



Chambers Global Practice Guides

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Trade Marks 2022

USA: Trends & Developments
Joseph S. Heino, Michael J. Bendel,
Erin E. Kaprelian and Alexis M. Merbach
Davis|Kuelthau, s.c.

practiceguides.chambers.com

Trends and Developments

Contributed by:

*Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian
and Alexis M. Merbach*

Davis|Kuelthau, s.c. see p.8

Introduction

The year 2021 was one of change for the United States Patent and Trademark Office (USPTO). In light of the ongoing challenges presented by COVID-19, the USPTO has maintained the majority telework model implemented in 2020. In addition, under the leadership of the new Acting Director, Andrew Hirshfeld, the USPTO continues to experience increases in trade mark applications. The USPTO also celebrated the 75th anniversary of the Lanham (Trademark) Act of 1946.

Trade Mark Filings Continue to Increase

Despite the COVID-19 pandemic, Fiscal Year (FY) 21 (October 2020 through September 2021), saw the trend of an increase in the number of trade mark applications continue. FY 21 saw 943,928 new trade mark applications filed, representing a 21.8% increase over FY 20. The average pendency time for a first action also increased from FY 20 to 6.3 months, a 52.4% increase. This represents a 15.4% increase in time over FY 19's average of 2.6 months for a first action. This 6.3 month pendency falls outside the USPTO internal target of 2.5 to 4.5 months. As part of the strategy to address this drastic increase, the USPTO hired over 70 new trade mark attorneys.

Similarly, the total pendency of trade mark applications increased from 9.5 months in FY 20 to 11.2 months, representing an increase of 7.9%. This 11.2 month average total pendency remains well within the USPTO internal target of 12 months, meaning that trade mark examining attorneys are currently issuing trade marks just ahead of their target.

In FY 21, 60% of new applications for trade marks were filed by US residents, with the remaining 40% being filed by residents of foreign countries. In addition, a total of 337,814 Certificates of Registration were issued in FY 21. It should be noted that this number includes both applications that were filed in FY 21 and applications that were filed prior to FY 21 but did not have statements of use filed until FY 21.

Trademark Modernization Act Signed Into Law

The Trademark Modernization Act (TMA) of 2020 was signed into law on 27 December 2020, with new regulations beginning implementation at the USPTO level beginning on 18 December 2021.

One of the changes that will have the biggest day-to-day impact on trade mark practitioners is the shortened response period for office actions. Currently, an applicant has six months from the receipt of an office action to prepare and file a response. However, under the new TMA rule, an applicant will have only three months. A single three-month extension may be requested for a fee. This is a significant change that practitioners will need to prepare for. Importantly, the USPTO is delaying implementation of this change until 1 December 2022, in order to allow them to update their information technology systems.

Expungement proceedings

The TMA also created two new ex parte procedures to cancel unused, but registered, trade marks. The first is the expungement proceeding, which may be used to request cancellation of some or all of the goods and services in a registration because the registrant has never used

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

the trade mark in commerce with those goods or services. Under this proceeding, a party requesting expungement must supply evidence of a “reasonable investigation” showing that the registered mark was not used for the challenged goods or services. An expungement proceeding may be requested for a registration that is at least three but not more than ten years old. This three-year period coincides with the Lanham Act’s Presumption of Abandonment, which states that non-use of a mark for at least three consecutive years is considered prima facie evidence of abandonment. As such, especially for marks obtained under the Madrid Protocol or Paris Convention, use in the USA within the three-year period after registration is granted will remain important to protect the registration in the USA. Importantly, the USPTO is allowing a proceeding to be requested for any registration that is at least three years old, regardless of the ten-year upper limit, until 27 December 2023.

Reexamination proceedings

The second ex parte proceeding is the reexamination proceeding. This proceeding may be used to request cancellation of some or all of the goods or services in a use-based registration on the grounds that the trade mark was not in use in commerce with the particular goods or services on or before a relevant date. For a registration where the application was a use-based application, the relevant date is the filing date of the application, while for a registration where the application was an intent-to-use application, the relevant date is the later of the date that an amendment to allege use was filed or the date that the deadline to file a statement of use expired. Significantly, this proceeding cannot be used against foreign-based registrations issued under Section 44(e) or section 66 of the Lanham Act; instead, expungement would be the appropriate proceeding to initiate. A reexamination proceeding may be requested any time within the first five years after registration.

