



2022 IP Outlook Report

THE DEVELOPMENTS SHAPING TRADEMARK LAW

McDermott
Will & Emery

TABLE OF CONTENTS

- 3** Key Takeaways and Outlook for 2022
- 5** Developments Shaping Trademark Law
 - 5** TMA & Other Leveled-Up PTO Measures to Combat Fraud
 - 7** Trademark Law and the First Amendment
 - 9** Tackling Counterfeit Dangers as Online Shopping Promotes Economic Boom
 - 10** Terrestrial Branding Takes on the Virtual World
 - 12** Procedure and Trademarks in 2021

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KEY TAKEAWAYS AND OUTLOOK FOR 2022

While Gen Z taught us all on TikTok how not to be “cheugy,” or out of touch with pop culture, similarly, trademark law in 2021 ushered in new and changed regulations, provided further guidance on traditional legal concepts and gave us a peek into how brands may help shape the future in the “metaverse”—and beyond. Trademarks (like Gen Z), keeping us all hip.

After another year of uncertainty marked by an ongoing pandemic, environmental strains, fights for social justice and a growing understanding of what it means to be truly equitable and inclusive, we expect that brands will continue to serve as cultural beacons, consumer protection tools and drivers of change in 2022. Developments to watch include:

NEW STRATEGIES AND TOOLS FOR ADDRESSING FRAUD

We anticipate that brand owners will take advantage of the Trademark Modernization Act of 2020 (TMA)—which went into effect on December 18, 2021—and other legal guidance to tackle fraud, remove “deadwood” from the federal trademark register and streamline prosecution and enforcement strategies.

FIRST AMENDMENT PROTECTIONS IN HIGH-PROFILE TRADEMARK INFRINGEMENT CASES

Last year saw rapper sensation Lil Nas X and popular brands Nike and Jack Daniel’s mired in legal disputes that hinged on the First Amendment’s dictums. Artists and creatives will undoubtedly continue to push and define the metes and bounds of trademark law in the face of the First Amendment.

ONGOING EFFORTS TO EFFECTIVELY COMBAT COUNTERFEITING

While everyone watches for legislation in 2022 that will address the problem that is counterfeiting, brand owners should take steps to maintain a vigilant enforcement system, involving ecommerce platforms, established protocols created by US Customs and Border Protection and possibly the International Trade Commission (ITC) itself for disputes and exclusion orders.

HOW TRADEMARKS (AND BUDGETS) WILL FIT INTO AN EVER-GROWING VIRTUAL WORLD

Following last year’s metaverse launch, which featured Facebook’s ubiquitous Meta rebrand, Nike and Converse’s trendsetting trademark applications for “downloadable virtual goods,” and applications for pricey non-fungible tokens (NFTs), courts and the US Patent and Trademark Office (PTO) will be forced to grapple with whether a trademark registration covering traditional goods can be equally extrapolated to virtual goods. Brand owners will have to contend with how much customization and control they are willing—or legally able—to relinquish to their valued consumers and communities.

WHETHER ATTENTION ON BEER AND HAND SANITIZER WILL IMPACT THE COURT ACCESS ISSUE

When Brooklyn Brewery Corp. attempted to prevent a competitor from registering a rival trademark in relation to hand sanitizer, it was denied by the US Court of Appeals for the Federal Circuit. The forthright criticism following that 2021 ruling may

lead to further review or comment in 2022, keeping court access a live issue for trademark plaintiffs—and the business of beer, fluid.

We will continue to watch as brands dip their virtual toes (or sneakers) into the metaverse, as well as other developments impacting your trademark universe, in 2022.



DEVELOPMENTS SHAPING TRADEMARK LAW

TMA & OTHER LEVELED-UP PTO MEASURES TO COMBAT FRAUD

Author: *Ellie Atkins*

In 2020, US Congress enacted the TMA. Some of its changes merely codify the existing practice of the PTO, such as the letter of protest. Others, notably two new *ex parte* proceedings (*i.e.*, expungement and reexamination), were designed to assist with the PTO's initiatives to clear the US trademark register of fraudulent registrations and applications, as well as "deadwood" or trademarks no longer in use.

