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Recent Development

RECENT DEVELOPMENTS IN TRADEMARK LAW^{di}

Jeffrey W. Tayon^{a1} Shawn Hunter^{a1}

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This review covers noteworthy decisions made by the courts and the Trademark Trial & Appeal Board (TTAB) and reported in the U.S.P.Q.2d Vol. 28, No. 1 (Oct. 4, 1993) through Vol. 29, No. 6 (February 7, 1994).

I. Ninth Circuit: Color per se is not protectable as a trademark, but can be protectable under § 43(a)

In *Qualitex Co. v. Jacobson Products Co., Inc.*,¹ the Ninth Circuit affirmed a judgment for damages and injunctive relief for unfair competition under § 43(a) of the Lanham Act,² against Jacobson for copying Qualitex’s green-gold trade dress for dry cleaning press pads.³ However, the court then reversed a district court judgment of trademark infringement by Jacobson and directed the district court to enter judgment for Jacobson on a counterclaim for cancellation of Qualitex’s registered trademark for *292 the green-gold color.⁴ Qualitex has manufactured and sold its “SUN GLOW” press pads for use on dry cleaning presses since 1957. The fabric for the cover of the pad is a unique green-gold color. Jacobson began manufacturing and marketing a “MAGIC GLOW” press pad in 1989. The Jacobson pad is the same green-gold color as that of Qualitex’s “SUN GLOW” pad. Qualitex filed suit claiming Jacobson infringed the trade dress of its “SUN GLOW” pads in violation of § 43(a) of the Lanham Act. During the pendency of the action, Qualitex filed for registration of the green-gold color. Registration was granted, and Qualitex added to its complaint the claim that Jacobson infringed Qualitex’s federally registered trademark. Jacobson counterclaimed for cancellation of Qualitex’s registration, arguing that color *per se* is not protectable, and that there was no secondary meaning.⁵

The district court held Jacobson liable for trademark infringement and unfair competition and entered judgment for injunctive relief and monetary damages.⁶ The district court denied Qualitex’s request for increased damages and attorney fees “because Jacobson’s copying had been done under the reasonable belief that Qualitex could not appropriate a color,”⁷ and dismissed Jacobson’s counterclaim for cancellation of Qualitex’s trademark registrations.⁸

The Ninth Circuit affirmed the judgment against Jacobson for unfair competition, but held that Qualitex’s trademark was invalid.⁹ According to the court, whether color *per se* qualifies for trademark protection is a legal issue which is reviewed *de novo*.¹⁰ The court decided to follow the majority of circuits holding that color alone cannot be registered or protected as a

trademark,¹¹ rather than acknowledging the exception of *In re Owens-Corning Fiberglass Corp.*,¹² (finding that the color pink for insulation was properly registered as a trademark). The court opined that “under the color depletion theory, no person should have a monopoly on a primary color.”¹³ It recognized that there are countless shades of colors that could not be depleted, but feared that “shade confusion” could result, creating unnecessary problems in drawing distinctions between close shades of color.¹⁴ The court noted that adequate protection is available “when color is combined in distinctive patterns or designs or combined in distinctive logos.”¹⁵

In addition, the Ninth Circuit found that the district court did not err in its finding that Jacobson infringed Qualitex’s trade dress under § 43(a) of the Lanham Act¹⁶ because the trade dress, *i.e.*, the green-gold color, was not functional, the trade dress had acquired secondary meaning, and there was a likelihood of confusion.¹⁷ The color was not functional because it was “aesthetic only,” was not necessary to the “product’s use, cost, quality or longevity,” was more expensive than other colors, and other colors were equally usable.¹⁸ The color had acquired a secondary meaning due to Qualitex’s substantially exclusive use of the green-gold color on press pads for over thirty years, expenditure of over *293 \$1.6 million in advertising and promotion of that color for press pads in magazines and trade shows, monthly advertisements for thirty years in a leading trade magazine directed at the dry cleaning market,¹⁹ survey of trade publication readers showing that 39% associated the green-gold color with Qualitex, but not one with Jacobson,²⁰ and Jacobson’s intentional copying of the green-gold color.²¹ Finally, there was a likelihood of confusion based on evidence of Jacobson’s intentional copying, Jacobson’s inferior product under identical trade dress, small degree of care by purchasers who “do not speak or read English well,” and the Qualitex survey.²²

