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NEWS

Recent Trademark Decisions Could Impact Apparel Brands

By Alison Neider *Executive Editor*

Think your trademark registration is secure? A growing series of aggressive decisions by the **Trademark Trial and Appeal Board (TTAB)** and the courts on the issue of fraud in the trademark application process has some attorneys and industry watchers considering the implications for the apparel industry.

A growing body of case law is beginning to raise the issue of whether a trademark registration is at risk for cancellation based on a third-party allegation of fraud committed by the registrant in the application or post-application process. Most of the decisions involve companies unrelated to apparel, but the potential impact on the fashion industry could be far-reaching.

“If an applicant obtains a U.S. trademark registration/renewal on an application which contains a false material statement (such as a listing of goods on which the applicant has not used the mark), the registration is subject to cancellation,” said attorney Crystal A. Zarpas, a partner in **Mann & Zarpas LLP** in Sherman Oaks, Calif. “Of great concern to many is the fact that this developing case law has called into question the validity of a significant number of existing U.S. trademark registrations.”

Many say the shift in trademark law began in 2003 in *Medinol v. Neuro Vasx*, a case regarding the use of the Neurovasx trademark for medical shunts.

“The *Medinol v. Neuro Vasx Inc.* case started the ball rolling in this area of third parties alleging ‘fraud’ as a primary basis for cancellation of a trademark registration,” Zarpas said. “After the *Medinol* case, there has been an upsurge of fraud allegations in cancellation proceedings, with a high degree of accuracy in trademark applications registration/renewal filings being required as a result.”

In *Hurley International LLC v. Volta*, the TTAB found in favor of Orange County surf brand and Nike division **Hurley** in a case involving an Australian musical group, **The Sign**, which was looking to trademark a double-line symbol that Hurley deemed too similar to its own stylized “H” trademark. The TTAB found in favor of Hurley, which argued that The Sign members, Paul and Jane Volta, attempted to register their symbol for broad use “anywhere in the world.” The Voltas’ trademark application covered the mark in a broad range of music, film and television applications, even though, Hurley argued, the two were not using their mark for anything other than audio recording.

Industry watchers say the decisions will force apparel companies to be very accurate with respect to the scope of the goods listed in their trademark applications. In the past, many companies applied for trademark protection on a laundry list of several product categories at once—long before the company began producing and selling in all such categories. For example, a company may have applied for trademark protection for its existing apparel and, at the same time, also sought registration for shoes, sunglasses and fragrances, even though the goods were not in production.

“You cannot save your name anymore across the board; there is no way you can do a laundry list,” said Ilse Metchek, executive director of the **California Fashion Association**. “You must now specify. Is it dresses? Is it sportswear? Is it jackets? Is it shoes? Is it bags? There must be good-faith intent that you’re going to be doing the merchandise [in all categories listed on the

trademark application].”

That was the case in *Standard Knitting Ltd. v. Toyota Jidosha Kabushiki Kaisha*. Canadian manufacturer **Standard Knitting** argued that Japanese auto maker **Toyota**’s attempt to trademark the term “Tundra” for “automobiles and structural parts thereof” infringed on its own **Tundra** line of apparel. Standard said it had been producing under the brand since 1969 through its North Dakota-based subsidiary, **Tundra Knitting Ltd.** In 1998, the company filed a trademark application for the Tundra and Tundra Sport brands for men’s, ladies’ and children’s clothing, including sweaters, hats, jackets, coats, T-shirts, vests and shirts. Toyota sought to cancel Standard Knitting’s trademark, arguing that the company was only using the Tundra or Tundra Sport mark for men’s sweaters and shirts at the time the application was filed, and the TTAB agreed.

Set a growth plan

According to Metchek, it’s no longer sufficient for a company to remain in one merchandise category for the life of the business.

“You’re going to have to be prepared to spread your brand,” she said. “You’re not going to be able to grow if you think you’re going to do more business just doing dresses. There are only so many dress buyers.”

Companies need to anticipate how the business will grow, she added.

Zarpas agreed, although she said there is a legal theory that may allow a company to expand its brand more organically.

“If you can meet the legal requirements, it is always better to file for trademark protection in a category sooner rather than later,” she said. “But there is also the ‘doctrine of natural expansion,’ whereby at a future date, a registrant may have the right to expand its trademark rights to cover related products.”

The broadest range of trademark protection seems to be available only to companies that are sufficiently funded to launch in multiple categories at once. But Zarpas said there is a way to start the trademark-registration process even though all products lines are not fully funded at the time of filing.

“A company has the right to file an Intent to Use application—as long as at the time of filing and throughout the registration process, the applicant has a bona fide intent to use the mark on the goods listed in the application in commerce,” she said.

The best course of action for a company registering its trademark is to have an attorney review the application to make sure the company is not leaving its resulting trademark registration at risk.

“No apparel manufacturer wants its trademark registration cancelled on the basis of a fraud allegation or otherwise,” Zarpas said. “From a practical point of view, cancellation of an existing registration could prove devastating and costly to an established brand. Trademark registrants should act quickly in conducting immediate audits of existing registrations, and those companies looking to file new applications need to make certain that their applications/filings are accurate in all respects.”