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Note

RECENT DEVELOPMENTS IN TRADEMARK LAW

Mark Thurmon<sup>a</sup>

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## **\*156 I. Procedure**

### **A. Sovereign Immunity**

#### **1. *Preferred Risk Mutual Insurance Co. v. United States*<sup>1</sup>**

A United States government agency cannot be sued under the Lanham Act, because “the Lanham Act does not apply to the federal government,” the Eighth Circuit held in a recent decision.<sup>2</sup> In reaching this conclusion, the court addressed the relationship of the Administrative Procedure Act<sup>3</sup> (APA) and the Lanham Act.

Plaintiff, an insurance company, has used the mark PREFERRED RISK since 1947 to identify its insurance services.<sup>4</sup> The defendant was the Federal Emergency Management Agency (FEMA).<sup>5</sup> FEMA provides flood insurance to businesses and individuals through independent insurance agents.<sup>6</sup> In the 1980s, FEMA began using the terms “Preferred Risk” in connection with some of the flood insurance policies it offered.<sup>7</sup> These terms were used in application forms and in advertising directed to insurance agents.<sup>8</sup> Plaintiff objected to FEMA’s use of “Preferred Risk,” but FEMA refused to stop using the terms.<sup>9</sup>

Plaintiff brought suit under the Lanham Act and the APA, alleging that FEMA’s use of the terms “Preferred Risk” in connection with flood insurance infringed plaintiff’s PREFERRED RISK marks.<sup>10</sup> The district court ruled in plaintiff’s favor and enjoined FEMA from further use of the terms “Preferred Risk” in connection with its flood insurance.<sup>11</sup>

The Eighth Circuit reversed the district court without reaching the merits of plaintiff’s infringement claim.<sup>12</sup> The court began by examining the APA which authorizes suits against agencies of the U.S. government by “a person suffering a **\*157** legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute.”<sup>13</sup> Although the APA expressly waives the sovereign immunity of U.S. government agencies, “the plaintiff must identify a substantive statute or regulation that the agency action had transgressed *and* establish that the statute or regulation applies to the United States.”<sup>14</sup> The key question in this case was whether the Lanham Act is a statute that “applies to the United States.”<sup>15</sup>

To answer this question, the court focused on the Lanham Act’s definition of “person.”<sup>16</sup> The Eighth Circuit first looked to the list of examples of “persons” provided in the Act, “which includes ‘a firm, corporation, union, association, or other organization capable of being sued in a court of law.’”<sup>17</sup> Because the specific examples are all private entities, the court concluded that the catch-all language following the specific examples also should be limited to private entities, absent some

indication of a contrary intent on the part of Congress.<sup>18</sup>

The only evidence the court found of congressional intent regarding application of the Lanham Act to a governmental body was in the 1992 amendment to the Act.<sup>19</sup> That amendment expressly extended the Lanham Act to state governments, but did not mention application of the Act to the federal government. The court considered this strong evidence that Congress intended to exclude the federal government from the Lanham Act.<sup>20</sup> This conclusion was based in part on the fact that prior to the 1992 amendment, some courts had ruled “that the Lanham Act did not apply to state *or* federal governments.”<sup>21</sup>

The Eighth Circuit noted that the federal government has been allowed to register trademarks, even though the act only allows “persons” to register marks.<sup>22</sup> The decisions allowing such registrations were distinguished because “these \*158 decisions do not consider the *liability* of the United States under the Lanham Act.”<sup>23</sup> When it comes to liability on the part of the federal government, the court noted that an express waiver of sovereign immunity is required, and that the Lanham Act did not include such a waiver.<sup>24</sup> The court noted that its holding would result in two different meanings of the word “person” under the Lanham Act, but concluded that it had “little choice on this issue” given the need to find an express waiver of sovereign immunity.<sup>25</sup>

The Eighth Circuit’s reasoning raises important questions. First, as the court notes at the beginning of its opinion, the APA expressly waives the sovereign immunity of agencies of the federal government.<sup>26</sup> It is not clear, therefore, why the court was looking for an express waiver in the language or legislative history of the Lanham Act. Because of this approach, the court did not look for the most reasonable construction of the Lanham Act’s language, but instead began from the presumption that the Lanham Act was not intended to apply to the federal government.<sup>27</sup> Not surprisingly, the court was unable to find language in the Act to rebut this presumption.<sup>28</sup>

Another question raised by the Eighth Circuit’s decision is what will happen if the government brings suit to enforce the marks its agencies have registered under the Lanham Act. Since the approach taken by the Eighth Circuit would not apply to actions where the federal government is a plaintiff (i.e., such suits would not involve the liability of the government under the Lanham Act), it seems likely that such actions would be allowed, given that the Trademark Trial and Appeal Board (T.T.A.B.) and the Patent Trademark Board (PTO) have allowed government agencies to register marks. Moreover, if such a suit were brought in the Eighth Circuit, one must wonder what sort of counterclaims might be foreclosed by the *Preferred Risk* decision.

