

The Federal Circuit Vacates and Remands An International Trade Commission Final Determination in A Trademark-Based Investigation

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Key Points

- The Federal Circuit issued a rare precedential decision in an appeal from a trademark- and trade dress-based ITC investigation.
- In its decision, the Federal Circuit reiterated that the act of trademark registration does not create exclusive property rights in the mark, and that ownership rights in a trademark arise from prior use of the mark. Federal registration, however, provides additional protection that does not exist under the common law.
- The presumption of secondary meaning in product trade dress created by a trademark's registration operates only prospectively from the date of registration, and no presumption of secondary meaning confers prior to the date of registration. For infringement that began prior to the effective date of registration, a registered trademark owner must establish secondary meaning in a trademark at least as of the time the infringement began.
- An analysis of secondary meaning in product trade dress must consider six factors identified by the Federal Circuit.
- The relevant time frame for the secondary meaning analysis can influence the weight given to prior use evidence as well as survey evidence.
- Products that are not "substantially similar" to the asserted product trade dress cannot be considered in invalidity or infringement determinations on the issue of exclusive use of the trade dress.

I. Background

On October 30, 2018, the Federal Circuit issued its [decision](#) in *Converse, Inc., v. Int'l Trade Comm'n*, vacating the International Trade Commission's (ITC) Final Determination in Investigation No. 337-TA-936, and remanding the investigation to the ITC, holding that the ITC erred in applying incorrect standards in determining trademark invalidity and infringement.

Contact

David C. Vondle

Partner

dvondle@akingump.com

Washington, D.C.

+1 202.887.4184

Cono A Carrano

Partner

ccarrano@akingump.com

Washington, D.C.

+1 202.887.4136

Ryan Stronczer

Associate

rstronczer@akingump.com

Washington, D.C.

+1 202.887.4586

An Hoang

Law Clerk (not admitted to practice)

ahoang@akingump.com

Washington, D.C.

+1 202.419.4634

On October 14, 2014, Converse, Inc. (Converse) filed a complaint with the ITC, alleging violations of Section 337, 19 U.S.C. § 1337, by numerous respondents for the importation, sale for importation, or sale after importation of certain products into the United States. The accused products included shoes alleged to infringe product configuration trade dress rights which had been registered in 2013 as U.S. Trademark Registration No. 4,398,753 (the “’753 trademark”), for the midsole design of its Chuck Taylor All Star shoes. The ’753 trademark describes the trade dress configuration of design elements of the shoes as: “the design of the two stripes on the midsole of the shoe, the design of the toe cap, the design of multi-layered toe bumper featuring diamonds and line patterns, and the relative position of these elements to each other.”

On November 14, 2014, the ITC instituted the investigation. Certain respondents did not respond to the complaint and defaulted, while other respondents participated in the ITC proceedings, asserting that the accused shoes did not infringe the ’753 trademark and that the trademark was invalid.

On November 17, 2015, the Administrative Law Judge (ALJ) issued an Initial Determination, finding a violation of Section 337 by the respondents because the *registered* ’753 trademark was infringed and valid, based on the presumption of secondary meaning afforded to the registered trademark. The ALJ, however, found that Converse had not established secondary meaning necessary to establish the validity of the trade dress during the period predating its registration.

On June 23, 2016, the ITC issued its Final Determination, affirming the ALJ’s finding that the common-law trade dress rights had not acquired secondary meaning. However, the ITC reversed the ALJ’s ruling that the ’753 trademark was not invalid, finding the ’753 trademark had also not acquired secondary meaning. Additionally, the ITC found that if Converse’s common law trade dress rights and/or the ’753 trademark was valid, its trademark had been infringed.

II. The Majority Opinion

Judge Dyk, writing for the majority, highlighted three errors made by the ITC that required a remand. First, with respect to the relevant timing to determine secondary meaning in trade dress, the ITC erred by failing to distinguish between alleged infringers who began infringing before Converse registered the ’753 trademark, and those who began infringing after registration. Second, in its validity analysis, the ITC applied the incorrect legal standard in its determination of secondary meaning in the asserted trade dress. Third, the ITC failed to determine whether the accused products were “substantially similar” to the asserted trade dress as part of the “likelihood of confusion” and secondary meaning analyses.

The Timing of the Secondary Meaning Inquiry

Converse alleged that the respondents infringed the ’753 trademark both before and after its registration on September 10, 2013. For product configuration and the trade dress to be valid and protectable, Converse had to show that the trade dress had acquired secondary meaning, which occurs when “in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself,” before the first infringing use by each alleged infringer. Here, Converse argued that the trademark acquired secondary meaning prior to registration because the trademark had been in use since 1932. The ITC, however, never determined the

relevant date for assessing the existence of secondary meaning. The Federal Circuit held that the presumption of the secondary meaning created by a trademark's registration operates only prospectively from the date of registration, and that Converse was not entitled to a presumption of secondary meaning before the registration date. Noting that this decision was "clarifying and in some ways changing the legal landscape with respect to proving secondary meaning," the Federal Circuit remanded the case to the ITC to determine the relevant date.

