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April 2020



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The April 2020 issue of Sterne Kessler's MarkIt to Market® newsletter discusses a precedential Federal Circuit ruling about color marks for product packaging, takeaways from a recent Supreme Court decision regarding when an award of defendant's profits can be appropriate in Lanham Act disputes, and the gTLD Sunrise periods now open. We also highlight a recent recognition for this newsletter from *JD Supra*.

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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IN THIS ISSUE

[Color Marks for Product Packaging CAN Be Inherently Distinctive - What This Means for Your Brand Strategy.](#)

[Two Takeaways from Romag Fasteners, Inc. v. Fossil, Inc.](#)

[gTLD Sunrise Periods Now Open](#)

[Recent News](#)

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COLOR MARKS FOR PRODUCT PACKAGING CAN BE INHERENTLY DISTINCTIVE - WHAT THIS MEANS FOR YOUR BRAND STRATEGY



By: [Julie D. Shirk](#) and [Monica Riva Talley](#)

Earlier this month, the Federal Circuit issued a precedential ruling on the question of whether a color mark for product packaging can ever be inherently distinctive, holding that the Trademark Trial and Appeal Board (TTAB) had erred in finding that (1) a color mark is incapable of being inherently distinctive, and (2) a color mark for packaging may only be inherently distinctive when defined by a peripheral shape or border.^[1]

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By: Sahar A. Ahmed and [Monica Riva Talley](#)

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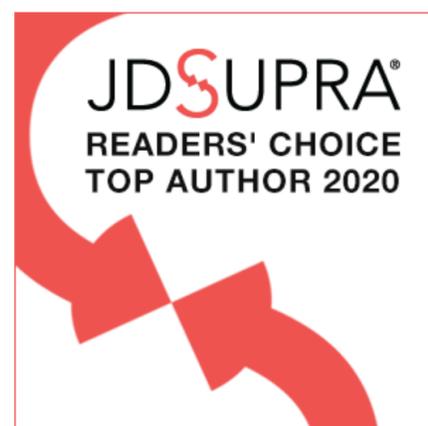
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RECENT NEWS

Thanks to your readership, we have an award-winning newsletter!

Monica Riva Talley has been recognized as a "Top Author" by *JD Supra* in the online publication's 2020 "Readers' Choice Awards" in the area of trademarks.

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Earlier this month, the Federal Circuit issued a precedential ruling on the question of whether a color mark for product packaging can ever be inherently distinctive, holding that the Trademark Trial and Appeal Board (TTAB) had erred in finding that (1) a color mark is incapable of being inherently distinctive, and (2) a color mark for packaging may only be inherently distinctive when defined by a peripheral shape or border.^[1] The decision is important to brand owners looking to protect their marketing properties composed of color, and seemed to some an about-face from what was believed to be the holding in the Supreme Court's decisions in *Wal-Mart* and *Qualitex* – that is, that a color mark can never be inherently distinctive, regardless of whether on a product or on the product's packaging.

In the case at issue, Forney Industries, Inc. filed an application to register an ombre- or gradient-style mark composed of the colors red, orange, yellow, and black for welding-related and other goods. The drawing of the mark, shown below, was filed with a broken-line border, and the specimens submitted with application showed the mark on backing cards, hangers, and plastic packaging for various goods:



The USPTO Examining Attorney refused registration of the mark on the ground that it was not inherently distinctive, which Forney appealed to the TTAB. The TTAB, relying on its interpretation of prior Supreme Court decisions, agreed with the Examining Attorney and affirmed the refusal on the basis that Forney's color mark for product packaging can never be inherently distinctive, and may be registered only with a showing of acquired distinctiveness. In a bit of a contradiction, the TTAB also found that there was no legal distinction between a mark consisting of a single color and marks consisting of multiple colors (such as Forney's) without the addition of other elements, such as shapes or designs.

As mentioned, the Federal Circuit found that the TTAB had taken the holdings of prior Supreme Court cases too far, and agreed with Forney that color marks can be inherently distinctive when used on product packaging, *depending upon the character of the color design*, and that there is no requirement to associate a multi-color mark with a specific peripheral shape to be inherently distinctive.

This is good news for brand owners who use color as part of their brand language, but how can they use this decision to build additional protections around their marketing properties composed of color? First, the Federal Circuit's decision makes it clear that whether packaging trade dress is a source indicator depends on several factors (the *Seabrook* factors) including, e.g., the "overall impression created by both the colors employed and the pattern created by those colors." If you are considering registering the color(s) of your product packaging, or if you're looking to develop a protectable color scheme for use on your product's packaging, think about whether the colors of interest are atypical of the goods, versus in common use. If the latter (e.g., the color green for landscaping goods), consider adding another color, a novel pattern, or a fanciful effect (e.g., a reflective paper coating) to the mark, to enhance its inherent distinctiveness.

