

## Letter From the Editor



As summer is just around the corner, we are thrilled to present you with the 12th issue of *Kattwalk*. Inside this captivating issue, you will meet Katten's very own Stephanie de Beer as she leads us through her career (and fashion) path from Amsterdam to New York. We also include insight on important trademark infringement rulings. Furthermore, we have exciting announcements about two of our own Intellectual Property partners. We hope you enjoy this issue, and we look forward to seeing you at our upcoming industry events.

Karen Artz Ash

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## Extraterritorial Application of the Lanham Act

by Karen Artz Ash and Bret J. Danow

In *Trader Joe's Company v Michael Norman Hallatt d/b/a Pirate Joe's*, the Ninth Circuit Court of Appeals issued a decision granting Trader Joe's the right to pursue claims for trademark infringement under the Lanham Act against activity that occurred in Canada.

Trader Joe's is a well-known American grocery store that sells a range of Trader Joe's-branded products that are only available in its stores. Hallatt, a US-lawful permanent resident, had been purchasing large quantities of Trader Joe's products in the United States, transporting those products into Canada, and then re-selling them at his store in Canada, Pirate Joe's, which was designed to look like a Trader Joe's store. Trader Joe's sued Hallatt alleging that he violated federal and state trademark and unfair competition laws by misleading customers into falsely believing that Pirate Joe's was authorized by Trader Joe's to sell its products, by displaying Trader Joe's trademarks and trade dress without approval and without adhering to Trader Joe's strict quality control practices.

The district court granted Hallatt's motion to dismiss for lack of subject matter jurisdiction, determining that claims under the Lanham Act did not apply because the allegedly infringing conduct occurred in Canada. Trader Joe's subsequently filed an appeal with the Ninth Circuit.

In issuing its judgment, the Ninth Circuit first looked at whether it had jurisdiction to hear the case. It decided that question affirmatively, holding that "the extraterritorial reach of the Lanham Act is a merits question that does not implicate federal courts' subject matter jurisdiction." It then asked whether the defendant's conduct impacts US commerce in a manner sufficient to invoke the protections





of the Lanham Act. To answer this question, the Court applied a three-part test, indicating that the Lanham Act applies to activity outside the United States in circumstances in which: “(1) the alleged violations . . . create some effect on American foreign commerce; (2) the effect [is] sufficiently great to present a cognizable injury to the plaintiffs under the Lanham Act; and (3) the interests of and links to American foreign commerce [are] sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority.”

Trader Joe’s was able to satisfy the first two prongs of the test by arguing that Hallatt’s foreign conduct has some effect on US commerce because his activities harm its reputation and decrease the value of its American trademarks (helping them navigate around the first sale doctrine—namely, the exhaustion of remedies where there is a sale of legitimate products).



Specifically, **Trader Joe’s took the position that Hallatt’s distribution of Trader Joe’s-branded products did not meet their quality control standards, thereby resulting in the devaluation of the mark and the tarnishing of their image.**

The Ninth Circuit then weighed seven factors to determine that an assertion of extraterritorial authority was justified. Accordingly, the Ninth Circuit remanded the case to the District Court for further proceedings.



With the Ninth Circuit’s ruling, Trader Joe’s is able to pursue claims for trademark infringement against Hallatt in the United States for activities in Canada. The decision could be particularly helpful to brand owners in their fight against certain categories of infringement resulting from conduct outside the United States.



## Use of Social Media in Likelihood of Confusion Analysis

by **Karen Artz Ash** and **Bret J. Danow**

The Sixth Circuit Court of Appeals, in the case of *Lee Jason Kibler, d/b/a DJ Logic v Robert Bryson Hall, II, et al*, issued a ruling that set forth several instructional tips on the value of marketing through social media channels in seeking to demonstrate the strength of a trademark.

Plaintiff, Lee Jason Kibler, a disc jockey who performs under the name “DJ Logic” and owns a trademark registration for the mark DJ Logic, filed a complaint in the Eastern District of Michigan alleging, among other things, trademark infringement against the defendant, Robert Bryson Hall, a rapper who performs under the name “Logic.” The District Court found that although the DJ Logic mark was conceptually strong, it was commercially weak, and, in turn, granted the defendant’s motion for summary judgment. The plaintiff appealed the decision to the Sixth Circuit.