II. Seventh Circuit: The “Legend” Product Configurations Are Protectable as Trademarks Under the Lanham Act

In a split decision, the Seventh Circuit affirmed a district court’s summary judgment in favor of a trademark applicant and against its opposer in *Kohler Co. v. Moen, Inc.*²³ Kohler and Moen compete in the business of manufacturing and selling plumbing products, including faucets and faucet handles. Moen sought trademark registration for its “LEGEND” kitchen faucet design and the appearance of the handle used by Moen on the “LEGEND” faucet and other Moen faucets. Kohler opposed the applications to register the faucet and faucet design as trademarks before the TTAB on the ground that, as a matter of law, product shapes were not registrable as trademarks.²⁴

The TTAB dismissed Kohler’s oppositions and Kohler sought review of the TTAB’s decision in the U.S. District Court for the Northern District of Illinois.²⁵ Both parties moved for summary judgment, and stipulated that they would rely on the record before the TTAB and that no new evidence would be submitted.²⁶ The sole issue was one of law: whether the definition of the term “trademark” in the Lanham Act, 15 U.S.C. § 1127,²⁷ includes product configurations.²⁸ The district court granted Moen’s motion for summary judgment holding that product configurations are registerable as trademarks.²⁹ A three judge panel of the Seventh Circuit affirmed with one judge dissenting.³⁰

The Seventh Circuit majority opinion held that § 45 of the Lanham Act allows trademark protection for product configurations.³¹ Kohler argued that granting trademark protection to product configurations impermissibly conflicted with the Patent Clause of the United States Constitution,³² as the equivalent of a perpetual patent.³³ Kohler also argued that trademark protection for product configuration is anti-competitive and inhibits product development by precluding manufacturers from using product configurations resembling trademarked configurations.³⁴

*294 The court held that trademark protection was not equivalent to perpetual patent protection. Comparing the patent and trademark law, the Court of Appeals stated:

Compared to patent protection, trademark protection is relatively weak because it precludes competitors only from using marks that are likely to confuse or deceive the public. Trademark protection is dependent only on public reaction to the trademark in the marketplace rather than solely on the similarity of the configurations.³⁵

Further, “the courts have consistently held that a product’s different qualities can be protected simultaneously, or successively, by more than one of the statutory means for protection of intellectual property.”³⁶

The Seventh Circuit also disagreed with Kohler’s argument that the Supreme Court’s holdings in *Sears, Roebuck & Co. v. Stiffel Co.*,³⁷ *Compcorp Corp. v. Day-Brite Lighting, Inc.*,³⁸ *Bonito Boats, Inc. v. Thundercraft Boats, Inc.*,³⁹ and *Two Pesos, Inc. v. Taco Cabana, Inc.*,⁴⁰ indicate that federal trademark protection for product configuration is impermissible and conflicts with federal patent law:

First, no Lanham Act issue was raised in either *Sears* or *Compcorp*; the decision in each case was based on the Supremacy Clause. Second, the Court in *Compcorp* noted that a defendant may copy at will if the design is “not entitled to a design patent

or other federal statutory protection . . . ” *Compco*, 376 U.S. at 238. Of course, the Lanham Act falls under the rubric of “other federal statutory protection,” and courts have expressly held that *Sears* and *Compco* do not preclude federal trademark protection of designs.⁴¹

Further, “the underlying policies of federal trademark law, and the nature of the protection afforded, do not approximate the sweeping, perpetual patent-like state statutes that the Supreme Court found impermissible in *Sears*, *Compco*, and *Bonito Boats*.⁴²

The Seventh Circuit also disagreed with Kohler’s assertion that trademark protection for product configuration was anti-competitive: “As we noted earlier, trademarks are not monopolies. Others can produce designs similar to the trademark so long as there is no likelihood of consumer confusion.”⁴³ The Seventh Circuit stated that granting trademark protection to a non-generic and non-functional product design does not stifle competition. It concluded, rather, that the economic rewards from trademark protection might encourage creative effort in marketing.⁴⁴

Innovation in product design and marketing for the purpose of enhancing producer identity reduces the costs to consumers of informing themselves about the product source so that they can either continue purchasing the products from particular producers or avoid the products from those producers altogether.⁴⁵

