

# ideas on intellectual property law

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# Whose line is it, anyway?

## Consumer confusion and trademark's fair use defense

The U.S. Supreme Court has weighed in on the scope of trademark protection for marks composed of descriptive words, and the results aren't good for the holders of such marks. In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, the Court explored the role of likely consumer confusion when a defendant asserts the affirmative defense of fair use to an infringement claim.

### MAKING UP IS HARD TO DO

All of the parties in *KP Permanent Make-Up* use the term “micro color” to market permanent cosmetic makeup. The plaintiff, KP, began using the single-word version on bottles and flyers in the early 1990s. Lasting Impression registered a trademark with the words “Micro Colors” (in white letters separated by a green bar within a black square) in 1992. The registration became incontestable in 1999.

That same year, KP produced a 10-page brochure using “microcolor” in a large, stylized typeface. The defendants demanded that KP stop using the term. KP responded by filing suit against the defendants, seeking declaratory relief. The defendants counter-claimed, alleging, among other things, that KP infringed their trademark. KP sought summary judgment of the infringement claim based on the affirmative defense of fair use.

The Lanham Act makes the fair use defense available to a party who uses a competitor's descriptive trademark fairly and in good faith to describe the goods or services of another, or their geographic origin. The defendants conceded that KP used the term “microcolor” only descriptively and not as a mark, and the district court held that KP had acted fairly and in good faith. KP had, after all, been using the term continuously since before the defendants adopted the two-word, plural variation. The trial court didn't make a determination as to whether this practice was likely to cause confusion.



But the Ninth Circuit Court of Appeals ruled that the district court erred by failing to examine the issue of possible consumer confusion over the origin of KP's products. The appellate court found that fair use was impossible where any consumer confusion was probable, and it appeared to place the burden on KP to show the *absence* of consumer confusion.

### THAT'S NOT MY JOB

Several federal appellate courts have split on the issue of the defendant's burden of proof in a fair use defense. Must the defendant negate the possibility of consumer confusion to succeed with the defense? The 9th, 5th, and 6th Circuits have said yes, while the 2nd, 4th, and 7th Circuits have disagreed.

The Supreme Court came down against imposing such a burden on defendants. It observed that Congress had made no mention of likelihood of confusion in drafting the Lanham Act's fair use defense provision. The Court also said that it was incoherent to place a burden to demonstrate non-confusion on a defendant in the typical course of infringement litigation. All the defendant needs to do is persuade the judge or jury that the plaintiff hasn't carried its own burden on that point.

## FAIR USE AND CONFUSION TOGETHER

The Supreme Court didn't stop there in limiting a trademark holder's rights. Having found that the defendant has no free-standing need to prove that confusion is unlikely, it reasoned that some possibility of consumer confusion is actually compatible with fair use of descriptive terms. In other words, fair use can coexist with some degree of confusion.

The court emphasized the undesirability of allowing anyone to have a monopoly on a descriptive term's use simply by grabbing it first. The court found that the Lanham Act wasn't meant to deprive commercial speakers of the ordinary use of descriptive words. The plaintiff accepted the risk of confusion when it decided to identify its product with a descriptive mark. Descriptive terms only qualify for trademark registration after

they take on secondary meaning apart from the applicant's goods, as in the case, for example, of Philadelphia Cream Cheese, Coppertone or Best Buy. Even then, the trademark holder has an exclusive right not in the original, descriptive meaning but in the secondary meaning associated with its goods.

## A CONFOUNDING CONCLUSION ON CONFUSION

Yet, the Supreme Court declined to offer any guidance on just how much consumer confusion must be likely before the fair use defense becomes compromised. It states only that it doesn't rule out the relevance of the degree of consumer confusion in determining whether a defendant's use is indeed fair. Nonetheless, with this decision, the Court strengthens the case against using generic, descriptive terms in a trademark. 💡

# Proving actual dilution of famous trademarks

In the 2003 case *Moseley v. Victoria's Secret Catalogue*, the U.S. Supreme Court held that a claimant under the Federal Trademark Dilution Act (FTDA) must unambiguously show actual dilution of its mark, rather than just the likelihood of dilution, by objective proof of actual injury to the economic value of the mark. The ruling left some scratching their heads as to how to establish actual dilution. Now, in *Savin Corp. v. Savin Group*, the U.S. Court of Appeals for the Second Circuit — in the first appellate decision interpreting *Moseley* — explained how holders of famous trademarks can prove actual dilution with circumstantial evidence.