The Sixth Circuit took an extensive look at whether Kibler had provided the District Court with sufficient evidence to find that relevant consumers are likely to confuse the source of the services offered by the parties. Although the Sixth Circuit agreed that the District Court was correct in finding that the evidence did not support the position that the DJ Logic mark was commercially strong, it disagreed with the manner in which the District Court considered the marketing evidence proffered by the plaintiff.

**In making its finding, the District Court had determined that the plaintiff had not provided marketing evidence even though he provided a sworn declaration that he advertises on various social media sites.**

The Court of Appeals held that the District Court had erred in finding as such. The Court specifically held that “promotion on platforms such as Twitter and Facebook not only constitutes marketing, but is among the most popular and effective advertising strategies today.”

However, the Court noted that the plaintiff did not provide sufficient information about his social media marketing to enable a juror to gauge whether the public recognizes “DJ Logic” as a source identifier for his services. In this connection, the Court indicated that the plaintiff should have provided information

## Karen Artz Ash Named Intellectual Property Trailblazer by *The National Law Journal*

**Karen Artz Ash**, national co-chair of Katten’s Intellectual Property department and co-head of the Trademarks and Trademark Litigation practice, has been named an Intellectual Property Trailblazer by *The National Law Journal*. Karen notes that specific practice in fashion trademarks has grown with the fashion industry throughout her career. The profile indicates that she has refined the way companies can use trademarks and intellectual property assets to nurture growth and seek out acquisitions and divestitures in a way that respects the integrity of the brand.

Karen comments on the globalization of fashion, stating, “It’s rare to see a company or brand that’s uniquely American remain here. And it’s very, very rare that companies own their own manufacturing. Many times, almost the entire value of the company is in the goodwill and trademarks. Companies need to be able to protect that investment, as well as license and exploit it. So there is a need to make sure that brands are protected from inception both internationally and domestically.” (“[Intellectual Property Trailblazers](#),” May 2016)

about the number of Twitter followers he has, as well as information about the number of Kibler’s Facebook fans, likes, posts and re-posts. Similarly, the Court noted that “album sales and even recording contracts are less critical markers of success than before because of widespread internet use.” Kibler did not provide evidence of web-based indicators of popularity such as YouTube views, which would “. . . show commercial success suggesting a broad recognition of his mark” even though he had low album sales.

While the Court did not indicate whether the decision would have been different had Kibler provided the types of information suggested, its commentary on the applicability of social media is instructional for the types of evidence that future plaintiffs seeking to demonstrate the strength of their marks should provide.





Through  
the Lens



## Stephanie de Beer

Intellectual Property Technical Specialist  
at Katten Muchin Rosenman LLP

-----[ passion ]-----

**Can you tell us about your background? Have you always been interested in the IP field?**

I always wanted to go into research; I thought I would be working in a lab. I was studying law and chemistry simultaneously, and I started to see an overlap in the two fields. I gradually became more interested in law, and IP was the only field of law I was really absorbed in.

-----[ inspiration ]-----

**Who is your fashion inspiration?**

I find inspiration everywhere. Being a vegetarian, I would have to say my fashion inspiration is Stella McCartney—not only because of her style, but also because of her vegan ethics and animal rights activism. Further, I am inspired by our client, Aurate, which is a beautiful line of jewelry. The products are made in New York City, ethically sourced, and for each piece of jewelry purchased, an economically underprivileged child receives a book. I always admire fashion companies who are committed to the greater good—truly inspirational.

-----[ vision ]-----

**What have you noticed is the biggest fashion difference between Amsterdam and New York City?**

Amsterdam, like Berlin, is very down-to-earth; we do not wear heels. If you wear heels walking around Amsterdam, people look at you like you are crazy. Here in New York, everyone wears heels almost every day. I love New York fashion and I love that every borough has its own trend/types of fashion. I like that in Amsterdam, everyone can wear what they want to wear and be who they want to be. Amsterdam is very modern and liberal, like New York City.



-----{ insight }-----

**What led you to Katten?**

What I like about Katten is their forward-thinking, and ability to “think outside the box.” There are creative lawyers here, with a strong reputation. For instance, when I came to New York from Amsterdam, I heard about Katten through conversations with friends and really through “word-of-mouth,” which generates from Katten’s creative thinking.

