



NEWSLETTER

A quarterly update on intellectual property topics.

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GENUINE GOODS GONE BAD: Recent U.S. Cases of Interest

Several recent federal court decisions have stretched the limits of our trademark infringement and anti-counterfeiting laws in several ways, helping trademark owners to combat the growing trade in unauthorized merchandise. My colleague Daniel Hwang and I recently published an article in the *IP Litigator* that highlighted several ways judges have expanded the reach of those laws. For example, they have held that the use of genuine trademarks on genuine goods can constitute counterfeiting if the goods have been modified using generic or used parts in a way that deceives the public, as in the case of Rolex watches repaired with non-Rolex parts. See, e.g., *Rolex Watch USA Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998), and *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704 (9th Cir. 1999).

In the past 12 months, it is notable that no fewer than three decisions have followed this theme in holding that goods – and even services – that had been genuine became infringing or counterfeit because of an intervening event or alteration.

In *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238 (2d Cir. 2009), the Second Circuit affirmed the district court’s grant of a preliminary injunction enjoining defendant CVS from selling Davidoff’s fragrances with the unique production code (UPC) removed. Davidoff and its distribution subsidiary produce COOL WATER fragrances with a UPC affixed to the bottom of each bottle and corresponding package. The UPC is a multi-digit code that allows Davidoff to track various production and distribution information for each unit of its product. Davidoff uses the UPC as part of its system to ensure the quality of its product and prevent sales of counterfeits. Davidoff limits the sale of its COOL WATER products to luxury retailers and does not sell the brand in CVS’s retail drugstores. Nonetheless, both counterfeit and materially different COOL WATER fragrances were being sold at CVS: the UPCs on the bottles and packages had been removed from 16,600 items in CVS’s inventory. Davidoff won a preliminary injunction against the sale of products from which the UPCs had been removed, on the theory that the removal of the codes impaired Davidoff’s marks by interfering with the trademark owner’s ability to identify counterfeit goods and to control the quality of its legitimate products by identifying and recalling defective products. In affirming the preliminary injunction, the Second Circuit found that, regardless of whether units with removed UPCs were legitimate, grey market or counterfeit goods, selling Davidoff’s products without the UPCs could constitute trademark infringement. The court rejected CVS’s assertion that Davidoff failed to show that any of CVS’s sales involved inferior products, finding (i) that such proof was unnecessary because Davidoff showed that removing the UPCs undermined its *control* of quality, and (ii) that CVS’s sales of COOL WATER

units without UPC labels did involve the sale of inferior products because removing the labels required mutilated packages and bottles in ways that would undermine consumers’ trust in the luxury product.

In *Century 21 Real Estate LLC v. Bercosa Corp.*, No. 08-CV-3175, 2009 WL 3111759 (E.D.N.Y. Sept. 18, 2009), plaintiff sued defendants Bercosa Corp. and its owner for breach of contract and unauthorized use of Century 21’s trademarks. Following termination of two franchising agreements with Century 21, defendants improperly continued to use the Century 21 marks, despite Century 21’s multiple cease-and-desist letters. The court found defendants’ continued use of the Century 21 marks a counterfeit use under the statutory definition of “counterfeit” in 15 U.S.C. § 1127, “to the extent that they created the erroneous perception that Century 21 remained the source of the services provided.” Further, the court found defendants’ continued use of the Century 21 marks and their default in this proceeding were willful, making plaintiff’s request for statutory damages particularly appropriate.

In *Beltronics USA, Inc. v. Midwest Inventory Distribution, LLC*, 562 F.3d 1067 (10th Cir. 2009), plaintiff entered into distribution agreements for radar detectors with at least two authorized distributors that sold those branded radar detectors to defendant Midwest in violation of their distribution agreements. To prevent plaintiff from “detecting” the unauthorized sales, the distributors and Midwest either applied phony serial numbers to the radar detectors or removed the serial numbers altogether. Midwest then sold the radar detectors to consumers as “new” through eBay. Beltronics provides certain products and services—software upgrades, warranties, recalls, service assistance, *etc.*—to its customers, but only for Beltronics products bearing genuine serial numbers. When plaintiff refused to offer such services to consumers who purchased radar detectors from defendant, those consumers reported believing they had bought genuine items. Plaintiff sued defendant for counterfeiting and trademark infringement. The district court entered a preliminary injunction over defendant’s argument that it was exempt from such liability by the “first sale” doctrine. Here, the Tenth Circuit affirmed the district court, rejecting the first-sale doctrine as a defense to infringement when, as here, an alleged infringer sells trademarked goods that are materially different from those sold by the trademark owner: “the unauthorized resale of a materially different trademarked product can constitute trademark infringement.” 562 F.3d at 1072. The voiding of services and warranties associated with a product can create a material difference in the product and a likelihood of confusion.

U.S. trademark and anti-counterfeiting laws are designed to protect both consumers and the owners – both domestic and foreign – of U.S. trademark registrations. Thanks to the willingness of our courts to enforce these rights, the law provides relief to our clients for the unauthorized sale of branded goods or services.

– Brett A. August

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FIRM UPDATE & ANNOUNCEMENTS

PARTNERSHIP

The Firm is pleased to announce that **Teresa D. Tambolas, J. Michael Monahan II** and **Alexis E. Payne** were elected to the Partnership this year.