Finally, the Eighth Circuit made much of the fact that the 1992 amendment expressly extends the Lanham Act to the states, but did not mention extension of the Act to the federal government. It seems at least plausible that Congress did not mention the federal government because the APA already waived the sovereign immunity of agencies of U.S. government. The APA, however, does not waive the sovereign immunity of the states.

\*159 The issue of whether the United States has waived its sovereign immunity under the Lanham Act is unlikely to end with the *Preferred Risk* decision. The International Trademark Association (INTA) filed an amicus brief in that case, arguing that the Lanham Act should be applied to the U.S. government.<sup>29</sup> The policy concerns raised by INTA were noted by the Eighth Circuit, but were left for Congress to consider.<sup>30</sup> It will be interesting to see whether this issue is revisited in the federal courts or is taken up by Congress.

## II. Infringement

### A. Likelihood of Confusion

#### 1. *Sara Lee Corp. v. Kayser-Roth Corp.*<sup>31</sup>

In an aggressive decision for an appellate court, the Fourth Circuit reversed a judgment of no infringement and instructed the district court to enter judgment for the plaintiff and to enjoin the defendant from further use of the mark in dispute.<sup>32</sup>

The plaintiff and defendant in this case sell pantyhose in the food, drug, and mass merchandising (FDM) market, which consists of supermarkets, drug stores, and discount stores such as Wal-Mart.<sup>33</sup> Plaintiff sells pantyhose under the L’EGGS and HANES brands.<sup>34</sup> Defendant’s FDM brand is NO NONSENSE, but defendant also sells hosiery products in upscale

department stores, including a product sold under the LEG LOOKS brand during the 1980's.<sup>35</sup> This dispute arose when defendant began selling pantyhose in the FDM market under the LEG LOOKS mark.<sup>36</sup> The district court held that plaintiff's infringement claims were barred by laches and acquiescence.<sup>37</sup> In addition, the district court concluded that since the word "leg" is a generic term, it may be used with "an otherwise non-infringing \*160 pantyhose trademark."<sup>38</sup> Finally, the district court found that there was no likelihood of confusion.<sup>39</sup>

The Fourth Circuit began by rejecting the district court's laches and acquiescence holdings.<sup>40</sup> Plaintiff sought only injunctive relief, which the court noted is seldom barred by laches.<sup>41</sup> Moreover, plaintiff had good reason for not suing earlier. Defendant's initial use of the LEG LOOKS mark was not in the FDM market, while all of plaintiff's L'EGGS hosiery is sold in the FDM market.<sup>42</sup> It was not until defendant began using the LEG LOOKS mark in the same market as plaintiff's L'EGGS pantyhose that plaintiff concluded it had a valid infringement claim.<sup>43</sup>

The district court's acquiescence ruling was based on an agreement that listed defendant's LEG LOOKS mark in a list of marks recognized by plaintiff as valid and owned by defendant.<sup>44</sup> This was not evidence of acquiescence, the Fourth Circuit held, because the agreement related to limitations on plaintiff's use of a particular trademark, not to defendant's use of the LEG LOOKS mark.<sup>45</sup> Also, at the time the agreement was entered, defendant was not using the LEG LOOKS mark in the FDM market.<sup>46</sup> The Fourth Circuit held that this was not the type of affirmative act required to show acquiescence.<sup>47</sup>

The Fourth Circuit next considered the likelihood of confusion factors.<sup>48</sup> The district court's analysis of these factors was rejected for several reasons. First, the \*161 Fourth Circuit rejected the district court's distinctiveness analysis.<sup>49</sup> Although the word "leg" may be generic, the Fourth Circuit noted, plaintiff's mark is not the word "leg."<sup>50</sup> Plaintiff's mark is L'EGGS, which the Fourth Circuit concluded was suggestive for pantyhose.<sup>51</sup> The Fourth Circuit held that the marks were similar, the products almost identical, and that the products were sold in the same outlets and advertised in the same manner.<sup>52</sup> Although the Fourth Circuit questioned the district court's conclusion that defendants acted in good faith, it declined to rule on the issue.<sup>53</sup>

