

## Trademark Cases To Watch in 2017

By **Bill Donahue**

*Law360, New York (January 2, 2017, 1:03 PM EST)* -- With an epic trademark battle already before the U.S. Supreme Court and potentially several more on the way, 2017 will be another exciting year in trademark law. Here's what you need to watch.

### **Lee v. Tam**

For the second year in a row, all eyes in trademark law in 2017 will be on The Slants — the Oregon rock 'n' roll band fighting at the U.S. Supreme Court to prove that the federal government's ban on offensive marks violates the First Amendment.

At issue in the band's case, set for arguments before the justices on Jan. 18, is the Lanham Act's Section 2(a), which bars the trademark office from registering any marks that "disparage" people. The case has garnered extra attention because that's the same provision the office used to revoke the Washington Redskins registrations in 2014.

For decades, the ban was considered constitutionally kosher because it didn't outright bar speech and brand owners could still enforce common law trademark rights without a registration. But in December 2015, the en banc Federal Circuit ruled that the provision unfairly deprived owners of offensive marks important benefits based on viewpoint.

At the high court, the U.S. Patent and Trademark Office has urged the justices to uphold the ban, saying "nothing in the First Amendment requires Congress to encourage the use of racial slurs in interstate commerce." The band has fired back that the First Amendment does not "permit the government to burden speech to protect society as a whole from being offended."

Section 2a's disparagement ban isn't exactly an everyday issue for most trademark lawyers, but the high court's decision will only be its third on trademark law in the last 10 years, dealing with a seven-decade-old statutory provision and big themes of race and speech, with major implications for a billion-dollar football franchise to boot.

To say the least, trademark attorneys will be watching.

"If they agree with the Federal Circuit, they're going to be changing 70 years of established TM law," said Monica Riva Talley, the head of the trademark practice at Sterne Kessler Goldstein & Fox PLLC.

One thing in particular to watch out for: If the court does uphold the ban on “disparaging” registrations, will it hold that such unregistrable marks are still enforceable under the American system of common law trademark rights?

That might seem like black-letter trademark law, but the American Bar Association filed an amicus brief in the case in November warning that the Federal Circuit’s December ruling had left it in doubt.

“The court of appeals’ opinion in this case confuses the distinguishable concepts of mark validity, on the one hand, and mark registrability, on the other,” the group wrote at the time.

The case is *Lee v. Tam*, case number 15-1293, in the Supreme Court of the United States.

### **NantKwest Inc. v. Lee**

In the New Year, the USPTO is rolling out new fees for applicants and litigants at the Trademark Trial and Appeal Board, but those aren’t the only new fees that trademark attorneys will be watching in 2017.

They’ll also be keeping an eye on a case at the Federal Circuit over a quieter change in fees: A recent USPTO policy of demanding that unsatisfied trademark applicants appealing to a district court pay the agency’s attorney fees regardless of whether the agency wins or loses the case.

The Lanham Act has always required that applicants who file a de novo appeal to a district court — as opposed to a more streamlined appeal directly to the Federal Circuit — pay “all expenses of the proceeding,” but until recently, USPTO had only ever interpreted that provision to mean things like agency travel costs and expert fees, not the far more substantial demand of attorneys’ fees.

A few years ago, the agency began asking for those fees, too — dramatically increasing the price for trademark applicants who opt for the more in-depth appeal to a district court.

The Fourth Circuit upheld the new interpretation in one case, rejecting claims that it violated the so-called American Rule and its general disfavor of fee-shifting, but the policy change is currently before the Federal Circuit in a separate case set for arguments in February.

USPTO says the new fees are justified to cover rising costs of a more expensive appeal process, but the International Trademark Association has warned that court that the new policy is “anathema” to the basic principles of intellectual property law, since it would make certain appeals too expensive for small companies and individuals.

You won’t find many practicing trademark attorneys who disagree with that assessment.

“It’s just so contrary to the American Rule, it’s unbelievable,” said Dyan Finguerra-DuCharme, a partner at Pryor Cashman. “Even if they lose we have to pay? That’s crazy.”

The case is *NantKwest Inc. v. Lee*, case number 16-1794, at the U.S. Court of Appeals for the Federal Circuit.

## **Belmora LLC v. Bayer Consumer Care AG**

With discussions of globalism dominating politics, the Supreme Court is set to decide whether to grant cert in an important case on how the Lanham Act — with its jurisdiction limited to issues involving American commerce — should operate in a world economy that is increasingly borderless.

At issue: Can a foreign corporation sue under U.S. trademark law over the unauthorized use of a foreign trademark that it has never used in the U.S. market or registered with USPTO? The question arose after German pharma giant Bayer AG accused a small company called Belmora LLC of using the name “Flanax” — Bayer’s Mexican brand name for Aleve but a name it had never used in the U.S. — in an effort to deceive newly arrived immigrants.

In March, the Fourth Circuit sided with Bayer, ruling that there was “no unstated requirement” that a company like Bayer must have used a U.S. trademark to sue under the Lanham Act’s unfair competition provision. The lower court “erred in imposing such a condition,” the appeals panel wrote at the time.

In taking that ruling to the high court, Belmora has warned the justices that it is an “invitation to foreign businesses to use the Lanham Act’s unfair competition provisions to circumvent the territorial limitations of U.S. trademark law.”

Whether that’s a good thing or a bad thing is up for debate. On the one hand, trademark law’s protections have traditionally been constrained by borders; on the other hand, reputational harm and consumer confusion are increasingly global.

Whether the court decides to review that ruling — and if so whether it affirms or reverses it — will be closely watched by trademark attorneys.

“The Fourth Circuit’s ruling was a recognition of the increasing globalization of our economy and that it’s hard to have these very bright geographic lines when it comes to trademark rights,” Talley said. “It was acknowledgement that your reputation can bleed over a geographic boundary.”

Belmora LLC v. Bayer Consumer Care AG, case number 15-1335, in the U.S. Court of Appeals for the Fourth Circuit.

### **Others To Watch**

- **Converse Inc. v. ITC** – Nike’s Federal Circuit appeal, of a U.S. International Trade Commission’s ruling that key design features of the Converse Chuck Taylor sneaker couldn’t be protected by trademark law, will be an illuminating battle over how trademark law protects footwear.

- **Royal Crown Co. Inc. v. The Coca-Cola Co.** – This Federal Circuit appeal of a May ruling by the Trademark Trial and Appeal Board that Coke could register “Zero” will dig into how the board should decide if a term is too generic to be a trademark.

- **Diageo North America Inc. v. Sazerac Company Inc.** – This case over Bulleit whiskey bottles, just filed in December, pits two spirits giants against each other in what should be a fascinating look at the protection afforded to trade dress in the alcohol industry.

- **International Information Systems Security Certification Consortium Inc. v. Security University LLC** – The Supreme Court is weighing a petition for certiorari in this case that, if granted, would give it a chance to rule for the first time on trademark’s nominative fair use doctrine.

- **Romag Fasteners Inc. v. Fossil Inc.** – A company called Romag Fasteners is pushing the U.S. Supreme Court to weigh in on whether a trademark owner can be awarded an infringer’s profits even when the defendant has not willfully infringed, saying circuit courts are “intractably divided” on the issue.

--Editing by Rebecca Flanagan.

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