As outlined in the PTO's final rules implementing TMA provisions, most changes went into effect on December 18, 2021, including:

1. **Expungement and Reexamination Proceedings:**

The TMA created these new *ex parte* proceedings, which allow third parties—including the PTO Director—to challenge registrations for nonuse. As stated in the PTO's final rules on this matter, "When the register includes marks that are not currently in use, it is more difficult for legitimate businesses to clear and register their own marks." Petitions for expungement and reexamination require, among other things, a \$400 fee and information regarding the basis for the petition, including a verified statement of the facts with the details of the petitioner's "reasonable

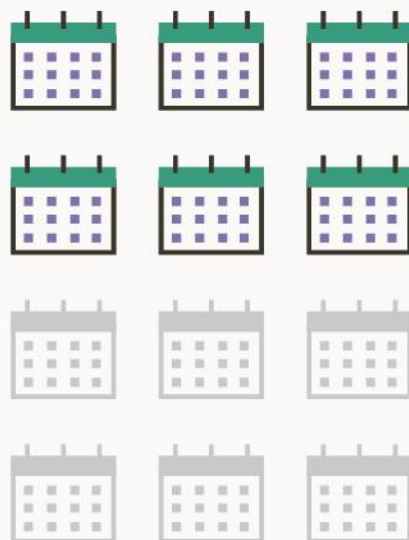
investigation of nonuse." The PTO Director will then review the petition and the electronic record to determine whether to institute a proceeding. If instituted, an office action will be issued, requiring the registrant to provide evidence rebutting nonuse.

2. **Letters of Protest:** The TMA codified the long-standing practice at the PTO for letters of protest, which allow third parties to submit evidence relevant to a trademark's eligibility for registration while the application is under examination. Letters of protest filed before publication must include evidence supporting the ground(s) for refusal, whereas letters of protest filed after publication face a higher evidentiary bar, namely, evidence establishing a prima facie case for the refusal. The TMA specifies that the PTO has two months to act on the submission and that the PTO Director's decisions with respect to letters of protest are final and non-reviewable. However, while there are no appeal rights if a letter of protest is not considered (nor is there an ability to "amend" or "supplement" a letter of protest once filed), parties may file a new letter of protest so long as the relevant application's publication period has not ended.

On December 1, 2022, changes to the office action response timeline will go into effect. Previously, applicants/registrants had six months to respond to office actions. Under the new provisions, this timeframe will be shortened to three months (for most applications), with the option for a one-time three-month extension upon payment of a \$125 fee.

PTO LAUNCHES NEW RESPONSE TIME TO OFFICE ACTIONS

CURRENT TIMEFRAME



AS OF DECEMBER 1, 2022



\$125 extension fee begins

Beginning December 1, 2022, the PTO will shorten the amount of time applicants/registrants have to respond to certain office actions from six months to three months.

Fraud, Sanctions and Cancellations

The TMA is just one of many steps being taken to address fraudulent filings. Concerned that some US lawyers were assisting non-US applicants without conducting proper diligence as to the authenticity and veracity of information included in trademark applications, the PTO began investigating parties who were lodging suspiciously large numbers of trademark filings on behalf of overseas applicants. The PTO has since issued several [sanction orders](#) where it found evidence of fraudulent applications and violations of the PTO Rules of Professional Conduct. The sanctions for at least two US lawyers who assisted Chinese applicants with illegitimate applications included a 12-month probationary period and mandatory classes on ethics and trademark law. The PTO also sanctioned a Chinese trademark agency, terminating more than

15,000 application proceedings involving the agency and barring the agency from all further correspondence or submission to the PTO, noting that the agency is “not and never w[as] authorized or recognized to practice before the USPTO in trademark matters.”

