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NEAL & MCDEVITT® Successfully Appeals Examiner's Refusal to Register the Mark CARPET TO CARPET

N&M attorneys Lisa Iverson and Jeremy Roe successfully argued against a Trademark Examiner's refusal to register the mark CARPET TO CARPET. *In re Columbia Insurance Co.*, Serial No. 77/281,250 (T.T.A.B. 2009) (non-precedential). The trademark application CARPET TO CARPET was for the following services: "receiving used carpet products for subsequent reclamation of the carpet." The Examiner refused to register the mark and requested that the Applicant (1) disclaim the term "CARPET," and (2) amend its identification of services to essentially limit its services under the mark to "refurbishing carpets".

Iverson and Roe argued against each refusal, and the Trademark Trial and Appeal Board agreed, reversing the Examiner's refusal on both points. First, the Board found that the mark CARPET TO CARPET was a unitary mark, whereby the term CARPET had lost its descriptive significance within the composite phrase and thus no disclaimer was required. The Board reasoned that the mark CARPET TO CARPET was an "almost-poetic turn of phrase [that] rolls off the tongue."

On the recitation of services issue, Iverson and Roe argued that the Examiner's proposed amendment did not accurately represent the scope of its services. The Board agreed, stating that "the emphasis throughout the prosecution of this application has been on the intake part of the post-consumer cycle—the collection/diversion of post-consumer used carpet." The Board found that Columbia's proposed recitation of services was sufficiently definite to pass the mark on to publication.

Federal Circuit Redefines Fraud Standard in *Bose*

In a long-awaited ruling, the Federal Circuit rejected the *Medinol* "should have known" standard for fraud on the U.S. Patent and Trademark Office ("PTO") in *In re Bose Corporation*, No. 2008-1448 (Fed. Cir. Aug. 31, 2009). Bose owned a trademark registration for the mark WAVE for use with the following goods in International Class 09: television receivers, video cassette recorders, video cassette players, camcorders, radios, clock radios, audio tape recorders and players, portable radio and cassette recorder combinations, compact stereo systems and portable compact disc players.

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Fraud After *Bose* (cont'd)

Bose had filed a Section 8 & 9 Declaration of ongoing use for all of the goods listed in the registration, although Bose was no longer using the mark in connection with “audio tape recorders and players.” Bose was, however, receiving audio tape recorders for repairs and was transporting them back to consumers, which Bose insisted was sufficient use in commerce to retain registration for audio tape recorders and players.

The Trademark Trial and Appeal Board (“TTAB”) found that repairs and shipments did not constitute sufficient use of the mark for audio tape recorders and players and that Bose’s belief otherwise was unreasonable. Accordingly, the TTAB cancelled the registration for the WAVE mark in its entirety, based on Bose’s apparent fraud in filing its Section 8 & 9 Declaration.

On appeal, the Federal Circuit reviewed a long line of cases that held that an *intent to deceive* was required for a finding of fraud. Moreover, the Court distinguished between a “false” statement and a “fraudulent” one. The Federal Circuit noted that while a false statement may constitute a material misrepresentation to the PTO, it does not amount to fraud if it was an honest misunderstanding or inadvertence without a willful intent to deceive. The Court then held that Bose did not act with an intent to deceive, and thus reversed the finding of fraud.

To the relief of trademark owners seeking to obtain or maintain a U.S. registration, the new test is as follows: “a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant *knowingly* makes a false, material misrepresentation with the intent to deceive the PTO.” (emphasis added) While the new standard increases the difficulty of finding fraud against an applicant/registrant, the duties of the applicant/registrant remain the same—the applicant/registrant must actually use its mark in commerce on each and every good and service listed in its application/registration. Accordingly, an applicant/registrant should continue diligently monitoring and documenting the use of all marks in connection with their respective goods and services.

Removal of UPCs May Constitute Trademark Infringement, Even If Goods Are Not Counterfeit

In June 2009, the U.S. Court of Appeals for the Second Circuit affirmed a finding of trademark infringement by CVS Corporation for selling Plaintiff’s DAVIDOFF COOL WATER fragrances without a valid UPC. [Zino Davidoff SA v. CVS Corp.](#), No. 07-2872 (2d Cir. June 30, 2009). Davidoff, owner of the COOL WATER marks, sought preliminary injunctive relief against CVS after it discovered that legitimate COOL WATER fragrances were being sold with altered or removed UPCs.

The district court had granted Davidoff’s request for a preliminary injunction, finding that the UPC was an effective mechanism for quality control and anti-counterfeiting programs. The court held that Davidoff was likely to succeed on the merits because the UPC protected the COOL WATER brand against quality slippage, and it gave Davidoff the ability to recall defective products. Davidoff also exercised extensive control over its distribution channels, only authorizing sales of COOL WATER fragrances via luxury retailers. CVS, however, was able to obtain product through other channels, only some of which were legitimate.

