


January 2021

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The January 2021 issue of Sterne Kessler's Markt to Market® newsletter discusses: a recent non-precedential TTAB decision on background designs; the Trademark Modernization Act; Pantone's Color of the Year for 2021; litigation surrounding CBD extraction technology; and the new gTLD open sunrise periods.

Sterne Kessler's [Trademark & Brand Protection practice](#) is designed to help meet the intellectual property needs of companies interested in developing and maintaining strong brands around the world. For more information, please contact [Monica Riva Talley](#) or [Tracy-Gene G. Durkin](#).

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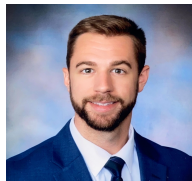
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FADING INTO THE BACKGROUND: MELISSA & DOUG'S RED OVAL MARK UNREGISTRABLE WITHOUT EVIDENCE OF INDEPENDENT USE



By: [Shana L. Olson](#)

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By: Joseph Diorio and [Monica Riva Talley](#)

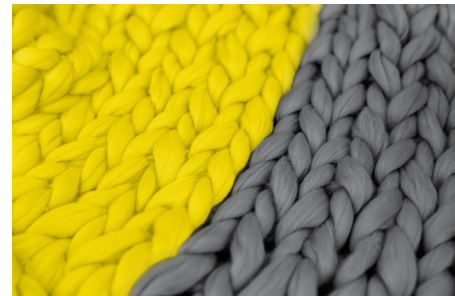
As has been the case in recent years, trademark filings in 2020 again increased over the previous year. While at first glance this may seem to indicate that the U.S. economy continues to grow and innovate, at least some of the growth is attributed to foreign, primarily Chinese, applicants who receive government subsidies based on obtaining U.S. trademark registrations.

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In a [recent non-precedential opinion](#), the TTAB affirmed a refusal to register Melissa & Doug, LLC's red oval background mark (the "Proposed Mark"), finding that the acquired distinctiveness factors weighed against a finding of distinctiveness:



Melissa & Doug is a beloved American brand of children's toys, including wooden puzzles, arts and crafts products, and other educational toys, and the oval at issue has appeared on such products since 2003. The application at issue covered a long list of goods in Classes 16 and 28, and online retail store services in Class 35.

However, common geometric shapes that appear as a background for other wording are not regarded as trademarks on their own, absent evidence of distinctiveness for the background design alone. See *In re Benneton Grp. S.p.A.*, 48 USPQ2d 1214 (TTAB 1998). Though Melissa & Doug provided the Examining Attorney and the Board with a large volume of evidence in support of registration of this mark, most, if not all, of the evidence pertained to use of the Proposed Mark as the background image for the words "Melissa & Doug." The Board found the evidence to be largely unpersuasive, and ultimately found that the distinctiveness factors weighed against registration of the mark. The Board considered the following factors:

- 1. Association of the Proposed Mark with a Particular Source by Actual Purchasers:** Melissa & Doug obtained 31 customer declarations during one day stationed at the FAO Schwartz toy store in New York. The Board noted that these declarations were generally well done and persuasive, while also limited in quantity. This factor weighed in favor of Melissa & Doug.

2. **Length, Degree, and Exclusivity of Applicant's Use:** There was some evidence in connection with these factors that weighed in favor of Melissa & Doug, but the Board said that the fact that the design was always displayed behind the "Melissa & Doug" wording lessens the value of that evidence. This factor weighed slightly in favor of Melissa & Doug.

3. **Amount and Manner of Advertising:** The Board noted that the Proposed Mark, displayed with the Melissa & Doug wording, appears prominently on Applicant's products and point-of-sale displays. However, the Board also discussed that multiple other arguments made by the Applicant on this point were unpersuasive – specifically, that the "Melissa & Doug" wording was not always used with the mark, and that the Applicant had engaged in robust social media advertising. On balance, this factor weighed against Melissa & Doug.

4. **Amount of Sales and Number of Customers:** Though Melissa & Doug's sales figures were characterized as "substantial" and "impressive," the Board mostly dismissed this evidence, as the Proposed Mark is always used in connection with the "Melissa & Doug" wording. This factor weighed against Melissa & Doug.

