

CB 454-474: Contributory Infringement, Defenses
Lanham Act §§ 15, 33 (15 U.S.C. §§ 1065, 1115)

Inwood Labs., Inc. V. Ives Labs., Inc. (U.S.1982) [454]

This action requires us to consider the circumstances under which a manufacturer of a generic drug, designed to duplicate the appearance of a similar drug marketed by a competitor under a registered trademark, can be held vicariously liable for infringement of that trademark by pharmacists who dispense the generic drug.

Issue is pharmacist behavior:

- (1) when prescription says "cyclospamol dispense as written" prescriptions are filled with the generic; since pills are same color as branded version, consumer doesn't notice different name on pill.
- (2) when prescription allows substitute, pharmacists label generic as being cyclospamol.

P asks for injunction to change pill color, claiming **contributory infringement**.

At issue -- two parts of the statute:

Lanham § 32 (15 USC § 1114):

- (1) Any person who shall, without the consent of the registrant -
 - (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
 - (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

Lanham §43(a), 15 USC § 1125(a):

(a) Civil action

- (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -
 - (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
 - (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or

commercial activities,
shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

HELD:

liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit. See *William R. Warner & Co. v. Eli Lilly & Co.*, *supra*; *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, *supra*.

NB that issues as to knowledge and conspiracy are primarily factual!

p. 460 Q. 1: What does it take to have enough knowledge?

Under what circumstances is it appropriate to impose liability on a business that is not itself infringing any trademark rights, but that is facilitating or profiting from trademark infringement by others? Should the landlord of a store that deals in infringing merchandise be held liable as a contributory infringer? The ad agency that prepares ads for infringing products? The celebrity who endorses infringing goods?

Selling replacement parts is NOT per se TM infringement, but could be if one guy bought lots and was selling fake Rolexes...

Q2:

Should it make a difference whether Inwood's generic cyclandelate differs in any material way from Ives' cyclospasmol? May Inwood use blue and red capsules for for generic cyclandelate in higher or lower doses than the 400 mg. capsule? If not, why not?

Issue: If patients associate color with a dose, that's arguably 'functional'¹ - protects them against taking wrong medicine. Making other pills the same color and shape might be unfair competition if weaker, and dangerous to the patient if stronger. Does this create a paradox - a generic kind of 2ndary meaning?

Note that mislabeled with the drug's trademarked name is actionable whether or not the shape/color is trademarkable. If the mfg. of the generic runs a high risk of vicarious liability for pharmacist actions -- especially if color/shape makes this easy -- it could be a backdoor way of getting protection

¹Recall that "'a product feature is functional ... if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,' that is, if exclusive use of the feature would put competitors at a significant non-reputational-related disadvantage." *Qualitex*, 514 US at 165.

for color/shape that might not be available under straight TM law due to the functionality bar...

Q: You are the lawyer advising the team marketing a new pill, Vizigra. What advice do you give the marketing team about things they might do to make the pill shape and color trademarkable? Can it be done?

Hard Rock Café Licensing Corp. V. Concession Services, Inc. 955 F.2d 1143 (7th. Cir. 1992)
[460]

This is amazing: the average gross profit on hard rock t-shirt is \$10.12 per shirt!!!
(NB. p. 462, the licensing conditions require quality t-shirts. Think about why this is.)

Flea market was allowing vendors to sell cheap knock-offs, without doing any serious attempt to check for counterfeits.

"Hard Rock argues that CSI has incurred both contributory and vicarious liability for the counterfeits,"..."It is well established that "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit." Despite this apparently definitive statement, it is not clear how the doctrine applies to people who do not actually manufacture or distribute the good that is ultimately palmed off as made by someone else. A temporary help service, for example, might not be liable if it furnished Parvez the workers he employed to erect his stand, even if the help service knew that Parvez would sell counterfeit goods. ... To answer questions of this sort, we have treated trademark infringement as a species of tort and have turned to the common law to guide our inquiry into the appropriate boundaries of liability.

the Restatement of Torts tells us that CSI is responsible for the torts of those it permits on its premises "knowing or having reason to know that the other is acting or will act tortiously..." RESTATEMENT (SECOND) OF TORTS § 877(c) & cmt. D (1979). **The common law, then, imposes the same duty on landlords and licensors that the Supreme Court has imposed on manufacturers and distributors.** ... CSI may be liable for trademark violations by Parvez if it knew or had reason to know of them. But the factual findings must support that conclusion.

...To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate. *Id.* The district court, however, made little mention of CSI's state of mind and focused almost entirely on CSI's failure to take precautions against counterfeiting. In its conclusions of law, the court emphasized that CSI had a duty to take reasonable precautions. In short, it looks as if the district court found CSI to be negligent, not willfully blind.

... This ambiguity in the court's findings would not matter if CSI could be liable for failing to take reasonable precautions. But **CSI has no affirmative duty to take precautions against the sale of counterfeits.** Although the "reason to know" part of the standard for contributory liability requires CSI (or its agents) to understand what a reasonably prudent

person would understand, it does not impose any duty to seek out and prevent violations. Restatement (Second) of Torts § 12(1) & cmt. A (1965).