In keeping with the concentrated effort of the PTO and the TMA to clear “deadwood” clutter from the registry, the Federal Circuit and the Trademark Trial & Appeal Board (TTAB) provided clarification on—and arguably lowered—the standard for proving fraud. Notably, in *Chutter, Inc. v. Great Management Group, LLC* and *Chutter, Inc. v. Great Concepts, LLC*, 2021 USPQ2d 1001 (TTAB 2021), the TTAB held that “reckless disregard” for the truth can satisfy the “intent to deceive” requirement for fraud set forth in the seminal case, *In Re Bose Corp.*, 91 USPQ2d 1938 (Fed. Cir. 2009). In *Chutter, Inc.*, the TTAB

granted a petition to cancel a registration for DANTANNA’S, finding that the defendant’s conduct (*i.e.*, filing a Combined Declaration of Use and Incontestability under Sections 8 and 15 of the Trademark Act that declared, incorrectly, that there was no pending proceeding involving the relevant mark) constituted reckless disregard for the truth and, therefore, demonstrated an intent to deceive the PTO—sufficient evidence for a finding of fraud.

Additionally, in *Galperti, Inc. v. Galperti S.R.L.*, Case No. 21-1011 (Fed. Cir. Nov. 12, 2021), the Federal Circuit (for the second time) held that the TTAB erred in dismissing a petition to cancel for fraud based on the applicant’s statement of “substantially exclusive” use of its mark for five years, which the applicant submitted in support of its claim of acquired distinctiveness under Section 2(f) of the Trademark Act. Specifically, the Federal Circuit held that, as a matter of law (and contrary to the TTAB’s assertions otherwise), (1) a party challenging a Section 2(f) claim based on substantially exclusive use of that trademark does not need to have acquired distinctiveness in its own mark in order for the challenger’s use to undercut the applicant’s claim of substantially exclusive use; and (2) use of the mark by any party, regardless of its relationship to the challenger, is relevant to the assessment of the applicant’s claims of substantially exclusive use.

Both *Chutter, Inc.* and *Galperti, Inc.* helped lessen the burden for parties seeking to cancel certain registrations based on fraud. These decisions, in conjunction with the efforts of Congress and the PTO, should help to address fraudulent filings cluttering the register.

TRADEMARK LAW AND THE FIRST AMENDMENT

Author: Joshua Revilla

The First Amendment’s right to free speech is a hot button issue in trademark law, with cases involving parody and other speech continuing to adjust the metes and bounds for the types of marks granted protection for associated goods and services. Last year saw Nike and Jack Daniel’s mired in legal disputes that hinged on the amendment’s dictums.

Brooklyn-Based Brand and Rapper Dance with the Devil

So, who won the dance off? While Nike vigilantly protected its brand, it didn’t necessarily disrupt art and sneaker culture, particularly for customers willing to spend over \$1,000 on designer sneakers.

In a case that garnered attention far beyond legal circles, the US District Court for the Eastern District of New York took a crack at deciding the extent to which the First Amendment would protect the MSCHF/Lil Nas X “Satan Shoe” against claims of trademark infringement and dilution in *Nike, Inc. v. MSCHF Product Studio, Inc.*, case 1:21-cv-01679, (EDNY March 29, 2021). Lil Nas X is an American rapper and singer who first found fame with the release of the country rap song “Old Town Road” and its remix featuring country music and pop culture icon Billy Ray Cyrus. MSCHF is an art collective in Brooklyn, New York that produces a wide variety of artwork—including designer apparel and footwear—known for challenging traditional brand concepts and intellectual property law.

MSCHF partnered with Lil Nas X to produce a modified Nike Air Max 97 sneaker designed with an upside down cross, a pentagram and human blood injected into the soles with the *subtle* name, “Satan Shoes.” Nike quickly sued for trademark infringement and other claims after public outcry over the shoes. MSCHF argued several theories in defense, including an argument centered around the protection provided by the First Amendment’s right to free speech. MSCHF attempted to rely on prior parody cases involving artistic relevance where use of a third-party trademark was considered either non-misleading or noncommercial. Nike countered those defenses by arguing that the 666 pairs of shoes that were produced should not be given the same protection as a single work of art or a standalone satirical article. Nike further argued that the artistic relevance of MSCHF’s shoes was not only irrelevant to Nike’s trademark, but the shoes did not need to incorporate Nike’s trademark as prevalently as they did, namely, the signature NIKE SWOOSH logo.