-----{ experience }-----

**In addition to your work in the fashion industry, you also concentrate on pharmaceutical chemistry law. Can you tell us how you came into that field?**

Yes, in fact, that really is my focus. I like chemistry and I like law. At one point, back when I was still studying, I was torn between which field I wanted to enter, so I actually talked to my chemistry teacher, who was somewhat of a mentor to me, and he advised me to start with the most difficult field first, so I pursued the chemistry path. I wrote my dissertation on the “Application of Free Energy Calculations for Drug Design,” which discusses the applicability and limitations of computational methods in the design of new (or improved) drugs by correlating computational data with experimental observations in both a qualitative and quantitative manner—my work on my dissertation and my career path in the pharmaceutical chemistry field ended up leading me to my career in law.

-----{ challenge }-----

**What do you think are the greatest challenges facing the industry today?**

Finding the delicate balance between originator and generic companies is, and will continue to be, the biggest challenge in my field. Another challenge is tracking all the financial, ethical and political factors that play a role in that balance.

-----{ devotion }-----

**How are you preparing to meet the evolving needs of the field?**

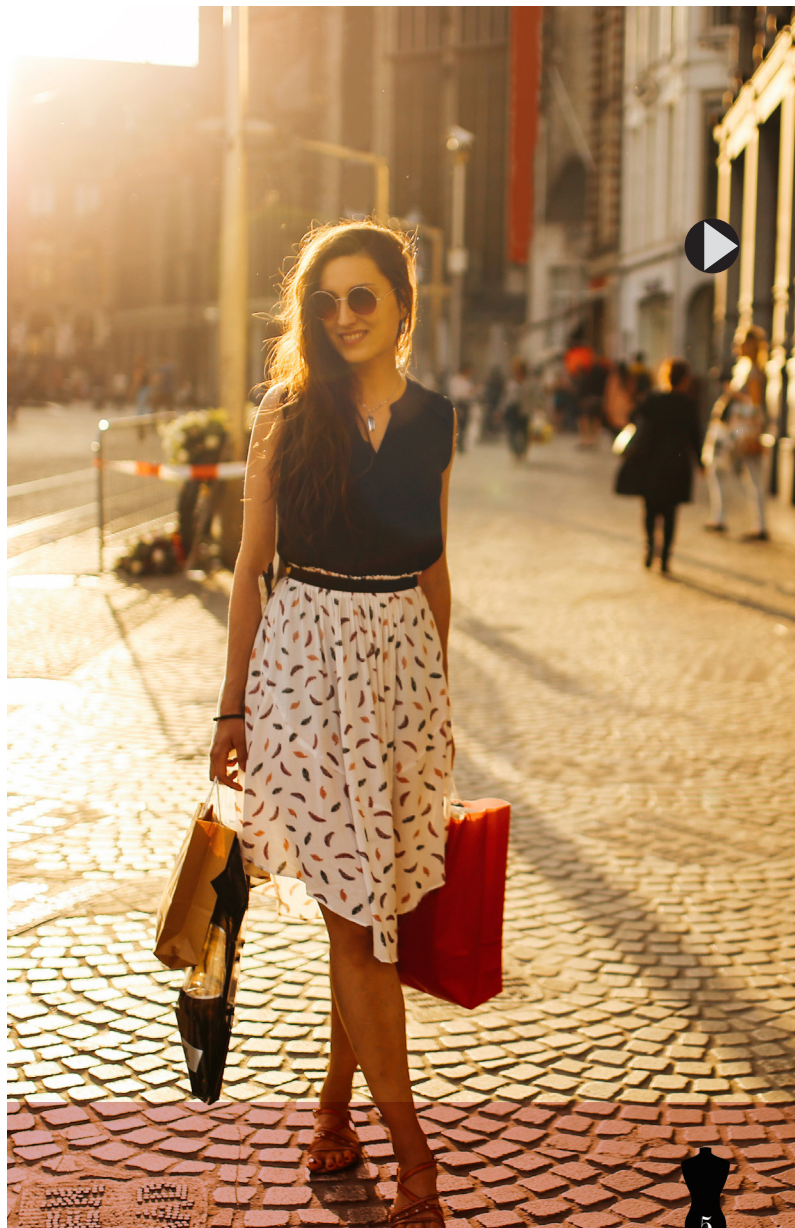
It is our duty as patent counselors to stay informed and update ourselves in the latest case law and regulations. Keep

an eye on the FDA. Keep going to conferences. *Be open minded and creative.* Think one step ahead of your clients’ needs. Inform them on upcoming regulations.