Judge Cudahy dissented writing that the majority view “notoriously lacks the support and endorsement of the Supreme Court.”⁴⁶ He criticized the majority’s reliance on decisions by the Federal Circuit and its predecessor, the Court of Customs and Patent Appeals, such as *In re Teledyne*,⁴⁷ and *295 *In re Honeywell, Inc.*⁴⁸ He wrote “the essential issue before us is whether to follow lower court cases that lack the endorsement of the Supreme Court and that defeat the important right to copy unpatented articles recently proclaimed yet again by the Supreme Court in *Bonito Boats*.⁴⁹

III. First Circuit: Boston Beer Gets Poured Out

The First Circuit recently affirmed the district court’s refusal to enjoin a defendant from using the words “Boston Beer” in its name and from using the word “Boston” in connection with any of its beers in *Boston Beer Co. L.P. v. Slesar Brothers Brewing Co., Inc.*⁵⁰ Boston Beer began brewing Samuel Adams Boston Lager in 1985 at a contract brewery in Pittsburgh under the name “Boston Beer Company.” In November 1988, Boston Beer Company began to brew its own beer at a brewery located in Boston.⁵¹ Slesar was a restaurant and brew pub which opened in 1992 in Boston. One of the beers it brewed on-site was named “Boston Red” and it adopted the name “Boston Beer Works” for its restaurant and pub. Boston Beer moved for a temporary restraining order to stop Slesar from using the names “Boston Beer Works” and “Boston Red.” The request for a TRO, and later, a motion for a preliminary injunction, were denied.⁵² At a final trial on the merits, Boston Beer introduced survey evidence in an attempt to show that its marks had acquired secondary meaning. The trial court found for Slesar reasoning that Boston Beer had failed to meet its burden that “Boston” had acquired a secondary meaning and did not reach the issue of likelihood of confusion.⁵³

On appeal, Boston Beer contended that the district court erred by failing to find that the word “Boston” was inherently distinctive, and in finding that the word “Boston” had not acquired a secondary meaning.⁵⁴ The First Circuit found that Boston Beer had failed to preserve the issue of inherent distinctiveness for appeal by failing to raise that issue before the district court.⁵⁵ Instead, at trial, Boston Beer had admitted that the word “Boston” was a geographically descriptive term⁵⁶ and that the only issues to be tried were secondary meaning and likelihood of confusion.⁵⁷ Accordingly, the First Circuit concluded that, because the words “Boston Beer Company” were admitted to be geographically descriptive for a company brewing beer in Boston,⁵⁸ the Boston Beer Company was entitled to trademark protection only upon a showing of secondary meaning,⁵⁹ and:

To establish secondary meaning in the mark “Boston,” not only must [Boston Beer Company] prove that, when read or heard by consumers in connection with beer, “Boston” no longer means that the beer was brewed in Boston or by a Boston-based brewer, but that the consuming public recognizes that the word “Boston” identifies [Boston Beer Company] as the source of the beer.⁶⁰

*296 In this case, the survey evidence was the key evidence considered by the First Circuit on the issue of secondary meaning.⁶¹ The survey was described as follows:

The survey was conducted among 400 “beer drinkers” from the greater-Boston area who were split into two groups of 200. Each group was provided with a choice of approximately 20 beers and asked to identify the beer or beers produced by each of three different “beer companies.” Both groups were asked about the “Latrobe Brewing Company” and the “Anheuser-Busch company.” One group was asked about Boston Beer Company and the other about Boston Beer Works. Included on the list

were appellant's three "Boston" beers which appeared as "Samuel Adams Beer," "Boston Ale," and "Lightship." The other beers consisted of various domestic and imported brands.

When asked what brand of beer was produced by Boston Beer Company, 36% responded with Samuel Adams beer. Boston Ale and Lightship each garnered 4%, and 59% responded that they did not know. Similarly, for the group asked about Boston Beer Works, 31% responded with Samuel Adams, 4% with Boston Ale, 2% Lightship and 66% could not identify any brand.⁶²

The First Circuit held that the district court's finding that the survey results demonstrated a product-place association as opposed to a product-source association was not clearly erroneous.⁶³ The First Circuit criticized the survey for being "somewhat suggestive" in that it gave the impression Boston Beer Works was a "company" like Anheuser-Busch and Latrobe, as opposed to a restaurant/brew pub.⁶⁴ The court wrote:

