

WILLCOX & SAVAGE

TECH LAW LETTER



MAJOR CHANGE TO U.S. TRADEMARK LAW

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U.S. trademark law changed significantly on October 6, when President Bush signed H.R. 683, the Trademark Dilution Revision Act of 2006 ("Act"). The Act, which took effect immediately, is intended to protect famous marks from "dilution," *i.e.*, unauthorized uses that blur a famous mark's distinctiveness or tarnish its reputation.

A good example of such uses is the case in which the Coca-Cola Company obtained an injunction against the distributor of posters on which the words "Enjoy Cocaine" were written in the famous white-on-red "Enjoy Coca-Cola" script. *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y.1972).

The Act responds to the U.S. Supreme Court's ruling in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), as well as the splits in the federal courts of appeal concerning the prior federal antidilution statute. Under the new law the owner of a famous mark does not have to prove actual dilution to win a lawsuit; demonstrating only a likelihood of dilution is enough. This approach parallels the test for trademark infringement, under which a successful plaintiff must show a likelihood of confusion but not actual confusion.

In *Moseley* the defendant had opened a sex-toy shop called "Victor's Little Secret" (changed from "Victor's Secret" after Victoria's Secret complained). The well-known women's clothing company eventually sued, claiming that the use of "Victor's Secret" for sex toys tarnished the reputation of the VICTORIA'S SECRET mark.

The Supreme Court accepted the case to clear up a circuit split on what evidence was necessary to show dilution: proof of actual dilution or only of a likelihood of dilution. The Court ruled that, despite the difficulty of providing it, proof of actual dilution was required. Some commentators said that *Moseley* essentially made dilution an irrelevant cause of action—certainly the decision greatly limited the usefulness of dilution claims.

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PROTESTING GOVERNMENT CONTRACT AWARDS

Emily D. Kinzie



A unique difference between contracting with the U.S. government and contracting with private businesses is that an unsuccessful bidder on a federal government contract may protest—and potentially overturn—the government's decision to award the contract to another bidder. Such protests are often based on allegations that the protestor lost a government contract because the procuring agency failed to follow its regulations or the requirements of its solicitation. A common forum for protest is the General Accountability Office ("GAO"), which offers a streamlined protest process and publishes detailed regulations and guidelines to assist protestors (available at www.gao.gov).

A protest to the GAO takes place in multiple stages:

- **Initial Protest.** The initial protest must set forth a detailed statement of all known legal and factual grounds of all protest issues. At the initial protest stage, however, a protestor may not know all of its grounds of protest. Therefore, protestors may request that the agency release documents related to the procurement, including the proposal submitted by the winning bidder and the agency's evaluation material. As described below, protestors may raise new issues after the agency provides the documents.

A major hurdle at the initial protest stage is timeliness. In general, a solicitation (or amendment to solicitation) that is flawed on its face must be protested to GAO before a response to the solicitation (or amendment) is due. A flawed award decision must be protested within 10 days after the bidder learns about a protestable issue (usually the time of award); however, if the bidder timely requests a required debriefing (as defined by the Federal Acquisition Regulations), the deadline is 10 days after the debriefing. (For this reason and because grounds for protest may be illuminated at a debriefing, bidders should request and attend debriefings when available.)

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Such claims are used in cases where consumers are not confused by the use of a junior trademark that is similar to a famous senior mark but rather mentally associate the two marks. That association dilutes the distinctiveness of the famous mark either through tarnishment (degrading the famous mark's reputation) or blurring (lessening its distinctiveness).

Unhappy with the *Moseley* decision, many owners of famous marks lobbied Congress to enact legislation to change U.S. dilution law, and the Act represents their success. In addition to lowering the standard of proof for dilution claims, the Act makes clear that tarnishment as well as blurring is actionable. (*Moseley* had left the availability of tarnishment claims in some doubt). With its specific exceptions for comparative advertising, parody, news reporting and commentary, and noncommercial use of a famous mark the Act also protects First Amendment rights in the trademark context.

As well as overturning *Moseley* the Act negates an unusual Second Circuit rule that a trademark can be considered famous for the purpose of dilution only if the mark is "inherently distinctive" (i.e., arbitrary like APPLE or fanciful like KODAK) as opposed to a mark that was originally descriptive but gained fame through use. See *Savin Corp. v. Savin Group*, 391 F.3d 439 (2d Cir. 2004).

The Act states that "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." The Act then lists factors to consider in determining whether a mark is famous, but those factors do not include whether the mark is inherently distinctive or originally descriptive.

