

Back to the US ITC for Converse All Star trade marks

Josh Pond, Lisa Pearson, Matthew Meyer and Ted Davis of Kilpatrick Townsend dissect the contentious trade mark and remedy issues that split the Federal Circuit in its decision overturning the US International Trade Commission's sneaker ruling

Nearly a century after Converse debuted the Chuck Taylor All Star sneaker, the shoe has bounded into the headlines of US intellectual property news. Rightfully so: at issue is whether Converse wins a powerful general exclusion order from the US International Trade Commission (ITC) barring imports of *all* sneakers with the claimed trade dress of the Chuck's toe cap and striped bumper midsole (bolstering the order Converse already won against all shoes with Chuck's diamond sole pattern) and, perhaps more importantly, whether Converse salvages its federal trade mark registration for that midsole trade dress. In *Converse v Int'l Trade Comm'n*, No. 2016-2497, 2018 WL 6164571 (Federal Circuit, October 30 2018), the Federal Circuit has just breathed new life into Converse's case.

The trade mark issues of the case have split the ITC and the Federal Circuit: the full Commission reversed the Administrative Law Judge in key regards, and the Federal Circuit has now reversed the ITC – over the protest of a dissent. Litigation of trade mark disputes before each of these tribunals raises certain challenges. Once rare, trade mark claims to the ITC are on the rise, and ITC trade mark claims do not fall under the regional law of the other Circuits that the Federal Circuit generally applies when deciding appeals in trade mark infringement cases.

Here, we first provide an overview of Converse's case thus far and the Federal Circuit's ruling and dissent. We then highlight two key issues to watch on remand: (1) special considerations raised by the trade mark issues of Converse's case relative to the general exclusion order it seeks from the ITC, and (2) whether the ITC again reaches the arguably moot issue of the validity of Converse's registration on remand and, if so, whether it ad-

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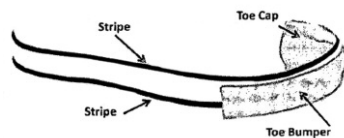
With a recent reversal and remand, the Federal Circuit has breathed new life into Converse's efforts at the US International Trade Commission to block sneaker imports infringing its Converse Chuck trade marks. But Converse's remand road ahead to resuscitate its trade mark claims is complicated by special considerations presented in proceedings before the ITC predicated on trade mark infringement – as foreshadowed by a dissent from the Federal Circuit's decision. Here, four Kilpatrick Townsend trade mark and International Trade Commission litigators recap Converse's case thus far, assess the Federal Circuit's decision and dissent, and identify two key issues to watch on remand in this high-profile case that has revealed tensions between long-standing trade marks, partial default judgements, and sweeping general exclusion orders before the ITC.

heres to its prior decision. Finally, we look at the road ahead for Converse back at the ITC and beyond.

The Chucks case thus far

The ITC instituted *Certain Footwear Products*, Investigation No. 337-TA-936 on November 17 2014, based on Converse's complaint alleging trade mark infringement. Converse filed its complaint under 19 USC §1337, "Section 337," empowering the ITC to investigate and bar unfair imports expeditiously. While often employed against patent-infringing imports, Section 337's provisions against trade mark-infringing imports are gaining popularity.

Converse claimed that two distinct features of its shoe design were protected as trade marks based upon its common law rights arising from use and its federal trade mark registrations. First, Converse claimed trade mark rights in "the combination of the toe cap, multi-textured toe bumper, and two midsole stripes that Converse commonly uses in connection with All Star shoes," registered as US Trademark No. 4,398,753 (the "Converse midsole trade mark") (depicted below).

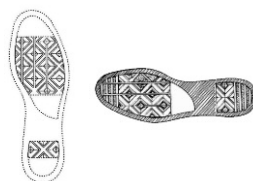


Second, Converse claimed trade mark rights in "a distinct diamond pattern outsole," registered as US Trademark Nos. 3,258,103 and 1,588,960 (the "Converse outsole trade mark"). The figures below show the registered designs for both sets of marks.