Forney's holding of no requirement to associate a multi-color mark with a specific peripheral shape may also make it easier for brand owners to register their color marks for product packaging across their *complete* line of products, regardless of the product packaging's silhouette. This may translate into broader coverage for the color mark, as well as fewer application filings.

And, thinking longer term, a registration for a color mark for product packaging could serve as the foundation for building rights in the same color mark for a *product configuration*, which requires a heightened showing of acquired distinctiveness or secondary meaning. Because exclusive use of a mark is a key factor in proving acquired distinctiveness, a registration for the same color mark for product packaging could keep competitors from biting at a brand's color trade dress, in general, until sufficient exclusive use of the same color mark for product configuration can be shown.

Finally, and depending on the character of the color mark, the holding of *Forney* may make it easier for brand owners to claim rights in color marks for product packaging under common law, yet another tool in a brand owner's arsenal of protection for its marketing properties.

[1] *In re Forney Industries, Inc.*, No. 2019-1073, April 8, 2020.
http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/19-1073.Opinion.4-8-2020_1565957.pdf

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On April 23, 2020, Justice Neil Gorsuch delivered a unanimous opinion in *Romag Fasteners, Inc. v. Fossil, Inc.*, clarifying that a Lanham Act provision does not require a plaintiff to prove that acts of infringement are willful before recovering defendant's earned profits.

Case Background

Romag Fasteners, Inc., a seller of magnetic snap fasteners for leather goods, entered into an agreement with Fossil that allowed Fossil to incorporate Romag's fasteners into its handbags and other products. Romag soon learned that the factories in China hired to produce Fossil's handbags were using counterfeit versions of Romag's fasteners. Concerned that Fossil was not taking adequate preventative measures against such counterfeiting conduct, Romag sued Fossil in the District of Connecticut for trademark infringement (15 U.S.C. §1114) and false designation of origin (15 U.S.C. §1125(a)).

Circuit Split

Despite the jury finding that Fossil acted "in callous disregard" of Romag's rights, the district court refused to award Romag with damages equating to Fossil's earned profits because the "callous disregard" mens rea finding did not rise to the intentional standard of willful conduct. The district court's ruling was supported by a controlling Second Circuit precedent that interpreted sections 1125(a) and (d) to require willful conduct before a plaintiff may collect defendant's profits. The Eighth, Ninth, Tenth, and the District of Columbia Circuits agreed and follow the same interpretation.

Section 15 U.S.C. §1117(a) of the Lanham Act governs remedies for trademark violations. Writing for the majority, Justice Gorsuch clarified that after reading the plain language of the statute, only trademark dilution allegations under section 1125(c) require such a showing of an infringer's willfulness. Trademark infringement violations falling under sections 1125(a) and (d) are not subject to the same explicit willful precondition.

The split among circuits as to the proper interpretation of 15 U.S.C. §1117(a) arose after Congress amended the Lanham Act in 1999 to read, "a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title," intending to clarify that the same damages remedy for infringement and false designation can be available for willful

trademark dilution claims. Several courts, including the above mentioned circuit courts, did not read the added “willful violation” language as only applying to dilution claims. But as Gorsuch explained, courts cannot read words into statutes that are not there, especially when Congress included the term of interest elsewhere within the same statutory provision. By including the term elsewhere in the same provision, the majority reasoned that Congress intended to exclude the mens rea standard from section 1125(c).

Mens rea and mental states are often expressly included in statutory trademark provisions of the Lanham Act. For example, section 1117(b) of the Act provides damages awards for *intentional* and *knowing* conduct, and section 1117(c) increases a maximum statutory damages award when violations are *willful*. Fossil defended its case by arguing that the language “subject to the principles of equity” within the same provision supplants the willful mens rea prerequisite. The Court, however, was not persuaded that the referenced principles of equity language would require a mens rea showing by Romag. Instead, it defined “principles of equity” to provide merely “transsubstantive guidance” on questions pertaining to parties, modes of proof, defenses, and remedies. The Supreme Court acknowledged that a trademark defendant’s mental state is highly important in determining a plaintiff’s entitlement to profit damages, but discerned that such an acknowledgement is a “far cry from insisting on [an] inflexible precondition to recovery.”

Two Key Takeaways

First, the recent decision provides certainty on an important factor to weigh when considering trademark litigation – both because an infringer’s willfulness can be difficult to prove, and an infringer’s profits are typically easier to quantify, and larger, than a plaintiff’s actual damages. For trademark plaintiffs, this means litigation may appear a more attractive enforcement option. Second, for those launching new branding initiatives, it underlines the need for appropriate clearance of marks prior to adoption.

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As of April 30, 2020, 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](#).

.dealer

.select

.compare

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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