> Accordingly, it affirmed the district court's grant of PDK's declaratory judgment and dismissal of Friedlander's counterclaims.<sup>41</sup>

## **III. Infringement/Dilution**

### **A. Likelihood of Confusion**

#### **1. *The International Ass'n of Machinists and Aerospace Workers v. Winship Green Nursing Center***<sup>42</sup>

The First Circuit affirmed a summary judgment granted to the defendants on a claim alleging unauthorized use of the

plaintiff's service mark.<sup>43</sup> Representatives of the defendant, Winship, hand-delivered two pieces of campaign literature to its employees during a campaign by plaintiff, the International Association of \*446 Machinists and Aerospace Workers (IAM), to organize Winship's employees into a union.<sup>44</sup> Both pieces of literature purported to be on IAM's letterhead, one of which simulated the signature of a union representative.<sup>45</sup> The literature was aimed at convincing Winship's employees to vote against the proposed union as the collective bargaining representative.<sup>46</sup>

The district court granted summary judgment to Winship on two grounds. First, it held that the parties were not competing for the sale of commercial services.<sup>47</sup> Additionally, Winship's admitted unauthorized use of IAM's mark concerned services offered by IAM rather than Winship, the accused infringer.<sup>48</sup>

The First Circuit affirmed on different grounds, holding that the record presented no triable issue of fact as to likelihood of confusion.<sup>49</sup> After weighing the eight factors for assessing likelihood of confusion,<sup>50</sup> the court concluded that employees who received the challenged literature would not believe, upon even a cursory glance, that IAM distributed or contributed to the anti-union letters.<sup>51</sup> Notably, the court went on to rebuke Winship for its actions, but explained that it was unwilling to stretch the Lanham Act for the sole reason of punishing unscrupulous conduct.<sup>52</sup>

## **B. The Federal Dilution Act**

### **1. *Toys "R" Us Inc. v. Akkaoui*<sup>53</sup>**

The district court for the Northern District of California granted a preliminary injunction enjoining the defendants' use of the name "Adults R Us" or any colorable \*447 variation of the plaintiffs' TOYS "R" US trademark.<sup>54</sup> Plaintiffs held an array of trademarks ending with the phrase "'R' Us" for use associated with children's products and toys.<sup>55</sup> Much to the plaintiffs' displeasure, the defendants were featuring a variety of sexual devices and clothing over an Internet web site under the name "adultsrus."<sup>56</sup> After demanding that the defendants shut down their Internet site and the defendants' subsequent refusal, the plaintiffs filed suit alleging trademark dilution and infringement, false designation of origin, and unfair competition.<sup>57</sup>

The district court began by assessing the plaintiffs' likelihood of success on the merits on their federal trademark dilution claim.<sup>58</sup> First, the court found that the TOYS "R" US family of marks was famous and distinctive before the defendants began using the ADULTS R US mark.<sup>59</sup> As support for their finding, the court cited the plaintiffs' national advertisement of their products through television and their continuous use of the TOYS "R" US trademark since 1960.<sup>60</sup> Next, the court found dilution of the plaintiffs' marks.<sup>61</sup> The district court reasoned that the ADULTS R US mark tarnished the plaintiffs' marks by associating them with a line of sexual products.<sup>62</sup> Because the plaintiffs were likely to succeed on their dilution claim, the court declined to assess their other claims.<sup>63</sup>

Summarily, the district court concluded that because the plaintiffs had established the likelihood that "Adults R Us" diluted their marks, they also established that they would likely suffer irreparable injury from the defendants' continued use of "Adults R Us."<sup>64</sup> The court stated that once a trademark has \*448 become diluted, it has lost its strength and money damages cannot repair this injury.<sup>65</sup>

To resist the preliminary injunction, the defendants contended that they had stopped using any names that could be associated with Toys "R" Us; hence, there was nothing to enjoin.<sup>66</sup> The plaintiffs countered that a variety of "Adults R Us" sites still remained on the Internet and that an injunction was necessary to protect against future infringements.<sup>67</sup> The district court ruled for the plaintiffs, notably stating that the "defendants have not irrefutably established that they will never dilute the plaintiffs' trademarks in the future; therefore the plaintiffs are entitled to a preliminary injunction *even if all references to 'Adults R Us' have been removed from the Internet.*"<sup>68</sup> Interestingly, the district court stretched its analysis of irreparable harm to equate the defendants' past conduct with a threat of future dilution.

