

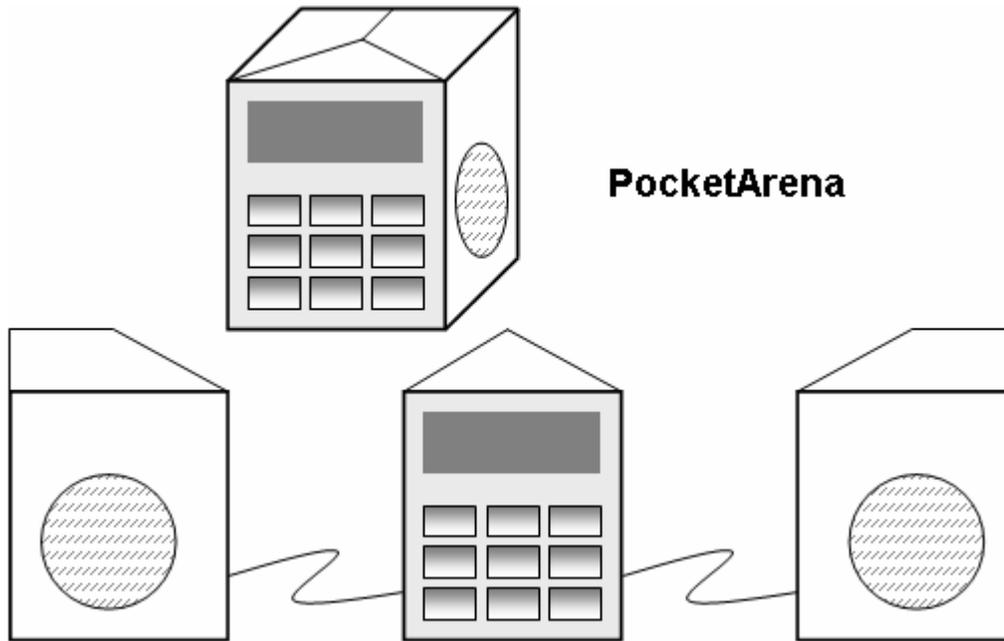
Final Exam for Law 227, Spring 2004

Note: The Model Answers provided here do not necessarily reflect every relevant argument or idea, and credit may have been given for other creative ideas.

Scenario One

Your client, TechToys Corporation, has been sued by Sound Innovations LLC, and needs advice on its chances in the case. Your review of the file reveals the following:

Plaintiff Sound Innovations developed and markets the PocketArena, an MP3 player that easily pulls apart into two high quality, high output surround speakers. The file contains a crude drawing of the unit that demonstrates its pull-apart functionality:



The PocketArena was launched at the Consumer Electronics Show in January, and has received extensive nationwide press coverage, as well as being featured in segments on Good Morning America, cable channel TechTV, and numerous local newsmagazine programs. The \$399 PocketArena comes with 4GB of storage, and can be purchased through several different channels: specialty retailers, such as The Sharper Image; via mail order from airline in-flight catalogs; and, at a slight discount, in a premium bundle from computer and home electronics company Dell Corporation. The only options are a choice of colors — gold or platinum — which are applied to the product using the unique PearlGlo™ coating that makes them appear to shimmer softly and reduces the appearance of fingerprints. In December, Sound Innovations filed an application to register the design of the PocketArena as a trademark, but the application has not yet progressed to publication.

Since last holiday season, your client TechToys has sold a functionally similar pull-apart MP3 player named BoomBoy. It was available only in a jet black finish with bulging “boombox-style” speakers finished in chrome. The BoomBoy was sold through the regular retail channels for mid-market MP3 players, at \$249 for a 4GB model, and \$499 for a 10GB model. Sales reports show that it appeals mainly to young male purchasers.