Converse midsole trade mark



Converse outsole trade mark



Converse's ITC complaint identified 30 respondents as unfairly importing, and New Balance was later added to the investigation as a respondent-intervenor. Twenty-two of the 31 respondents settled prior to the hearing, and five defaulted (four from China and one from Italy), leaving four who actively fought throughout the course of the investigation: Wal-Mart, Skechers, Highline United, and New Balance.

On November 17 2015, Chief ITC Administrative Law Judge Bullock issued his initial determination finding a violation of Section 337 as to the midsole trade mark for certain accused products of each active respondent and all accused products of each defaulting respondent. Additionally, Chief Judge Bullock found that certain accused products of defaulting respondent Foreversun infringed the outsole trade mark, and found a corresponding violation of Section 337. No violation was found as to the common-law trade marks, because the Chief Judge found those trade marks

invalid. To remedy the violations he found, Chief Judge Bullock recommended the Commission issue either a limited or a general exclusion order. He also recommended cease and desist orders directed to the domestic activities of the infringing respondents.

On July 6 2016, the full Commission issued a final determination reversing the initial determination in part and finding the midsole trade mark invalid. Accordingly, the Commission found no violation with respect to the Converse midsole trade mark. The Commission also vacated as moot the Chief Judge's finding of no violation of Section 337 with respect to Converse's common-law rights in the Converse outsole trade mark due to the co-extensive rights in the federally-registered marks. The Commission found a violation as to the outsole trade mark and issued a general exclusion order (GEO) barring the importation of all footwear products infringing those two trade marks.

Converse appealed the Commission's final determination invalidating and finding no violation as to the midsole trade mark. On October 30 2018, the Federal Circuit held that the Commission applied the wrong standard in aspects of both its invalidity and infringement determinations, reversed, and remanded for further proceedings. Both the majority decision and the dissent were obviously troubled that the ITC stripped Converse of its valuable trade mark registration covering elements of the midsole design, an issue that might not have been necessary to reach in order to decide the case.

The Federal Circuit's ruling

Much of the Federal Circuit's decision on the trade mark issues is uncontroversial. The court correctly observed that "it is confusing and inaccurate to refer to two separate marks – a registered and a common law mark. Rather, there is a single mark, as to which different rights attach from the common law and from federal registration." In a nutshell, federal law does not create trade marks, but federal registration does confer certain benefits. These benefits include what the Federal Circuit described as "the presumption of validity afforded to registered marks."

Under Sections 7(a) and 33(a) of the Lanham Act, a federal registration that has not yet achieved incontestable status (such as Converse's midsole trade mark registration) "shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect ... which might have been asserted if such mark had not been registered." The Court adopted the majority rule that Section 33(a) shifts the burden of persuasion to the challenger.

The importance of federal registration for product design marks

Although Converse had used the midsole trade dress at issue since 1932, it did not secure a federal registration covering that

design until September 10 2013. The Federal Circuit correctly held the evidentiary effect of Converse's registration did not establish the validity of its mark dating back to its adoption. While arguments can be made that the date the application was filed (rather than the date the registration issued) should be the operative date, the Federal Circuit concluded, consistent with other courts considering the issue, that the evidentiary "presumption" arises on the date of registration. As a result, it was Converse's burden to prove that its common-law mark was valid at the time each respondent allegedly infringed it.