On a final note, the court ruled that it was premature to award attorneys' fees to the plaintiffs.<sup>69</sup> The court remarked that 15 U.S.C. § 1117(a) authorized the award of attorneys' fees only when a violation "shall have been established."<sup>70</sup> Since it had determined only that the plaintiffs were likely to succeed on the merits, and not that they had *actually* succeeded on the merits, the court found that the plaintiffs were not yet entitled to attorneys' fees.<sup>71</sup>

### **2. *Panavision International L.P. v. Toepfen*<sup>72</sup>**

In another case from California, the District Court for the Central District of California granted a summary judgment against the defendant for his registration of the plaintiff's trademark as a domain name on the Internet.<sup>73</sup> The plaintiff, Panavision, owned several federally registered trademarks which it used in connection with its photographic equipment business.<sup>74</sup> The defendant, Toeppen, was an individual who owned several domain names on the Internet, including the \*449 two at issue in this case, "panavision.com" and "panaflex.com."<sup>75</sup> Toeppen at no time used either domain name in connection with the sale of goods or services.<sup>76</sup> After registering the "panavision.com" domain name, Toeppen established a web site that displayed aerial views of Pana, Illinois.<sup>77</sup>

When Panavision attempted to establish a web site, it discovered that Toeppen had registered "panavision.com" as his domain name.<sup>78</sup> Panavision notified Toeppen of its desire to use the domain name, after which Toeppen demanded \$13,000 to discontinue his "use."<sup>79</sup> When Panavision refused Toeppen's demand, Toeppen established Panavision's trademark PANAFLEX as the domain name for another website, "panaflex.com."<sup>80</sup> Adding insult to injury, the "panaflex.com" web site only displayed the word "hello."<sup>81</sup>

Apparently, PANAVISION is not the first trademark that Toeppen has registered as a domain name. Toeppen has been the registered owner of several other domain names based on others' established commercial trademarks and trade names.<sup>82</sup> Given Toeppen's prolific registration of domain names, Panavision asserted that Toeppen's "business" was to register well known marks and extort payment from the owners.<sup>83</sup>

Among other claims, Panavision brought suit for dilution and infringement of its marks.<sup>84</sup> Panavision moved for summary judgment against Toeppen for federal and state trademark dilution, federal trademark infringement, and federal unfair competition.<sup>85</sup> Toeppen moved for summary judgment on all claims.<sup>86</sup> In analyzing the motions, the district court focused primarily on Panavision's federal dilution claim under the Federal Trademark Dilution Act of 1995 (Dilution Act).<sup>87</sup>

\*450 The Dilution Act provides that "the owner of a famous mark shall be entitled ... to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark...."<sup>88</sup> In making its determination that the PANAVISION mark was "famous," the district court cited Panavision's long period of exclusive use of the mark and its status as a major supplier of photographic equipment.<sup>89</sup>

Additionally, the court found that Toeppen's conduct constituted "commercial use."<sup>90</sup> It explained that although the registration of a trade name as a domain name, without more, is not a commercial use of a trademark,<sup>91</sup> Toeppen, however, did more than simply register domain names. Specifically, the court accepted Panavision's assertion that Toeppen's "business" was to register trademarks as domain names and sell the domain names to the mark's owners.<sup>92</sup> This "business," the court concluded, was sufficient to constitute commercial use of the marks at issue.<sup>93</sup>

Finally, the court found that Toeppen's use of the domain names at issue diluted Panavision's marks.<sup>94</sup> The term "dilution" is defined in 15 U.S.C. § 1127 as "the lessening of the capacity of a famous mark to identify and distinguish goods or services...."<sup>95</sup> Noting that the scope of "dilution" as used in the Dilution Act has not been fully established, the court looked to interpretations of state dilution statutes.<sup>96</sup> Traditionally, state dilution statutes prohibited conduct which diluted a trademark either by tarnishing the mark or blurring its distinctiveness.<sup>97</sup> "Tarnishment" occurs when a famous mark is linked to products of poor quality or is portrayed in an unwholesome manner.<sup>98</sup> "Blurring" occurs when the selling power and value of a trademark are "whittle d away" by unauthorized use of the mark.<sup>99</sup> The court reasoned that Toeppen's conduct did not exactly fit within traditional "tarnishment" or "blurring," because his actions prevented Panavision from using its marks in a \*451 new and important business medium.<sup>100</sup> To this end, Toeppen not only lessened the capacity of Panavision's marks to identify and distinguish goods and services, but essentially eliminated this capacity.<sup>101</sup> The court held that Toeppen had diluted Panavision's marks within the meaning of the Dilution Act.<sup>102</sup> Therefore, it enjoined him from registering or using any of Panavision's marks and ordered him to transfer the "panavision.com" and "panaflex.com" domain names to Panavision.<sup>103</sup>

As a side note to this case, the district court later ruled that the corporation that registered the "panavision.com" and "panaflex.com" domain names to Toeppen, Network Solutions, Inc. (NSI), was not liable for negligent interference with prospective economic advantage.<sup>104</sup> The court granted summary judgment in favor NSI for several reasons.<sup>105</sup> First, the court reasoned that Panavision presented no evidence that NSI, who registered over 50,000 domain names per month, knew or should have known that Toeppen registered domain names with the intent to harm Panavision.<sup>106</sup> Also, NSI was not under a general duty to investigate whether the defendant was unlawfully registering domain names.<sup>107</sup> Finally, the court found that there was no evidence that NSI had the resources to investigate, arbitrate, or adjudicate domain name disputes.<sup>108</sup>