After seeing the PocketArena, TechToys decided to develop a variation on its BoomBoy product that would compete with PocketArena, and also would appeal more to young women. The company developed a process by which it could embed micro-glitter in a plastic clear-coat, and designed bronze, silver, turquoise and ruby versions. TechToys avoided darker colors that would tend to show fingerprints on the clear coat. Seeking to reach a more upscale class of customer, TechToys entered into relationships with various resellers, including specialty store Brookstone, department stores Nordstrom and Bloomingdale's, and computer and home electronics company Gateway. TechToys dubbed the new product Pocket Pavilion, and priced it at \$349 for a 4GB model. It is set to start shipping in time for the "back to school" shopping season, with an introductory advertising campaign to kick off on the 4th of July.

Following announcements of TechToys' forthcoming products in the Wall Street Journal and on two prominent technology news wire services, Sound Innovations brought suit in the United States District Court for the Northern District of California, San Jose division, alleging infringement of trademark and trade dress, and trademark dilution, all under Federal law. Sound Innovations is expected to move for a preliminary injunction against the sale of the Pocket Pavilion in the near future.

- Q1. Sound Innovations alleges that the PocketArena and Pocket Pavilion marks create the same overall commercial impression because both impart the idea of a concert venue in your pocket. What arguments might TechToys make on the issue of commercial impression? Which position is more persuasive?

Note: It is very important to answer the question. Some students have told me in the past that their professors viewed Exam questions as a mere jumping off point for a general discussion. This is not how it works in the real world! It is critical to succeed in the practice (and on this exam) to focus on the precise question.

10 points: "Commercial impression" does not have a strict definition. It is something like the overall impression of the mark on the mind of the consumer. Its principal aspects are the sight, sound, and meaning of the mark. The question points you toward the "meaning" component, but the other two are fair game. While the stylization and context of presentation of a mark also affect its commercial impression, you do not have enough facts to bring those considerations into the analysis.

Meaning. TechToys can argue that the connotations of the terms ARENA and PAVILION are quite different. The fact that both could host a concert does not, in itself, cause them to have the same connotation, any more than PARK and AUDITORIUM. An arena tends to be associated with indoor sporting events, such as basketball and ice hockey. A pavilion tends to be associated with outdoor ceremonies and celebrations. Thus the terms carry quite different connotations in the minds of consumers, and these differences are maintained when the terms are combined with the word POCKET.

Appearance. TechToys can argue that Arena and Pavilion look completely different. Because they are called out as a distinct term in both marks, being stylized with an

initial capital letter, consumers are likely to notice the difference despite the fact that both begin with POCKET. (There is a space in the Pocket Pavilion mark, but this carries very little or no weight.)

Sound. TechToys can argue that Arena and Pavilion, despite the similar number of syllables, sound entirely different. When combined with POCKET, a consumer would tend to “run together” PocketArena, which follows T with the vowel A – think Macarena – but could not run together Pocket Pavilion in the same manner. In addition, Pocket Pavilion has a P-P alliteration which would tend to make consumers notice the second P.

With respect to which is more persuasive, the beginning of the mark typically is given great weight in the comparison, because consumers are believed to have imperfect memories. When POCKET is followed by another word, and the consumer takes away an impression of that word as “concert venue,” then other marks that fit that pattern are likely to be deemed similar. TechToys’ argument about the difference between an arena and a pavilion are good arguments, but *in the context of the goods*, consumers are likely to make the connection to concerts rather than, say, basketball games and college graduations. Thus, the difference in meaning in other contexts is not very persuasive. Sounds Innovations’ position is slightly more persuasive when all three factors are considered: the differences in appearance and sound of the second half of the marks probably will not overcome the identity of appearance and sound of the first half of the marks and the similarity of meaning.

- Q2. How should the court rule on the “similarity of the marks” factor as between PocketArena and Pocket Pavilion?
- A. In favor of Sound Innovations, because the first word is the same, the meaning is virtually identical, most people will pronounce the marks with the same number of syllables and identical emphasis, and a lower degree of similarity is required when the goods are the same.
 - B. In favor of TechToys, because pocket is weak, the words Arena and Pavilion appear very different, each mark has a unique sound, and these factors completely overwhelm the purported similarity of meaning.
 - C. Neutral, because similarity of sight only slightly favors of Sound Innovations, similarity of sound strongly in favor of TechToys, and similarity of meaning, while favoring Sound Innovations, carries less weight than the other two yardsticks.
 - D. In favor of Sound Innovations because new entrants to the market have an obligation to avoid adopting marks even arguably similar to those of senior users.
 - E. In favor of TechToys, because free competition requires that competitors be able to use industry terms such as pocket in their marks, and disregarding pocket, the marks are quite dissimilar.

