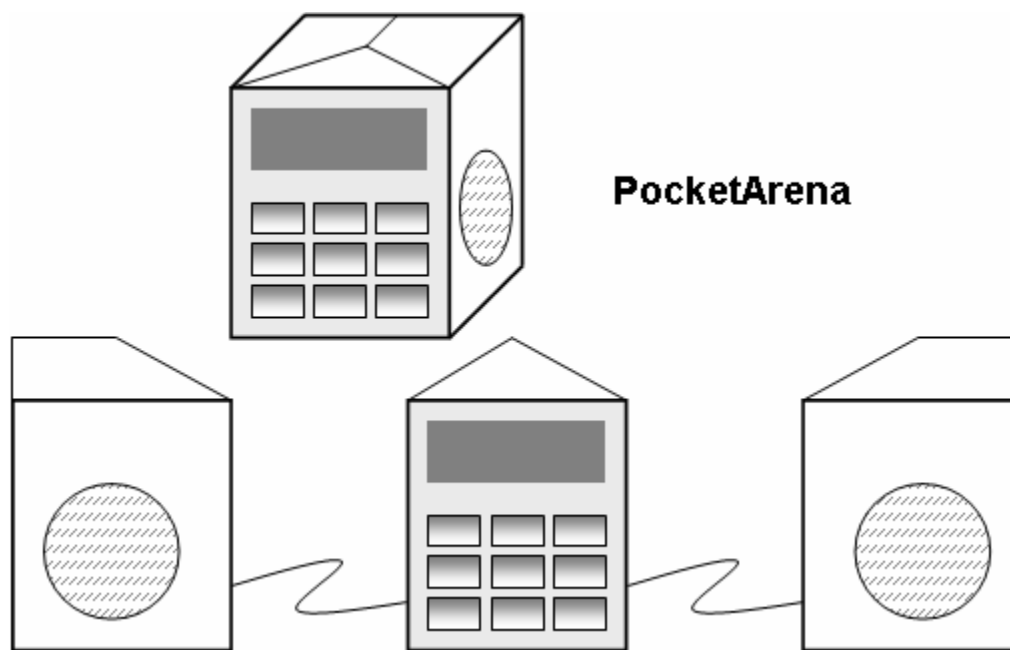


## Scenario One from the Spring 2004 Unfair Comp Final Exam

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?**

**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.**

- 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.
- 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.

**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.**

**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):**

**Sound Innovations                      TechToys                      Neither or Not Relevant**

**(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:**

**Sound Innovations                      TechToys                      Neither or Not Relevant**

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

**Sound Innovations                      TechToys                      Neither or Not Relevant**

**(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”:**

**Sound Innovations                      TechToys                      Neither or Not Relevant**

**(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:**

**Sound Innovations                      TechToys                      Neither or Not Relevant**

**(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:**

**Sound Innovations                      TechToys                      Neither**

- 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.
- 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.

- 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.
- 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.