## IV. Registration of Marks

### A. *In re Wilcher Corp.*<sup>109</sup>

The TTAB affirmed the final refusal of registration of a mark for restaurant and bar services.<sup>110</sup> The applicant, who operated a restaurant in Houston, Texas, sought to register a mark consisting of the words “Dick Heads” positioned directly under a suggestive caricature of a human head.<sup>111</sup> The head was composed primarily \*452 of a representation of male genitalia, in which the scrotum served as the chin, the penis as the nose, and pubic hair as the hair on the head.<sup>112</sup> The examining attorney finally refused registration under section 2(a) of the Trademark Act of 1946, 15 U.S.C. § 1052(a), on the ground that the applicant’s mark consisted of or comprised immoral or scandalous matter.<sup>113</sup> The board agreed and affirmed the refusal.<sup>114</sup>

The board cited the Court of Appeals for the Federal Circuit for the following principles that govern a refusal on the ground that a mark consists of immoral or scandalous matter:

(1) the Patent and Trademark Office (PTO) has the burden of proving that a mark consists of or comprises immoral or scandalous matter;

(2) that in order to meet this burden, the PTO must demonstrate that the mark is ‘shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; ... giving offense to the conscience or moral feelings; ... [or] calling out for condemnation’;

(3) that the question of whether a mark is immoral or scandalous must be determined by considering the mark in the context of the marketplace as applied to the goods specified in the applicant’s application; and

(4) that whether a mark, including innuendo, comprises scandalous matter is to be ascertained from ‘the standpoint of not necessarily a majority, but a substantial composite of the general public,’ and ‘in the context of contemporary attitudes.’<sup>115</sup>

The applicant first argued that the word portion of its mark was not “dickheads,” but rather “Dick Heads,” the possessive form of a proper name.<sup>116</sup> Additionally, the applicant suggested that the mark included a caricature design in which “one can readily see a cute and endearing face complete with spectacles.”<sup>117</sup> Moreover, the mark was used, to promote food and drink services provided by Richard Heads’ Bar and Restaurant.<sup>118</sup> Finally, the applicant argued that both the word and design portions of its mark operated as double entendres, and that under *In re Leo Quan, Inc.*,<sup>119</sup> a double entendre should not be refused registration where there is a plausible innocent explanation for the mark.<sup>120</sup>

\*453 The board acknowledged that at one level, the applicant’s mark may be perceived as referring to Richard Heads as the owner of the bar-restaurant.<sup>121</sup> At the same time, the board found that the mark clearly and blatantly projected a vulgar connotation.<sup>122</sup> With the “Dick Heads” mark, unlike that in *Leo Quan*, the vulgar significance was quite clear.<sup>123</sup> The vulgarity, the board reasoned, played a very dominant role in the commercial impression of the mark.<sup>124</sup> The TTAB concluded that, even given the present liberal attitude towards sexual matters, the graphic nature of the mark would be offensive to the conscience or moral feelings of a substantial composite of the general public.<sup>125</sup> Thus, the board affirmed the refusal under section 2(a) on the ground that the applicant’s mark consisted of or comprised immoral or scandalous matter.<sup>126</sup>

### B. *In re Orange Communications, Inc.*<sup>127</sup>

In another TTAB case, the board affirmed the final refusal of registration of orange and yellow color marks for pay telephones and telephone booths.<sup>128</sup> The examining attorney refused registration, on the ground that the asserted marks were de jure functional. According to the Examining Attorney, the bright color of the applicant’s phones served the utilitarian function of making the phones easier to see in public places and from a distance.<sup>129</sup> The applicant contended that the colors of orange and yellow were not used as safety colors on its phones, but to distinguish its phones from those of its competitors.<sup>130</sup> The board agreed with the Examining Attorney, concluding that the marks were de jure functional and unregistrable.<sup>131</sup>

The TTAB first noted that while color may serve as a trademark in appropriate circumstances, there are situations where exclusive use of a color may place \*454 competitors at a significant disadvantage.<sup>132</sup> To this end, the board reasoned that

where there is a competitive need for color to remain available in the trade, registration of the color should not be granted.<sup>133</sup> In addition, the board observed that if used for a primarily utilitarian purpose, color could not act as a trademark.<sup>134</sup>

Ultimately, the board decided that registration of applicant's marks, the colors orange and yellow for pay telephones and telephone booths, would put competitors at a substantial disadvantage in the marketplace.<sup>135</sup> The TTAB noted that the asserted marks were not merely ornamental or more attractive than other colors.<sup>136</sup> Rather, for use on public telephones and phone booths, "the colors orange and yellow served a desirable function and competitors should be free to use them."<sup>137</sup> According to the board, the Examining Attorney presented a persuasive case that orange or yellow phone booths were easier to see in the event of an emergency or simply for mere convenience.<sup>138</sup> As with the color orange for road construction signs, cones, and barriers, the applicant's asserted marks served primarily to alert the general public of the phone's presence.<sup>139</sup> The TTAB concluded that registration would substantially hinder competition.<sup>140</sup> Accordingly, it ruled that the applicant's asserted marks were de jure functional and affirmed the refusal of registration.<sup>141</sup>

### ***C. In re On Technology Corp.***<sup>142</sup>

Unlike the two preceding cases, the TTAB reversed a final refusal for registration of the mark AUDITTRACK, ruling that it was suggestive, not merely descriptive, when used for computer software.<sup>143</sup> The applicant sought registration of the mark for computer software that monitors activity on a computer network.<sup>144</sup> The examining attorney contended that the terms "audit" and "track" described the \*455 primary function and the specific nature of the applicant's computer programs.<sup>145</sup> As such, the Examining Attorney refused AUDITTRACK as merely descriptive of the applicant's goods.<sup>146</sup>

