



TRADEMARK PRACTICE | JANUARY 2010

NINTH CIRCUIT CLARIFIES LEGAL STANDARDS FOR DETERMINING WHETHER A TRADEMARK IS DESCRIPTIVE OR SUGGESTIVE

The Ninth Circuit Court of Appeal recently published a decision that addresses the difficulty of determining the enforceability of a trademark that lies in the grey area on the scale of distinctiveness, i.e. whether it should be properly characterized as descriptive (and unenforceable absent proof of acquired distinctiveness) or suggestive (and thus inherently distinctive and immediately enforceable). In so doing, the Ninth Circuit has made enforcement more difficult for plaintiffs with arguably descriptive marks.

In *Lahoti v. VeriCheck, Inc.*, 586 F.3d 1190 (9th Cir. 2009), the trademark in question was “VeriCheck.” The trademark owner (VeriCheck, Inc.) was in the business of providing electronic check verification and guarantee services. The accused infringer (Mr. Lahoti) was a cybersquatter who had registered the VeriCheck mark as a domain name and was using it for a site that contained links to VeriCheck’s competitors.

At a bench trial, the accused infringer argued that VeriCheck is a descriptive trademark for check verification services, and therefore unenforceable for lack of inherent distinctiveness. The trial court disagreed, and found that VeriCheck is a suggestive trademark, and therefore inherently distinctive and enforceable.

On appeal, the Ninth Circuit vacated the trial court’s finding of suggestiveness despite the deferential standard of review (“clear error”). The appellate court noted that the guiding consideration is the amount of imagination or thought process required to comprehend the nature of the product or service based upon the trademark. If the trademark immediately defines a characteristic of the product without any exercise of imagination (i.e. “Delicious Foods” for a restaurant or “Reliable Cab” for a taxi cab service), the mark is merely descriptive. If some imagination or mental leap is required in order to reach a conclusion about the nature of the product (i.e. “Brilliant” for furniture polish or “Wet Ones” for pre-moistened towelettes), then the mark is suggestive.

In attempting to apply this test, and concluding that VeriCheck is suggestive, the trial court made several mistakes, according to the Ninth Circuit:

Mistake No. 1 – The Trial Court Considered “VeriCheck” in the Abstract Instead of in Context

The mark must be examined in the industry context, not in the abstract. Therefore, the court must consider the likely mental processes of a consumer who is encountering the mark as used for the goods and services. A contextual analysis of a borderline descriptive mark would seem to

favor the party challenging its distinctiveness, particularly in this case where the trademark owner advertised itself as the “Leader in Check Verification and Guarantee Services.”

Mistake No. 2 – The Trial Court Reasoned that the VeriCheck Mark Did Not Describe all of the Owner’s Services

A mark does not need to convey all of the owner’s goods and services to be descriptive. It need only immediately convey some information about their nature. Thus, if it describes check verification services, it is descriptive, despite the fact that the owner offers other services as well.

Mistake No. 3 – The Trial Court Reasoned that the VeriCheck Mark Could Describe Services That the Owner Did Not Offer

The fact that VeriCheck might also describe baggage checking or pre-employment verification services is irrelevant, because the mark must be evaluated as if it was seen on the goods (i.e. in industry context).

Mistake No. 4 – Trial Court Did Not Properly Consider Component Parts of the Mark

The component parts of a mark (here “Veri” and “Check”) must be separately viewed and considered as a preliminary step on the way to the ultimate determination of probable customer reaction to the composite as a whole.

The Ninth Circuit remanded to permit the trial court to consider the issue of suggestiveness/descriptiveness in light of the legal standards clarified in the Ninth Circuits’ opinion. In the process of doing so, however, the Ninth Circuit also observed that a finding of suggestiveness was supported by evidence that the PTO found VeriCheck distinctive when it registered it as a trademark upon application by a third party. Regardless, this opinion gives defendants plenty to work with in challenging the distinctiveness of a plaintiff’s mark. The opinion also underscores the need for trademark owners to be rigorous in their showing of suggestiveness, and the overall value to clients of being disciplined in their adoption of clearly suggestive or fanciful marks in the first place.

FOR FURTHER INFORMATION:

For further information regarding the topic(s) discussed in this briefing paper please contact Rob Phillips at 415.848.4940 or phillipsR@howrey.com or any Howrey attorney with whom you have an existing relationship.

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