Other changes resulting from the TMA are changes to existing procedures. Parties have already been able to request cancellation of a registered trade mark through the Trademark Trial and Appeal Board (TTAB) on the grounds of nonuse and abandonment. Under the TMA, a third ground, expungement, is added. This is distinct from the previously discussed expungement proceeding, as this ground is directly through the TTAB, whereas the expungement proceeding is ex parte in nature and thus does not involve the TTAB. Additionally, the USPTO had a longstanding practice of allowing letters of protest. Under this practice, third parties could submit evidence to the USPTO prior to registration of an applied-for mark, that was relevant to a ground for refusal during examination. The TMA codifies and provides statutory authority for this practice, as well as setting a two-month deadline for the USPTO to act on such submissions.

Taken in total, the TMA provides some much-needed updates to the Lanham Act, as well as providing additional procedures that will help maintain the integrity of the Trademark Register while simultaneously streamlining the process of cancelling unused trade marks by not always requiring a party to use the TTAB.

Courts Look at Infringement under Cybersquatting Principles

In 2021, decisions under the Anticybersquatting Consumer Protection Act (ACPA) 15 U.S.C. Section 1125(d)(1) were handed down by three federal courts. These were:

- *Soter Technologies, LLC, v IP Video Corporation*, 523 F.Supp.3d 389 (2021) on 26 February 2021, by the United States District Court for the Southern District of New York;
- *Sturgis Motorcycle Rally, Inc v Rushmore Photo & Gifts, Inc*, 529F.Supp.3d 940 (2021) on 29 March 2021, by the United States Dis-

USA TRENDS AND DEVELOPMENTS

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

trict Court, District of South Dakota, Western Division; and

- *Boigris v EWC P&T, LLC*, 7 F.4th 1079 (2021) on 6 August 2021, by the United States Court of Appeals, Eleventh Circuit.

Each of these decisions looked at an aspect of the intersection between trade mark rights and the internet, including how use on the internet intersects with the requirements for a finding of infringement under the Lanham Act.

Soter Technologies, LLC, v IP Video Corporation (“Soter”)

In *Soter*, two vape detection product rivals became embattled in a suit alleging, among other things, cybersquatting under the ACPA. The defendant brought a motion to dismiss this particular claim, which was denied.

Soter is the owner of the federally registered trade mark “FLYSENSE”. *Soter* claimed trade mark infringement based on the defendant’s use of the www.flysense.com domain name, which redirected customer traffic to the defendant’s website.

In an action for trade mark infringement under the Lanham Act, use must be decided as a threshold matter because, while any number of activities may be in commerce or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the use of a trade mark. In *Soter*, the court reaffirmed that misappropriation by one party of another party’s mark to use as a domain name can satisfy the threshold “use in commerce” element of a claim for trade mark violation under the Lanham Act.

Sturgis Motorcycle Rally, Inc v Rushmore Photo & Gifts, Inc (“Sturgis”)

In *Sturgis*, a licensor brought an action against its competitors alleging infringement of “*Sturgis*” marks asserting, among other things, violation

of the ACPA. The licensor prevailed at the trial level and, on remand, the ACPA claim remained although the licensor moved for voluntary dismissal of the ACPA claim and the defendants moved for summary judgment on the ACPA claim.

The salient point in this decision is the court’s discussion to the effect that confusion about a website’s source or sponsorship which could be resolved by visiting the website is not relevant to whether the domain name itself is identical or confusingly similar to a plaintiff’s mark for purposes of an ACPA claim. The ACPA claim was ultimately dismissed with prejudice.

Boigris v EWC P&T, LLC (“Boigris”)

In *Boigris*, the Court of Appeals affirmed the finding that “[europawaxcenter](http://europawaxcenter.com)” and “[euwax-center](http://euwax-center.com)” domain names were confusingly similar to a franchisor’s “EUROPEAN WAX CENTER” trade mark as required to establish a violation under the ACPA.