5 points: Answer A is best, but it's a close call. The beginning of a mark tends to be given more weight in the comparison, and while there is no such thing as the "correct" pronunciation of a mark, it is appropriate to consider what the *typical* consumer would do. The final phrase is actually its own factor in the LOC test, but courts tend to take it into account in comparing the marks. Both B and C sound reasonable, but are flawed in subtle ways. Answer B uses the weakness of the word POCKET to carve it out of the comparison, which is improper: marks always must be judged as a whole. Answer C is too superficial, and ignores the fact that when marks are perceived in the marketplace, fine distinctions usually are lost. Answers D and E are incorrect.

- Q3. The prefix POCKET is used in connection with a number of small, mobile electronics products, including "Pocket PCs," units similar to Palm organizers that run a Windows-like operating system. In the field of portable CD players, Philips uses the name Pocket Expanium. Pocket might be descriptive, or "highly suggestive" of such products. What impact is this information likely to have in an assessment of the strength of the PocketArena and Pocket Pavilion marks?
- A. None, because the strength of a mark must be judged as a whole.
 - B. The court will dissect the marks into their separate words, and base its ruling on strength on the second word in the two marks.
 - C. It depends not on the general meaning of "pocket," but on how consumers would understand the marks in the context of this specific type of product.
 - D. If TechToys shows that the POCKET prefix is "diluted" in the MP3 player space, then because Arena and Pavilion are very different, it's basically case over.
 - E. It could support a finding that the marks are weak as a whole, but only if the second word also is weak and there is no overarching fanciful or suggestive significance.

5 points: Answer E is best. Answers A and D are too extreme; neither accurately reflects the subtle nature of the analysis. Answer B is completely wrong. Answer C was the most popular answer, but while it states a general truism, it doesn't answer the question of what impact is likely.

- Q4. Research on the U.S. Patent and Trademark Office website shows numerous marks containing ARENA used in connection with technology products, but none for MP3 players or closely related products, such as music-playing software or player accessories. A registration of ARENA covering "cassette tape recorders" expired in February. On the other hand, the scan shows that Hewlett-Packard has registered PAVILION for use in connection with computers and various computer accessories. How should you advise your client, TechToys, as to the significance of this research?
- I. It will be difficult to show that PocketArena is weak as a whole in connection with the relevant goods, but this is a preliminary conclusion because we need to do common law searching, too.

- II. It will be possible to show that Pocket Pavilion is weak as a whole, by virtue of third party use of PAVILION by HP and the industry meaning of POCKET, and this will tip the “strength” factor in our favor.
 - III. TechToys should seriously consider whether HP is likely to object to the Pocket Pavilion mark, since it probably would not want its competitor Gateway selling anything with the PAVILION name on it.
- A. Both I and II.
 - B. Both II and III.
 - C. Both I and III.
 - D. I, II, and III.
 - E. None of the three statements would be good advice under the circumstances.

5 points: Answer C is best. Statement I is true. Statement II is doubtful in many respects: one use of PAVILION does not show a lack of association with a single source, and the strength factor requires evaluation of both marks. Statement III, while not germane to the dispute between Sound Innovations and TechToys, is logical advice to give the client upon receiving these search results.

- Q5. In seeking to establish infringement of its trade dress, consisting of a pull-apart MP3 player design finished in a shimmering golden- or silver-colored surface, what must Sound Innovations prove?
- A. Its dress is nonfunctional and inherently distinctive, and TechToys’ dress creates a likelihood of confusion.
 - B. Its dress is nonfunctional and has acquired secondary meaning, and TechToys’ dress creates a likelihood of confusion.
 - C. Its dress is nonfunctional and distinctive (either inherently or by having acquired secondary meaning), and TechToys’ dress creates a likelihood of confusion.
 - D. Its dress is distinctive (either inherently or by having acquired secondary meaning), and TechToys’ dress creates a likelihood of confusion.
 - E. It depends on whether the court applies the test for color as a trademark.

