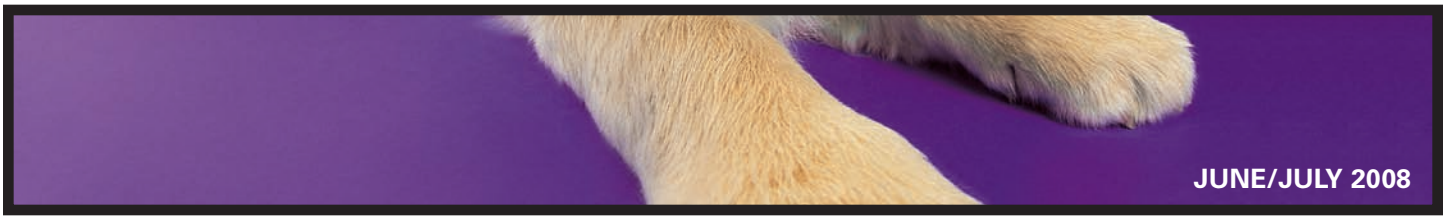
IDEAS ON INTELLECTUAL PROPERTY LAW



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ROUTE TO

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Dog-eat-dog world

Court allows pet toy parodies of famous marks

Can you defend a trademark infringement and dilution claim with a parody defense? The Fourth Circuit recently took a bite at the question in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* a case involving pet toys and high-end handbags.

Something to chew on

Louis Vuitton Malletier (LVM) manufactures and markets luxury luggage, handbags and accessories. Its items are sold internationally in LVM stores and upscale department stores. Haute Diggity Dog (HDD) manufactures and sells pet products nationally, including plush chew toys that parody famous trademarks for luxury products.

At issue were small imitations of LVM handbags, labeled "Chewy Vuiton," sold primarily through pet stores for less than $20. LVM brought suit against HDD, alleging, among other claims, trademark infringement and trademark dilution.

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Bark worse than the bite

LVM argued that the advertising and sale of the Chewy Vuiton dog toys were likely to cause confusion. The Fourth Circuit generally relies on the nonexclusive *Pizzeria Uno* factors to determine if a likelihood of confusion exists. HDD's arguments regarding the factors depended greatly on whether its products and marks were successful parodies.

In the trademark context, a parody must convey at the same time both that it is the original *and* that it is not the original but instead a parody. The court explained that "the second message must not only differentiate the alleged parody from the original but must also communicate some articulable element of satire, ridicule, joking, or amusement."

The court found that the chew toy was obviously an irreverent representation of an LVM handbag and not an "idealized image" of LVM's marks. In fact, the court found the satire unmistakable. And, while a finding of parody doesn't end the inquiry into likelihood of confusion, an effective parody can diminish the

likelihood of confusion, while an ineffective parody does not.

Indeed, in light of HDD's successful parody, the court held the likelihood-of-confusion factors substantially favored HDD. Notably, it found that a strong plaintiff's mark — which usually favors the plaintiff in a trademark infringement case — tends to counter the likelihood of confusion in parody cases. Consumers can immediately recognize the parody's target, while simultaneously perceiving the changes that render it funny or biting.

LVM chases its tail

The Trademark Dilution Revision Act of 2006 (TDRA) entitles the owner of a famous mark to an injunction against persons whose use of the mark is likely to cause dilution by blurring or tarnishment — regardless of actual or likely confusion.

Blurring occurs when the similarity between a mark or trade name and the famous mark impairs the famous mark's distinctiveness. Distinctiveness refers to the public's recognition that a famous mark identifies a single source of the product bearing the mark. For more on blurring, see "District court barked up the wrong tree on blurring," at right.

According to the court, LVM suggested that any use by a third party of an imitation of its marks dilutes those marks as a matter of law. The court found this argument to be a misconstruction of the TDRA. The act specifies that fair use is a complete defense and acknowledges that parody can be considered fair use. But the statute doesn't extend the fair use defense to parodies used as a trademark, as here.

At the same time, a defendant's use of a trademark as a parody is relevant to the question of whether the use is likely to impair the famous mark's distinctiveness. In fact, a successful parody might even enhance the famous mark's distinctiveness by making it an icon. Further, a successful parody intentionally communicates that it isn't the famous mark, but a satire of the famous mark.

The court found no blurring, but pointed out that blurring *is* possible where a parody is so similar that it could be construed as actual use of the famous trademark. The unauthorized use of famous trademarks themselves on unrelated goods might diminish the ability of these trademarks to distinctively identify a single source.

LVM also alleged dilution by tarnishment. This occurs when the similarity between marks harms the reputation of the famous trademark. The court quickly dismissed LVM's assertion that its marks were harmed by the possibility that a dog could choke on the toy. It found no basis for concluding that a dog would likely choke on such a toy.