5. **Intentional Copying:** Melissa & Doug submitted evidence that a foreign company copied its "Water WOW" coloring books and used the Proposed Mark on the counterfeit products. However, because the foreign company also copied other trade dress elements of Melissa & Doug's coloring books, the Board was reluctant to attribute consumer confusion solely to the use of the Proposed Mark. This factor weighed against Melissa & Doug.

Unfortunately, due to the nature of this mark, Melissa & Doug was always going to have an uphill battle to registration. The main takeaway from this case is that brand owners keen to acquire rights in marks comprised solely of background designs, especially those made of simple geometric shapes, should consider also using the mark alone, independent of any word marks, to enhance the trademark significance and recognition of the design per se. If Melissa & Doug had also used the red oval independently, this case may have had a different outcome. And, as is always the case with trademarks, Melissa & Doug could take steps now to enhance the source-identifying significance of the red oval per se, which may improve its chances of registering this mark in the future. Particularly in the anti-counterfeiting space, it is advantageous to own an arsenal of registrations for different mark variations for use in different enforcement contexts.

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By: Joseph Diorio and [Monica Riva Talley](#)

As has been the case in recent years, trademark filings in 2020 again increased over the previous year. While at first glance this may seem to indicate that the U.S. economy continues to grow and innovate, at least some of the growth is attributed to foreign, primarily Chinese, applicants who receive government subsidies based on obtaining U.S. trademark registrations. As detailed in a recent [USPTO report](#) on the issue, the subsidy amount typically exceeds the low filing costs of a US trademark application, providing incentives to file applications for marks the applicant has no intention of commercializing in the U.S. This cluttering of the Register not only obstructs and frustrates legitimate trademark owners, but also creates a backlog at the USPTO.

To combat these frivolous filings and address the possibility of “deadwood” on the Register, the recently enacted COVID-19 relief package included some additions to the Lanham Act, providing additional tools for third parties to challenge and cancel existing registrations that fail to comply with the use requirements for trademark registration.

Signed on December 27, 2020, the Trademark Modernization Act of 2020 (“TMA”) introduces two new procedures, Ex Parte Expungements and Ex Parte Reexaminations, to the trademark tool chest. These procedures aim to provide a faster and more cost efficient mechanism to challenge registered trademarks compared to existing cancellation proceedings before the TTAB.

1. Section 16A – Ex Parte Expungements – provides a basis for expungement of a trademark registration on the grounds that “the mark has never been used in commerce on or in connection with some or all of the goods or services recited in the registration.” Expungement is aimed to combat the recent influx of registrations that include false assertions of use or fake specimen samples. If successfully challenged within 3 years from the date of registration, the registration will be canceled for lacking the necessary use in commerce.
2. Section 16B – Ex Parte Reexamination – states that “any person may file a petition to reexamine a registration of a mark on the basis that the mark was not in use in commerce on or in connection with some or all of the goods or services recited in the

registration *on or before the relevant date.*” Instead of expungement, which targets registrations that have never been used, reexamination targets bad faith filings which claim an earlier use in commerce date than that supported by the evidence. If successfully challenged within 5 years from the date of registration, the mark will be canceled for lacking the necessary support to show the alleged use in commerce.

If a mark survives a challenge, all future challengers are estopped from initiating another proceeding against the goods or services previously challenged. Therefore, both reexamination and expungement also provide a defensive prong for trademark owners to restore and maintain credibility for their marks.

These new additions to the Lanham Act have been lauded as providing brand owners with a streamlined process for challenging registrations based on fraudulent use claims and evidence. As the U.S. trademark register is one of the largest in the world, these new steps should also provide legitimate filers with additional pathways forward should they find their way blocked by a fraudulent filer.

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Marketers have long understood how color plays into a brand's visual identity to convey a particular meaning or emotion. A thoughtfully selected color not only builds on the brand's aesthetic, but also creates an overarching mood or elicits a desired emotional response. In describing this year's choice, the Institute says that Illuminating is a bright and cheerful yellow, sparkling with vivacity and giving hope, while Ultimate Gray is "emblematic of solid and dependable elements." Together, they are a "marriage of color conveying a message of strength and hopefulness that is both enduring and uplifting."

