

TRADEMARK AND UNFAIR COMPETITION LAW

CASES AND MATERIALS

THIRD EDITION

JANE C. GINSBURG

JESSICA LITMAN

MARY L. KEVLIN

2004 CASE SUPPLEMENT
AND STATUTORY APPENDIX

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THIRD EDITION

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CHAPTER 1

CONCEPTS OF TRADEMARKS AND UNFAIR COMPETITION

A. COMPETITION

Page 43. Add new Question 4 (renumber previous 4 as 5):

4. Is it a “false designation of origin” to list as a work’s author a person who did not in fact write the book? For example, for an unknown writer of thrillers to present her work as Stephen King’s? Or to publish Stephen King’s work under the unknown writer’s name? Does it matter whether or not Stephen King’s work is still protected by copyright? See *Dastar v. Twentieth Century Fox* (US 2003), *infra* this Supplement, Chapter 9.

B. TRADEMARKS

Page 65. Insert after *Stork Restaurant v. Sahati*:

QUESTION

1. How important was it to the court’s analysis that there was “no need” for the defendant to “appropriate” plaintiff’s “fanciful” or “arbitrary” STORK name? If the mark at issue instead had been a common surname, such as BRENNAN’S for the well-known restaurant in New Orleans, would the court have enjoined such a geographically remote user? *Cf. Brennan’s Inc. v. Brennan’s Restaurant L.L.C.*, 360 F.3d 125 (2d Cir. 2004) (affirmed denial of preliminary injunction against New York City restaurant Ter-rance Brennan’s Seafood & Chop House named after its owner and chef).

Page 70. Insert after Questions following *Champion Spark Plug Co. v. Sanders*:

How extensively a product can be refurbished and still be sold bearing the original manufacturer’s trademark was explored in **Nitro Leisure Products L.L.C. v. Achushnet Co.**, 341 F.3d 1356 (Fed. Cir. 2003). The majority affirmed a denial of a preliminary injunction against defendant’s selling used TITLEIST golf balls that defendant had refurbished by removing the mark and the layers of paint from the balls, repainting them and reapplying the trademark with the legend “Used & Refurbished by Second Chance.” The packages contained a disclaimer explaining that the balls were “subject to performance variations” from new balls and that the

product was not endorsed or approved by the original manufacturer. The majority of the panel, applying *Champion Spark Plug*, did not find that the refurbishing was “so extensive or so basic that it would be a misnomer to call the article by its original name.” The majority noted that in the context of refurbished goods, consumers “do not expect the product to be in the same condition as a new product” and thus were not likely to be confused by differences from new goods. The dissenting opinion by Judge Newman, by contrast, stated:

I can think of nothing more destructive of the value of a famous trademark than for the law to permit unauthorized persons to re-affix the mark to a product that is so badly cut, scarred, dented, discolored, and bruised that its defects have to be concealed before it can be resold as “used”—and then, with the scars hidden and the surface repainted to look new, the product is resold with the benefit of the re-affixed trademark and its reputation for quality and performance.

. . . .

Trademark law requires that the trademark owner police the quality of the goods to which the mark is applied, on pain of losing the mark entirely. Yet here the trademark applier is unlicensed, the quality out of the control of the owner of the mark, and the flaws concealed from the consumer.

These are fundamental principles of trademark law. . . . Although the law permits resale of used and refurbished products, it does not require the owner of the trademark to permit its use on inferior goods with concealed damage, simply by marking the goods as “used/refurbished.” The presence of a famous trademark on such goods is not an indication of origin and quality, but a trap for the consumer.

. . . .

Even if the consumer has digested the notice on the [defendant’s] package, the severity of the concealed defects are not known to the consumer. . . . This is not the same situation as in *Champion Spark Plug v. Sanders*, where the Court ratified the resale of used spark plugs still bearing the Champion name. . . . In *Champion* there was no issue of concealed defects. . . .

. . . When the defects are concealed, that is not “full disclosure about the true nature” of the golf balls as the panel majority holds. . . . The nature of the refurbishment of a used spark plug is visible; the nature of the damage to a repainted golf ball is invisible, and any performance-deteriorating defects are permanently removed from view.

In an ever more complex commercial economy, it is increasingly important to preserve standards of quality and confidence. Trademark law carries this burden. The record states that Titleist balls are the premium balls in this market, and are recognized by the golfing public as of high and consistent quality and dependability. The producer of

these products is entitled by law to protect the reputation and the value of its marks. Consumer expectations of quality should not be thwarted by an inappropriate balance of interests.

QUESTION

1. Do you agree with the panel majority or dissenting opinion in *Nitro Leisure*?

CHAPTER 2

WHAT IS A TRADEMARK

B. DISTINCTIVENESS

Pages 92. Delete the note on the Right to Use One's Own Name in Business and Substitute the following decision:

Peaceable Planet v. Ty, Inc.

362 F.3d 986 (7th Cir. 2004).

■ POSNER, J.

. . .