The court determined that inquiry as to whether a domain name and a distinctive mark are “confusingly similar” under the ACPA is narrower than the traditional multifactor likelihood of confusion test for trade mark infringement claims, which, among other things, takes into account differences between the goods or services of the disputing parties under the Lanham Act 15 U.S.C. Section 1125(d)(1)(A)(ii)(I). Put another way, the ACPA requires a comparison solely of the mark and the allegedly infringing domain names in order to determine whether they are so similar in sight, sound or meaning that confusion is likely. The court further recognised that the comparison of a mark and its allegedly infringing domain name to determine whether they are “confusingly” similar under the ACPA considers only the secondary domain name, ie, the test of the site’s name without regard for the top level domain name (.com,.net, etc) or for any differences in

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

capitalisation because domain names use only lowercase letters.

In this case, the alleged cybersquatter's "europa-waxcenter" and "euwaxcenter" were confusingly similar to beauty products franchisor's "European Wax Center" trade mark as required to establish a violation under the ACPA. The domains and the mark looked the same, as arrangement of duplicate letters was nearly identical, and the "waxcenter" portion of each phrase was identical in sound, and domain names and the mark all imparted essentially the same meaning.

The ACPA provides another, domain name-use specific, method to seek remedies for trade mark infringement. And, as seen in the above cases, courts are willing to use the ACPA to enforce the rights of trade mark holders where appropriate.

Preliminary Injunctions Require Showing of Likelihood of Success on Infringement

Preliminary injunctions serve as an "extraordinary" remedy that require a plaintiff to prove four factors, including a likelihood of success on the merits. When considering a preliminary injunction for trade mark infringement, the factors considered include those considered when determining whether infringement has, indeed, occurred at trial.

In *Future Proof Brands, LLC v Molson Coors Beverage*, 982 F.3d 280 (5th Cir. 2020), Future Proof Brands, LLC ("Future Proof") sought a preliminary injunction against Molson Coors Beverage Company ("Coors") to prevent second-comer Coors use of its mark VIZZY. Future Proof alleged that the Coors mark VIZZY caused consumer confusion with Future Proof's mark BRIZZY, particularly since both are used for alcoholic carbonated/fizzy seltzer beverages. Future Proof did not get its injunction, appealed, and lost again, but did win on a key point and got a road map for success at trial. So, of equal

interest looks to be, how bubbly will Future Proof be after trial, if the case gets there?

Because it was seeking a preliminary injunction, Future Proof had an uphill battle, without much discovery, to establish likelihood of success on its infringement case – likelihood of confusion. The appeals court focused on the first infringement factor, the type of mark infringed, or "strength of a mark". This is because strong marks enjoy broad protection and weak marks do not (first of eight factors, see *Future Proof v Coors*, at 289). Notably, where the district court held BRIZZY descriptive (which means it would not be protectable), the appeals court held BRIZZY suggestive. Thus, BRIZZY was protectable, consistent with Future Proof's federal trade mark registration. Yet, both courts also recognized BRIZZY to be weak due to the common -IZZY portion and prior uses of similar marks for similar goods. Then, with this factor in Future Proofs favour as well as couple others, the courts still found the balance and overall weighing of infringement factors favoured Coors, and the appeals court did not have to address the three other traditional injunction factors.

Ultimately, although Coors won the first round under the more exacting preliminary injunction standard, the appeals court favourably found BRIZZY protectable. The appeals court also outlined the gaps Future Proof should close in discovery to reach a more bubbly outcome at trial.

Initial Interest Confusion Recognised in Eighth Circuit

Initial-interest confusion is a theory of trade mark infringement that says infringement may be found when there is temporary confusion as to source, even when that confusion is dispelled before the purchase is made. Unlike traditional trade mark infringement, initial-interest confusion does not require confusion at the point of sale. Multiple federal circuits recognize this

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

theory of trade mark infringement and, in *Select Comfort Corp v Baxter*, 996 F.3d 925 (8th Cir. 2021), the Eighth Circuit joined their ranks.

Baxter engaged in predatory use of Select Comfort's trade marks in various online advertising formats, including search engines directing traffic to Baxter. However, before concluding a sale, the Baxter consumers understood Baxter was not Select Comfort and the two companies' products were different, although the consumer first got to the Baxter site through dilatory means.

