

# MarkIt to Market®

July 2018



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The July 2018 issue of Sterne Kessler's MarkIt to Market® newsletter discusses how to maintain rights in core trademarks as brands evolve, a reminder regarding importer and exporter liability for shipping counterfeit goods, the Supreme Court's anticipated weigh-in on when a copyright owner can sue for infringement, and the new gTLD 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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## "Fluid" Marks (pun intended): Enjoying a Summer Refresh

By: [Monica Riva Talley](#) and Shelise Rupp

One of the general principles for building a strong trademark is to use it consistently and often. That said, most brands undergo at least some updates throughout their lifetime, in an attempt to stay current – a process known as brand evolution.

For some strong brands, however, building brand equity also involves adopting playful iterations of their marks that both stay consistent to the central brand message, but also take advantage of of-the-moment themes.

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For some strong brands, however, building brand equity also involves adopting playful iterations of their marks that both stay consistent to the central brand message, but also take advantage of of-the-moment themes.

One classic example of this is Coca-Cola. As a brand with market dominance and over a century of associated public goodwill, Coca-Cola has reached a point where it can afford to play with elements of its famous mark and trade dress, in order to better appeal to its target audiences. For example, to enhance the association of its products with cool summer refreshment, Coca-Cola has employed a number of summer-themed designs to add a seasonal twist to their mark.





José Roitberg, CC BY-NC-ND 2.0

While these variations all contain core elements of Coca-Cola’s trademarks and trade dress, the variations play on these themes in a way that creates seasonal interest and enhances the perception of the brand as a summer refresher.

Another brand with enough clout to be more fluid with its trademark is Budweiser, which in 2016 introduced a temporary variation that replaced the traditional Budweiser logo with the word “America” to celebrate the 4<sup>th</sup> of July:



Blake Guidry on Unsplash, see CCo 1.0

But while such trademark and trade dress modifications can help attract attention in an already crowded market, they must be done carefully to avoid damaging the brand in question.

Since it was first founded in 1886, Coca-Cola products have appeared in many forms (some examples can be seen here: <http://earlycoke.com/logo-through-the-years.html>), but no matter the iteration, the company has worked to maintain the elements of its mark that have become iconic: the spelling and stylization of brand name, the red and white trade dress, even the shape of the bottle.

The company has taken pains to keep these core brand identities consistent, register them around the world, and enforce against infringers.

Budweiser has done much the same with its trademark, consistently maintaining the iconic colors and seal of its early beginnings. Change has generally come in the form of slight shifts in design made over time (see <https://www.stlmag.com/dining/Meet-the-New-Bud-Same-as-the-Old-Bud-Budweiser-Label-Change-is-First-in-AB-InBev-Era/>), thus allowing for the new marks to connect with the old – a concept known as “tacking.” (see <https://www.sterneessler.com/news-insights/publications/out-old-new> for more on the issue of tacking). Over the past few years, however, the brand has been seen taking some more dramatic license with its branding; such flexibility is only possible because of the strength and consistency of the foundational mark.

Just as with Coca-Cola and Budweiser, any business looking to play with the appearance of their mark should do so only after careful thought and planning. Building strong core marks mark, staying true to the key elements, and clearing and registering important iterations can all help protect a trademark while at the same time allowing brands to find ways to appeal to an ever-changing market.

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The New Jersey case involved two seized shipping containers of 20,320 counterfeit Nike shoes. Nike filed a motion for summary judgment on its trademark infringement claim, and the defendants countered by arguing that their actions did not constitute “use” in commerce since they were simply innocent service providers who didn’t know that their services were being used by the actual, direct counterfeiters to bring goods into the U.S.

The court noted that it is well-settled that the Lanham Act defines “commerce” as “all commerce which may lawfully be regulated by Congress,” which includes commerce with foreign countries – such as the importation of goods from abroad. Thus, the active involvement and arrangement in transporting counterfeit goods was sufficient to support an infringement claim against the importing/exporting entities.

As the court noted, trademark infringement is a strict liability statute, and no intent is necessary to find liability. The Lanham Act is clear that anyone who uses a mark in commerce in such a way that may cause confusion is liable. Hopefully, publishing decisions such as this will help deter importers/exporters, not in TV-land, from doing business with counterfeiters.

For more on Vandelay Industries see: <https://www.youtube.com/watch?v=LnIKiNAupRs>

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Two years ago, the U.S. Supreme Court clarified the test for determining when a three dimensional design for a “useful article” is copyrightable, resolving an issue that had divided the federal circuit courts for years. Although the practical implications of that decision are still being sorted out, the high court has moved on to another important copyright issue. Last month, the Court agreed to resolve the question of what the Copyright Act means when it states that “registration” is necessary before any lawsuit alleging copyright infringement can be filed.

Although copyright is inherently granted to all original works that are “fixed in any tangible medium of expression,” the Copyright Act is clear that registration by the U.S. Copyright Office is a prerequisite to filing any copyright lawsuit, making it one of the best-known benefits of a federal copyright registration. But that is not all; registration also creates a public notice of ownership that anyone can search, one that can be relied on in case of any future enforcement action. It also establishes *prima facie* evidence of the validity of a work and the recorded ownership if it is registered within five years of publication. Timely registration even makes it possible for a copyright owner to recover attorneys’ fees, costs, and statutory damages in the case of infringement – meaning that, instead of just actual damages, up to \$150,000 can be recovered for every single instance of infringement.

In a 2009 case involving Sony (*Sony BMG Music Entertainment, et al. v. Tenenbaum*), the rights to thirty different registered songs were found to have been infringed. Though actual damages would not likely have been very high, the jury awarded statutory damages to the tune of \$22,500 per song, for a total award of \$675,000 – a sum that would not have been possible without the initial registrations. A federal registration even allows right-holders to put the U.S. Customs on notice to prevent importation of infringing copies of the work in question. So while copyright is inherent in every eligible work, registration can bring a great deal more to the table.

However, courts have long disagreed on whether denial or approval of a copyright application constitutes “registration,” or whether merely filing a complete application constitutes “registration.” Some circuits have adopted the application approach and hold that the Act’s requirement is met once a complete application has been filed. Others have adopted the registration approach, finding that the requirement is met when the final certificate is in hand (or registration is refused). Still others have declined to adopt either approach.

In the current case, *Fourth Estate Public Benefit Corp. v. Wall-Street.com LLC*, the district court followed the registration approach, and dismissed Fourth Estate’s copyright infringement claim on the basis that the Copyright Office had not yet approved or denied Fourth Estate’s application for copyright registration. The Eleventh Circuit affirmed the district court and held that “[f]iling an application does not amount to registration.” Interestingly, the U.S. solicitor general has already taken sides, asking the justices to affirm the Eleventh Circuit’s ruling. It would appear, then, that the government is of the opinion that the Copyright Office’s disposition (either approval or refusal) of an application is required by the language of the statute.

Whatever the high court decides, it will hopefully bring clarity to an issue to which the circuits have long been asking for guidance. Until then, copyright owners who intend to enforce their copyrights would be wise to seek formal registration with the Copyright Office before bringing suit and avoid the issue entirely.

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As of July 31, 2018, 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 at: <https://newgtlds.icann.org/en/program-status/sunrise-claims-periods>.

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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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