When Davidoff had previously requested that CVS cease the sale of counterfeit COOL WATER products, it discovered that more than 16,000 items in CVS’s inventory no longer carried the UPC labels. The district court held that the removal of the UPCs was trademark infringement, in that it impaired Davidoff’s ability to identify counterfeit goods and control the quality of legitimate goods.

CVS claimed that the goods with altered or removed UPCs were legitimate gray market goods, which could shield CVS from counterfeit liability. Under the Lanham Act, the sale of genuine goods bearing a true mark does not impose liability even if the sale is not authorized by the mark owner, because such a sale does not cause confusion or dilution of the mark. [Polymer Tech. Corp. v. Mimran](#), 975 F.2d 58, 61 (2d Cir. 1992).

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UPC Removal (cont'd)

The court, however, held that the gray market defense was unavailable to CVS because the removal of the UPCs materially altered the goods.

The court held that the COOL WATER goods with missing UPCs were not genuine because they did not conform to Davidoff's quality control standards, and the missing UPCs could risk injury to Davidoff's reputation. The court stated that the UPCs enhanced the effectiveness of Davidoff's counterfeit prevention programs. Interestingly, the court also stated that what consumers or retailers understood about the codes was irrelevant to the role the codes play in detecting quality defects.

Having found that Davidoff had demonstrated a likelihood of success on the merits, the district court applied the usual presumption of irreparable harm to plaintiff and granted the relief sought. The Second Circuit panel affirmed the district court's order.

The implications of this case are two-fold. First, there remains solid and consistent authority for preventing the unauthorized sale of counterfeit goods based on the Lanham Act, other civil penalties, and criminal laws. Second, a party cannot escape infringement liability by selling gray market goods that, albeit not counterfeit, have been altered in some material fashion. In either circumstance, the burden on policing the sale of counterfeit and gray market goods falls squarely on the mark owner.

Federal Juries Award \$1.92 Million and \$675,000 in Damages for Illegal Downloads

In the U.S. District Court for the District of Minnesota, a second jury trial resulted in an order requiring Jammie Thomas-Rasset to pay \$1.92 million in damages, after she was found liable for copyright infringement based on illegal music downloads via the Internet and the sharing of same. Capital Records v. Thomas-Rasset, No. 06-1497 (MJD/RLE) (D. Minn. 2009). The amount of damages assessed was based on statutory damages amounts available under the Copyright Act. Section 504(c) allows for damages between \$750 and \$30,000 per act of copyright infringement. If a party's conduct is found to be *willful*, however, that amount may be increased to as much as \$150,000 per infringement.

The case against Thomas-Rasset was brought by several major music producers, including Capital Records, Sony BMG, Arista Records, UMG, and Warner Brothers, claiming that Thomas-Rasset violated the copyrights for twenty-four songs. The court held that Thomas-Rasset was liable for copyright infringement by illegally downloading the songs and sharing them via the music-sharing platform Kazaa. The damages assessed by the court amounted to \$80,000 per song. Thomas-Rasset has appealed the amount of damages as "grossly excessive" to the amount of damage incurred by the plaintiffs.

Nearly \$2.0 million in damages for illegal downloads may seem wildly extreme, given that Thomas-Rasset was merely a single person who shared music over a commonly-used Internet peer to peer system. However, the Copyright Act is clear that a plaintiff with a registered copyright may elect to receive statutory damages, rather than actual damages, in circumstances such as this. The case also underscores the importance of ensuring that a would-be infringer has *actual* notice of its infringing activities. Providing actual notice to a would-be infringer allows a copyright owner to receive additional damages for *willful* infringement.

In recent weeks, a second case has been decided in a similar fashion, albeit with a lesser damages award. A jury in the U.S. District Court for the District of Massachusetts held Joel Tenenbaum liable for copyright infringement, after he admitted that he illegally downloaded thirty songs from artists such as Green Day and The Smashing Pumpkins. Capital Records v. Alaujan, No. 03-11661-NG (D. Mass. 2009).

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Illegal Downloads (cont'd)

The maximum amount Tenenbaum could have been liable for was \$4.5 million, so the award of \$675,000 was arguably lenient under the circumstances.

In addition to these two jury awards, the music labels have enjoyed substantial success in prosecuting would-be infringers of illegally shared music, most often reaching a settlement with individuals for approximately \$5,000. Recently, the labels announced that they were halting their strategy of attacking individuals who download and share music. Instead, the labels will be working with Internet service providers to halt the practices of particularly heavy abusers. Also, it bears noting that illegally shared music appears to be on the decline. Legitimate sites such as Apple's iTunes and Amazon.com have seen steady increases in download revenues in recent years.

About NEAL & McDEVITT®

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