5 points: Answer B is best. (Before the Supreme Court decided *Wal-Mart v. Samara Bros.*, Answer C would have been best. Now neither Answer A nor Answer C is correct.) Answer D is incorrect because the plaintiff has the burden of proof on nonfunctionality. Answer E is incorrect, because Answer B applies both to product configuration and color as a trademark. Note that the question was what Sound Innovations *must prove* in order to prevail, not what it might be *able* to prove.

Q6. A number of types of evidence could be brought to bear on the question of whether the dress of the PocketArena is functional. Consider each of the following six assertions. If the assertion were to be proven, which party would it favor: Sound Innovations, TechToys, or neither? (Circle your answer for each assertion.)

- (1). The pull-apart design of the PocketArena, Pocket Pavilion, and BoomBoy is the only technology available that provides actual stereo separation at a distance of 2 feet in an all-in-one design (otherwise, the user would have to carry speakers):

3 points: TechToys — the existence of alternative designs cannot render a functional element nonfunctional, but the absence of alternatives favors the defendant.

- (2). The surface treatment of the PocketArena does not make it more durable or better at hiding fingerprints than any other kind of light-colored paint or clear coat:

3 points: Sound Innovations — if the PearlGlo surface does not convey a utilitarian advantage, there is a better chance that it will be found protectable.

- (3). The surface treatment of the Pocket Pavilion costs about the same to apply as the surface treatments of ordinary MP3 players:

3 points: Neither — it's a trick question and Sound Innovations was the most popular answer. The functionality or nonfunctionality of the *allegedly infringing product* is not a factor in the analysis.

- (4). Buyers of MP3 players will pay more for the same color if it is described as “platinum” than if it is described as “silver”:

3 points: Neither — the name of the color was not copied, and even if the name of the color does encourage people to perceive it as more valuable, that fact would not demonstrate that the color itself is aesthetically functional.

- (5). Buyers of MP3 players are choosing products based as much on their fashionableness as their operational features, and the shimmer/glitter look is very “in” right now:

3 points: TechToys — if consumers demand a shimmering or glittering surface finish, it probably is *aesthetically functional*.

- (6). Various metals used for MP3 player cases can be finished without an additional surface treatment in a “brushed metal” appearance that repels fingerprints, but these uncoated finishes may “tarnish” after repeated contact with skin oils:

3 points: TechToys — coated devices have a separate utilitarian advantage over uncoated devices, even if uncoated devices can provide one of the utilitarian advantages of the plaintiff's product (see also (1)).

- Q7. The experts for both parties agree that the sound generated by the PocketArena speakers is clearer, crisper, and offers better “surround” simulation than the sound generated by the Pocket Pavilion speakers. What effect might this have on the likelihood of confusion analysis (for either the marks or dress)?
- A. None, because unlike the Second Circuit, the quality of the defendant’s product is not a factor in the Ninth Circuit’s *Sleekcraft* test for likelihood of confusion.
 - B. This would be considered in a comparison of the goods, making the goods less similar, thereby favoring TechToys.
 - C. This would be considered in connection with the likelihood of expansion, and favors Sound Innovations because it might want to create a lower-priced, lower-quality version of the PocketArena player.
 - D. Under *Sleekcraft*, the court has the discretion to consider pretty much anything it believes is relevant to the likelihood of confusion analysis, but it would only play a minor role, if any, because the most important factors are the strength and similarity of the marks, and proximity of the goods.
 - E. These hidden quality differences will be interpreted to show bad faith intent to palm off inferior goods using the goodwill established by the trademark holder, and bad faith intent can be a compelling factor in the likelihood of confusion analysis.

5 points: First, note that the context is a district court action in California, which is in the Ninth Circuit. Answer D is best. Answer A is too extreme: while product quality is not one of the routinely enunciated factors, it still could be considered. Answers B and C are more than a stretch. Answer E is a possible scenario, but somewhat extreme in view of the difference described as well as the differences in the marks and goods themselves.