Paws for thought

Parody can be a tricky defense to present, but it prevailed in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*. It remains to be seen, though, if other circuit courts of appeal will go along with the Fourth Circuit's interpretation of the TDRA in the context of parody. ❍

District court barked up the wrong tree on blurring

Under the Trademark Dilution Revision Act of 2006 (TDRA), trademark owners can obtain injunctive relief if they can show that a competing mark is likely to cause dilution by blurring. The act directs courts to consider all factors relevant to the blurring issue, including:

- The degree of similarity between the marks,
- The degree of inherent or acquired distinctiveness of the famous trademark,
- The extent to which the owner of the famous trademark is engaging in substantially exclusive use of the mark,
- The degree of recognition of the famous trademark,
- Whether the user of the mark or trade name intended to create an association with the famous trademark, and
- Any actual association between the mark or trade name and the famous trademark.

The court in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* noted that extensive discussion of each factor isn't required for every blurring claim. But a trial court must offer a sufficient indication of the factors it considered persuasive and explain why they're persuasive. Although the lower court here failed to adequately do so, the Fourth Circuit, after applying the factors, ultimately reached the same conclusion as the district court and rejected the claim.

Doctrine of patent prosecution disclaimer up close

Inventors file patent applications intending to make their claims as complete as possible. But an applicant may surrender some of a claim's scope during patent prosecution under the doctrine of prosecution disclaimer. In *Elbex Video, Ltd. v. Sensormatic Electronics Corp.*, the U.S. Court of Appeals for the Federal Circuit explained how the doctrine operates, applying it to a case involving a patent for a closed circuit television (CCTV) system.

TV guide

Elbex Video holds a patent on a CCTV system that encompasses a supervisory station and several remote-controlled cameras. The supervisory station includes a monitor for receiving and displaying video signals received from the cameras, a device for controlling the cameras and a switching device for selecting a camera to control.

According to the patent, the invention uses a unique system to prevent an operator from inadvertently controlling the wrong camera. Each camera has a unique "first code signal" that is sent, along with the video signal, to the receiving device in the supervisory station. A decoder extracts the first code signal, which is then input into a "controlling means" that generates a second code signal that corresponds to the first signal.

The prosecution disclaimer doctrine doesn't apply if the alleged disavowal is ambiguous.

The second code signal can be sent to the camera with control commands, and a comparison made to determine if the second signal coincides with the camera's unique code. The second code signal must match the camera code for the control signals to work on that camera.

Crossed wires

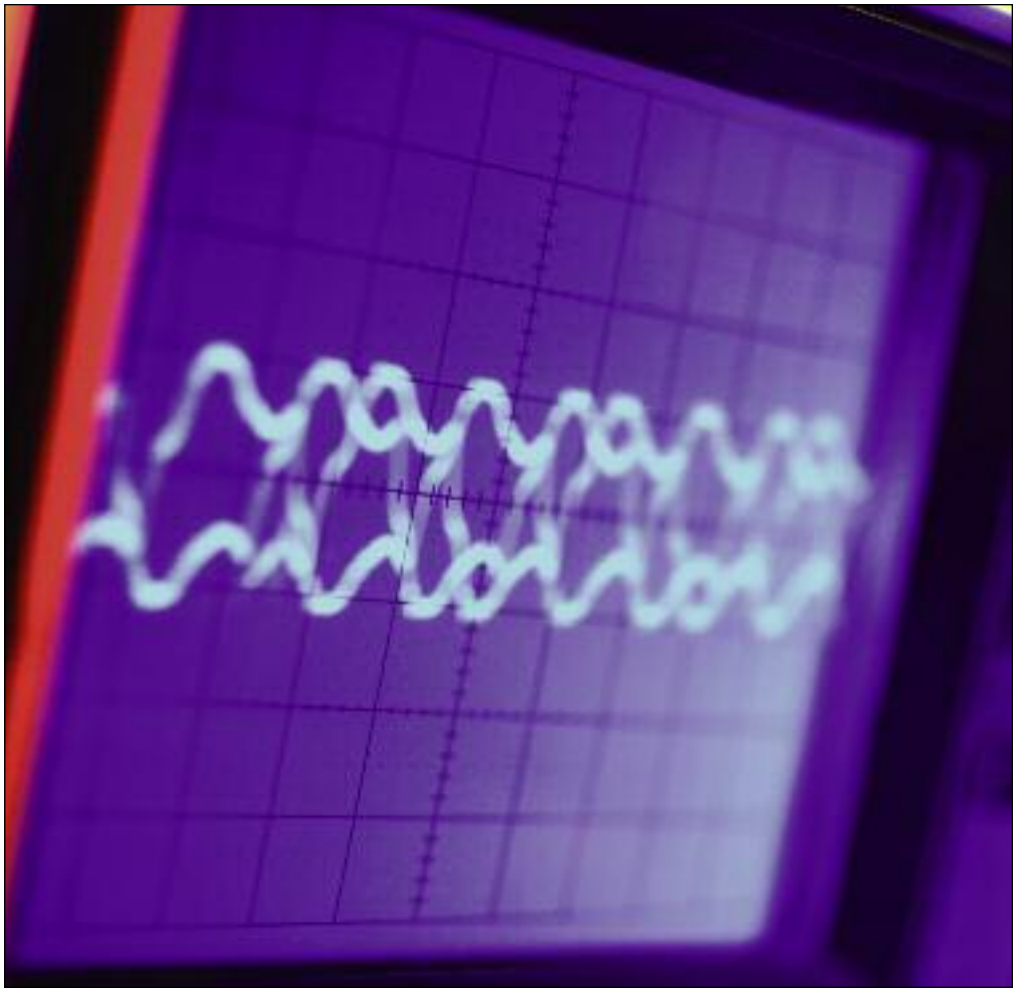
Elbex brought suit against Sensormatic, alleging that Sensormatic's CCTV systems infringed its patent. The case revolved around one of the patent's claim elements, the "receiving means." As the appellate court noted, the "function recited in the 'receiving means' limitation is the reception of video signals and first code signals."