The board first noted that a mark is considered merely descriptive of goods or services "if it immediately describes an ingredient, quality, characteristic or feature thereof or if it directly conveys information regarding the nature, function, purpose or use of the goods or services."<sup>147</sup> On the other hand, a mark is suggestive if "a multistage reasoning process, or the utilization of imagination, thought or perception, is required ... to determine what attributes of the goods or services" are indicated by the mark.<sup>148</sup> Finally, the TTAB remarked that the demarcation between a suggestive mark and a merely descriptive mark is a difficult matter, with any doubt resolved for the applicant by allowing publication of the mark so that opposing parties can object to its validity.<sup>149</sup>

In resolving the issue, the board first conceded that the words "Audit" and "Track" are undeniably descriptive of the Applicant's goods.<sup>150</sup> Importantly, however, the TTAB agreed with the applicant's position that combining these words into the mark AUDITTRACK created ambiguity or incongruity.<sup>151</sup> To that end, potential customers, only through the exercise of multistage reasoning, could conclude, upon first viewing the AUDITTRACK mark, that the applicant's software performed its monitoring function in tracking various user activities.<sup>152</sup> The board reversed the final refusal, ruling that the mark AUDITTRACK was suggestive, rather than merely descriptive, of the applicant's computer software.<sup>153</sup>

## **\*456 V. Other Issues**

### **A. Trade Secrets**

#### ***1. Texas Tanks, Inc. v. Owens-Corning Fiberglas Corp.***<sup>154</sup>

The Fifth Circuit's opinion in this case, previously published in the advance sheets, was withdrawn from the bound volume by order of the court on January 14, 1997.<sup>155</sup> The court, in its discretion, granted the joint motion of the parties to withdraw the opinion previously delivered on November 14, 1996.<sup>156</sup> Furthermore, the court granted another joint motion by the parties to dismiss the appeal.<sup>157</sup> Accordingly, the following review of the *Texas Tanks* case may be moot. Nonetheless, the withdrawn opinion gives some insight into the Fifth Circuit's treatment of trade secret cases.

The Fifth Circuit recently reversed a judgment notwithstanding the verdict (JNOV) in the *Texas Tanks, Inc.* case, involving theft of trade secrets, breach of confidentiality agreements, fraud, and negligent misrepresentation.<sup>158</sup> The plaintiff in the case, Texas Tanks, Inc. (TTI), designed and manufactured above-ground petroleum storage tanks (referred to as AST).<sup>159</sup> The defendant, Owens-Corning, a manufacturer of fiberglass products, entered into negotiations with TTI for the purpose of licensing AST technology.<sup>160</sup> At TTI's request, members of Owens-Corning's negotiation team executed confidentiality

agreements.<sup>161</sup> Owens-Corning began parallel independent development of AST technology.<sup>162</sup> It eventually made a formal license offer to TTI at terms much less favorable to TTI than had been discussed in negotiations.<sup>163</sup> TTI refused the offer.<sup>164</sup> Owens-Corning eventually \*457 sold its tank division which was developing the AST technology.<sup>165</sup> It never marketed or sold AST.<sup>166</sup>

TTI brought suit against Owens-Corning alleging theft of trade secrets, breach of confidentiality agreements, fraud, and negligent misrepresentation.<sup>167</sup> The jury returned a verdict in favor of TTI, awarding \$2,000,000 in compensatory damages and \$3,000,000 in exemplary damages.<sup>168</sup> The district court granted Owens-Corning's motion for JNOV.<sup>169</sup> The judge found no evidence that Owens-Corning had commercially "used" TTI's trade secrets.<sup>170</sup> The district court pointed out that there was no evidence that Owens-Corning ever marketed or sold an above-ground storage tank.<sup>171</sup> Nor was there any evidence, the district court held, that Owens-Corning provided to the purchaser of its tank division any of TTI's proprietary information.<sup>172</sup>

Finding that the evidence was legally sufficient to support the jury verdict, the Fifth Circuit reversed and remanded the case.<sup>173</sup> The court pointed out that TTI had presented evidence at trial that the same individuals at Owens-Corning who had access to TTI's proprietary information were leading Owens-Corning's effort to develop AST technology.<sup>174</sup> Also important was the fact that drawings Owens-Corning included in its invention records were virtual copies of drawings disclosed by TTI in negotiations.<sup>175</sup> Finally, the court noted that Owens-Corning used the development of AST technology to enhance the value of its tank division to potential buyers.<sup>176</sup> In sum, the court found sufficient evidence to show Owens-Corning commercially used TTI's trade secrets and to support the jury's verdict for theft of trade secrets.<sup>177</sup> Because all damages could be attributed to the trade secrets claim, the court did not address TTI's other causes of action.<sup>178</sup>