- Q8. Which of the following attacks on Sound Innovations’ Lanham Act claim of dilution of the PocketArena mark, if any, are likely to succeed?
- I. Dilution only applies to marks that are identical or substantially indistinguishable.
 - II. It is impossible, as a matter of law, for a mark to become famous in five months.
 - III. Because the Pocket Pavilion has not shipped or been advertised, plaintiff fails the “actual dilution” requirement set forth in *Moseley*.
- A. I only.
 - B. II only.
 - C. III only.
 - D. I, II, and III.
 - E. None of the three attacks is likely to succeed.

5 points: Answer C is best. Statement I refers to the standard of similarity for counterfeiting, not dilution; the law is not this strict. Statement II does not reflect the holding of any case I know. Statement III is a logical application of *Moseley* to these facts: how can there have been a lessening of brand power if the allegedly diluting product has not yet been shipped or advertised? Partial credit was given for students who argued that the Wall Street Journal article and news wires should be a sufficient basis on which to find that the brand has been diluted. (I disagree, but it's a logical argument.)

- Q9. It has come to your attention that the owner of the expired registration of ARENA for “cassette tape recorders” is willing to sell its rights to your client. He also has threatened to sell it to Sound Innovations, but he is offering it exclusively to TechToys first. There still is time within the six month grace period to renew the registration, but the seller appears to have discontinued use of the mark a few years ago. What are some of the key considerations in deciding whether to proceed with the transaction?
- I. Whether Sound Innovations’ use of the PocketArena mark infringes the ARENA registration, so that the earlier rights could be used to “turn the tables” in the case.
 - II. Whether allowing Sound Innovations to purchase the mark, after TechToys turns down the offer, would seriously hurt TechToys’ position.
 - III. Whether the seller’s rights in the ARENA mark have been abandoned.
- A. I and II.
 - B. I and III.
 - C. II and III.
 - D. I, II, and III.
 - E. None of these considerations are important.

5 points: Answer D is best. Statement I refers the only manner in which TechToys – which does not use any ARENA marks – might be able to use the registration to its benefit. (Without some way to use the registration, there’s no affirmative value in acquiring it.) Statement II refers to the other side of the coin: even if there is no benefit to TechToys from owning the registration, would it be harmed if Sound Innovations were able to claim rights thereunder? Statement III refers to the problems that can be created by non-use of a mark.

- Q10. Suppose your client decides to purchase the trademark rights in ARENA for “cassette tape recorders” using a standard trademark assignment form. Which of these facts would support an argument by Sound Innovations that the transaction is an invalid “assignment in gross”?
- I. The assignment conveys both the Federal registration and rights at common law (rights based on use).

- II. The assignment was not accompanied by any tangible assets or know how, except one specimen of a cassette tape recorder manufactured in 1997.
 - III. TechToys does not intend to use the mark on substantially the same type of goods as were sold under the mark by the assignor.
- A. I and II together.
 - B. I and III together.
 - C. II and III together.
 - D. I, II, and III together.
 - E. No combination of these facts would supply grounds to attack the assignment.

5 points: Answer C is best. Contrary to the implication of Statement I, there is nothing wrong with assigning both Federal registration and common law rights together. In fact, because all rights ultimately are based on use, it is logical to do so. Statement II refers to a problem with the transfer itself: that despite the standard trademark assignment form (which would recite a transfer of goodwill), there is no tangible embodiment of that goodwill, such as the assets associated with the portion of the business in which the mark was used. While this, in itself, is not a fatal flaw, it would support the argument that the assignment was invalid. Statement III refers to a problem with the “fallback” argument that even though assets might not have been transferred, continuity can be maintained by the assignee’s sale of goods of the same nature and quality as those sold by the assignor. If both Statement II and Statement III are true, then the assignment will not be honored. However, if only one of the two turns out to be true, the assignment still could be valid (in the case that II is true and III is false, there might be an abandonment). While Answer D also combines Statements II and III, it is not as good as Answer C because Statement I is more helpful than harmful.