RECENT SUCCESSES

In November 2009, Pattishall client Church & Dwight Co., Inc., maker of the famous ARM & HAMMER brand products, was awarded summary judgment in defending against claims of trademark infringement and fraud on the Patent and Trademark Office. Pattishall attorneys **Raymond I. Geraldson, Jr., Bradley L. Cohn, Andrew N. Downer** and **Scott T. Lonardo** represented Church & Dwight in the case, which was litigated in the U.S. District Court for the Northern District of Illinois. The case is *World Wide Sales, Inc. v. Church & Dwight Co., Inc.*, Case No. 08-cv-1198 (N.D. Ill. 2009).

Mark V.B. Partridge, Alexis Payne and **David Beeman**, on behalf of MasterCard, successfully secured a permanent injunction against a cybersquatter who registered 40 domain names consisting of MasterCard's MASTERCARD and PAYPASS trademarks. The defendant agreed to pay a monetary settlement. The case represents one of the first in the Eleventh Circuit to rebuke the practice of domain name "warehousing."

The Pattishall Firm was recognized in New York's Volunteer Lawyers for the Arts "VLA Pro-Bono Story of the Month" for its successful representation of Lovemore LLC in a pro bono trademark case.

APPOINTMENTS

Mark V.B. Partridge was appointed to the ICANN Special Trademark Issues working group.

Thad Chalomentiarana has been made the Legislative Liaison for the Chicago Bar Association's Cyber Law and Data Privacy Committee.

Phillip Barengolts has been appointed an Adjunct Professor for John Marshall Law School.

Jonathan S. Jennings was appointed to INTA's Executive Council for the Policy & Advocacy Group (2010-2011).

HONORS

As published in the September 2009 issue of *Chicago Lawyer* magazine, **Raymond I. Geraldson, Jr.** and **Brett A. August** were named "Top Intellectual Property Lawyers in Illinois" by Leading Lawyers Network, a distinction earned by being among those lawyers who were most often recommended by their peers.

The Legal Media Group, in association with *Managing Intellectual Property* magazine, listed **Robert W. Sacoff** and **Joseph N. Welch II** in its Guide to the World's Leading Trade Mark Law Practitioners.

Brett A. August, Raymond I. Geraldson, Jr., David C. Hilliard, Jonathan S. Jennings, Mark V.B. Partridge, Robert W. Sacoff and **Joseph N. Welch II** were recognized by the publishers of Super Lawyers as Illinois Super Lawyers in the 2010 Corporate Counsel Edition magazine.

David C. Hilliard was recognized by the publishers of Super Lawyers as one of the top Illinois Super Lawyers.

Law & Politics selected **Brett A. August, Bradley L. Cohn, Raymond I. Geraldson, Jr., David C. Hilliard, Janet A. Marvel, Mark V.B. Partridge, Robert W. Sacoff** and **Joseph N. Welch II** as Illinois 2010 "Super Lawyers." Law & Politics selected **Phillip Barengolts, David M.**

Beeman and **Ashly A. Iacullo** as Illinois 2010 "Rising Stars" and **David C. Hilliard** as one of the top 100 Illinois Super Lawyers.

PRESENTATIONS

Mark V.B. Partridge will be speaking on "The Top Trademark Law Developments of 2010," on February 26, 2010, at the John Marshall Annual Conference on Intellectual Property Law, in Chicago, IL. **Mark** spoke on "Rights Protection Mechanisms," on October 25, 2009, at the ICANN Meeting in Seoul, Korea.

Janet A. Marvel participated in the "Trademark Selection, Protection & Litigation: A Crash Course for Associates" Teleconference, on December 10, 2009.

At the American International Property Law Association annual meeting in Washington, DC, **Brett A. August** and **Daniel In Hwang** gave a presentation entitled "12-Month Case Summary," which detailed the 12 most important counterfeiting cases of the past 12 months.

Uli Widmaier will be speaking on "U.S. Dilution Law," on March 15, 2010, at AIPPI Day in Stockholm, Sweden. On March 23, 2010, **Uli** will be speaking at the European Community Trademark Association Roundtable on "Is There Something The European Trade Mark System Can Learn From The US After All?" and is also an invited speaker on the topic of "The U.S. Point of View," in Brussels, Belgium.

Ashly A. Iacullo and **Daniel In Hwang** were panelists in a discussion on "Advertising Protection Law for the Elderly," on November 4, 2009, at the Chicago Bar Association, Young Lawyers Section, Intellectual Property Committee. **Ashly** and **Daniel** were co-presenters on "How to Protect Your Intellectual Property," on November 23, 2009, at the Chicago Bar Association's Law in the Library Sessions at the Harold Washington Library in Chicago, IL, and on October 29, 2009, **Ashly** and **Daniel**, on behalf of the Chicago Intellectual Property Alliance, taught the basics of intellectual property to high school students at Mather High School, in Chicago, IL, and on November 24, 2009, to high school students at Senn High School, in Chicago, IL.

On February 3, 2010, **Ashly A. Iacullo** served as one of the moderators for The Intellectual Property Committee of the Young Lawyers Section of the Chicago Bar Association's third annual Judges' Panel, at the Chicago Bar Association, in Chicago, IL.

PUBLICATIONS

Brett A. August and **Daniel In Hwang** authored "The Surprising Reach of US Anti-Counterfeiting Laws," which was published in *IP Litigator* in the November/December 2009 issue.

TEACHING

Mark V.B. Partridge and **Phillip Barengolts** are teaching a course on "Advanced Trademark Litigation" at The John Marshall Law School, Chicago, IL, during the spring 2010 semester.

Uli Widmaier is teaching a course on "Advanced Trademarks and Unfair Competition" at the University of Chicago Law School, Chicago, IL, during the winter 2010 quarter.

NOTEWORTHY

The Illinois State Bar Association honored **Robert M. Newbury** as a member of the 1959 Class of Senior Counsellors.

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