## **\*458 B. Trade Dress**

### **1. *Epic Metals Corp. v. Souliere***<sup>179</sup>

The Eleventh Circuit reversed a finding by the district court that the plaintiff's asserted trade dress was non-functional and protectable under the Lanham Act.<sup>180</sup> The plaintiff, Epic, developed a steel decking core called "Epicore" for use in the construction industry.<sup>181</sup> Epicore basically consisted of a steel sheet deck with dovetail-bent ribs running parallel to each other and projecting outward from the steel sheet.<sup>182</sup> Epicore served as a more expensive and complex alternative to the "Type B" steel decking core common in the construction industry.<sup>183</sup> The defendant, Souliere, a former distributor of Epic, designed his own steel decking core with a dovetail profile as the president of Condec, Inc.<sup>184</sup> Souliere did not deny that his product, which was named "Condec," mimicked the profile of Epicore.<sup>185</sup> Epic brought suit against Souliere, claiming trade dress infringement.<sup>186</sup> Based on a finding that Epicore's dovetail configuration was primarily non-functional, the magistrate judge awarded damages to Epic for trade dress infringement.<sup>187</sup>

To prevail on a claim of trade dress infringement under section 43(a) of the Lanham Act, the Eleventh Circuit explained, a plaintiff must prove the following three elements:

- (1) that the trade dress of the two products is confusingly similar;
- (2) that the features of the trade dress are primarily non-functional; and
- (3) that the trade dress is inherently distinctive or has acquired secondary meaning.<sup>188</sup>

The magistrate judge found that Epic established all three elements.<sup>189</sup> On appeal, Souliere contended only that the judge clearly erred in her conclusion with \*459 respect to non-functionality.<sup>190</sup> Hence, the only question before the Eleventh Circuit was whether the record reflected that the trade dress of Epicore was primarily non-functional.<sup>191</sup> With respect to this question, the court explained that the issue of functionality was a question of fact; therefore, the magistrate's ruling on functionality was subject to a clearly erroneous standard of review.<sup>192</sup>

The court first attempted to define the criteria for reviewing Epicore's functionality, noting that there was no bright line test for such an analysis.<sup>193</sup> Quoting the United States Supreme Court, the court stated that a functional feature is one that "is essential to the use or purpose of the article or one that affects the cost or quality of the article."<sup>194</sup> Again borrowing language from the Supreme Court, the Eleventh Circuit added that a design is functional if "it is one of a limited number of equally

efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection.<sup>195</sup> Although the magistrate judge had considered the factors listed by the Supreme Court, the circuit court disagreed with her additional consideration of market share as a factor in evaluating Epicore's functionality.<sup>196</sup> Ultimately, the court decided that the appropriate questions were whether the dovetail configuration was essential to Epicore's use or purpose, whether it affected Epicore's cost or quality, and whether granting trade dress protection would hinder free competition because of a limited number of available options.<sup>197</sup>

The Eleventh Circuit concluded that Epicore's dovetail configuration was primarily functional and not protectable trade dress.<sup>198</sup> The court inferred from testimony that Epicore's geometric shape enhanced its quality and strength; thus, the dovetail configuration was essential to Epicore's use and purpose.<sup>199</sup> Also, the court reasoned that Epic's own marketing materials indicated that the dovetail configuration was functional.<sup>200</sup> The court concluded that the magistrate judge's \*460 finding of non-functionality was clearly erroneous.<sup>201</sup> To conclude otherwise, the court reasoned, would hinder the defendant's ability to effectively compete with Epic, and would grant Epic a lifetime "patent" for which it never applied.<sup>202</sup>

## C. Issue Preclusion

### 1. *Levy v. Kosher Overseers Association of America, Inc.*<sup>203</sup>

The Second Circuit recently vacated and remanded a district court's grant of summary judgment on collateral estoppel grounds.<sup>204</sup> The plaintiff, a certification agency, brought action under the Lanham Act for trademark infringement and false or misleading use of a trademark against a competitor, KOA, on Levy's "kosher" certification mark.<sup>205</sup> A kosher certification mark informs the consumer that food items comply with Judaism's strict dietary laws.<sup>206</sup> These marks are generally treated the same as trademarks for purposes of trademark law.<sup>207</sup> The district court granted Levy's motion for summary judgment based on the collateral estoppel effect of an earlier TTAB decision.<sup>208</sup> In the TTAB ruling, the board sustained Levy's opposition to KOA's application for registration of a "kosher" certification mark, concluding that consumers would likely confuse the source of the respective certification marks.<sup>209</sup>

The Second Circuit disagreed with the district court's ruling.<sup>210</sup> To bar litigation under the doctrine of collateral estoppel, the court related, the following requirements must exist:

- (1) the issues in both proceedings must be identical,
- (2) the issue in the prior proceeding must have been actually litigated and actually decided,
- (3) there must have been a full and fair opportunity for litigation in the prior proceeding, and

\*461 (4) the issue previously litigated must have been necessary to support a valid and final judgment on the merits.<sup>211</sup>