Finally, the Fourth Circuit held that there was substantial evidence of actual confusion, including anecdotal evidence and a survey offered by plaintiff.<sup>54</sup> The Fourth Circuit described the anecdotal evidence as "massive confusion" and "nearly overwhelming."<sup>55</sup> Plaintiff's survey showed a confusion level of approximately 30-40%.<sup>56</sup> Although the district court discounted the survey, the Fourth Circuit held that even if the confusion level had been half that indicated by the survey, "actual confusion would, in our view, nevertheless exist to a significant degree."<sup>57</sup>

The Fourth Circuit panel split in the *Sara Lee* case. Judge Widener vigorously dissented from the majority's rejection of the district court's factual findings.<sup>58</sup> In particular, the dissent points out that the district court carefully considered all the evidence of actual confusion and concluded that given the facts of this case, that evidence was not persuasive.<sup>59</sup> The dissent also questions the majority's decision, which, according to the dissent, gave Sara Lee the exclusive right to use the word "leg" as part of a trademark for pantyhose sold in the FDM market.<sup>60</sup>

#### **\*162 2. *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.***<sup>61</sup>

In this case, the Sixth Circuit reversed a judgment of no infringement.<sup>62</sup> Plaintiff and defendant operate private golf clubs in Houston, Texas and Nicholasville, Kentucky, respectively.<sup>63</sup> Both clubs use the mark CHAMPIONS.<sup>64</sup> After a bench trial, the district court found that there was no likelihood of confusion.<sup>65</sup>

The Sixth Circuit vacated the judgment and directed the district court to reconsider its analysis of the eight likelihood of confusion factors used by the Sixth Circuit.<sup>66</sup> Although no single finding of the district court stood out, the Sixth Circuit noted that the geographic separation of the two clubs was not enough to prevent confusion, since both clubs hosted national golf tournaments.<sup>67</sup> Such tournaments create the potential for overlapping exposure, and possibly overlapping customers.<sup>68</sup> In addition, defendant has a reciprocity agreement with a golf club in Dallas, Texas.<sup>69</sup>

The Sixth Circuit also held that the district court erred in its evaluation of the actual confusion evidence offered.<sup>70</sup> Plaintiff offered four instances of actual confusion, one by a golfer and three by suppliers.<sup>71</sup> The district court rejected the instances involving suppliers, concluding that "only confusion among consumers \*163 that actually use the parties' services is relevant."<sup>72</sup> The fourth case of actual confusion involved someone mistaking one of the members of the Houston Club-- who was introduced as a member of "Champions"--for being a member of the Nicholasville club.<sup>73</sup> The district court found this example of confusion unpersuasive because, although the Houston member was offended by the mistake, the court was

“unaware of any authority supporting the proposition that injured pride would establish infringement of a service mark.”<sup>74</sup> The Sixth Circuit reversed these findings, stating, “t here is no requirement that evidence of actual confusion, to be relevant, ‘must be confusion at the point of sale--purchaser confusion--and not the confusion of nonpurchasing, casual observers.’”<sup>75</sup>

### 3. *Duluth News-Tribune v. Mesabi Publishing Co.*<sup>76</sup>

Unlike the two preceding decisions, the circuit court (Eighth Circuit) affirmed summary judgment in favor of a defendant, despite the use of similar marks and evidence of actual confusion.<sup>77</sup> This case involved competing regional newspapers. Plaintiff has published and distributed the *Duluth News-Tribune* for more than 100 years.<sup>78</sup> Defendants are two smaller regional papers, the *Mesabi Daily News* and the *Hibbing Daily Tribune*.<sup>79</sup> Defendants recently began offering a joint Saturday paper under the name *Saturday Daily News & Tribune*.<sup>80</sup> The district court granted summary judgment in favor of defendants, concluding that there was no likelihood of confusion between the plaintiff’s paper and the defendants’ joint Saturday paper.<sup>81</sup> The Eighth Circuit affirmed.<sup>82</sup>