A graphic figure in the patent application depicted a "receiving means" that included an input line, a low pass filter, an interface, and a television receiver or monitor. Nothing in the graphic or the specification suggested that the first code signal ever reaches the monitor.

During the prosecution, the inventor provided a response to questions by the U.S. Patent and Trademark Office (PTO) that was inconsistent with the application's specification, namely that the camera sent the first code signal to the monitor. Sensormatic argued that Elbex surrendered any claim scope for receiving means beyond "monitor" during its patent prosecution.

The district court concluded that the inventor's statements during prosecution wouldn't have been viewed by someone of "ordinary skill in the art" to be obvious errors. It therefore limited "receiving means" to a "monitor" that

receives the first code signal, even though the specification didn't say that. The court granted summary judgment because Sensormatic's CCTV systems didn't involve the sending of data from a camera to a monitor.



The court tunes in

The Federal Circuit first observed that there is a heavy presumption that claim terms carry their ordinary and customary meaning to those skilled in the art in light of the terms' use in the patent specification. But an exception arises when the applicant surrenders claim scope during its patent prosecution before the PTO. In such a case of "prosecution disclaimer," the ordinary and customary meaning may not apply.

The prosecution disclaimer doctrine doesn't apply if the alleged disavowal is ambiguous. Rather, it must be both clear and unmistakable to one of ordinary skill in the art.

Changing the channel

The district court had found that the scope of the claim term "receiving means" was limited to a "monitor" because the inventor disclaimed any broader definition of "receiving means" during prosecution. The Federal Circuit disagreed, finding the inventor's statements that the monitor receives the code signal didn't constitute a clear and unmistakable surrender of claim scope.

The court of appeals found a complete absence of support in the specification or drawings for a monitor that receives code signals from, and returns code signals to, the cameras, such as described in the later prosecution history statement. The specification didn't suggest that the monitor of the receiving means receives first code signals and returns a matching code to the cameras. As the court pointed out, "The receiving means receives the first code signal, but the monitor does not."

The Federal Circuit conceded that, "read in isolation," the prosecution history statement could arguably be a disclaimer. When considering the prosecution history as a whole, though, it could not. In fact, other statements in the same prosecution document created ambiguity. Because the prosecution history represents an ongoing negotiation between the applicant and the PTO, it may lack the clarity of the specification. According to the court, this makes it less useful for claim construction purposes. The specification prevails over the prosecution if there's an apparent conflict.

Further, the court determined that those skilled in the art wouldn't conclude that the prosecution statement was a clear and unmistakable surrender of claim scope because, if taken literally, it would produce an inoperable system. Even if the monitor contained the necessary equipment to receive and generate a second code signal to send back to the camera, the signals wouldn't reach the cameras because of a filter between the monitor and cameras.

Watch your words

So in this case, the Federal Circuit found that the applicant didn't disclaim the scope of its patent. While mere ambiguity or inconsistency in a prosecution statement may not trigger a disclaimer, patent applicants should mind their language. A disclaimer could significantly narrow claim scope and diminish a patent's value. ❍

Accepting substitutes

Court reviews store brands' trade dress for infringement

As the saying goes, imitation may be the sincerest form of flattery. Even national brands are learning that similarity alone doesn't equal infringement. Under a Third Circuit Court of Appeals ruling in *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, store brands can replicate elements of a national brand's trade dress in certain circumstances.

Sugar busters!

McNeil markets Splenda, a national brand of the artificial sweetener sucralose. Heartland packages and distributes sucralose as store brands to several retail grocery chains, including Food Lion, Safeway and Ahold. Its packaging varies by chain, and often follows a common theme throughout the store and across various product lines, including prominent displays of the store brand logos.