Though tapped by the Institute for 2021, this combination of colors is not new. Villeroy and Boch has used this palette with its "Audon" dinnerware for years, Lord & Taylor adopted these colors for its corporate logo in early 2019, and Fluke has been using yellow and gray to identify its voltage tester for more than a decade.



If your brand is considering adopting these (or any other) colors for its trade dress or messaging, we encourage you to consider the following before moving forward:

- Conduct a clearance search to determine whether the color(s) of interest are available for use with your goods and services;
- Check existing registrations for any current color mark to see if they are due for maintenance. If so, consider adopting the new color(s) for only select models/SKUs to allow you to maintain your existing registrations if they remain of interest;
- Consult with any relevant industry and regulatory teams before adopting a new color scheme to confirm that it is neither misleading of the nature of your product, nor likely to create consumer confusion or to cause harm.

Federal registration of color marks continues to be a challenge, though last year's Federal Circuit decision in *In re Forney Industries, Inc.*, finding a multi-color gradient mark inherently distinctive for welding goods, offers brand owners hope.² To up your brand's chances of registering a color mark, remember to instruct consumers to look for your brand's color(s) in the marketplace, use the color(s) consistently to reinforce their association with your brand, and avoid referring to any functional attributes of the color(s) -- e.g., the ease of visibility of the color orange -- since functional color marks are never registrable.

Regardless of your brand's color story, cheers to the health and prosperity of your brand and to you in 2021!

[1] www.pantone.com/color-of-the-year-2021

[2] www.ca9.uscourts.gov/sites/default/files/opinions-orders/19-1073.Opinion.4-8-2020_1565957.pdf

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In a patent showdown between two high-profile players in the emerging cannabis industry, Canadian corporation Canopy Growth has sued UK-based specialty pharmaceutical company GW Pharmaceuticals over a utility patent directed to CBD extraction technology.¹ In its complaint, filed in the Waco division of the Western District of Texas, Canopy alleges that GW practices its CBD extraction invention to make GW's landmark pharmaceutical for treating certain forms of epilepsy, Epidiolex. As we have previously reported, Epidiolex is the first FDA-approved cannabis-derived pharmaceutical for treating certain forms of epilepsy and has become a working model for how to bring cannabis-derived therapies to market in the United States.^{2 3}

The suit is notable both for its choice of venue and that it marks the beginning of patent-related confrontations between powerful players in this dynamic and emerging industry. The venue is notable as part of a broader trend in patent enforcement to bring suit before Judge Alan Albright, whose default rules keep patent disputes moving quickly and on a predictable timeline towards claim construction and trial. This speed and predictability has a unique interplay with patent challenges before the Patent Trial and Appeal Board (PTAB).⁴ As for the implications of this case for the cannabis industry, stay tuned for insights from us as this litigation unfolds!

[1] *Canopy Growth Corp. v. GW Pharmaceuticals PLC*, Case No. 6:20-cv-01180 (W.D. Tex. Dec. 12, 2020).

[2] Pauline Pelletier, Deborah Sterling, and Monica Riva Talley, IP's Developing Role In Cannabis Business Strategy, <https://www.sterneessler.com/news-insights/publications/ips-developing-role-cannabis-business-strategy> (Law 360, June 2019).

[3] According to the complaint, Epidiolex costs \$1,235 per 100mL bottle and GW reported approximately \$366 million in net product sales of Epidiolex in the United States in the first nine months of 2020.

[4] *Apple Inc. v. Fintiv, Inc.*, Case IPR2020-00019, Paper No. 11 (P.T.A.B. Mar. 20, 2020) (precedential).

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As of January 28, 2021, ICANN lists new Sunrise periods as open for the following new gTLDs that may be of interest to our clients. A full list can be viewed [here](#).

.skin
.hair
.beauty

ICANN maintains an up-to-date list of all open Sunrise periods [here](#). This list also provides the closing date of the Sunrise period. We will endeavor to provide information regarding new gTLD launches via this monthly newsletter, but please refer to the list on ICANN's website for the most up-to-date information – as the list of approved/launched domains can change daily.

Because new gTLD options will be coming on the market over the next year, brand owners should review the list of new gTLDs (a full list can be found [here](#)) to identify those that are of interest.

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