-----{ focus }-----

**What keeps you focused and motivated?**

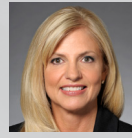
Family, friends and work make me what I am and motivate me every day. Also during my PhD studies—with studying law at the same time, and still maintaining family and personal relationships—I learned how to focus and prioritize what really matters and what had to be done first. Surprisingly, that opened up my mind and helped make me be very creative.



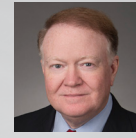
## Kristin Achterhof and Terence Ross Named National Co-Chairs of Intellectual Property Litigation Practice

Katten Muchin Rosenman LLP announced that it has named **Kristin J. Achterhof** and **Terence P. (Terry) Ross** as national co-chairs of the firm's Intellectual Property Litigation practice, effective May 1. Kristin and Terry will lead a team of more than 40 attorneys in protecting the intellectual property of Katten's clients in federal and state courts throughout the United States, as well as before the International Trade Commission, the Trademark Trial and Appeals Board and the Patent Trial and Appeals Board. In their new roles, they will manage all firm litigation relating to trademarks, patents, trade dress, copyrights, trade secrets, defamation, right of personality, false advertising and unfair competition.

Kristin has been acknowledged for her "inspirational courtroom performances" and as a "contentious ace" who is a "trusted adviser of several tech titans" (*World Trademark*



Kristin Achterhof



Terence Ross

*Review 1000 – The World's Leading Trademark Professionals*). Her practice is focused on litigating a wide variety of intellectual property and unfair competition matters, and she regularly advises multinational clients on global litigation strategies. Kristin also serves as the national co-chair of the firm's Advertising, Marketing and Promotions practice, and she resides in the firm's Chicago office.

Terry is widely recognized as one of the nation's pre-eminent first-chair intellectual property trial attorneys. He concentrates his practice on the litigation of disputes relating to intellectual property, media and First Amendment rights, e-commerce and technology. He has tried more than 25 cases to verdict and made oral arguments to more than a dozen different courts of appeal. Terry resides in the firm's Washington, DC office.

## Fee Shifting Applied in Trademark Dispute

by **Karen Artz Ash** and **Bret J. Danow**

In *Dropbox, Inc v Thru Inc*, the US District Court for the Northern District of California applied to a trademark dispute the Supreme Court's recently adopted test for determining whether reasonable attorney fees should be awarded to the prevailing party. In doing so, the Court found that the defendant's conduct both prior to and during the litigation was in bad faith, rendering the case "exceptional" and justifying the grant to the plaintiff, Dropbox, of an award of attorneys' fees and costs in excess of \$2 million. The ruling serves as a stark reminder of the risks associated with attempting to cultivate opportunistic or unreasonable litigation strategies.

By way of background, following Thru's filing of a petition to cancel a trademark registration owned by Dropbox, Dropbox filed a motion for declaratory judgment to establish its exclusive right to the Dropbox mark. Thru responded by making counterclaims for trademark infringement under the Lanham Act.

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**The Court granted summary judgment in favor of Dropbox, which subsequently filed a motion for payment of its attorneys' fees, claiming that the case was an "exceptional" one that warranted that its adversary pay its costs and fees.**

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US law provides that a district court may award reasonable attorney fees to the prevailing party in "exceptional cases." Historically, US courts required that a plaintiff demonstrate that a defendant engaged in "malicious, fraudulent, deliberate or willful infringement" in order to support an award of attorneys' fees. However, according to a recent ruling by the US Supreme

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# Opposition Fails Due to Improper Trademark Assignment

by **Karen Artz Ash** and **Bret J. Danow**

Section 10 of the Lanham Act contains an anti-trafficking rule that prohibits the assignment of an intent-to-use-based trademark application except where such assignment is to a successor to the business of the applicant or portion thereof to which the mark pertains. This provision played a key role in a decision recently rendered by the US Court of Appeals for the Federal Circuit in *Emerald Cities Collaborative, Inc v Sheri Jean Roese*. This ruling serves as an important reminder about the laws prohibiting the assignment of intent-to-use based trademark applications, the risks in pursuing enforcement efforts when a mark might not have been properly assigned and the importance of asserting common law rights in a notice of opposition.

The plaintiff, Emerald Cities Collaborative, Inc. (ECC), the owner of a trademark registration for the mark The Emerald City, filed a notice of opposition with the Trademark Trial and Appeal Board (TTAB) against a trademark application filed by the defendant, Roese, for the mark Emerald Cities, alleging a likelihood of confusion between the two marks. In her answer to the notice of opposition, Roese asserted a counterclaim seeking the cancellation of the registration for the mark The Emerald City, claiming that the registration was invalid because the 2009 agreement, pursuant to which that mark had been assigned to ECC, was in violation of Section 10 of the Lanham Act.