[J]ust because one-third of those surveyed, when presented with a list of beers and a brewer whose name contained the words 'Boston Beer' matched that brewer with Samuel Adams beer, does not mean that the words 'Boston Beer' used in connection with appellant's name, has *necessarily* assumed a secondary meaning.⁶⁵

Instead, it was just as "probable" that the words "are still primarily perceived by consumers as geographically descriptive terms, and that consumers are simply aware of the fact that Samuel Adams is a Boston beer."⁶⁶ Therefore, the district court's decision was affirmed, and like the district court, the First Circuit did not reach the issue of likelihood of confusion.⁶⁷

IV. Fourth Circuit: No Contesting the Incontestable as Functional

In *Shakespeare Co. v. Silstar Corp. of America, Inc.*,⁶⁸ the Fourth Circuit held that an incontestable federal trademark registration cannot be canceled as functional "because functionality is not one of the statutorily enumerated grounds upon which a trademark registered more than five years may be canceled."⁶⁹ The issue was stated by the Fourth Circuit to be as follows:

Whether a district court considering cancellation, pursuant to § 37 of the Lanham Act (15 U.S.C. § 1119 (1988)), of a trademark that has been registered more than five years, and is incontestable pursuant to 15 U.S.C. § 1065 (1988), can order cancellation on the ground that the trademark is found to be functional, even though functionality is not one of the grounds set forth in 15 U.S.C. § 1064.⁷⁰

*²⁹⁷ Shakespeare was a manufacturer of "Ugly Stik" fishing rods, an "immensely successful line" of products. Eighty to ninety percent of those rods, and some of Shakespeare's other rods, featured a section of solid fiberglass near the tip which appeared clear or translucent, the "clear tip."⁷¹ Shakespeare registered the "clear tip" on the Principal Register and, after five years and taking the appropriate steps, the mark became "incontestable" pursuant to 15 U.S.C. § 1065. Two years later, Silstar introduced a line of fishing rods called "Silstar Power Tip Crystal Rods" which featured a clear fiberglass section, similar to that of Shakespeare's "clear tip" line. Shakespeare filed suit. The district court ultimately ruled in Silstar's favor, canceled Shakespeare's trademark on the "clear tip," and dismissed Shakespeare's infringement and unfair competition claims.⁷² The district court found the "clear tip" to be functional "because its very appearance communicates to the consumer that it is composed of fiberglass."⁷³

The Fourth Circuit began its analysis by considering the issue of whether or not a district court is limited under 15 U.S.C. § 1119 to the grounds for cancellation which would limit the Commissioner's authority to cancel a registration under 15 U.S.C. § 1064.⁷⁴ The Fourth Circuit noted that if a party attacking the validity of a registration seeks cancellation through the U.S. Patent and Trademark Office ("PTO"), the administrative proceeding is explicitly limited to the grounds enumerated under § 1064.⁷⁵ Although the district court is empowered to cancel registrations pursuant to § 1119, that section lists no grounds upon which the registration may be canceled.⁷⁶ The Fourth Circuit was then left to determine whether a district court's authority to cancel under § 1119 is circumscribed by the same limitations which restrain the PTO in an administrative cancellation proceeding. It turned to the Supreme Court's decision in *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*,⁷⁷ for guidance.⁷⁸ In that case, the Supreme Court held that the incontestability provisions of the Lanham Act prevent cancellation of a mark which is merely descriptive and would not be entitled to continued registration but for its incontestable status.⁷⁹ The Fourth Circuit was persuaded that the rationale enunciated in *Park 'N' Fly* would apply so that cancellation by the district court under § 1119 is limited by the grounds set forth in § 1064.⁸⁰

Because functionality is not one of the grounds for cancellation under § 1064, the district court had no authority to cancel

Shakespeare's "clear tip" registration on that basis. As a result, the district court's decision to cancel the "clear tip" registration and dismiss Shakespeare's claims, was reversed and remanded with instructions to consider Shakespeare's claims for infringement and unfair competition.⁸¹

Judge Niemeyer dissented. He felt that the majority analysis overlooked the antecedent issue of whether an enforceable trademark existed.⁸² According to Judge Niemeyer, the "doctrine of functionality is an extra-statutory doctrine, neither defined nor limited by the express provisions of the Lanham Trademark Act, which denies a perpetual monopoly of that which is functional."⁸³