## A CASE OF MISTAKEN IDENTITY

Max Lowe founded Savin Corp. in 1959, naming it after his brother-in-law, Robert Savin. The company markets, sells and distributes photocopying, printing, faxing and similar technology, and also offers consulting and support services. It markets its products and services nationwide and spent



more than \$20 million on advertising in 2002. The company's Web site address, [www.savin.com](http://www.savin.com), is prominently featured in many of its ads.

In 1987, Dr. Rengachari Srinivasaragahavan, who had been nicknamed "Nivas" since his college days, founded several corporations using the name Savin (Nivas spelled backwards). His companies provided

professional engineering consulting services, maintained offices in New York State, and registered the domain names [www.thesavingroup.com](http://www.thesavingroup.com) and [www.savinengineers.com](http://www.savinengineers.com). The Web sites represented the companies' only advertising efforts.

***If a famous mark's owner can show commercial use of an identical junior mark, it presents sufficient circumstantial evidence of actual dilution.***

After discovering those Web sites in July 2002, Savin Corp. sent the defendants two cease-and-desist letters, which were promptly ignored. Almost a year later, a Savin Corp. executive was mistaken for an employee of Savin Engineers at a chamber of commerce meeting. Savin Corp. brought suit, claiming, among other things, violations of the FTDA. A federal district court dismissed all the claims. In particular, it found Savin Corp. failed to produce any evidence of actual dilution other than that the defendants had used a junior mark that was identical to the plaintiff's established "senior" mark.

Was the district court correct in finding the plaintiff's evidence insufficient? Not according to the Second Circuit.

**YOU SAY "POTATO"**


In *Moseley*, the Supreme Court made clear that actual dilution is a prerequisite for an FTDA claim. But direct evidence isn't necessary if circumstantial evidence can reliably prove actual dilution. The obvious case is one where the junior and senior marks are identical.

This language has led to conflicting results among district courts. Did *Moseley* mean that plaintiffs can establish an FTDA claim just by showing commercial use of an identical junior mark? In the Second Circuit's view, that's exactly what the Supreme Court meant — but only for *famous* senior marks.

The court ruled that if a famous mark's owner can show commercial use of an identical junior mark, it presents sufficient circumstantial evidence of actual dilution. The court emphasized that the marks must be truly identical — a close similarity isn't enough. Whether the marks are identical is context- and/or media-specific and factually intensive. For example, the fact that marks are textually identical but pronounced differently could prove relevant.



## “ALMOST FAMOUS” DOESN’T CUT IT

So the Second Circuit sent the case back to the district court for specific findings on whether the Savin marks were identical. The court also noted that detailed analysis of the famousness of a mark would more quickly determine if dilution exists. If Savin Corp.’s senior mark doesn’t qualify as “famous,” the identity factor becomes irrelevant. 

## Disclose it or lose it Patent rights for federal contractors

Since 1980, the federal regulations implementing the Bayh-Dole Act have given the federal government the right to claim title to inventions if a federal government contractor fails to disclose the invention to the federal government on a specific form within two months of disclosing the invention’s technical aspects to contractor personnel responsible for patent matters. It took more than 20 years for this regulation to come before a court, but the U.S. Court of Appeals for the Federal Circuit made clear that federal contractors who choose to ignore the law risk losing their patent rights.

*Campbell Plastics Engineering & Mfg., Inc. v. Brownlee* involved a new type of gas mask developed under a contract with the Army. A clause in the contract obligated Campbell Plastics to disclose any “subject invention” developed under the contract. But Campbell never disclosed the new gas mask on the required form, notifying the Army only after a patent was issued. In fact, the contractor repeatedly submitted forms indicating it hadn’t developed any subject inventions.

When the Army eventually learned of the invention, it determined Campbell had forfeited title by failing to comply with the disclosure requirements. While the regulations give the Army some discretion in specifying when the government “may” obtain title to an invention, the Armed Services Board of Contract Appeals found that the Army hadn’t abused its discretion. Campbell Plastics appealed the Board’s decision to the federal courts.

Campbell contended that its failure to comply was a failure in form only — although it hadn’t used the required form, it had adequately disclosed the gas mask by continually disclosing the mask’s features throughout the contract period using drawings and progress reports. It also argued that the law doesn’t favor forfeiture, especially where the government suffered no genuine harm.

The Federal Circuit rejected this argument, holding that Campbell’s “piecemeal submissions” didn’t adequately disclose the subject invention under the contract. It found the requirement of a single, easily identified disclosure form sound and deserving of strict enforcement. Accepting Campbell’s position would mean methods of disclosure could vary widely, making it difficult for the government to discern just which documents or statements should be deciphered into an overall invention disclosure.

So federal contractors have to play by the government’s rules. Failure to understand the federal regulations that govern federal contracts may allow the government to step in and seize the patent rights for itself.