Select Comfort sued Baxter and won in district court on several claims, but notably lost on two. The district court "held as a matter of law that a claim alleging initial-interest confusion could not proceed and Plaintiffs would have to show a likelihood of confusion at the time of purchase." Both parties appealed to the Eighth Circuit, which reversed the district court on these two issues. The appeals court first addressed when confusion must exist to establish trade mark infringement. The court held the Eighth Circuit clearly recognized claims of infringement were not limited to time of purchase, and that action from pre-sale to post-sale could lead to a likelihood of confusion. The court dove into pre-sale confusion and held the theory of initial-interest confusion exists in the Eighth Circuit, where before it had not. Finally, while initial-interest confusion existed, evidence needed to be presented, and a factual determination made by a jury, to assess whether the relevant average consumer was sophisticated. If sophisticated, then initial-interest confusion could not exist as a matter of law. Since this is a question of fact, it was properly a question for the jury, and thus not amenable to summary judgment except in extraordinary circumstances.

In conclusion, know your target consumers, and if they are sophisticated you will have greater

latitude to engage them aggressively without fear of initial-interest confusion. With this decision, only the First, Fourth and Eleventh Circuits still do not recognize initial-interest confusion in trade mark infringement, so choose venue carefully if able.

Ninth Circuit Court of Appeals Addresses Reverse Confusion Theory in "Smart Sync" Trade Mark Fight

Ironhawk Technologies, Inc ("Ironhawk"), the senior user of the "SmartSync" trade mark, sued Dropbox, Inc ("Dropbox"), the junior user of the "Smart Sync" trade mark for trade mark infringement and unfair competition. The district court granted summary judgment in favour of Dropbox, concluding a reasonable trier of fact could not find a likelihood of consumer confusion. Ironhawk appealed the decision based on a theory of reverse confusion arguing consumers could conclude Dropbox (junior user) is the source or a sponsor of Ironhawk's (senior user) Smart Sync technology.

In a 2-1 decision, the Ninth Circuit agreed and reversed and vacated the district court decision of summary judgement in favour of Dropbox because genuine issues of material fact exist in *Ironhawk Technologies, Inc v Dropbox, Inc*, 2 F.4th 1150 (9th Circuit, 20 April 2021). The appellate court considered the Sleekcraft factors and found that a reasonable jury could find that:

- Dropbox's mark was commercially strong and would be able to swamp Ironhawk's reputation;
- the products were proximately related, sold to the same class of purchasers, or were similar in use and function; and
- the two marks were similar, and the use of Dropbox's house mark with Smart Sync could exacerbate the likelihood of confusion.

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

As such, the district court's ruling of summary judgement in favour of Dropbox was improper. Thus, the court affirming that the multi-factor likelihood-of-confusion analysis is best left to a jury (and not for the district court to decide) when there are factual disputes and competing evidence.

In dissent, Judge A. Wallace Tashima concluded that no reasonable jury could find a likelihood of consumer of confusion, even if the relevant consumer class included commercial customers, because the majority erroneously did not consider that the potential customers were large, sophisticated commercial enterprises. In Judge Tashima's view, any sale to potential commercial customers pursued by Ironhawk would be subject to a prolonged sales effort and careful decision making, specifically noting that Ironhawk's product was enterprise software, for which it offered annual licenses at USD20,000 per server, and that its marketing involved "countless face-to-face meetings" with customers.

Second Circuit Court of Appeals Addresses Functionality of Trade Dress in Colourful Design Mark Dispute

Addressing the functionality of colours in design marks in *Sulzer Mixpac AG v A&N Trading Co*, 988 F.3e 174 (2d Cir. 2021), the US Court of Appeals for the Second Circuit reversed the district court's entry of judgement for trade mark owner Sulzer Mixpac AG ("Mixpac") on its unfair competition and trade mark claims, ruling that where colour is used as an indicator of size or parts matching, it is functional and does not qualify as trade dress.

Mixpac and A&N Trading Company ("A&N") are competitors that manufacture and supply mixing tips used by dentists to create impressions of teeth for dental procedures. Mixpac obtained trade marks for yellow, teal, blue, pink, purple and brown (the "Candy Colors") mixing tips. Mixpac sued A&N for unfair competition, common law trade mark infringement, trade mark infringement, trade mark counterfeiting, and false designation of origin under the Lanham Act. A&N countersued, claiming that Mixpac's use of Candy Colors on the mixing tips was functional and, as such, not entitled to trade mark protection. The district court found in Mixpac's favor on these counts because Mixpac's use of the Candy Colors adds to manufacturing costs and that other companies use different or no colours.

