

Recent Developments in Trademark Law

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In recent months, federal courts have issued several opinions likely to impact trademark law in significant ways. The Ninth Circuit issued two notable trademark infringement-related opinions, one dismissing infringement claims due to a broken chain of title and the distinction between functional and trademark usages of a product, and the other reversing a district court ruling of infringement after considering the context surrounding the use of a mark. The Federal Circuit upheld a T.T.A.B. denial of an opposition after analyzing the *DuPont* “likelihood of confusion” factors, while a California district court issued an interesting order highlighting the difficulty in presenting a claim based in foreign trademark law in a US court.

Fleischer Studios, Inc. v. A.V.E.L.A., Inc.,
Case No. 09-56317 (9th Cir. Feb. 23, 2011):

The Ninth Circuit affirmed the District Court for the Central District of California’s grant of summary judgment in favor of the defendants (“A.V.E.L.A.”), dismissing copyright and trademark infringement claims made by plaintiff Fleischer Studios, Inc. (“Fleischer”) related to the use of the Betty Boop cartoon character in A.V.E.L.A. merchandise. Fleischer’s predecessor entity, which created the Betty Boop character in the early 1930s, sold the rights to the cartoon and the character approximately a decade later. Fleischer attempted to repurchase Betty Boop-related intellectual property rights beginning in the 1970s. Accordingly, Judge Wallace’s opinion analyzed the chain of title to these intellectual property rights.

A.V.E.L.A. disputed Fleischer’s claim that the latter could track the ownership of intellectual property rights in Betty Boop to Fleischer, arguing that only the first transfer from Fleischer to Paramount Pictures, Inc. (“Paramount”) could be substantiated. The trial court agreed with A.V.E.L.A. that Fleischer failed to meet its burden of proof regarding any transfer of rights following Paramount’s acquisition of the rights.

The Ninth Circuit’s opinion discussed a 1955 purchase agreement by which Paramount transferred certain rights to UM&M TV Corp. (“UM&M”), holding that while the purchase agreement transferred copyrights related to Betty Boop *films*, it explicitly contemplated Paramount retaining copyrights related to the Betty Boop *character*, a bifurcation supported by subsequent conduct by Paramount. Due to the broken chain of title for the character copyright, the court of appeals reasoned, the trial court correctly dismissed Fleischer’s copyright infringement claim.

The Ninth Circuit went on to discuss the district court’s dismissal of Fleischer’s trademark infringement claim. While neither party cited them, the court of appeals found *Int’l Order of Job’s Daughters v. Lindeburg & Co.* (“*Job’s Daughters*”) and *Dastar Corp. v. Twentieth Century Fox Film Corp.* (“*Dastar*”) controlling. *Job’s Daughters* drew a distinction between using an image or name for functional purposes, on the one hand, and for trademark purposes, on the other. Applying the Court’s earlier reasoning from *Job’s Daughters*, Judge Wallace explained that, because A.V.E.L.A. did not use Betty Boop as a trademark in its products, but instead as a functional element of its products (A.V.E.L.A. never designated its Betty Boop items “official” nor attempted to mislead customers about the origin, sponsorship or endorsement of the products in question). As such, A.V.E.L.A. did not commit trademark infringement. The Ninth Circuit went on to

justify *Dastar's* relevance to the instant case. *Dastar* held that a copyright in the public domain may not become the subject of a trademark infringement claim “if that [trademark infringement] action is essentially a substitute for a copyright infringement action.” Because Betty Boop resides in the public domain, the court of appeals explained, it must therefore remain subject to copying, and such a trademark infringement claim must be barred.

Network Automation, Inc. v. Advanced Sys. Concepts, Inc.,
Case No. 10-55840 (9th Cir. Mar. 8, 2011):

The Ninth Circuit reversed and remanded a decision by the District Court for the Central District of California granting injunctive relief in favor of Advanced Systems Concepts (“Systems”) and against Network Automation (“Network”). Systems and Network both sell job scheduling and management software, and both do so at least in part through Internet advertising. Network purchased a number of keywords from search engines, including Google and Microsoft Bing, so that its link would appear when Internet users searched for them. Among the keywords Network purchased was “ActiveBatch,” which is a registered trademark of Systems, its competitor.