To be eligible for protection, product designs such as Converse's midsole trade dress must surmount certain hurdles that other types of marks do not. The claimed mark consists of a combination of product design elements (as described in the midsole trade mark, "the design of the two stripes on the midsole of the shoe, the design of the toe cap, the design of the multi-layered toe bumper featuring diamonds and line patterns, and the relative position of these elements to each other"). Under Supreme Court precedent, such as *Wal-Mart Stores v Samara Bros*, 529 U.S. 205 (2000), and Section 43(a)(3) of the Lanham Act, claimed product design trade dress cannot qualify for trade mark protection unless its owner establishes that the combination of design elements it seeks to protect is not functional and has acquired distinctiveness as a source identifier or, in trade mark parlance, "secondary meaning." To establish the validity of its mark, then, Converse had to prove the public recognises its midsole product design as an indicator of source, not just as an attractive design feature. For claimed infringements post-dating the issuance of its federal registration on the Principal Register, Converse can rely on its registration as prima facie proof that its mark has acquired distinctiveness, but that evidentiary advantage is unavailable for infringements pre-dating registration. The Federal Circuit faulted the ITC for failing to determine the relevant date for assessing the existence of secondary meaning, which requires focusing on the date each alleged infringer commenced use of the allegedly infringing product design.

Proving the trade dress functions as a protectable source identifier

The court also clarified the factors to be considered in assessing the existence of secondary meaning, again consistent with established case law: "(1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys); (2) length, degree, and exclusivity of use; (3) amount and manner of advertising; (4) amount of sales and number of customers; (5) intentional copying; and (6) unsolicited media coverage of the product embodying the mark." The challenges facing a brand owner in proving secondary meaning as of a particular date in the past are numerous. Even if historic records are available to show advertising, sales, the numbers of customers, and media coverage, the fact remains that unbranded products, and products with design features not functioning as source identifiers, are of course advertised, sold, and covered by the media. The most relevant advertising and media coverage, then, will be so-called "look-for" advertising that calling out the alleged mark as a unique source identifier. The Federal Circuit's decision does not elaborate on those

factors, but instead provides guidance on the first two (in reverse order).

The length, degree and exclusivity of use

Because "[t]he secondary meaning analysis primarily seeks to determine what is in the minds of consumers as of the relevant date," the court concluded that, under the second factor, the "most relevant evidence will be the trademark owner's and third parties' use in the recent period before first use or infringement." The Federal Circuit then instructed the ITC to rely principally on third-party uses within five years of the relevant date (in the case of each of the intervenors, the date of first infringing use), rather than more dated third-party uses. It chose this as the relevant period because, under Section 2(f) of the Lanham Act, the USPTO "may accept as prima facie evidence that a mark has become distinctive, as used on ... the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce *for the five years before the date on which the claim of distinctiveness is made*" and because courts "have found five years of substantially exclusive and continuous use to weigh strongly in favor of a finding of secondary meaning." As the permissive language of Section 2(f) suggests, the five-year rule adopted by the court is not a bright-line one. Instead, the Federal Circuit observed that older uses might still be relevant to the extent they affected consumer perception as of the relevant date – for example, a long-running advertising campaign – but instructed the ITC on remand to re-evaluate the evidence of third-party use predating the relevant five-year period.

The Federal Circuit instructed the ITC to focus not only on the timing but on the similarity of the third-party uses under the second factor. Borrowing a term more commonly employed in copyright infringement cases, the court stated: "Although we agree that evidence of use of similar but not identical trade dress may inform the secondary-meaning analysis, we think such uses must be *substantially similar* to the asserted mark." Presumably, the court did not intend to import the test of copyright infringement into the secondary meaning analysis, but only meant to emphasize that the trade dress used by the third party must be highly similar to Converse's multi-element trade dress before detracting from Converse's exclusivity of use.

The weight of consumer surveys

Backtracking to the first factor, the court considered the weight properly accorded to the one consumer survey relied upon by the ITC, submitted by the intervenors to show that Converse's mark had not acquired secondary meaning. The Federal Circuit recognised that "surveys are sometimes difficult to use as evidence of historic secondary meaning" because a contemporaneous survey cannot test the mind-set of consumers at a point in time in the past. It concluded that the intervenors' survey, conducted in the spring of 2015, might have some relevance if secondary meaning at the time of registration remains an issue in the case because it was conducted within two years of registration, but the ITC should give it little probative weight except

to the extent it was conducted within five years of the first infringement by each intervenor. It also found no error in the ITC's conclusion that the survey results (to wit, Converse's mark had a 21.5% net rate of association with a given source) were insufficient to establish secondary meaning, but did not understand the basis of the ITC's conclusion that the survey established a lack of secondary meaning.