Before the case eventually settled, the court found Nike’s arguments to be convincing and determined

that Nike was likely to succeed on the merits of its infringement and dilution claims. Thus, the court issued an order and barred MSCHF from selling the shoe. By that time, however, 665 of the 666 pairs of shoes were already purchased for over \$1,000 each, and the order did not include a mandatory recall. The agreed-to settlement included MSCHF issuing a voluntary recall to customers, allowing them to return

the shoes if desired but also allowing for no recourse from Nike should there be any issues with the shoes. The settlement and voluntary recall were an arguable win for Nike—demonstrating its vigilant protection of its brands, while at the same time, not necessarily disrupting art and sneaker culture.

Whiskey with a Shot of Humor

In January 2021, the Supreme Court of the United States denied Jack Daniel’s petition to review the Court of Appeals for the Ninth Circuit’s decision allowing for humorous messages on products to qualify for the same First Amendment protections provided to expressive works.



Jack Daniel's sued VIP Products for making a dog toy that resembled a Jack Daniel's bottle with the name "Bad Spaniels" on it, along with several other humorous quips, including "Old No. 2 on your Tennessee Carpet" and "100% smelly." The district court first found in favor of the brand owner for trademark infringement and dilution. The district court originally determined that VIP's parody defense should be disregarded and denied VIP Products from receiving heightened First Amendment protection under *Rogers v. Grimaldi*. It reasoned that VIP's toy did not contain the "artistic expression" as required under *Rogers*. (See: *VIP Prods., LLC v. Jack Daniel's Prods.*, 2016 Dist. LEXIS 13387 (D. Ariz. Sept. 27, 2016).)

On appeal to the Ninth Circuit, it was determined that the dog toy was an "expressive work," which entitled it to the heightened protections afforded by the First Amendment. The Ninth Circuit reasoned that although it was no *Mona Lisa*, the chew toy still conveyed a "humorous message" deserving of protection. (See: *VIP Prods. LLC v. Jack Daniel's Prods.*, 953 F.3d 1170 (9th Cir. 2020).)

With the Supreme Court's denial of case review in January 2021, the Ninth Circuit's decision is precedential. This sets up, not only a tougher legal climate for brand owners, but also a jurisdictional split with respect to the defense of parody in cases involving trademark infringement. The Ninth Circuit now applies *Rogers*, while many other circuits—including the Second, Fourth, Fifth, Seventh, Eighth and Tenth—still do not, and sticks with the traditional likelihood of confusion test. Other jurisdictions, including the First, Third, Sixth and Eleventh Circuits, have yet to address this issue, so it remains to be seen which direction various circuit courts will take in future disputes over claims of parody.

TACKLING COUNTERFEIT DANGERS AS ONLINE SHOPPING PROMOTES ECONOMIC BOOM

Author: Ellie Atkins

It's no surprise that during another year of pandemic living, ecommerce is booming. Consumers, avoiding crowded stores, take to the internet to buy even everyday items, such as toilet paper, groceries, hand sanitizer, prescriptions and, of course, protective facial masks. Unfortunately, shopping online, especially from online marketplaces, is rife with counterfeit goods.

Counterfeit products present real dangers for consumers, particularly goods that may impact consumer health and safety. 3M, which makes disposable respirator masks, undertook a massive campaign to combat counterfeit products, setting up a fraud hotline and instituting dozens of lawsuits. The PTO, hoping to educate the public about the dangers of counterfeit goods, teamed up with the National Crime Prevention Council and McGruff the Crime Dog for a nationwide PSA campaign, warning consumers that "counterfeits [] are cheating consumers and causing serious injuries and death, hurting US businesses, and funding organized crime."

Congress is also considering legislation that would address the issue, including the Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce Act (SHOP SAFE Act) and the Integrity, Notification and Fairness in Online Retail Marketplaces for Consumers Act (INFORM Consumers Act). The latter, which has the support of certain online marketplaces, would direct online marketplaces to take steps to verify the identity of high-volume third-party sellers. The SHOP SAFE Act, however, would open online marketplaces to potential contributory liability if they do not implement certain "best practices," such as using technology to screen goods for

counterfeits before they appear in the marketplace, prohibiting repeat offenders from selling goods on the platform and screening to ensure that terminated sellers cannot rejoin.