The Legal Standard To Determine Whether Trade Dress Has Acquired Secondary Meaning

First, the Federal Circuit held that the ITC incorrectly applied a seven-factor legal standard in its determination of secondary meaning in the asserted trade dress. The Federal Circuit "clarif[ied] that the considerations to be addressed in determining whether a trademark has acquired secondary meaning" includes the following six factors:

- I. association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys)
- II. length, degree, and exclusivity of use
- III. amount and manner of advertising
- IV. amount of sales and number of customers
- V. intentional copying
- VI. unsolicited media coverage of the product embodying the trademark.

In connection with evaluating factor (II) as to the length of the use, the Federal Circuit concluded that the ITC improperly relied on prior uses by Converse and third-party competitors "long predating" the first infringing uses and the date of registration. As the secondary meaning analysis primarily seeks to determine what is "in the minds of consumers," the Federal Circuit directed the ITC to rely principally on prior uses occurring within five years before the relevant date, looking to the statutory requirement for a prima facie showing of secondary meaning applicable in the trademark registration process. Prior uses older than five years may be relevant, however, if there is evidence that those uses were likely to have impacted consumers' perceptions as of the relevant date.

Further, in considering whether the Converse's use of the trademark was "substantially exclusive," the Federal Circuit agreed with the ITC that the evidence of a similar trade dress can inform the secondary meaning analysis in the context of an invalidity challenge. However, such prior uses must be "substantially similar" to the asserted trade dress. The Federal Circuit held that the ITC had impermissibly considered third-party designs that were not substantially similar to the '753 trademark in its analysis, and directed the ITC on remand to constrain its analysis of prior uses, including Converse's, to whether trade dress was substantially similar to the asserted trademark. Given the Federal Circuit included an appendix to the opinion that contains "[e]xamples of prior uses that may not be substantially similar" to the '753 trademark, this holding likely favors Converse on remand.

Finally, the Federal Circuit clarified that the ITC should only give a survey provided as evidence of historic secondary meaning "weight appropriate to the extent that it sheds

light on consumer perceptions in the past.” The Federal Circuit stated that on remand, the ITC should give little probative weight to survey evidence submitted by the respondents with respect to infringement, unless the survey was within five years of the first infringement by one of the respondents. On remand, the Federal Circuit’s admonition likely favors Converse. The Federal Circuit, however, also noted that the same survey may be relevant to secondary meaning at the time of trademark registration since it was conducted within two years of the registration.

The Standards for Determining Likelihood of Confusion

On infringement, the respondents argued that the ITC erred in finding a likelihood of confusion with respect to accused products that lacked one or more elements of the ’753 trademark. To establish infringement, Converse had to demonstrate that, in addition to owning a valid and legally protectable trademark, the respondents’ use of the trademark to identify goods or services caused a likelihood of confusion. Here the Federal Circuit held that “accused products that are not substantially similar cannot infringe,” which parallels the prior holding that only “substantially similar” products can be considered in an invalidity analysis. The Federal Circuit directed the ITC to assess the accused products to determine whether they are substantially similar to the ’753 trademark for purposes of infringement.

III. Judge O’Malley’s Dissent

Judge O’Malley issued a concurrence-in-part and a dissent-in-part, agreeing with the majority that the ITC erred in its legal analysis and that a remand to the ITC was required, but arguing that the majority issued rulings on questions and issues that it was not required or permitted to decide. Specifically, Judge O’Malley stated that the validity of the ’753 trademark was not relevant to infringement because the only accused infringers remaining in the case were: (1) the defaulting parties, whose first uses began *after* the registration date and who did not challenge Converse’s claims, and (2) the respondents who participated in the ITC investigation and intervened in the appeal, whose first uses began *before* the registration date and who thus cannot be liable for infringement of the ’753 trademark. Accordingly, Judge O’Malley disagreed with the majority that validity issues could be addressed by the ITC on remand. Judge O’Malley further stated that “the only issue properly before this court as it relates to the mark is the priority of use of an alleged common law right to the mid-sole trade dress” and therefore “the only question that could properly be before the ITC on remand is whether Converse can show that its mark acquired distinctiveness as of each use by each [respondent intervening in the appeal].” Judge O’Malley also disagreed with the majority’s “extended consideration of the merits of the survey” including the statement that the survey could be relevant because it was conducted within two years of the registration date of the ’753 trademark. Regarding infringement, Judge O’Malley stated that infringement was either not at issue in the appeal or not ripe for review, and disagreed with the majority’s decision to vacate the finding of infringement because the ITC’s findings of fact to which the Federal Circuit owes deference. Finally, Judge O’Malley noted that the majority’s remand instruction should require the ITC to issue remedial orders against the defaulting respondents.