Rep. Lamar Smith (R-TX), chairman of the House Subcommittee on Courts, the Internet, and Intellectual Property, sponsored H.R. 683. In the Senate the Act's chief supporters were Sens. Orrin Hatch (R-UT), Patrick Leahy (D-VT), and Arlen Specter (R-PA). Rep. Smith remarked on the House floor that "H.R. 683 clarifies a muddled legal landscape and enables the Federal Trademark Dilution Act to operate as Congress intended."

International Trademark Association ("INTA") President Paul W. Reidl said, "INTA views the passage of the [Act] as a very important achievement in the protection of famous and well-known trademarks." He added that the Act "gives brand owners a powerful tool for protecting the trademarks they have worked so hard to build." ■

COURT UPHOLDS TRADEMARK RIGHTS IN COLLEGE COLORS

Kevin W. Grierson



The U.S. District Court for the Eastern District of Louisiana, ruling in *Board of Supervisors of Louisiana State University, et al. v. Smack Apparel Company, et al.*, 2006 WL 2006339 (E.D. La. July 18, 2006), recently held that Smack Apparel and its principal violated the common-law trademark rights of Louisiana State University ("LSU") and other universities by selling sportswear displaying the colleges' color schemes.

Smack Apparel sold shirts bearing the universities' colors, including shirts with references to games between the plaintiffs and other colleges. For example, a shirt in LSU colors said "Beat Oklahoma!" on one side and "2003 College Football National Championship" on the other, a reference to the LSU-Oklahoma 2003 college football national championship game. A shirt in the University of Oklahoma's colors, referenced the number of college football national championships that the university has won.

"There is no question that a color scheme may be protectable as a trademark," the court held. "It is undisputed that the universities have used their color combinations for a lengthy period of time. [They] market scores of items bearing their color schemes, logos, and designs, and sales of those items exceed tens of millions of dollars."

The court found that the defendants had intentionally capitalized on the good will associated with the universities by copying the plaintiffs' color schemes and that such copying was likely to cause consumer confusion. Rejecting the defendants' argument that the color schemes are functional when applied to clothing, the court noted that the clothing was purchased because consumers wish to show support for the universities in question.

The court also rejected Smack Apparel's argument that its reproductions of the college colors was fair use, holding that the fair-use defense is not available when a likelihood of confusion has been shown. Finally, the court rejected the defendants' argument of unreasonable delay on the plaintiffs' part, finding that the defendants' copying of the colleges' color schemes constituted bad faith and therefore prevented the defendants from alleging undue delay. ■

* Article appeared in *International Trademark Association Bulletin*, October 1, 2006.

PROTESTING GOVERNMENT CONTRACT AWARDS

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- **Agency Comments and Documents.** The procuring agency has 30 days to respond to a protest with comments. The agency generally releases requested documents at the same time.

The agency's comments and documents are confidential and will likely contain information proprietary to the protestor's competitors. Therefore, the comments and documents may be viewed only by persons who are covered by a GAO protective order. A person covered by a GAO protective order cannot participate in competitive bidding for a period of time (often two or three years) after the protest.

Accordingly, protestors often hire counsel and/or consultants to review and respond to the agency comments and documents so that individuals in the protestor's company may continue to participate in procurements. Several Willcox & Savage attorneys have assisted clients with reviewing comments and documents under GAO protective orders.

- **Response to Agency Comments.** A protestor's representatives have 10 days to respond to agency comments and raise new issues that became apparent only after that review. This opportunity is a valuable step in the protest process. For example, Willcox & Savage attorneys recently succeeded in a protest based on information discovered from confidential documents released by the agency after the initial protest. The agency may respond to the new issues, and in some circumstances GAO may hold a hearing.
- **Final decision.** GAO ordinarily issues a final decision within 100 days after the initial protest. If it sustains the protest, GAO may grant a variety of remedies, including making a new award or requiring the agency to conduct further discussions or solicit new offers. GAO may also require the agency to pay the fees and costs of the successful protestor. ■

NEW PATENT APPLICATION PROCEDURES

Catherine S. Branch, Ph.D.



The U.S. Patent and Trademark Office ("PTO") recently changed its requirements for obtaining expedited applications. As of August 25, 2006, the PTO will "advance an application out of turn for examination if the applicant files a grantable petition to make special under the accelerated examination program." See Changes to Practice for Petitions in Patent Applications To Make Special and for Accelerated Examination, 71 Federal Register 36,323 (June 26, 2006). The PTO's goal is to complete its examination of special applications within a year after they are filed.