McNeil brought a trade dress infringement suit, claiming Heartland's product packaging is confusingly similar to the Splenda artificial sweetener. The district court denied McNeil's request for a preliminary injunction because McNeil didn't demonstrate a likelihood of consumer confusion.

Lapping it up

On appeal, the only issue was likelihood of confusion. The Third Circuit applies the following 10 so-called *Lapp* factors in making the confusion determination:

1. The degree of similarity between the plaintiff's trade dress and the allegedly infringing trade dress,
2. The strength of the plaintiff's trade dress,
3. The price of the goods or other factors indicative of the care and attention expected of consumers when making a purchase,
4. The length of time the defendant has used its trade dress without evidence of actual confusion arising,
5. The intent of the defendant in adopting its trade dress,
6. The evidence of actual confusion,
7. Whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media,
8. The extent to which the targets of the parties' sales efforts are the same,
9. The relationship of the goods in the minds of consumers because of the similarity of function, and
10. Other factors suggesting that the consuming public might expect the plaintiff to manufacture a product in the defendant's market, or that the plaintiff is likely to expand into that market.

The court explained that not all of the factors are relevant in every case, and factors may be given different weight, depending on the case facts.

Granular analysis

The court clarified that the degree of similarity is the most important factor in trade dress cases. It held, however, that the prominent presence of another well-known mark plays a role in the analysis. Both the Food Lion and Safeway trademarks were represented prominently on their packages and well known to store shoppers. The store name and logo weren't prominently displayed on the Ahold products.

McNeil then argued that the yellow packaging itself represented not just sucralose products, but Splenda artificial sweetener itself. But the court found that just because a consumer sees yellow packaging in the sugar aisle doesn't mean that he or she believes McNeil to be the source or that the product is somehow associated with Splenda artificial sweetener. In fact, the sugar aisle in a representative grocery store contained yellow packages of products other than sucralose, including sugar itself. In this factual context, the court concluded that, whenever any other sucralose producer uses yellow packaging, consumers aren't likely to associate that product with McNeil or Splenda artificial sweetener.

The appellate court also considered the degree of consumer care exercised in the purchase of the products, under the third *Lapp* factor. It upheld the district court's conclusion that reasonably prudent consumers use heightened care and attention because consumers often purchase no-calorie sweeteners for health reasons.

Sweet relief

The Third Circuit ultimately agreed with Heartland and affirmed the denial of preliminary relief regarding the Food Lion and Safeway packaging of the sucralose product. As for the Ahold sucralose products, the court affirmed the lower court's finding that McNeil had demonstrated a likelihood of confusion. The Third Circuit sent the portion of the case dealing with the Ahold sucralose products back to the district court with orders that it consider the remaining elements of trade dress infringement to determine whether McNeil was likely to succeed at trial and was otherwise entitled to an injunction against the Ahold sucralose products.

Store brands that prominently display their store-specific label have better results defending a trade dress lawsuit, particularly in cases where consumers are careful in their product selection, such as for over-the-counter drugs, health products and healthy foods. ❍

Can you use copyrighted thumbnails?

The Internet continues to provide new twists on copyright infringement claims. In one of the latest cases over the use of thumbnail-sized versions of copyrighted works, the Ninth Circuit vacated a preliminary injunction against Google. In *Perfect 10 v. Amazon.com,* the Ninth Circuit found that Perfect 10 was unlikely to overcome Google's fair use defense to a claim of direct infringement.

Perfect 10 sells copyrighted images of models and sued Google and Amazon for displaying thumbnail versions of the images on its search results pages. Google contended its versions represented fair use.

Under the Copyright Act, courts determine fair use based on four factors:

1. Purpose and character of the use. The Ninth Circuit found this factor weighed in Google's favor because its use of the images was "highly transformative" and provided social benefit by incorporating an original work into a new work (an electronic reference tool). It noted that even an exact copy of a work may be transformative if it serves a function different from the original.

2. Nature of the copyrighted work. This factor favored Perfect 10 only slightly. Although the images were creative, they were previously published. Once the commercially valuable right of first publication has been exploited, Perfect 10 isn't entitled to the enhanced protection available for unpublished works.

3. Amount and substantiality of the portion used. This factor favored neither party, as Google had no choice but to copy entire images so users could identify them.

4. Effect of use on the market. Neither party had an advantage in this factor either, because the potential harm to Perfect 10's market for reduced-size images was hypothetical.

Because Perfect 10 couldn't prevail on the four factors, the Ninth Circuit vacated the district court's injunction. But the decision wasn't a total victory for Google — the court sent the case back to the district court on the issue of secondary liability (whether Google was liable for contributing to infringement by others by providing links to Web sites showing full-size images).

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