In comparing the two marks--*Duluth News-Tribune* and *Saturday Daily News & Tribune*--the Eighth Circuit stated that “[t]he use of dominant identical words in common does not mean that two marks are similar.”<sup>83</sup> The court noted that the marks must be considered in their entirety, and that in this case, such a comparison \*164 revealed important distinctions between the two papers’ names. The court stated that “f first, in defendants’ paper the words ‘news’ and ‘tribune’ appear on different lines; in plaintiff’s paper the words ‘news’ and ‘tribune’ appear on the same line.”<sup>84</sup> In addition, defendants use red and black ink in the title, while plaintiff uses only black. The most significant distinction is that defendants use a blue banner beneath the title, which refers to the defendants’ other papers.<sup>85</sup> The court concluded that “t hese distinctions appear to be sufficient to notify an ordinary customer that the papers originate from two different publishers.”<sup>86</sup>

Plaintiff presented evidence of actual confusion including misdirected mail and phone calls (a reporter who identified himself with the *News-Tribune* and was then asked “which *News-Tribune*?”) and inquiries about whether there was a connection between the papers.<sup>87</sup> The Eighth Circuit agreed with the district court’s conclusion that this evidence was insufficient to avoid summary judgment.<sup>88</sup> First, the court dismissed the misdirected mail and phone calls as “hearsay of a particularly unreliable nature.”<sup>89</sup> Alternatively, the court held that such evidence was de minimis and showed “inattentiveness on the part of the caller or sender rather than actual confusion.”<sup>90</sup> The court rejected questions about possible connections between the two papers, because such questions “demonstrate that potential customers do not automatically associate the words ‘news’ and ‘tribune’ with the *Duluth News-Tribune*.”<sup>91</sup>

The Eighth Circuit’s treatment of the proffered actual confusion evidence raises a number of questions. First, why did the court so quickly dismiss the inattentiveness of persons who write or call the papers? If persons exercise little care in such situations, that fact should have been relevant to the likelihood of confusion inquiry, since post-sale confusion is actionable under the Lanham Act. Moreover, the Eighth Circuit uses a “degree of care” factor, which should take such matters into account.<sup>92</sup> In the *Duluth News-Tribune* case, the Eighth Circuit’s \*165 analysis under its degree of care factor was limited to the percentage of papers bought by subscription.<sup>93</sup> The court concluded that persons buying newspapers by subscription are not likely to be confused about what paper they are buying.<sup>94</sup> This analysis also seems too narrow, because it excludes other forms of confusion.

In addition, the Eighth Circuit may have erred in rejecting the evidence that consumers had asked about a possible connection between the two papers. Even if consumers know that there are two different papers and two different publishers (here there were actually three different publishers), a Lanham Act claim would still exist if consumers mistakenly believe that there is some connection or association between the papers or the publishers of those papers.

Finally, the Eighth Circuit justified the grant of summary judgment in this case by explaining that the case turned “on the proper interpretation to be given to the facts, rather than on the facts themselves.”<sup>95</sup> This distinction is troubling. For example, in comparing the marks at issue, the court discussed a number of facts that led it to conclude that the marks were sufficiently different to “notify an ordinary customer that the papers originate from two different publishers.”<sup>96</sup> Is this a fact that the court is free to interpret in order to rule on a motion for summary judgment? Would it not have been possible for a reasonable finder of fact to have reached a different conclusion about the similarity of these two marks?

### 4. *Sunenblick v. Harrell*<sup>97</sup>

This case involved two New York record companies using the mark UPTOWN RECORDS.<sup>98</sup> The court found that there was

no likelihood of confusion,<sup>99</sup> for the \*166 following reasons: (1) the two companies produce music recordings that appeal to different consumer groups (plaintiff markets eclectic jazz recordings, while defendants market hip-hop recordings),<sup>100</sup> (2) the parties use quite different designs with their respective marks,<sup>101</sup> and (3) most consumers do not rely on or even notice the record company label when selecting music recordings.<sup>102</sup>

The plaintiff claimed that defendants' use of the UPTOWN RECORDS mark was likely to cause "reverse confusion."<sup>103</sup> Defendants' sales far surpass those of plaintiff,<sup>104</sup> therefore, plaintiff argued that consumers might assume that defendants were the rightful owners of the UPTOWN RECORDS mark and that plaintiff was an infringer.<sup>105</sup> The plaintiff argued that in a reverse confusion case, the court should look to the strength of the defendant's mark to determine the "strength of the mark" factor.<sup>106</sup> The court agreed, noting that this was a question of first impression in the Second Circuit.<sup>107</sup>

Another important aspect of this case was the court's handling of the plaintiff's actual confusion evidence and the court's emphasis on the role of a record company label in the music purchaser's decision. These points are related and raise a question about the court's conclusions. The court's finding that end consumers do not rely on record company labels<sup>108</sup> should not end the likelihood of confusion inquiry. For example, if persons in the recording industry, music store employees, or music distributors are confused about the mark, then that confusion should support a Lanham Act claim. Similarly, if consumers are confused after the point of sale, then that confusion might also support an infringement claim.

