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PERSPECTIVE

Rulings will increase trademark conflicts and expense

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Two decisions this year by the U.S. Supreme Court broaden trademark protection and are bound to increase trademark litigation and legal expense. The decisions extend a relatively recent trend in the court's trademark jurisprudence.

It is newsworthy, first, that the Supreme Court decided two trademark cases in one term. For many decades in the 1900s, the court decided few trademark cases at all. This omission was due in part to the 1946 enactment of the current federal trademark statute, the Lanham Act; it comprehensively federalized and overwhelmed common law and state statutes that had ruled the field for centuries. Decades passed while a body of Lanham Act case law developed to the point of serious federal circuit court splits needing Supreme Court resolution.

In the past quarter century or so, the Supreme Court has taken and decided an increasing number of trademark cases. This trend reflects the increasing importance of trademarks and other intellectual property in the U.S. and global economy, and the steadily accumulating legislation from Congress that affords more and more protection for brands. In roughly the same period, Congress fortified the Lanham Act with

amendments against trademark counterfeiting, dilution and cybersquatting with increasingly draconian monetary penalties for violations.

The two high court cases this term were *Romag Fasteners v. Fossil*, and *USPTO v. Booking.com*. In *Romag*, the court resolved a neareven split of

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circuits on whether an infringer's willfulness is a per se requirement or just one factor to consider when a court awards profits as a remedy. The decision favoring the factor approach, in practical effect, enables plaintiffs to sue (without forum-shopping) with greater ambitions for monetary recovery, if the facts are suitable. Trademark litigation is expensive, and plaintiffs historically have had to count attorney fees as sunk costs in hopes of winning, at most, injunctions — and no monetary awards — against infringements. Now, potential plaintiffs have greater possibilities of winning enough money to pay for the litigations, and more besides.

In *Booking.com*, the Supreme Court rejected the per

se rule of the U.S. Patent and Trademark Office that a generic term preceding a top-level domain name (".com"), was still generic and unregistrable. In its USPTO trademark application, Booking.com met a predictable refusal based on this rule. Booking.com's appeal succeeded. The Supreme

Court (voting 8-to-1, with a concurrence) junked the per se rule and reversed the USPTO. The court held that the question whether the term is generic depends on public perception — does the term simply name a product, or is it a unique brand for a product?

In everyday trademark litigation, the question of public perception is usually addressed by surveys designed and conducted by experts. Although subject to standards of statistical science as well as the Federal Rules of Evidence, surveys in litigation are used as forensic/rhetorical tools to advance a party's case. Trademark surveys and counter-surveys are very expensive, and typically generate satellite litigations of their own as at-

torneys grill the experts and microscope the survey design, universe and sample, question wordings, controls, etc., in war over the admissibility of the surveys and their weight. In the present case, Booking.com submitted a survey showing a very high percentage of brand recognition by consumers. The USPTO never goes to the length of conducting a counter-survey to support an administrative refusal. It heavily relied on the dictionary for the simple proposition that "booking" is a generic term for a reservation.

The Supreme Court converted the per se rule of law into a question of fact (consumer perception). The merit of per se law is that it is clear and precludes both evidence and argument. Tossing a per se rule opens to door to both.

The court gave assurances that overreach by an owner of a generic term followed by .com would be curbed in part by the "likelihood of confusion" test used in infringement litigation. Such reasoning is little solace to those who pay trademark litigation bills. The confusion test is highly fact-intensive, involving eight to 13 factors, depending on the circuit, and even those are non-exclusive. Litigating so many factors and facts is very expensive.

The court found further support in Booking.com's assurance that it would not abuse a federal registration of Booking.com by challenging competi-

tive uses of similar names, for example, Bookings.com. In his solo dissent, Justice Stephen Breyer said witheringly: “This response will be cold comfort to competitors of ‘generic.com’ brands. Owners of such marks may seek to extend the boundaries of their marks through litigation, and may, at times succeed.” Success, he might have added, is not necessarily victory through the trial and appeal decision phases of litigation. Few trademark cases reach so far, most being settled because of the uncertainty of outcomes and the certainty of big litigation expense. The accused infringer starts losing money the day it receives a cease-and-desist demand letter.

In sum, this term, the Supreme Court jettisoned two per se rules, and changed the issues into questions of fact for complex litigation.

The court has taken the same approach in several other relatively recent cases. There was once a per se rule in some circuits that a single color could not function as a mark. (The classic example is the color pink for fiberglass insulation,

famously advertised using the Pink Panther cartoon character.) Other circuits differed. In 1995, the Supreme Court ditched the per se rule and held that a color may be protected as a mark if the evidence shows that it has “acquired distinctiveness” as a brand. *Qualitex v. Jacobson*. Enter again the survey experts, and exit more money from the pockets of litigants.

There was once another split of circuits whether a utility patent nullified trade dress product configuration protection on grounds of policy or utilitarian functionality. In 2001, the Supreme Court held that a patent is not a per se bar to trade dress protection, but is evidence, perhaps strong evidence, of functionality, a question for trial. *Traffix v. Marketing Displays*. Swear in more engineering experts to explain the manufacturing costs and efficiencies affecting the product design, and patent experts to testify about the meaning of the claims, specifications, and drawings shown in the patent.

The Supreme Court decided yet another aspect of trade

dress product design protection in the 2000 case *Wal-Mart v. Samara*. The subject of the claimed trade dress was, it so happened, dresses, in particular, “one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like.” A dubious candidate for exclusive rights, one would think, but the Supreme Court took the occasion to declare that such designs may be protected as trade dress if they acquire distinctiveness, or customer recognition, as brands. Queue again the survey experts and engineering experts on manufacturing costs and quality.

A rival in dubious IP subject matter was Mexican restaurant decor consisting of “a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals,” etc. In 1992, the Supreme Court took this occasion to declare that such decor may be eligible for protection as inherently distinctive trade dress. *Two Pesos v. Taco Cabana*. Such status shortcuts proofs (including surveys) of

acquired distinctiveness, but many courts treat the categorization of “inherent distinctiveness” and “acquired distinctiveness” as itself a question of fact for trial.

And so Supreme Court jurisprudence continues to expand trademark rights and remedies at a greater pace, it seems. As the inevitable result, trademark litigations and perplexities multiply, and the legal bills continue to pile up at an increasing rate. Good IP lawyers who work with clients to maximize their IP rights and defenses at sustainable cost levels, must know when to play, when to raise, to call — and to fold. ■

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