On appeal, A&N argued that Mixpac's use of particular colours on mixing tips was functional because the colours serve as a colour-coding scheme that signifies the size of a mixing tip. The Court of Appeals agreed, finding that the district court erred by failing to apply the *Louboutin* three-part aesthetic functionality test to Mixpac's marks. In applying the *Louboutin* test and citing trial testimony, the Second Circuit concluded that the colours signify diameter of the mixing tips, which assists users when selecting the proper cartridge for use with the mixing tip and, (citing *Louboutin*) thereby "improve[] the operation of the goods." Thus, in trade dress cases or when seeking trade dress protection, it is important to apply the *Louboutin* test to determine whether a design feature is non-functional and thus entitled to trade mark protection, ie, consider whether the design feature is:

- essential to the use or purpose of the product;
- affects the cost or quality of the product; and
- has a significant effect on competition.

USA TRENDS AND DEVELOPMENTS

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.

Davis|Kuelthau, s.c. offers an array of innovative legal solutions to corporate, public, private and individual clients that range from small, mid-sized institutions to large corporations. The team of nearly 70 attorneys spans five offices across Wisconsin, including Appleton, Brookfield, Green Bay, Madison, and Milwaukee. The firm is headquartered in Milwaukee and has national experience combined with strong community ties. The firm provides the full life cycle of business, labour and litigation legal services. The firm's intellectual property team includes

nine attorneys who are well versed in both the legal and technical aspects of IP. Those technical areas cover a wide range of engineering, scientific, computer and medical principles as well as business methods. They counsel clients on all aspects of IP, including patents, trade marks, copyrights and trade secrets. Notably, Davis|Kuelthau, s.c. was among the first firms in the United States to file an Inter Partes Review (IPR), a new type of administrative proceeding that was brought into effect by the America Invents Act.

AUTHORS



Joseph S. Heino is practice leader of Davis|Kuelthau's intellectual property team. He has over 35 years' experience, with a specialisation in intellectual property law,

including patent, trade mark, copyright and trade secret law, as well as licensing and franchising. Joe represents a wide range of clients in the local, regional and national manufacturing and service sectors. He is widely published on the subject of trade marks and intellectual property. Joe is licensed to practise before the United States Patent and Trademark Office, and is a member of the American Intellectual Property Lawyers Association, the American Bar Association, the Intellectual Property Group (AIPLA) and the Wisconsin Intellectual Property Lawyers Association (WIPLA).



Michael J. Bendel is a shareholder with Davis|Kuelthau's intellectual property team. His focus on intellectual property for over 25 years started in private practice

servicing individuals and small to large companies, then to in-house counsel at a Fortune 200 company, and then back into private practice. Mike partners with clients to identify key innovations and marks for protection and helps develop the right-sized intellectual property plan to drive business results. He assists clients in all phases of intellectual property, both domestic and international, and protecting patent, trade mark, trade dress, copyright and trade secret rights.

Contributed by: Joseph S. Heino, Michael J. Bendel, Erin E. Kaprelian and Alexis M. Merbach, Davis|Kuelthau, s.c.



Erin E. Kaprelian is an associate attorney at Davis|Kuelthau who focuses on corporate and intellectual property law. Erin's experience relates to drafting patents

relating to network management, network security, access point co-ordination and related technologies. She has also prosecuted patents relating to network management and security, access point co-ordination, cloud computing, data mining and analytics, enterprise communication and related technologies. Erin has been published on the subject of copyright law, is admitted to practise before the United States Patent and Trademark Office (USPTO) and is a member of the American Intellectual Property Law Association (AIPLA).



Alexis M. Merbach is an associate attorney with Davis|Kuelthau's corporate and intellectual property teams. Alexis specialises in protecting confidential information and

intellectual property for businesses and individuals, with specific focus on trade marks, licensing, data privacy, e-commerce, and web-based marketing and contracting. Alexis has experience drafting and prosecuting patents; and drafting, reviewing, and negotiating technology- or software-based agreements; and has helped clients secure a variety of federal trade mark registrations. Alexis also advises well-established and start-up companies on a variety of complex legal and business matters, including business formation, corporate governance, and regulatory compliance.

Davis|Kuelthau, s.c.

111 East Kilbourn Avenue
Suite 1400
Milwaukee, WI 53202
USA

Tel: +1 414 276 0200
Fax: +1 414 276 9369
Email: info@dkattorneys.com
Web: www.dkattorneys.com