Brand owners, frustrated by the proliferation of counterfeit goods, also sought to hold contributory infringers liable in court:

- ***Omega v. 375 Canal, Case No. 19-969 (2d 2021):*** The US Court of Appeals for the Second Circuit affirmed a \$1.1 million judgment against a commercial landlord for contributory infringement based on the landlord’s willful blindness to counterfeiting occurring at the leased property. Omega, well known for its luxury watches, alleged that the landlord continued to lease the space to vendors despite knowing that the vendors were selling counterfeit Omega products.
- ***The Ohio State University v. Redbubble Inc., Case No. 19-3388 (6th Cir. 2021):*** The US Court of Appeals for the Sixth Circuit, reversing the district court’s grant of summary judgment in favor of Redbubble and remanding the case for further consideration, held that online print-on-demand marketplace Redbubble was more than just a “passive facilitator” of infringing goods bearing The Ohio State University’s trademarks. Redbubble provides an online storefront that allows third parties to upload artwork and sell goods printed with those designs. Noting, among other things, that Redbubble classifies its goods as “Redbubble products” printed with the artists’ designs, the Sixth Circuit stated that Redbubble “acted less like a hands-off intermediary and more like a company that creates knock-off goods.”
- ***Atari Interactive Inc. v. Redbubble Inc., Case No. 4:18-cv-03451, (N.D. Cal. 2021):*** Atari sued Redbubble for copyright and trademark

infringement for selling products featuring Atari’s intellectual property, including some of its well-known Pong and Asteroid game logo designs. The jury, however, found that Redbubble was not liable for contributory infringement and had not sold infringing products. Rather, for purposes of infringement, it was the individual designers—not Redbubble—that infringed Atari’s intellectual property.

Effectively combatting counterfeiting will require significant effort by the PTO, the US government and brand owners. Brand owners should take steps to maintain a vigilant enforcement system by working with ecommerce platforms where possible to remove counterfeit goods, working with established protocols created by Customs and Border Protection and possibly utilizing the ITC for disputes and exclusion orders relating to counterfeits. In the meantime, all parties will be watching to see what, if any, legislative changes are made in 2022 to help address the problem.

TERRESTRIAL BRANDING TAKES ON THE VIRTUAL WORLD

Author: Joshua Revilla

Nearly 30 years after the 1992 dystopian novel “Snow Crash” arguably coined the term “the metaverse,” the seemingly futuristic era is officially here, and brands are expanding their presence into the virtual world. Even if you didn’t read the ‘90s novel, it would be difficult to ignore the growing virtual world that is the metaverse. This is especially so following Facebook’s October 2021 announcement that it rebranded as “Meta,” jumpstarting a mainstream foray into all things virtual. The metaverse is a quickly growing space that combines virtual reality, digital art and commerce, online gaming, cryptocurrencies and decentralized technologies into a shared community that is challenging our terrestrial norms.



IN THE DAYS FOLLOWING META'S
ANNOUNCEMENT, AROUND

50,000

NEW ONLINE DOMAIN NAMES CONTAINING
THE TERM "META" WERE ACQUIRED

In the days following Meta's announcement, around 50,000 new online domain names containing the term "meta" were acquired, many of which incorporated well-known company names and trademarks. However, domain names are not the only trademark-related asset dominating the metaverse obsession. Brands such as Nike made headlines after filing intent-to-use trademark applications for many of its famous trademarks—including its signature SWOOSH logo—for use on various virtual goods and services. Following in Nike's footsteps, Converse filed several trademark applications for "downloadable virtual goods" in a variety of international classes. Numerous other brands also proceeded to file trademarks for downloadable and hosted virtual goods, including Urban Outfitters, Abercrombie & Fitch, Limited Brands and others. Some brands, including Fashion Nova, filed trademarks for downloadable virtual goods as well as for NFTs, another growing market in the digital space.

Following its trademark applications, Nike proceeded to launch a roblox.com hosted NIKELAND showroom that provides a collection of virtual shoes, clothes and accessories. adidas is also moving into the virtual world with the adiVerse. Sportswear brands are not the only ones making moves into the metaverse,

however. Luxury brand Balenciaga has shown interest, and vacuum giant Dyson opened a virtual reality showroom (for the yet unsolved dilemma of metaverse dust bunnies).

If a consumer owns an NFT for a one-of-a-kind pair of sneakers, who is liable when a dupe shows up in a virtual store? Will there be a metaverse PTO?