The court decided that the TTAB's inquiry as to whether the two kosher certification marks were confusingly similar was not identical to the "likelihood of confusion" analysis required in Levy's trademark infringement action.<sup>212</sup> It reasoned that the opposition between Levy and KOA was decided only upon a limited comparison of the mark's applied-for format without regard for its actual use in the marketplace.<sup>213</sup> On the other hand, Levy's trademark infringement claim would be considered under the eight non-exclusive "Polaroid" factors; thus, the issues in both proceedings were not the same.<sup>214</sup> Accordingly, the Second Circuit held that it was inappropriate for the district court to apply collateral estoppel, and vacated the summary judgment and remanded the case.<sup>215</sup>

Interestingly, the Second Circuit did not maintain that a TTAB registration proceeding can never have preclusive effect in later trademark infringement litigation. In fact, it suggested that a TTAB determination of "likelihood of confusion" could have collateral estoppel effect in a later infringement action if the earlier proceeding took into account, in a meaningful way, the context of the marketplace.<sup>216</sup> The court believed the "passing references to consumers," in the TTAB's decision were insufficient<sup>217</sup> In the court's opinion, these references did not establish that the board performed a comparison of commercial use identical to that required in a trademark infringement action.<sup>218</sup>



<sup>a</sup> Vinson & Elkins L.L.P., Houston, Texas.

<sup>1</sup> 104 F.3d 616, 41 U.S.P.Q.2d (BNA) 1478 (4th Cir.1997).

<sup>2</sup> *Id.* at 619, 41 U.S.P.Q.2d at 1480.

<sup>3</sup> *Id.* at 617, 41 U.S.P.Q.2d at 1478-79.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 617-18, 41 U.S.P.Q.2d at 1478.

<sup>7</sup> *Id.* at 618, 41 U.S.P.Q.2d at 1479.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 618-19, 41 U.S.P.Q.2d at 1479-80; 15 U.S.C. § 1114(1)(a) (1994) (defining infringement under the Lanham Act); 28 U.S.C. § 2201 (1994) (defining relief for declaratory judgment).

<sup>11</sup> *Id.* at 619, 41 U.S.P.Q.2d at 1479.

<sup>12</sup> *Id.* at 619, 41 U.S.P.Q.2d at 1480.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> 103 F.3d 1105, 41 U.S.P.Q.2d (BNA) 1339 (2d Cir.1997).

19 *Id.* at 1113, 41 U.S.P.Q.2d at 1345; 15 U.S.C. § 1125(a) (1994).

20 *Id.* at 1107, 41 U.S.P.Q.2d at 1339-1340.

21 *Id.*

22 *Id.*

23 *Id.*

24 *Id.*

25 *Id.*

26 *Id.* at 1111, 41 U.S.P.Q.2d at 1343.

27 *Id.* at 1108, 41 U.S.P.Q.2d at 1340.

28 *Id.* at 1113, 41 U.S.P.Q.2d at 1345.

29 *Id.* at 1111, 41 U.S.P.Q.2d at 1343 (citing *Ortho Pharmaceutical Corp. v. Cospropher, Inc.*, 32 F.3d 690, 694 (2d. Cir.1994)).

30 *Id.* at 1111-12, 41 U.S.P.Q.2d at 1343-44.

31 *Id.*

32 *Id.*

33 *Id.*

34 *Id.* at 1112, 41 U.S.P.Q.2d at 1344.

35 *Id.*

36 *Id.*

37 *Id.*

38 *Id.* at 1112-13, 41 U.S.P.Q.2d at 1344.

39 *Id.* at 1112, 41 U.S.P.Q.2d at 1344.

40 *Id.* at 1113, 41 U.S.P.Q.2d at 1345.

41 *Id.*

42 103 F.3d 196, 41 U.S.P.Q.2d (BNA) 1251 (1st Cir.1996).

43 *Id.* at 198, 41 U.S.P.Q.2d at 1253.

44 *Id.*

45 *Id.* at 198-99, 41 U.S.P.Q.2d at 1253-54

46 *Id.*

47 *Id.* at 198, 41 U.S.P.Q.2d at 1253.

48 *Id.*

49 *Id.* at 207, 41 U.S.P.Q.2d at 1260.

50 *Id.* at 203-06, 41 U.S.P.Q.2d at 1257-60. The First Circuit considered the following eight factors: (1) similarity of the marks; (2) similarity of the goods or services; (3) relationship between the parties' channels of trade; (4) juxtaposition of the parties' advertising; (5) classes of prospective purchasers; (6) evidence of actual confusion; (7) accused infringer's intent in adopting the mark; and (8) strength of the plaintiff's mark. *Id.* at 201, 41 U.S.P.Q.2d at 1255 (citing *Star Fin. Servs., Inc. v. AASTAR Mortgage Corp.*, 89 F.3d 5, 10-11, 39 U.S.P.Q.2d (BNA) 1559-60 (1st Cir.1996)).

51 *Id.* at 207, 41 U.S.P.Q.2d at 1260.

52 *Id.* at 207, 41 U.S.P.Q.2d at 1260-61.

53 40 U.S.P.Q.2d (BNA) 1836 (N.D. Cal. 1996).

54 *Id.* at 1839.

55 *Id.* at 1837.

56 *Id.*

57 *Id.*

58 *Id.* at 1838. Under 15 U.S.C.A. § 1125(c)(1) (West Supp.1997), the owner of a famous mark is entitled to an injunction “against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.”