The similarity of the parties' marks

The final point the Federal Circuit instructed the ITC to reassess on remand was whether the accused products "are substantially similar to the mark in the infringement analysis." Again using the copyright term of art "substantial similarity," the Court held "that accused products that are not substantially similar cannot infringe." Here again, it appears that, notwithstanding its use of this phrase, the Federal Circuit did not intend either to supplant the trade mark law concept of confusing similarity or to truncate the multi-factor likelihood-of-confusion analysis, but used the phrase in its ordinary English sense in trying to articulate the trade mark law concept of confusing similarity in the context of a multi-element product design mark.

Judge O'Malley's dissent

Judge O'Malley issued a separate opinion concurring only with the majority's conclusions to vacate the ITC's findings and to remand, and dissenting as to the remainder of the opinion. Most prominently, Judge O'Malley disagreed with the majority's decision to remand questions regarding the validity and infringement of the midsole trade mark, as well as its failure to order the ITC to enter a remedy against the defaulting respondents.

Much of the difference between the majority and dissent centred on differing interpretations of the ITC's authority to consider the validity of intellectual property. In Judge O'Malley's view, the ITC may only consider validity when it is raised as an affirmative defence and relevant to the question of whether an accused infringer is liable for infringement. Here, in Judge O'Malley's view, the validity of Converse's trade mark registration was not relevant because all of the intervenor-respondents first used their allegedly infringing marks before the registration date of the midsole trade mark. The only parties whose use post-dated registration had not raised trade mark invalidity as a defence but had defaulted.

As support, Judge O'Malley cited *Kinik Co v Int'l Trade Comm'n*, 362 F.3d 1359, 1367 (Federal Circuit, 2004), in which the Federal Circuit held that the ITC has "no authorization to determine patent validity when that defense was not raised." Yet the *Kinik* decision relied upon *Lannom Mfg Co v US Int'l Trade Comm'n*, 799 F.2d 1572, 1580 (Federal Circuit, 1986), which in turn relied upon the pre-1988 version of 19 USC § 1337, the ITC's enabling statute, which has since been amended.

While the majority conceded *Lannom* stood for the proposition "that the ITC cannot consider validity as to defaulting parties," it was unwilling to confirm that proposition holds true

today because the decision rested on a statute that has since been amended. And, whereas Judge O'Malley would have confirmed *Lannom*'s ongoing viability immediately, the majority deferred to the ITC to address that question first on remand.

Lastly, as to remedy against the defaulting respondents: Judge O'Malley explained that the ITC is required to grant relief to Converse against the defaulting parties under 19 USC § 1337(g)(1), which requires the Commission to presume the fact alleged in the complaint to be true against defaulting parties, and to provide relief. According to Judge O'Malley, this relief may be "an exclusion order (general or limited), a cease and desist order, or both." The majority, however, was not sure that it was proper to order the issuance of a general exclusion order based on a default (at least not without considering the validity of Converse's trade mark rights). 19 USC § 1337(g)(1) – the same portion of Section 337 cited by the dissent – provides that the relief issued as to defaulting parties shall be "limited to that person." Because neither the ITC nor the parties addressed the proper scope of relief below, the majority declined to reach the issue.

Two issues to watch on remand

First: The Federal Circuit's ruling reveals tensions between Converse's trade mark claims and the general exclusion order it seeks at the ITC.

A general exclusion order is the most powerful of the ITC's remedies: whereas a limited exclusion order bars unfair imports only from those named as respondents in the investigation, a general exclusion order bars imports designated as unfair from all. The heightened relief of a general exclusion order under 19 USC § 1337(d) is granted only where needed to "prevent circumvention" of a limited exclusion order or where "there is a pattern of violation" and it is difficult to identify the source of infringing products.