Like the defendant, the much larger and better known Ty Inc. . . ., Peaceable Planet makes plush toys in the shape of animals, filled with bean-like materials to give the toys a soft and floppy feel. Ty's plush toys are, of course, the famous "Beanie Babies."

In the spring of 1999, Peaceable Planet began selling a camel that it named "Niles." The name was chosen to evoke Egypt, which is largely desert except for the ribbon of land bracketing the Nile. The camel is a desert animal, and photos juxtaposing a camel with an Egyptian pyramid are common. The price tag fastened to Niles's ear contains information both about camels and about Egypt, and the Egyptian flag is stamped on the animal.

A small company, Peaceable Planet sold only a few thousand of its camels in 1999. In March of the following year, Ty began selling a camel also named "Niles." It sold a huge number of its "Niles" camels—almost two million in one year—precipitating this suit. The district court ruled that "Niles," being a personal name, is a descriptive mark that the law does not protect unless and until it has acquired secondary meaning, that is, until there is proof that consumers associate the name with the plaintiff's brand. Peaceable Planet did not prove that consumers associate the name "Niles" with its camel. . . .

The reluctance to allow personal names to be used as trademarks reflects valid concerns. . . . One of the concerns is a reluctance to forbid a person to use his own name in his own business. [Citations omitted.] Supposing a man named Brooks opened a clothing store under his name, should this prevent a second Brooks from opening a clothing store under his own (identical) name even though consumers did not yet associate the name with the first Brooks's store? It should not. [Citations omitted.]

Another and closely related concern behind the personal-name rule is that some names are so common—such as “Smith,” “Jones,” “Schwartz,” “Wood,” and “Jackson”—that consumers will not assume that two products having the same name therefore have the same source, and so they will not be confused by their bearing the same name. [Citations omitted.] If there are two bars in a city that are named “Steve’s,” people will not infer that they are owned by the same Steve.

The third concern, which is again related but brings us closest to the rule regarding descriptive marks, is that preventing a person from using his name to denote his business may deprive consumers of useful information. Maybe “Steve” is a well-known neighborhood figure. If he can’t call his bar “Steve’s” because there is an existing bar of that name, he is prevented from communicating useful information to the consuming public. [Citations omitted.] . . .

The personal-name “rule,” it is worth noting, is a common law rather than statutory doctrine. All that the Lanham Act says about personal names is that a mark that is “primarily merely a surname” is not registrable in the absence of secondary meaning. 15 U.S.C. § § 1052(e)(4), (f). There is no reference to first names. The reason for the surname provision is illustrated by the Brooks example. The extension of the rule to first names is a judicial innovation and so needn’t be pressed further than its rationale, as might have to be done if the rule were codified in inflexible statutory language. Notice too the limitation implicit in the statutory term “primarily.”

In thinking about the applicability of the rationale of the personal-name rule to the present case, we should notice first of all that camels, whether real or toy, do not go into business. Peaceable Planet’s appropriation of the name “Niles” for its camel is not preventing some hapless camel in the Sahara Desert who happens to be named “Niles” from going into the water-carrier business under its own name. The second thing to notice is that “Niles” is not a very common name; in fact it is downright rare. And the third thing to notice is that if it were a common name, still there would be no danger that precluding our hypothetical Saharan water carrier from using its birth name “Niles” would deprive that camel’s customers of valuable information. In short, the rationale of the personal-name rule is wholly inapplicable to this case.

What is more, if one wants to tie the rule in some fashion to the principle that descriptive marks are not protectable without proof of second meaning, then one must note that “Niles,” at least when affixed to a toy camel, is a suggestive mark, like “Microsoft” or “*Business Week*,” or—coming closer to this case—like “Eor” used as the name of a donkey, or the proper names in *Circuit City Stores, Inc. v. CarMax, Inc.*, *supra*, 165 F.3d at 1054, rather than being a descriptive mark. Suggestive marks are protected by trademark law without proof of secondary meaning. [Citations omitted.] Secondary meaning is not required because there are plenty of alternatives to any given suggestive mark. There are many more ways of suggesting than of describing. Suggestive names for camels include “Lawrence [of

Arabia]]” (one of Ty’s other Beanie Babies is a camel named “Lawrence”); “Desert Taxi,” “Sopwith” (the Sopwith Camel was Snoopy’s World War I fighter plane), “Camelia,” “Traveling Oasis,” “Kamelsutra,” “Cameleon,” and “Humpy-Dumpy.”

If “Niles” cannot be a protected trademark, it must be because to give it legal protection would run afoul of one of the purposes of the common law rule that we have identified rather than because it is a descriptive term, which it is not. But we have seen that it does not run afoul of any of those purposes. “Niles” is not the name of the defendant—it’s not as if Peaceable Planet had named its camel “Ty Inc.” or “H. Ty Warner.” It also is not a common name, like “Smith” or “Jackson.” And making Ty use a different name for its camel would not deprive the consumer of valuable information about Ty or its camel. . . .