Previously, an applicant seeking a speedy decision on the patentability of an invention could petition for special status only if the applicant met one of the following requirements:

- The invention was ready for manufacture but would not be manufactured unless the patent was sure to be granted.
- There was actual infringement of the patent rights.
- The applicant was in poor health and might not be available to assist in an application process of normal length.
- The applicant was 65 or older.
- The invention "materially enhance[d] the quality of the environment" or helped to preserve energy resources.
- The invention related to recombinant DNA, superconductivity, HIV/AIDS, cancer, countering terrorism, or biotechnology, and the applicant was a small entity.

If an applicant could not meet one of those requirements, the application would be examined in the order in which it was filed.

Accelerated examination can now benefit many applicants seeking quicker patent protection; however, applicants must weigh the benefits of faster examinations with the costs of preparing the initial submission. Applicants who want to move to the front of the examination line must comply with a new set of requirements that will increase their initial costs and may limit their patent rights. Those requirements include:

- The application must be directed to one invention, must be complete when filed, and cannot contain more than three independent claims and 20 dependent claims.
- All filings and fees must be submitted electronically.

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NEW PATENT APPLICATION PROCEDURES

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- The applicant must agree to an interview with the patent examiner.
- The applicant must agree to base claims of patentability on only the independent claims.
- The applicant must conduct a detailed search of the prior art and explain how the invention is different from inventions disclosed in the prior art.

Requiring a detailed prior art search and explanation of how an invention is different shifts to the applicant much of the work usually done by patent examiners. For example, normal filing rules require that an applicant disclose prior art of which it is aware, but there is no requirement to seek out and explain prior art.

The requirements for filing an accelerated-examination application are very specific. Although the benefits of speedy examination are obvious, applicants should also consider the costs of complying with the filing requirements. Experienced patent counsel can help patent applicants weigh the pros and cons of seeking faster examination of their applications. ■

Firm Sponsors Hampton Roads Technology Council Event

From Laboratory to Marketplace: Bridging the University-Industry Gap

On September 26 the firm sponsored this half-day event, which included 12 speakers and panelists from academia, industry, and the military. Keynote speakers included Rear Admiral James Winnefeld and Virginia's Assistant Secretary of Commerce and Trade Vivek Kundra. Mr. Jack Ezzell (pictured above), founder and president of Zel Technologies LLC, was a key contributor to the discussions. The conference was developed to encourage universities, industry, and the government to work together to create and deliver high-tech products and services to the marketplace.



RENEWAL REFUSED FOR HAVANA CLUB TRADEMARK

Kevin W. Grierson

On August 3 a decades-old dispute between rival claimants to the HAVANA CLUB mark for rum came to a head when the U.S. Patent and Trademark Office ("PTO") refused to permit Empresa Cubana Exportadora de Alimentos y Productos Varios ("Cubaexport"), a Cuban state-run company, to renew a U.S. registration for the mark. The PTO based its refusal on the decision by the U.S. Government's Office of Foreign Asset Control ("OFAC"), acting under the Cuban Asset Control Regulations ("CACR"), not to grant a license for Cubaexport to pay the renewal fee. A 1988 amendment to the CACR prohibits Cuban companies from funding renewals of trademarks confiscated by the Cuban government unless the original owner consents.

Shortly after the PTO's action Bacardi U.S.A., which licenses the rum recipe and rights to the HAVANA CLUB mark from their original owners, the Arechabala Family, began selling rum under the HAVANA CLUB name in the United States. Pernod Ricard, the French liquor company that markets Cubaexport's HAVANA CLUB rum outside the United States, promptly sued Bacardi in a U.S. federal court, alleging deceptive advertising and trademark infringement.

The U.S. trademark dispute between Cubexport and the Arechabala Family dates back to the 1970s. The Arechabala Family created the recipe for HAVANA CLUB rum in 1935 and sold rum under that mark until the Cuban government seized its assets in 1960. The Arechabala Family maintained a U.S. trademark registration for HAVANA CLUB until 1973, when the family members allowed the registration to lapse.

Cubaexport registered the HAVANA CLUB mark with the PTO in 1976. Although U.S. courts have consistently held that the Cuban government has no rights in the HAVANA CLUB mark, Cubaexport, through an agreement with Pernod Ricard, has marketed HAVANA CLUB branded rum outside the United States since 1993.

Cubaexport has until February 3, 2007, to petition the Director of the PTO to review the PTO's decision not to renew Cubaexport's HAVANA CLUB trademark registration. ■

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