As the virtual world continues to grow, brand protection strategies will be paramount but also evolving. Brands will need to strike a balance between strict enforcement protocols and the risk of naked licensing with the community ethos of decentralization. Courts and the PTO will be forced to grapple with whether a trademark registration covering traditional goods can be equally extrapolated to virtual goods. If a consumer owns an NFT for a one-of-a-kind pair of sneakers, who is liable

when a dupe shows up in a virtual store? Will there be a metaverse PTO? Not to mention, what happens when you lose those secret words for your digital wallet?

PROCEDURE AND TRADEMARKS IN 2021

Author: Liz Teter

Closing the Courthouse Door on Trademark Plaintiffs

Court access has been a major issue for trademark plaintiffs this year. Invoking procedural gatekeeping rules, federal courts have closed the courthouse door on trademark plaintiffs before they had a chance to be heard on the merits.

- In *Belmora LLC v. Bayer Consumer Care AG*, 987 F.3d 284 (4th Cir. 2021), the US Court of Appeals for the Fourth Circuit held that the application of the doctrine of laches could bar a § 43(a) action for false or misleading advertising as untimely. Bayer sells the pain reliever naproxen, known as FLANAX in Mexico and as ALEVE in the United States. In 2004, Belmora began selling naproxen as FLANAX in the United States. In 2014, Bayer brought claims against Belmora under § 43(a) of the Lanham Act. The district court rejected Bayer’s § 43(a) claims as time-barred under an analogous state statute of limitations because Bayer “misse[d] the statute of limitations by almost a decade.” On appeal, the Fourth Circuit held that laches—not the statute of limitations—is the appropriate defense to § 43(a) claims. The Supreme Court recently declined to hear the case, so the § 43(a) claims are headed back to the district court for a determination as to whether Bayer’s § 43(a) claims are barred by laches.
- In *Brooklyn Brewery Corp. v. Brooklyn Brew Shop, LLC*, 17 F.4th 129 (Fed. Cir. 2021), the Federal Circuit held that a party appealing a TTAB decision must satisfy Article III requirements in addition to statutory requirements in order to proceed with an appeal in federal court. Brooklyn Brew Shop (BBS) filed an application to register a mark in its name for Class 5 “sanitizing preparations,” and other goods. Brooklyn Brewery filed a notice of opposition. The TTAB dismissed Brooklyn Brewery’s opposition on various grounds including, as to Class 5, the great “dissimilarity of the goods and channels of trade” for BBS’s sanitizing preparations. On appeal, the Federal Circuit held that the possibility that Brooklyn Brewery might someday expand its business to include the sale of sanitizing preparations—which it currently does not—was not enough to establish Article III standing with respect to the Class 5 goods.
- In *Philanthropist.com v. The General Conference Corporation of Seventh-Day Adventists*, Nos. 92065178, 92065255, 2021 WL 2472776 (T.T.A.B. June 15, 2021), the TTAB held that a plaintiff seeking entitlement to a statutory cause of action under Trademark Act Section 14 (*i.e.*, “standing” in a TTAB proceeding) must demonstrate a real interest in the proceeding and a reasonable belief of damage. The General Conference Corporation of Seventh-Day Adventists (Corporation), a titleholder for the Seventh-Day Adventist Church’s assets (including trademarks), registered the mark “Adventist.” Philanthropist.com acquired the domain name adventist.com and then offered it for sale to interested buyers. In 2016, the Corporation sent a cease and desist letter to Philanthropist.com and filed a complaint with the forum under the Uniform Domain Name Resolution Procedure

(UDRP), seeking a ruling that the domain name should be transferred to it. While the UDRP was pending, Philanthropist.com filed trademark cancellation proceedings before the TTAB, seeking to cancel the Corporation’s “Adventist” mark. Philanthropist.com, however, stopped offering the domain name for sale and no one has expressed interest in purchasing the domain name since 2018. The TTAB denied Philanthropist.com’s petition for cancellation, reasoning that it failed to demonstrate entitlement to a statutory cause of action under the Trademark Act Section 14 because its interests were “outside the zone of interests” and its claims of damage or harm had “no reasonable basis in fact.”