*298 V. Third Circuit: Interlocutory Cancellation Is Not Appealable

In *Santana Products, Inc. v. Compression Polymers, Inc.*,⁸⁴ the Third Circuit considered a jurisdictional issue of first impression:

The issue is whether an interlocutory district court order directing the Commissioner of Patents and Trademarks to cancel a trademark registration, in an action in which the Commissioner is not a party, is an injunction within 28 U.S.C. § 1292(a)(1) and therefore immediately appealable.⁸⁵

The Third Circuit held that the district court's interlocutory order directing cancellation of the registration was not an injunction and was not immediately appealable. Therefore, the interlocutory appeal was dismissed.⁸⁶

Santana Products has used the name "Santana" for restroom partitions since 1979. The "Santana" mark was unregistered. Compression Polymers also makes restroom partitions marketed under the name "Sanatec." Compression Polymers registered the name "Sanatec" federally in August of 1990, and in its application, stated that it first used the mark in October of 1989. Santana brought suit for infringement and unfair competition and also asserted that Compression Polymers' federal registration should be canceled pursuant to 15 U.S.C. § 1119. On Santana's motion for partial summary judgment, the district court ordered the Commissioner of Patents and Trademarks to cancel Compression Polymers' registration. The other counts of the complaint were still pending before the court.⁸⁷

Compression Polymers appealed the cancellation order, arguing that the Court of Appeals had jurisdiction pursuant to 28 U.S.C. § 1292(a)(1) because the cancellation order was injunctive in nature.⁸⁸ The Third Circuit applied a three-part test for determining when an order is injunctive in nature: "Orders that are directed to a party, enforceable by contempt, and designed to accord or protect 'some or all of the substantive relief sought by a complaint' in more than a [temporary] fashion."⁸⁹ The court held that the district court's order only satisfied the last of these requirements because it was not directed to Compression Polymers, but rather to the Commissioner of Patents and Trademarks, and, as a result, the order was not enforceable by contempt against Compression Polymers.⁹⁰ Instead, Compression Polymers was entitled to continue using the disputed trademark subject only at the risk of being held liable for damages.⁹¹

Judge Mansmann dissented,⁹² citing the Supreme Court decision in *Gulfstream Aerospace Corp. v. Mayacamas Corp.*,⁹³ where the Supreme Court held that jurisdiction pursuant to § 1292(a)(1) extends to the review of "orders that grant or deny injunctions and orders that have the practical effect of granting or denying injunctions and have serious, perhaps irreparable, consequences."⁹⁴ The practical effect of the district court's order directing cancellation is the granting of an injunction to Santana Products because the order is enforceable by contempt against the Commissioner, and the majority's *299 reasoning "exalts form over substance and turns a blind eye to the fact that Compression Polymers is denied the use of its federally registered trademark . . . as effectively as if it were expressly enjoined by the district court from using its federal trademark."⁹⁵

VI. TTAB: No "Olympic" in "Olympic Kids"

In *United States Olympic Committee v. O-M Bread Inc.*,⁹⁶ the Trademark Trial and Appeal Board (TTAB) considered the breadth of the U.S. Olympic Committee's ("USOC's") exclusive rights to use of the mark "OLYMPIC" granted under the Amateur Sports Act § 110(c).⁹⁷ The TTAB granted the USOC's motion for summary judgment and sustained an opposition to registration of "OLYMPIC KIDS."⁹⁸

Since before 1950, O-M Bread had used "OLYMPIC" as a trademark for bread and other bakery products. As a result, O-M Bread's prior use of "OLYMPIC" for bread could continue under the grandfather clause of 36 U.S.C. § 380 (a). O-M Bread then sought to expand its trademark for bread to "OLYMPIC KIDS." The USOC opposed O-M Bread's registration of the mark "OLYMPIC KIDS" based on § 110(c) of the Amateur Sports Act that grants USOC the exclusive right to use "the

words ‘Olympic,’ ‘Olympiad,’ ‘Citius Altius Fortius’ or any combination thereof”⁹⁹