Historically, patent infringement has been the primary claim in Section 337 proceedings. Trade marks protect different interests than patents, and do not confer nearly as broad a monopoly. Infringement does not turn simply on whether the trade mark is being used, but a more nuanced analysis of the relevant likelihood of confusion factors and, in some cases (including this one), the relevant secondary meaning factors. These multi-factor analyses may not come out the same way for differently situated alleged infringers. For example, the alleged infringers may use different variants of a mark, or may have commenced use on different dates.

The Federal Circuit's ruling shines a spotlight on the fact that different accused infringers of Converse's midsole trade mark are differently situated: "[o]nly two types of accused infringers remain in this case – (1) the defaulting parties, who acquiesced to Converse's claims and whose first uses began after the date of registration, and (2) the intervenors [on appeal], who actively participated in the proceeding and whose first uses began before the date of registration."

Thus on remand, we will watch how the Commission fashions

the appropriate remedy. One option would be a certification provision, whereby an importer could certify to US Customs & Border Protection that its first use pre-dated registration, but that may prove too cumbersome. Or perhaps the Commission will make new law as to the availability of general exclusion orders in trade mark cases.

The stakes are high: Converse sought a general exclusion order in the first place because it perceived widespread Chuck knock-offs. It won this heightened remedy for its outsole trade mark. But the Federal Circuit's ruling underscores the challenges Converse may face in winning the same broad relief for its midsole trade mark, particularly without the benefit of the prima facie evidence of validity arising from federal registration.

Second: The ITC faces the procedural dilemma of deciding the validity of trade marks whose infringement may not be at issue.

The other key issue to watch on remand is whether the ITC finds it necessary to reach the issue of the validity of Converse's midsole trade mark registration, given that all of the remaining respondents commenced use prior to its registration date and only the defaulting respondents commenced use after that date. Judge O'Malley's dissent lays out the case against such jurisdiction: namely that the language of 19 USC § 1337(g)(1) "requires the Commission to presume the facts alleged in the complaint to be true and to provide some form of relief against any parties found to be in default" and the Commission "may only refuse to do so based on public interest factors unrelated to the validity of the mark or whether that mark was infringed by the defaulting parties."

The majority, on the other hand, "decline[d] to decide that issue [of the Commission's jurisdiction] at this stage since it has not been addressed by either the ITC or the parties." The majority noted that the language in section 1337(g) cited by the dissent "only appear[s] to authorize the entry of an exclusion order 'limited to that person,' i.e., the defaulting party and not a general exclusion order"

and the legislative history explains that "a general exclusion order ... may not be issued unless a violation of the Act has been established by substantial, reliable, and probative evidence." Ultimately, the majority found the question "best addressed on remand." This second issue to watch therefore dovetails with the first: special considerations of general exclusion orders in Section 337 proceedings predicated on trade mark, rather than patent, infringement.

The remand road ahead

On remand, the Commission has a number of options available to it. To start, the Commission could petition for rehearing of the Federal Circuit decision and/or rehearing en banc. By doing so, it could delay taking further action in the underlying investigation for a number of weeks. If the petition is not granted, then the Commission could simply reassess or re-evaluate the issues as directed by the Federal Circuit and then issue a new final determination based on the record. Or, if it believes the record should be developed further in light of the Federal Circuit's guidance, the Commission could remand the investigation back to Chief Judge Bullock for further proceedings. If it elects the former, a new final determination could be prepared within a few months. If it chooses the latter, resolution could take substantially longer.

In addition to the ITC proceedings, Converse has also filed district court cases against the three remaining respondents – Walmart settled during the appeal. These district court cases – in addition to dozens of others brought against the other respondents – were all stayed pending resolution of the ITC investigation. It appears they will remain stayed until the ITC proceedings are complete and no longer subject to judicial review. If Converse prevails on remand, however, it will presumably pursue these cases to seek monetary and other relief enhancing any injunctive relief it receives from the ITC.

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