Following the parties’ exchange of letters, Network filed suit seeking a declaratory judgment of non-infringement of Systems’ mark. Systems counterclaimed, asserting that Network had infringed Systems’ mark in violation of the Lanham Act and seeking a preliminary injunction. The trial court found a likelihood of confusion after applying the eight-factor test from *AMF Inc. v. Sleekcraft Boats*, which includes the “troika” of factors considered most important in the Internet trademark infringement context (“the similarity of the marks, the relatedness of the goods or services, and the simultaneous use of the Web as a marketing channel”) gleaned from *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*

The Ninth Circuit’s analysis hinged on the likelihood of confusion resulting from Network’s use of Systems’ trademark. Noting that analysis of a trademark infringement claim requires a “flexible approach” in the Internet context, Judge Wardlaw explained that the trial court’s heavy reliance on the “troika” of Internet factors from *Brookfield* was not necessarily justified and that the trial court had read the *Brookfield* decision too expansively. In fact, as the Ninth Circuit discussed, applying the “troika” presented a poor fit for the question in this case due to the “multifaceted nature of the Internet and the ever-expanding ways in which we all use the technology.”

The Court went on to discuss the *Sleekcraft* factors, as well as other relevant factors courts have employed in the keyword advertising context, in analyzing Systems’ trademark infringement claim. Judge Wardlaw’s opinion went on to list the most relevant factors in the case as “(1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.”

The Ninth Circuit called particular attention to the fact that the trial court failed to consider the fourth factor, the “surrounding context” consideration. Since the search engines separated search results to create a distinct section for “sponsored” links (where Network’s link appeared), among other reasons, the Ninth Circuit held that the trial court abused its discretion in issuing injunctive relief. The Court of Appeals thus reversed and remanded the trial court’s decision, vacating the preliminary injunction against Network’s use of the advertising in question.

Levi Strauss & Co. v. AmericanJeans.com, Inc.,
Case No. 10-05340 (N.D. Cal. Apr. 11, 2011):

The District Court for the Northern District of California granted a motion to dismiss a claim arising under trademark laws of the European Union brought by plaintiffs Levi Strauss & Co. and Levi Strauss & Co. Europe Comm., VA/SCA (“Levi”) against defendants AmericanJeans.com, Inc. (“AJ”) and Steven Leigh. The trial court refused to hear Levi’s claim for lack of subject matter jurisdiction and due to additional

considerations, while allowing Levi to maintain other claims in the lawsuit arising under US law.

Levi manufactures, markets and sells certain clothing products using trademarks it has registered in the US and the European Union. Levi asserted its claims against AJ, an online retailer, for selling allegedly infringing products on its website and for using “imitations” of Levi’s trademarks, as well as for infringing and diluting Levi’s trademarks on AJ’s website. One claim Levi brought against AJ stemmed from an allegation that AJ resold Levi’s goods in the European Union through “unauthorized channels of distribution.”

The district court, in Judge Fogel’s order, analogized the case to *Voda v. Cordis Corp.*, explaining that several factors counseled against a court in the US hearing the European Union-based claim. The court expressed its view that it would be improper to “defin[e] the legal boundaries of a property right granted by another sovereign and then determine[e] whether there has been a trespass to that right,” and that such action would violate both the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights. Adjudication of the claim should rather be left to the sovereign whose law was at issue, as dictated by the doctrine of comity. Finally, the lack of “institutional competence” in a US court to properly adjudicate a European Union trademark law claim would not promote judicial economy. Accordingly, Judge Fogel ordered the dismissal of the claim from the suit.

This ruling by the district court could have far-reaching implications in a scenario where a contract at issue contains a forum selection clause providing for litigation in a US federal court; namely, whether such a forum selection clause could be enforceable if a claim in the litigation arises under the trademark laws of a foreign country.

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Perry Viscounty
Global Co-Chair, Intellectual
Property Litigation Group
Partner, Orange County



Matthew Walch
Partner, Chicago



Michael De Vries
Partner, Orange County



Julie Dalke
Counsel, Orange County



Laurence Cohen
Global Co-Chair, Intellectual
Property Litigation Group
Partner, London



Jennifer Barry
Associate, San Diego



Daniel Schecter
Partner, Los Angeles



Jennifer Archie
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