



## **Hear This: Court Denies Motion for Summary Judgment in Dispute over Headphone Trademarks Between Dolby Labs and Monster, Inc.**

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by [Jeffrey A. Wakolbinger](#)

From a dispute involving trademarks used in connection with headphones, we are reminded how inherently difficult it is to defeat a likelihood-of-confusion claim on summary judgment.

### **I. The Parties**

Monster, Inc., is a consumer electronics company, which sells a variety of goods to musicians and home-audio enthusiasts in connection with the following registered trademarks:



Dolby Laboratories specializes in audio-signal processing. It licenses its technologies to manufacturers of audio/visual equipment and to content producers, who display Dolby's trademarks on their products. Many people may be familiar with the Dolby Double-D symbol [DD] from noise-reduction technologies used during the cassette-tape era. More recently, most people have almost certainly encountered the following trademark on television broadcasts, DVD cases, home-theater equipment, and cinema screens:



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GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • [www.pattishall.com](http://www.pattishall.com)

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Both parties either sell headphones or license technology used for headphones. Monster sells a variety of higher-end headphones, which retail between \$100 and \$299 per pair. Dolby developed a headphone technology that purports to deliver 7.1-channel surround sound to a single pair of headphone transducers and licenses this technology to manufacturers who display Dolby's logo on their products. Monster and Dolby use the following trademarks, respectively:



Dolby's headphone mark has been registered since 2002.<sup>1</sup> Monster applied to register its mark in 2008. After Dolby opposed registration of Monster's application, Monster filed suit in the Northern District of California, seeking a declaratory judgment that its headphone trademark did not infringe Dolby's and that Dolby had abandoned its mark by failing to exercise sufficient control over its licensees. Dolby counterclaimed for infringement. Both parties moved for summary judgment.

## **II. Monster's Motion for Summary Judgment on Issue of Likelihood of Confusion**

In a decision entered on January 29, 2013, the district court (Judge Yvonne Gonzalez Rogers) denied Monster's motion for summary judgment on the issue of likelihood of confusion.<sup>2</sup> Because of the conceded similarity of the goods and channels of trade—which weighed in Dolby's favor—and the absence of reported actual confusion, only four of the Ninth Circuit's *Sleekcraft* factors were in dispute: strength of the mark, similarity of the marks, the type of goods and degree of care likely to be exercised by the purchaser, and Monster's intent in selecting the mark. Regarding the first two factors, the court held that a reasonable jury could find the marks are similar and that Dolby's incontestable mark is strong.<sup>3</sup> The court determined that the degree-of-care factor was neutral, noting that the marks are used on somewhat pricey items but are nonetheless marketed to average consumers. As for Monster's intent, the court found that a reasonable jury could weigh this factor in Dolby's favor, citing, among other evidence, the fact that Monster had licensed and used Dolby's headphone mark on its own products.

The court found that Monster's survey evidence showing a lack of confusion among a sample of likely purchasers was "compelling" but not dispositive. As noted by the court, the "intensely factual nature of trademark disputes" make them largely unsuitable for summary judgment. Monster's motion was denied.

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<sup>1</sup> Dolby applied to register its headphone mark in 2001 for a variety of goods, including, "Digital signal processing chips integrated circuits; DVD video players; computers; [and] audio and video surround controllers." The mark is not registered for headphones, specifically. *See* U.S. Reg. No. 2,649,051.

<sup>2</sup> *See* *Monster, Inc., v. Dolby Labs. Licensing Corp.*, No. 12-cv-2488-YGR (N.D. Cal.).

<sup>3</sup> Although it was not discussed in the court's opinion, the reader will observe that both marks consist of a stylized pair of headphones surrounding the parties' pre-existing trademarks.

### **III. Dolby's Motion for Summary Judgment on Monster's Claim of Naked Licensing**

As for Dolby's motion, the court held that Monster presented insufficient evidence to create a triable issue regarding Monster's claim that Dolby had abandoned its mark by failing to exercise adequate control over its licensees. The burden to prove a "naked" license is on the party asserting the claim of abandonment, and the Ninth Circuit characterizes the standard as "stringent." Here, Dolby presented significant evidence of its efforts to control the use of its trademark by licensees: Dolby required licensees to enter into an agreement and abide by guidelines for use of the mark and the associated technology; it required licensees to submit prototypes for testing; it verified licensees' capacity to integrate the technology at a level that met Dolby's standards; it collected detailed information on the licensees' products, testing equipment, and quality-control procedures; it employed a program for monitoring use of its mark; and it engaged in enforcement efforts upon discovering unauthorized uses. The court was not persuaded by Monster's evidence of a few purported lapses or exceptions in Dolby's policing of its trademark and product quality.

### **IV. Dolby's Motion for Summary Judgment on Monster's Affirmative Defense of Genericness or Aesthetic Functionality**

Finally, the court granted summary judgment in Dolby's favor on Monster's affirmative defense that Dolby's claims are barred because the headphone design in the marks is generic and/or aesthetically functional when used in connection with consumer electronics. This was the second time the court ruled on the issue, having previously granted Dolby's motion for judgment on the pleadings when the defense was raised in Monster's original complaint. As the court noted, marks cannot be dissected; they must be analyzed as a whole. The presence of one or more generic elements will not render an otherwise protectable mark unprotectable.

### **V. Conclusion**

The case should serve as a reminder to trademark practitioners on at least two important points: (1) even with compelling survey evidence, it is very difficult for a party to prevail at the summary-judgment stage in proving there is no likelihood of confusion, and (2) when licensing a trademark to others, it is imperative to have quality-control procedures in place and to actually enforce those procedures.

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*Jeffrey A. Wakolbinger is an attorney with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a [leading intellectual property law firm](#) based in Chicago, Illinois. [Pattishall McAuliffe](#) represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#), and advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet](#), and [e-commerce](#) issues. Jeff's practice focuses on [trademark and copyright litigation](#), as well as domestic and international [trademark](#), [Internet](#), [e-commerce](#), and [copyright](#) law.*