Page 117. Add new Question 3(l):

“Lawoffices” for a database of attorneys (descriptive). *See DeGidio v. West Group Corp.*, 355 F.3d 506 (6th Cir. 2004).

CHAPTER 3

ACQUISITION OF TRADEMARK RIGHTS

A: ADOPTION AND USE

Page 151. Insert following Case after *Larry Harmon Pictures Corp.*:

DaimlerChrysler AG v. Bloom

315 F.3d 932 (8th Cir. 2003).

■ HANSEN, CIRCUIT JUDGE

DaimlerChrysler and Mercedes-Benz USA appeal an adverse grant of summary judgment in this trademark action. For the reasons stated below, we affirm the judgment of the district court.

DaimlerChrysler is the registered owner of the trademarks and service marks MERCEDES and MERCEDES-BENZ (collectively, hereinafter “Marks”). Mercedes-Benz USA is the exclusive licensee of the Marks in the United States. We refer to both of them collectively as “Mercedes.”

In 1984, Donald Bloom (hereinafter “Bloom”) became part owner of a Mercedes-Benz dealership in Owatonna, Minnesota. In the mid-1980s, Bloom acquired the toll-free telephone number 1-800-637-2333, one possible alphanumeric translation of which is 1-800-MERCEDES. Bloom advertised the vanity phone number in conjunction with his dealership, and he believes that the use of the phone number was a key component in reviving what had otherwise been a moribund dealership. In 1989, Mercedes granted Bloom a second dealership in St. Paul.

Between 1988 and 1992, Mercedes made several attempts to acquire the 1-800-637-2333 phone number from Bloom. The parties entered into negotiations, but the negotiations never came to fruition, and Bloom retained the rights to the phone number. On October 22, 1992, Mercedes sent Bloom a cease and desist letter stating that he could no longer use the 1-800 phone number because such use violated his Dealer Agreement. In the same letter, Mercedes informed Bloom that his continued possession and use of the 1-800 phone number interfered with Mercedes’ plan to use that number for its Client Assistance Center (hereinafter “CAC”). The CAC provides Mercedes customers with 24-hour, 365-days per year customer service. Because Bloom refused to relinquish his right to use the toll free number, Mercedes was forced to acquire and use a different telephone number, 1-800-367-6372 (1-800-FORMERCEDES), for the CAC.

In 1994, Bloom formed MBZ Communications (hereinafter “MBZ”). MBZ is located in Owatonna and is an independent telecommunications company that specializes in the use of vanity phone numbers. Bloom formed MBZ to manage the shared use of the 1-800-MERCEDES phone number with other Mercedes dealers throughout the country. MBZ licensed the number to six Mercedes dealers throughout the country. MBZ granted the dealers “exclusive use . . . of the telephone number 1-800-637-2333 and/or its mnemonic translation within an area” defined geographically by area code and provided call pattern analysis and other marketing services to the licensee dealers in exchange for payment of an initial set up fee and additional monthly fees. The licensees then marketed the phone number in the agreed to areas. Through the use of call routing technology, any call made to 1-800-MERCEDES originating in a contracted for area code is automatically rerouted to the appropriate dealership. Any call originating from an area code not covered by a licensing agreement terminates at the MBZ office and is processed by MBZ personnel.

The following description is a concrete example of how MBZ’s licensing system works. The House of Imports, Inc. (hereinafter “House”), a Los Angeles based Mercedes dealer, entered into a licensing agreement with MBZ for the exclusive use of the number 1-800-637-2333 in the territory falling within area codes 213, 310, 619, 714, 805, 818, and 909, which encompasses the Los Angeles and San Diego metropolitan areas. House paid MBZ an initial fee of \$39,200 and agreed to make additional monthly payments of \$3150 for the continued right to use the number within the agreed to area codes. House used various marketing devices to promote the vanity phone number 1-800-MERCEDES. Per the licensing agreement, any call made to 1-800-MERCEDES from the aforementioned area codes is automatically routed to House. House then services the call.

As mentioned above, a call originating from an area code not covered by a licensing agreement terminates at the MBZ office and is processed by MBZ personnel. MBZ receives approximately 100 calls per day from Mercedes customers who intend to reach the CAC but reach MBZ instead. Mercedes contends that the mere fact that people reach MBZ instead of the CAC is detrimental to Mercedes because the CAC is open 24 hours per day whereas MBZ is open only weekdays from 8 a.m. to 6 p.m. Therefore, Mercedes argues, its customers become frustrated when no one answers the phone after hours and on weekends and holidays.

In 1997, Mercedes terminated its Dealer Agreements with Bloom. In February 2000, Mercedes filed this action against Bloom and MBZ, asserting that the MBZ licensing plan violated the Lanham Act, the Federal Trademark Dilution Act, and state trademark and unfair competition laws. The parties filed cross motions for summary judgment. The district court denied Mercedes’ motion and granted MBZ’s motion on the ground that MBZ did not “use” the Marks within the meaning of the acts. Mercedes appeals.

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