\*167 The court rejected much of the plaintiff's actual confusion evidence because it related to persons other than the "ultimate consumer."<sup>109</sup> The court even noted at one point that "a retailer, unlike the customer, is necessarily focused upon the label in making his own record transactions, whereas the customer is more likely to be concerned about the artist and composition."<sup>110</sup> This conclusion raises the question of why the court did not consider more fully the potential for confusion among retailers and others in the music industry.

## **B. Use of a Mark**

### **1. *Holiday Inns, Inc. v. 800 Reservations, Inc.***<sup>111</sup>

The Sixth Circuit ruled that no Lanham Act violation occurred in this case because the defendants had not actually used an infringing mark or representation in commerce.<sup>112</sup> Plaintiff is the operator of the well-known Holiday Inn hotels and has a telephone number mark that is used for reservations.<sup>113</sup> The mark is 1-800-HOLIDAY which corresponds to the number 1-800-465-4329.<sup>114</sup> Defendants reserved the number 1-800-405-4329, which is identical to plaintiff's reservation line number, except that the six in the prefix is replaced by a zero.<sup>115</sup> This digit corresponds to the "O" in HOLIDAY, increasing the likelihood that a person intending to reach plaintiff's reservation line will mistakenly dial defendants' number. Defendants use their number to operate a hotel reservation service, that makes reservations at a number of hotels, including Holiday Inn hotels.<sup>116</sup>

The district court entered partial summary judgment for plaintiff, noting that defendants violated the spirit if not the letter of the Lanham Act.<sup>117</sup> On appeal, the Sixth Circuit reversed because "defendants' use of a protected mark or their use of a misleading representation is a prerequisite to the finding of a Lanham Act violation."<sup>118</sup> In this case, defendants never used any mark, they simply reserved a telephone number that they knew would receive misplaced calls intended for \*168 plaintiff's reservation line.<sup>119</sup> Defendants then attempted to sell their own services to such callers.<sup>120</sup> Although this practice may be unfair, and defendants were clearly riding on the coattails of the plaintiff, the Sixth Circuit held the remedy for such conduct, if there is one, is not to be found in the Lanham Act.<sup>121</sup>

### **2. *International Ass'n of Machinists and Aerospace Workers, AFL-CIO v. Winship Green Nursing Center.***<sup>122</sup>

In *International Ass'n of Machinists*, the defendants used the plaintiffs' letterhead as part of an effort to convince workers to reject the plaintiffs' union. Defendants sent two misleading letters to their workers, to show what results might occur if the workers joined the plaintiffs' union.<sup>123</sup> Both letters were on the plaintiffs' letterhead, had simulations of the signature of the union representative responsible for organizing defendants' workers, and were dated one year and one day after the upcoming election, in which workers were to decide whether to organize under the union or to remain a nonunion shop.<sup>124</sup>

The court granted summary judgment in favor of defendants on the plaintiffs' infringement claims.<sup>125</sup> The court stated that, "plaintiffs' claims fall outside the coverage of the two federal trademark statutes here at issue because Defendants did not use

the plaintiffs' mark 'in connection with any goods or services.'<sup>126</sup> The court gave two reasons for reaching this conclusion.

First, the court held that the parties were not competing in the sale of any goods or services to consumers.<sup>127</sup> Instead, the court noted, they were competing for votes.<sup>128</sup> At least one purpose of the union's worker organization effort was, however, to recruit additional union members. Furthermore, assuming that unions provide some services to its paying members, a union effort to organize workers could be characterized as a sales effort on behalf of the union. It does not appear \*169 entirely correct, therefore, to conclude that "neither Defendants nor Plaintiffs are competing for the 'sale' to a consumer of their respective 'services.'"<sup>129</sup>