NB. *Fonovisa v. Cherry Auction*, 76 F.3d 259 (CA9 1996) found liability in a flea auction on landlord-tenant theory as it "supplied the necessary marketplace". Key test is "extent of control".

[practice hint: sometimes control freakery is good - e.g. protecting licensed marks; sometimes it's bad...]

Note: Vicarious Liability [466]

Compare **contributory infringement**:

“ . . . (a) the actor intentionally induces the third person to engage in the infringing conduct; or (b) the actor fails to take reasonable precautions against the occurrence of the third person’s infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 26.

Vicarious liability, in contrast, is imposed on defendants who are being held legally responsible for others’ actions.

AT&T v. Winback & Conserve Program, Inc., 42 F.3d 1421 (3d Cir., 1994), [466]

because section 43(a) parallels state tort law and is derived from tort common law, it is self-evident that application of at least some tort concepts of liability will “advance the goals of [the Lanham Act]

...

A principal is not generally liable for physical torts committed by its independent contractor-agent, but a principal *will be* held liable for the independent contractor-agent’s misrepresentations “upon matters which the principal might reasonably expect would be the subject of representations, provided the other party has no notice that the representations are unauthorized.” *Id.* at 1029 (quoting Restatement (Second) of Agency § 258).

[Q: is this in any tension with the result in *Hard Rock Café*?]

[A: product/service distinction? That’s what Lockheed Martin says...or is it visibility of apparent authority?]

Lockheed Martin Corporation V. Network Solutions, Inc. 194 F.3d 980 (9th Cir. 1999) [470]

Claim of contributory infringement over "skunkworks" domain names v. NSI (registry & registrar).

Court says no control, impossible to monitor, to liability.

Incontestability: **15 U.S.C. §1065 [Lanham Act § 15]**

Except on a ground for which application to cancel may be filed at any time under paragraphs (3)² and (5)³ of section 14 of this Act, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this Act of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, that—

- (1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and
- (2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and
- (3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in

²At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

³At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies...

continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

Park 'N Fly, Inc. V. Dollar Park & Fly, Inc., 469 U.S. 189 (1985) [474]

In this case we consider whether an action to enjoin the infringement of an incontestable trade or service mark may be defended on the grounds that the mark is merely descriptive. We conclude that neither the language of the relevant statutes nor the legislative history supports such a defense.

i.e. even a 'merely descriptive' mark gets the benefit of incontestability -- can't be cancelled for being merely descriptive.

Respondent is Jr. user so exceptions to incontestability don't apply.

Does *Park 'N Fly* mean distinctiveness is irrelevant to likelihood of confusion?

There's division. Some courts say, all it does is remove a defense against infringement claims ("that mark is just descriptive"). Others say, no, it strengthens a mark.

NB suggestion [484] that §1115(a) as amended⁴ (see also underlined section in text of (b) below) makes it clear that incontestability does not relieve the TM owner from having to prove likelihood of confusion.

Defenses to Incontestably registered marks

abandonment
genericism

Lanham §33, 15 USC § 1115

⁴Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was **obtained fraudulently**; or

Narrow: requires deliberate falsehood intended to deceive the PTO. TM holder retains CL rights.

(2) That the mark has been **abandoned** by the registrant; or

(3) That the registered mark is being used by or with the **permission** of the registrant or a person in **privity** with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

Like an 'unclean hands' defense -- if P is using the TM to infringe or mislead, he doesn't deserve TM protections

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's **individual name** in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is **descriptive of and used fairly and in good faith only** to describe the goods or services of such party, or their geographic origin; or

AKA "FAIR USE DEFENSE" -- e.g. spare parts. c.f. [488+]

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c)⁵ of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

Jr. user innocently adopted mark after Sr. user did, but before Sr. user registered it. Result is limited territory.

⁵Application filing date for ordinary registration.

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

see p. 487 - this doesn't happen in real life

(7) That the mark has been or is being used to violate the antitrust laws of the United States;

v. rare

or

(8) That the mark is functional; or

[488] *added 1998*

(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

Added in 1988

United States Shoe Corp. V. Brown Group Inc. 740 F. Supp. 196 (S.D.N.Y. 1990), *aff'd*, 923 F.2d 844 (2d Cir. 1990) LEVAL, J [489]

"feels like a sneaker" alleged to infringe "looks like a pump, feels like a sneaker"

held, this is like "lemon flavored"

Ie. EVEN IF THERE IS 2NDARY MEANING IN THE PHRASE -- FAIR USE IS A DEFENSE
Yes, even if it's incontestable!

"Test" is whether it's being used as "source identifier" or "trademark" (both bad) or as "description" (OK). N.b. size of print, other factors may matter.

CAR-FRESHNER CORP. v. S.C. JOHNSON & SON INC. 70 F.3d 267 (2d Cir. 1995)
LEVAL, J. [493]

Concerns those awful pine-tree car fresheners.

Held, that creation of a pine-tree-shaped pine scented Xmas air freshener that you have to plug into an outlet was a "descriptive" use of the shape, not a "source identifier" use of the shape, and anyway it comes in a box and has its name (Glade) all over it.