Conflicting Guidance on Aesthetic Functionality

In 2021, the aesthetic functionality doctrine was top of mind among the higher courts, which provided conflicting guidance on when a design feature is functional, and, thus, does not serve as a source-identifying trademark.

Both the Second and Ninth Circuits made clear that the prevailing test for aesthetic functionality, which considers a design feature’s essentiality, effect on cost or quality and effect on competition, applies in those circuits. The US Court of Appeals for the Third Circuit took a different approach and focused on the usefulness—rather than the essentiality—of the design feature.

- In *LLTB LLC v. Redbubble, Inc.*, 840 F. App’x 148 (9th Cir. 2021), LLTB, a t-shirt vendor, obtained registered trademarks for the words and design “LETTUCE TURNIP THE BEET.” LLTB sued Redbubble, alleging that Redbubble infringed its trademarks by selling t-shirts, tote bags and other products bearing the same words and design. The

district court granted summary judgment to Redbubble, holding that under the doctrine of aesthetic functionality, LLTB could not prevent Redbubble from displaying the phrase “LETTUCE TURNIP THE BEET” on its products. On appeal, the Ninth Circuit applied the *Au-Tomotive Gold* two-part aesthetic functionality test, which considers (1) whether the infringing products would still function without the marks and (2) whether exclusive use of the marks would put competitors at a “significant non-reputation-related disadvantage.” The Court concluded that LLTB’s marks do not function as trademarks because they are aesthetic, reasoning that Redbubble’s products would still function as products without displaying LLTB’s marks, and competitors would not be able to sell products bearing “LETTUCE TURNIP THE BEET” if LLTB’s marks were protected. This case also serves as an ongoing reminder that phrases and slogans displayed on clothing items, rather than on hang tags or clothing labels, often are considered to be merely aesthetic by the PTO and generally are not acceptable to demonstrate use of a trademark in commerce.

- In *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174 (2d Cir. 2021), Sulzer Mixpac, a manufacturer and seller of mixing tips that are used by dentists to create impressions of teeth for dental procedures, obtained registered trademarks for the colors yellow, teal, blue, pink, purple and brown as applied to mixing tips. Sulzer Mixpac sued A&N Trading—a competitor that also manufactures and sells mixing tips—for trademark infringement, alleging that A&N’s mixing tips used colors that were identical or nearly identical to the colors on Sulzer Mixpac’s mixing tips. The district court concluded that Sulzer Mixpac’s use of the colors was nonfunctional (based in part on the increased cost

of adding color to the mixing tips and noting that other competitors used clear tips) and entered judgment and a permanent injunction in favor of Sulzer Mixpac. On appeal, the Second Circuit reversed the decision. The Second Circuit found that Sulzer Mixpac's use of colors was functional, reasoning that Sulzer Mixpac's use of colors affected the product quality by identifying the mixing tip's diameter. The Second Circuit also instructed that the district court should have applied the three-part *Louboutin* aesthetic functionality test, which considers whether the design feature (1) is essential, (2) affects the cost or quality of the infringing product and (3) has a significant effect on competition.

- In *Ezaki Glico Kabushiki Kaisha v. Lotte International America Corp.*, 986 F.3d 250 (3d Cir. 2021), Ezaki Glico, a confectionary company that produces Pocky, a thin, stick-like cookie with one side dipped in chocolate or flavored cream, obtained trade dress registrations for its product

design. Ezaki Glico sued Lotte for trade dress infringement. The district court found the Pocky product configuration to be functional and entered summary judgment for Lotte. In 2020, on appeal, the Third Circuit affirmed the district court's decision and rejected Ezaki Glico's argument that its trade dress was not functional because it was not essential to its product. In 2021, on rehearing *en banc*, the Third Circuit vacated its earlier decision, holding that trade dress does *not* have to be essential to be functional. The Court instructed that Third Circuit courts should instead consider the usefulness (not the essentiality) of the design feature, but in doing so, should look to the usefulness of the particular form or shape of the design feature—not the usefulness of the product or feature as a whole.

Despite the conflict among the circuits, the Supreme Court denied certiorari in *Ezaki Glico*, leaving the circuit-split alive for another day.

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