Second, the court held that defendants' use of plaintiff's mark must be based on services offered by defendants.<sup>130</sup> In this case, the defendants were not offering competing representation, but were merely urging workers against accepting plaintiff's representation. Plaintiffs argued that the Lanham Act's language covered the defendants' use of the plaintiff's mark on the plaintiff's goods or services.<sup>131</sup> However, the court rejected this construction of the Lanham Act, finding that "it effectively reads ... language out of the statute" and could lead to conflict with the First Amendment.<sup>132</sup>

### III. Trade Dress

#### A. Product Configuration

##### 1. *L. & J.G. Stickley, Inc. v. Canal Dover Furniture Co.*<sup>133</sup>

The Second Circuit recently clarified the distinctiveness requirement in this trade dress case. The plaintiff in this case made reproductions of Mission furniture, a style popular in the early part of this century.<sup>134</sup> Original Mission furniture pieces are found in museums and are popular high-priced items at antique auctions.<sup>135</sup> Plaintiff began making its reproductions in 1989, and sued when defendant began making similar reproductions six years later.<sup>136</sup>

After explaining the requirement that plaintiff's claimed trade dress must either be inherently distinctive or have a secondary meaning, the court focused on the facts of this case. Because the plaintiff's goods are reproductions, the Second Circuit concluded that consumers were unlikely to associate the Mission furniture style (i.e., the claimed trade dress) with plaintiff rather than with original mission furniture or \*170 the designers of original mission furniture.<sup>137</sup> The court vacated the preliminary injunction because the plaintiff was unlikely to satisfy this standard.<sup>138</sup>

##### 2. *Greenhouse Systems Inc. v. Carson*<sup>139</sup>

In this opposition, the T.T.A.B. rejected an application for a mark described as consisting "of a configuration of a frame for a greenhouse."<sup>140</sup> Applicant's greenhouse design is a gothic arch design, which is defined as having vertical side walls and a sloping roof.<sup>141</sup> The opposer argued that the design covered by the application was functional.<sup>142</sup> The T.T.A.B., employing the de facto-de jure functionality approach, concluded that applicant's greenhouse design was de jure functional and refused registration.<sup>143</sup>

An important aspect of the board's analysis was the manner in which it handled the evidence of other greenhouse designs. Opposer argued that these designs were all gothic and demonstrated that competitors needed to use, and in fact were using, the design claimed by applicant.<sup>144</sup> The applicant, on the other hand, argued that these designs were not confusingly similar to his design, and were simply alternative designs.<sup>145</sup> The availability of such alternative designs, applicant continued, were proof that his design was not de jure functional.<sup>146</sup> The board rejected applicant's argument for two reasons.

One reason offered by the board was that there did not appear to be a significant number of alternative designs that would still achieve the utilitarian benefits of the gothic design.<sup>147</sup> The board noted that a certain height of side wall and a certain angle for the roof are needed to obtain the design's benefits.<sup>148</sup> If \*171 applicant obtained the exclusive right to use a certain range of these limited options, competition could be unduly hindered.<sup>149</sup>

The other reason the board rejected applicant's argument is somewhat troubling. The board, relying on an earlier board decision, stated, "[l]ikelihood of confusion is irrelevant to the issue of de jure functionality."<sup>150</sup> Therefore, "the other gothic arch-type greenhouses of record in this case are not alternative designs."<sup>151</sup> If this analysis is correct, how does one identify

alternative designs? An alternative must be noninfringing, otherwise it is not an alternative. And since the test for infringement is likelihood of confusion, it seems impossible to completely divorce these two trademark principles.

## **B. Color**

### **1. *McNeil-PPC, Inc. v. Granutec, Inc.***<sup>152</sup>

Plaintiff, the maker of Tylenol™ products, owns protectible rights to the combination of red and yellow for acetaminophen gelcaps. Defendant copied plaintiff's colors for its generic acetaminophen product. The court preliminarily enjoined defendant and additionally ordered defendant to "recall forthwith from all customers any acetaminophen product already distributed by defendant that is confusingly similar to the Tylenol gelcap's red and yellow color scheme."<sup>153</sup>

The court concluded that defendant's intentional copying of plaintiff's red and yellow colors established a presumption in favor of secondary meaning.<sup>154</sup> In addition, plaintiff introduced a survey showing that 38% of all respondents (50% of Tylenol™ users) recognized the red and yellow tablets as being a Tylenol™ product.<sup>155</sup> Finally, plaintiff offered evidence of a substantial amount of advertising showing its product's red and yellow color scheme.<sup>156</sup>