O-M Bread made two primary arguments in support of registration. First, O-M Bread argued that the USOC only had the right to preclude uses of the word “OLYMPIC” alone and not “OLYMPIC” combined with other words or symbols. The TTAB rejected O-M Bread’s argument. The TTAB ruled that “such an interpretation would, in effect, render Section 110(c) nugatory, because under it a party need only make a minor addition to the word OLYMPIC in order to overcome the exclusive rights granted to opposer.”¹⁰⁰ It found such a result would be clearly contrary to the purpose of § 110(c) which “was designed to give opposer something more than the protection offered by Section 2(a) and Section 2(d) of the Trademark Act.”¹⁰¹

Second, O-M Bread argued that under the *Morehouse* doctrine,¹⁰² USOC would not be damaged by subsequent registrations by O-M Bread for variations of the word “OLYMPIC” because O-M Bread already has a grandfathered registration for “OLYMPIC.”¹⁰³ The TTAB also rejected this defense explaining that the *Morehouse* doctrine is an equitable defense that will not be applied in cases of fraud, abandonment or descriptiveness. By analogy, the TTAB held that the *Morehouse* doctrine is also not appropriate “when the ground is that the party’s use is unlawful because it is prohibited by statute.”¹⁰⁴

*300 VII. Ninth Circuit: Intel Takes a Bite Out of Terabyte Chips

In *Intel Corp. v. Terabyte International, Inc.*,¹⁰⁵ the Ninth Circuit affirmed the district court’s decision that Terabyte was liable for trademark infringement.¹⁰⁶ Terabyte is a computer components broker that sells Intel math coprocessors to end users after obtaining the devices from other brokers and distributors. Upon investigation, Intel discovered that slower math coprocessors were being redesignated and sold as faster and more expensive math coprocessors. Intel tracked some of those falsely “remarked” math coprocessors to Terabyte.¹⁰⁷ After a three-day bench trial, the district court found Terabyte liable for trademark infringement and awarded over \$380,000 in damages and over \$200,000 in attorneys fees.¹⁰⁸ The Ninth Circuit affirmed the award of damages, but reversed and remanded the attorney fee award for further consideration.¹⁰⁹

At the outset, the Ninth Circuit considered whether Terabyte had perfected an appeal from the judgment for attorney fees.¹¹⁰ Because Terabyte filed its notice of appeal before the amount of the attorney fee award had been determined, the notice of appeal “pertained only to the *merits* of the litigation,” and not the award of attorney fees.¹¹¹ However, because Terabyte’s opening brief on appeal was filed less than thirty (30) days after the judgment for the amount of attorney fees was entered by the trial court, Terabyte’s opening brief served as a timely notice of appeal on the issue of the amount of the attorney fee award.¹¹²

Addressing Terabyte’s liability for trademark infringement, the Ninth Circuit wrote that Terabyte’s customers were deceived into believing they were purchasing fast math coprocessors, when they were actually receiving slower and less expensive chips.¹¹³ The Ninth Circuit opined that the right to control the quality of the goods manufactured and sold under the holder’s trademark is one of the most valuable and important protections afforded by the Lanham Act.¹¹⁴ Rejecting Terabyte’s argument that “confusion as to capability,” as opposed to “confusion as to source,” was not relevant for the purposes of liability under the Lanham Act, the Ninth Circuit stated that Terabyte ignored the purpose of trademark protection, *i.e.* to insure that the public receives the product which it asks for and wants to receive.¹¹⁵ In reaching its conclusion, the Court of Appeals relied upon the Supreme Court’s decision in *Champion Spark Plug Co. v. Sanders*, where defendants had collected second-hand Champion Spark Plugs and repaired, reconditioned and resold them while leaving the word “Champion” on the reconditioned plugs without indicating that the plugs had been reconditioned.¹¹⁶

The Ninth Circuit upheld the district court’s method of computing damages. The district court calculated Intel’s damages by multiplying the total amount of Terabyte’s sales of 287-10 and 387-25 chips by Intel’s profit margin. Next, the district court multiplied this figure by 95% under the assumption that 95% of Terabyte’s total sales were infringing. The 95% assumption was based on the fact that “the great *301 majority of math coprocessors that Intel obtained from Terabyte over a six month period were counterfeit.”¹¹⁷ The Ninth Circuit characterized this assumption as “somewhat crude,” but refused to find it clearly erroneous noting that much legal reasoning depends on that very kind of extrapolation from limited data, and criticized Terabyte for not coming forward with “evidence to demonstrate the error.”¹¹⁸ Terabyte also argued that it should not be liable for Intel’s damages because it did not profit from the counterfeiting scheme. Rejecting this argument, the Ninth Circuit found no abuse of discretion in awarding damages against Terabyte because “if the district court did not award damages, Terabyte and other brokers would not be deterred from buying counterfeit math coprocessors at below market prices and selling them to their unknowing customers.”¹¹⁹