59 *Toys “R” Us*, at 1838.

60 *Id.*

61 *Id.* The court noted that “the statute defines dilution as the ‘lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.’” *Id.* at 1838 (quoting 15 U.S.C. § 1127). Moreover, the court stated that “Congress intended ‘to protect famous marks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.’” *Id.* at 1838 (citing H.R.Rep. No. 374, 104th Cong. 1st Sess. 3 (1995)).

62 *Id.*

63 *Id.*

64 *Id.* at 1839.

65 *Id.* at 1838-39 (citing *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. B. E. Windows, Inc.*, 937 F.Supp. 204, 209, 40 U.S.P.Q.2d (BNA) 1010 (S.D.N.Y. 1996); *Deere & Co. v. MTD Products, Inc.*, 860 F.Supp. 113, 122 (S.D.N.Y. 1994)).

66 *Id.* at 1839.

67 *Id.*

68 *Id.* (emphasis added).

69 *Id.*

70 *Id.*

71 *Id.*

72 945 F.Supp. 1296, 40 U.S.P.Q.2d (BNA) 1908 (C.D. Cal. 1996).

73 *Id.* at 1306, 40 U.S.P.Q.2d at 1915.

74 *Id.* at 1298-99, 40 U.S.P.Q.2d at 1909.

75 *Id.* at 1299, 40 U.S.P.Q.2d at 1909.

76 *Id.* at 1300, 40 U.S.P.Q.2d at 1910.

77 *Id.*

78 *Id.*

79 *Id.*

80 *Id.*

81 *Id.*, 40 U.S.P.Q.2d at 1910-11.

82 Toeppen's harvest of domain names included: "aircanada.com," "anaheimstadium.com," "arriflex.com," "australiaopen.com," "camdenyards.com," "lufthansa.com," "neiman-marcus.com," "northwestairlines.com," and "yankeestadium.com." *Id.*, 40 U.S.P.Q.2d at 1911.

83 *Id.*

84 *Id.*

85 *Id.*

86 *Id.*

87 *Id.* at 1301-02, 40 U.S.P.Q.2d at 1911-12 (citing 15 U.S.C.A. § 1125(c) (West Supp.1997)).

88 *Id.* at 1302, 40 U.S.P.Q.2d at 1912 (quoting 15 U.S.C.A. § 1125(c)(1)).

89 *Id.* at 1302-03, 40 U.S.P.Q.2d at 1913.

90 *Id.* at 1303, 40 U.S.P.Q.2d at 1913.

91 *Id.*

92 *Id.*

93 *Id.*

94 *Id.* at 1303-04, 40 U.S.P.Q.2d at 1914.

95 *Id.* at 1303-04, 40 U.S.P.Q.2d at 1914 (citing 15 U.S.C.A. § 1127 (West Supp.1997)).

96 *Id.* at 1304, 40 U.S.P.Q.2d at 1914.

97 *Id.*

98 *Id.*

99 *Id.*

100 *Id.*

101 *Id.*

102 *Id.*

103 *Id.* at 1306, 40 U.S.P.Q.2d at 1915-16. Since it enjoined Toeppen from further violation of federal and state dilution laws, the court found it unnecessary to reach the issues of federal and state trademark infringement and federal unfair competition. *Id.* at 1304, 40 U.S.P.Q.2d at 1914.

104 Panavision International L.P. v. Toeppen, 41 U.S.P.Q.2d (BNA) 1310, 1314 (C.D. Cal. 1996).

105 *Id.* at 1313-14.

106 *Id.* at 1314.

107 *Id.*

108 *Id.*

109 40 U.S.P.Q.2d (BNA) 1929 (T.T.A.B. 1996).

110 *Id.* at 1934.

111 *Id.* at 1932-33.

112 *Id.* at 1933.

113 *Id.* at 1930.

114 *Id.* at 1934.

115 *Id.* at 1930 (citing *In re Riverbank Canning Co.*, 95 F.2d 327, 328, 37 U.S.P.Q. (BNA) 268, 269 (C.C.P.A. 1938); *In re McGinley*, 660 F.2d 481, 485, 211 U.S.P.Q. (BNA) 668, 673 (C.C.P.A. 1981); and *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d (BNA) 1216, 1219 (T.T.A.B. 1993)).

116 *Id.* at 1933.

117 *Id.*

118 *Id.*

119 *In re Leo Quan, Inc.*, 200 U.S.P.Q. (BNA) 370 (T.T.A.B. 1978)).

120 *Wilcher*, 40 U.S.P.Q.2d at 1933.

121 *Id.*

122 *Id.*

123 *Id.* In *Leo Quan*, the mark “BADASS” (an acronym for “Bettencourt Acoustically [sic] Designed Audio Sound System”) for stringed musical instruments was initially refused on the ground that the mark comprised scandalous or immoral matter. The board reversed refusal because the applicant had a plausible innocent explanation and pronunciation of the mark. *Id.*

124 *Id.*

125 *Id.* at 1934.

126 *Id.*

127 41 U.S.P.Q.2d (BNA) 1036 (T.T.A.B. 1996).

128 *Id.* at 1042.