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**The TTAB ruled that the assignment of the mark The Emerald City to ECC constituted an improper assignment of an intent-to-use application and, therefore, issued an order cancelling the trademark registration for the mark The Emerald City and, since the likelihood of confusion claim was based solely on rights asserted in the pleaded registration, dismissing the opposition. ECC subsequently appealed to the Federal Circuit.**

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At issue for the Federal Circuit to decide was whether the 2009 “Trademark Assignment and License” between ECC and Orlando (the previous owner of the trademark application for the mark The Emerald City) was an assignment in violation of Section 10 of the Lanham Act or, as ECC contended, was merely “an agreement to assign in the future.”

In support of its position, ECC pointed to provisions in the 2009 agreement that the applicant agrees to assign to ECC its rights in the mark at issue “at such time as the Mark is registered.” However, the 2009 agreement also contained language indicating that Orlando ceded control over the intent-to-use application to ECC and became obligated to assist ECC in ECC’s registration of the mark. Therefore, looking at the 2009 agreement as a whole, the Court concluded that “the overall scheme and plan of the [2009] Agreement is that, by virtue of its execution—Orlando relinquished and ECC acquired—immediate control and ownership over the intent-to-use application and the associated mark.”



While it would appear that ECC attempted to structure the 2009 agreement in a way to navigate around the restrictions of Section 10 of the Lanham Act, reading the 2009 agreement in its entirety, the Court ruled that such structure ceded ownership and control of an intent-to-use application in “a matter tantamount to assignment.” Accordingly, the Court affirmed the TTAB’s ruling that the assignment to ECC was invalid, resulting in the cancellation of the registration for the mark The Emerald City and negating the basis for the opposition.



*continued from page 6*

Court, an “exceptional” case “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” Although this standard was originally articulated in the context of a patent case, recent Ninth Circuit Court of Appeals case law interpreted the fee-shifting provision in the Patent Act and the Lanham Act in tandem, holding that such provisions are “parallel and identical.”

In *Dropbox*, the Court determined that the case was “exceptional” for several reasons. First, the Court determined that Thru was guilty of laches as a matter of law because Thru had known about Dropbox’s use of the mark at issue for several years without taking action. Second, the evidence demonstrated that Thru acted in bad faith in delaying bringing suit, as it intentionally put off its assertion of rights in an attempt to increase the value of its claims by leveraging an anticipated initial public offering from Dropbox. Third, the Court held that Thru acted in bad faith in moving to dismiss Dropbox’s complaint on the ground that there was no controversy between the parties, which position was contrary to that taken in filing its petition to cancel. Finally, the Court ruled that Thru’s conduct in discovery was unreasonable as it had engaged in a pattern of inaccurate responses and misrepresentations.

The litigation approach taken by Thru proved to be a costly one as the Court determined that legal fees in excess of \$1.7 million were reasonable, ruling that “given the stakes of this litigation, in which the very brand identity of a multi-billion dollar corporation was at stake, it is not unsurprising

## **Doron Goldstein Named Cybersecurity & Data Privacy Trailblazer by *The National Law Journal***

**Doron Goldstein**, co-head of Katten’s Privacy, Data and Cybersecurity practice, has been named a Cybersecurity & Data Privacy Trailblazer by *The National Law Journal*. The profile notes that Doron combines his perspectives as a lawyer and programmer as well as a user. “Too many companies have a disconnect between those three roles,” Doron said.

Doron also noted that the biggest challenge for the future will be controlling data flows. “It used to be you’d outsource a specific function to a specific company,” he explained. “But now that outsourced company may be outsourcing themselves, and there is a loss of transparency and control.” Doron went on to explain that companies are beginning to realize that data breaches are more than just a loss of personal information, as state actors get more involved. “As we are getting more sensitive, we are trying to increase the level of control or transparency before they become problems,” he said, also noting the importance of training and that “people are the weak link.” (“[Cybersecurity & Data Privacy Trailblazers](#),” October 31, 2016)

that Dropbox was willing to spend aggressively in a ‘bet-the-company’ litigation effort.” The decision provides a stern warning to parties about pursuing questionable claims and acting unreasonably during a dispute.

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