On the issue of attorneys fees, the Ninth Circuit upheld the finding of willful conduct,¹²⁰ but remanded for a determination of the amount of attorney’s fees. The court below made no finding that the hours expended were reasonable and that the hourly rates were customary. Additionally, Intel only supplied Terabyte with summaries of the fees incurred, but not the back-up for

the summaries so that Terabyte could examine the fee request in detail.¹²¹ The Ninth Circuit found such a procedure to be inadequate because “under our adversary system, Terabyte was entitled to see just what was charged and why.”¹²² As a result, the award of attorney fees was reversed and remanded for further consideration.¹²³

The Ninth Circuit concluded its opinion as follows:

Terabyte earnestly argues that it is a legitimate business which has done no wrong. The district court did not agree. Terabyte knowingly bought counterfeit computer chips. By selling them, it deceived its customers and put Intel’s reputation in jeopardy. That conduct was blatant trademark infringement and was prohibited by the Lanham Act.¹²⁴

Footnotes

^{d1} (c) 1994.

^{a1} Mr. Tayon is a member of the Houston firm of Conley, Rose & Tayon. Mr. Tayon is a former Patent Examiner in the medical arts and a former law clerk and technical advisor to Judge Jack Miller who is now a Senior Judge at the U.S. Court of Appeals for the Federal Circuit.

^{aa1} Mr. Hunter is a member of the Houston firm of Conley, Rose & Tayon. Mr. Hunter received a Bachelor of Science degree in Engineering from the United States Military Academy in 1983. Mr. Hunter obtained his J.D. degree from the University of Houston in 1991.

¹ 13 F.3d 1297, 29 U.S.P.Q.2d (BNA) 1277 (9th Cir. 1994).

² 15 U.S.C. § 1125(a) (1988).

³ *Qualitex*, 13 F.3d at 1300.

⁴ *Id.* at 1305.

⁵ *Id.* at 1300.

⁶ *Id.* at 1300.

⁷ *Id.* at 1301.

⁸ *Id.* at 1300.

⁹ *Id.*

¹⁰ *Id.* at 1301.

¹¹ *Id.* at 1302.

¹² 774 F.2d 1116, 227 U.S.P.Q. (BNA) 417 (Fed. Cir. 1985).

¹³ *Qualitex*, 13 F.3d at 1302.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ 15 U.S.C. § 1125(a) (1988).

¹⁷ *Qualitex*, 13 F.3d at 1304-05.

¹⁸ *Id.* at 1304.

¹⁹ *Id.*

²⁰ *Id.* at 1305.

²¹ *Id.* at 1304.

²² *Id.* at 1304-05.

²³ 12 F.3d 632, 29 U.S.P.Q.2d (BNA) 1241 (7th Cir. 1993).

²⁴ *Kohler*, 12 F.3d at 633.

²⁵ *Id.* at 633.

²⁶ *Id.*

²⁷ 15 U.S.C. § 1127 (1988).

²⁸ *Kohler*, 12 F.3d at 634.

²⁹ *Id.* at 633.

³⁰ *Id.* at 632.

³¹ *Id.* at 644.

³² U.S. CONST. Art. I, § 8, cl. 8.

³³ *Kohler*, 12 F.3d at 636-37.

³⁴ *Id.* at 643.

³⁵ *Id.* at 637.

³⁶ *Id.* at 638.

³⁷ 376 U.S. 225, 140 U.S.P.Q. (BNA) 524 (1964).

³⁸ 376 U.S. 234, 140 U.S.P.Q. (BNA) 528 (1964).

³⁹ 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1989).

⁴⁰ 112 S.Ct. 2753, 23 U.S.P.Q.2d (BNA) 1081 (1992).

⁴¹ *Kohler*, 12 F.3d at 640.

⁴² *Id.* at 641-42.

⁴³ *Id.* at 643.

⁴⁴ *Id.*

⁴⁵ *Id.* at 643-44.