129 *Id.* at 1038.

130 *Id.* at 1039.

131 *Id.* at 1042.

132 *Id.* at 1041 (citing *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 34 U.S.P.Q.2d (BNA) 1161 (1995)).

133 *Id.*

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

135 *Id.* at 1042.

136 *Id.*

137 *Id.*

138 *Id.*

139 *Id.*

140 *Id.*

141 *Id.*

142 41 U.S.P.Q.2d (BNA) 1475 (T.T.A.B. 1996).

143 *Id.* at 1478.

144 *Id.* at 1475.

145 *Id.* at 1475.

146 *Id.*

147 *Id.* at 1477.

148 *Id.*

149 *Id.*

150 *Id.*

151 *Id.*

152 *Id.* at 1478.

153 *Id.*



154 1996 WL 628083 (5th Cir. (Tex.) Nov. 14, 1996), originally to be reported at 99 F.3d 740, 40 U.S.P.Q.2d 1779 (5th Cir.1996),  
now withdrawn from 99 F.3d 740 by court order.

155 *See* 1997 WL 13154.

156 *Id.*

157 *Id.*

158 40 U.S.P.Q.2d at 1784.

159 40 U.S.P.Q.2d 1781.

160 *Id.*

161 *Id.*

162 40 U.S.P.Q.2d at 1781.

163 *Id.*

164 *Id.*

165 *Id.*

166 *Id.*

167 40 U.S.P.Q.2d at 1780.

168 *Id.*

169 *Id.*

170 40 U.S.P.Q. at 1781-82 (referring to the requirement that the defendant use the improperly acquired trade secret for infringement).

171 40 U.S.P.Q. at 1782.

172 *Id.*

173 40 U.S.P.Q.2d at 1783.

174 40 U.S.P.Q.2d at 1783.

175 *Id.*

176 *Id.*

177 40 U.S.P.Q.2d at 1783.

178 *Id.*

179 99 F.3d 1034, 40 U.S.P.Q.2d (BNA) 1705 (11th Cir.1996).

180 *Id.* at 1042, 40 U.S.P.Q.2d at 1710-11.

181 *Id.* at 1035-36, 40 U.S.P.Q.2d at 1706.

182 *Id.*

183 *Id.*

184 *Id.* at 1037, 40 U.S.P.Q.2d at 1706.

185 *Id.*

186 *Id.* at 1037, 40 U.S.P.Q.2d at 1707.

187 *Id.*

188 *Id.* at 1038, 40 U.S.P.Q.2d at 1707.

189 *Id.*

190 *Id.* at 1038-39, 40 U.S.P.Q.2d at 1708.

191 *Id.* at 1039, 40 U.S.P.Q.2d at 1708.

192 *Id.* at 1037, 40 U.S.P.Q.2d at 1707.

193 *Id.* at 1039, 40 U.S.P.Q.2d at 1708.

194 *Id.* (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10, 214 U.S.P.Q. (BNA) 1, 4 n.10 (1982)) (citation omitted).

195 *Id.* (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775, 23 U.S.P.Q.2d (BNA) 1081, 1086 (1992)) (citation omitted).

196 *Id.* at 1040, 40 U.S.P.Q.2d at 1709.

197 *Id.*

198 *Id.* at 1042, 40 U.S.P.Q.2d at 1710-11.

199 *Id.* at 1040, 40 U.S.P.Q.2d at 1709.

200 *Id.* at 1040, 40 U.S.P.Q.2d at 1709-10.

201 *Id.* at 1042, 40 U.S.P.Q.2d at 1710.

202 *Id.*, 40 U.S.P.Q.2d at 1710-11.

203 104 F.3d 38, 41 U.S.P.Q.2d (BNA) 1456 (2d Cir.1997).

204 *Id.* at 43, 41 U.S.P.Q.2d at 1460.

205 *Id.* at 39-40, 41 U.S.P.Q.2d at 1457.

206 *Id.* at 39, 41 U.S.P.Q.2d at 1457.

207 *Id.*, 41 U.S.P.Q.2d at 1457 (citing 15 U.S.C. § 1054 (1994)).

208 *See Id.* at 40, 41 U.S.P.Q.2d at 1458.

209 *Id.*, 41 U.S.P.Q.2d at 1458.

210 *Id.* at 43, 41 U.S.P.Q.2d at 1460.

211 *Id.* at 41, 41 U.S.P.Q.2d at 1459 (citing *Gelb v. Royal Globe Ins. Co.*, 798 F.2d 38, 44 (2d Cir.1986)).

212 *Id.* at 43, 41 U.S.P.Q.2d at 1460.

213 *Id.* at 41-42, 41 U.S.P.Q.2d at 1459.

214 *Id.* at 42, 41 U.S.P.Q.2d at 1459 (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 128 U.S.P.Q. (BNA) 411 (2d Cir.1961)).

215 *Id.* at 43, 41 U.S.P.Q.2d at 1460.

216 *Id.* at 42, 41 U.S.P.Q.2d at 1459-60.

217 *Id.* at 43, 41 U.S.P.Q.2d at 1460.

218 *Id.*, 41 U.S.P.Q.2d at 1460.