⁴⁶ *Id.* at 644 (Cudahy, J., dissenting).

⁴⁷ 696 F.2d 968, 217 U.S.P.Q. (BNA) 9 (Fed. Cir. 1982).

⁴⁸ 497 F.2d 1344, 181 U.S.P.Q. (BNA) 821 (C.C.P.A.), *cert. denied*, 419 U.S. 1080, 184 U.S.P.Q. (BNA) 129 (1974).

⁴⁹ *Kohler*, 12 F.3d at 644.

⁵⁰ 9 F.3d 175, 28 U.S.P.Q.2d (BNA) 1778 (1st Cir. 1993).

⁵¹ *Boston Beer*, 9 F.3d at 176.

⁵² *Id.* at 177.

⁵³ *Id.* at 177-79.

⁵⁴ *Id.* at 179.

55 *Id.* at 180-81.

56 *Id.* at 181.

57 *Id.*

58 *Id.*

59 *Id.*

60 *Id.* at 181-82.

61 *Id.* at 182.

62 *Id.* at 178-79.

63 *Id.* at 182.

64 *Id.* at 183.

65 *Id.* at 182 (emphasis in original).

66 *Id.* at 182-83.

67 *Id.* at 183.

68 9 F.3d 1091, 28 U.S.P.Q.2d (BNA) 1765 (4th Cir. 1993).

69 *Id.* at 1092.

70 *Id.*

71 *Id.*

72 *Id.* at 1093.

73 *Id.* at 1094.

74 *Id.* at 1094.

75 *Id.* at 1096.

76 *Id.*

77 469 U.S. 189, 224 U.S.P.Q. (BNA) 327 (1985).

78 *Shakespeare*, 9 F.3d at 1095.

79 *Id.*

80 *Id.* at 1097.

81 *Id.* at 1099.

82 *Id.* (Niemeyer, J., dissenting).

83 *Id.*

84 8 F.3d 152, 28 U.S.P.Q.2d (BNA) 1707 (3d Cir. 1993).

85 *Santana*, 8 F.3d at 153.

86 *Id.*

87 *Id.*

88 *Id.*

89 *Id.* at 154, *citing* *Cohen v. Board of Trustees of Medicine & Dentistry*, 867 F.2d 1455, 1465 n.9 (3d Cir. 1989) (quoting 16 *Wright, Federal Practice & Procedure* § 3922, at 29 (1977)).

90 *Id.*

91 *Id.*

92 *Id.* at 155.

93 485 U.S. 271 (1988).

94 *Santana*, 8 F.3d at 156 (emphasis in original).

95 *Id.*

96 29 U.S.P.Q.2d (BNA) 1555 (TTAB 1993).

⁹⁷ 36 U.S.C. § 380(c) (1988).

⁹⁸ *Olympic*, 29 U.S.P.Q.2d (BNA) at 1556.

⁹⁹ *Id.* at 1557.

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.* at 1558 (citing *Morehouse Mfg. Corp. v. J. Strickland Co.*, 407 F.2d 881 (C.C.P.A. 1969)).

¹⁰³ *Id.*

¹⁰⁴ *Olympic*, 29 U.S.P.Q.2d (BNA) at 1558.

¹⁰⁵ 6 F.3d 614, 28 U.S.P.Q.2d (BNA) 1182 (9th Cir. 1993).

¹⁰⁶ *Intel*, 6 F.3d at 616.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.* at 617.

¹⁰⁹ *Id.* at 616.

¹¹⁰ *Id.* at 617.

¹¹¹ *Id.*

¹¹² *Id.* at 617-18.

¹¹³ *Id.* at 619.

¹¹⁴ *Id.* at 618 (quoting *El Greco Leather Prod. Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392, 395 (2d Cir. 1986), *cert. denied*, 484 U.S. 817, 108 S.Ct. 71, 98 L.Ed.2d 34 (1987)).

¹¹⁵ *Id.* at 619.

¹¹⁶ *Intel*, 6 F.3d at 619 (citing 331 U.S. 125, 73 U.S.P.Q. (BNA) 133 (1947)).

¹¹⁷ *Id.* at 621.

118 *Id.*

119 *Id.*

120 *Id.* at 622.

121 *Id.* at 623.

122 *Id.*

123 *Id.*

124 *Id.* at 623.