Confusion in the post sale setting was likely, the court ruled, given the strength of the plaintiff's trade dress and the lack of distinguishing features on defendant's product.<sup>157</sup> Plaintiff also offered two likelihood of confusion surveys showing net \*172 confusion levels of 28% and 21%, respectively.<sup>158</sup> The court held that such levels "were certainly sufficient to draw the conclusion that there is a likely chance of confusing the two products."<sup>159</sup>

### **2. *In re Denticator International, Inc.***<sup>160</sup>

The T.T.A.B. reversed an examining attorney's refusal to register the color green "for dental hygiene instruments, namely, an angled prophylactic dental buffer."<sup>161</sup> Applicant presented the following evidence to show that it was the exclusive maker of green prophy angles: advertisements drawing attention to its use of the color green (e.g., applicant used an ad that stated "It's Not Easy Being Green"), a declaration identifying the applicant's advertising expenditures and sales levels for the product, a letter from a dental hygienist stating that she recognized green prophy angles as being applicant's products, an order identifying the product as a "soft green" angle, and photos of a large green costume used by applicant at trade shows.<sup>162</sup> The board found this evidence sufficient to support registration of the color green for applicant's product.<sup>163</sup>

## **IV. False Advertising**

### **A. *Seven-Up Co. v. Coca-Cola Co.***<sup>164</sup>

The Fifth Circuit held that presentations made to potential distributors with the intention of influencing business decisions constitute "commercial advertising or promotion" under Section 43(a) of the Lanham Act.<sup>165</sup> The defendant made presentations to a number of bottlers that sold plaintiff's lemon-lime soft drink, in order to convince the bottlers to switch to defendant's lemon-lime soft drink.<sup>166</sup> Although the presentations included false and misleading information, the court affirmed the judgment in favor of defendant because there was insufficient evidence to show that defendant's presentations caused the plaintiff's asserted injury.<sup>167</sup>

### **\*173 B. *Project Strategies Corp. v. National Communications Corp.***<sup>168</sup>

In this false advertising case, the court held that it is false and misleading to represent that one's product is "As Seen on TV", when the majority of television advertising has been conducted on behalf of a competing product.<sup>169</sup> The plaintiff developed a unique pet care product and promoted its product on television.<sup>170</sup> Defendant then introduced a competing product and used the slogan "As Seen On TV" on its packaging, even though defendant had done no television advertising for its product at that time.<sup>171</sup> The court, in an earlier opinion found defendant's use of this slogan false and misleading and issued a temporary restraining order prohibiting defendant from further use of the slogan.<sup>172</sup>

Following the court's initial decision, defendant began to advertise its product on television. Defendant's television



commercials featured packaging with the “As Seen On TV” slogan.<sup>173</sup> Plaintiff moved for a finding that defendant was in contempt.<sup>174</sup> The court agreed and defendant then moved to vacate the temporary restraining order, arguing that the slogan was no longer false and misleading.<sup>175</sup>

The court rejected defendant’s arguments, stating that “[i]nstead of employing television advertising to create a distinct identity for its product, [defendant] has employed advertising to heighten existing confusion between [plaintiff’s] product and its own.”<sup>176</sup> Because plaintiff had conducted far more television advertising than defendant, the court concluded that consumers were still likely to associate defendant’s “As Seen On TV” slogan with plaintiff’s product.<sup>177</sup> The court, therefore, denied defendant’s motion to vacate the temporary restraining order.<sup>178</sup>

## **\*174 V. Other Issues**

### **A. Bad Faith Infringement**

#### **1. *International Star Class Yacht Racing Ass’n v. Tommy Hilfiger USA, Inc.*<sup>179</sup>**

The Second Circuit recently considered what factual evidence is needed to show bad faith in a trademark infringement action. The case involved clothing designer Tommy Hilfiger’s use of the words “Star Class” and a red, five-pointed star on some of his clothing products.<sup>180</sup> The plaintiff had been using the trademark STAR CLASS and a red, five-pointed star for many years in connection with yacht racing and certain promotional clothing items, such as hats and shirts.<sup>181</sup> Hilfiger conducted a trademark search prior to using the mark in question.<sup>182</sup> That search, which was limited to clothing goods, did not reveal the plaintiff’s mark. Hilfiger’s attorney advised that a full search be conducted, but that advice was not followed.<sup>183</sup> The Second Circuit held that the district court’s finding was clearly erroneous in that Hilfiger acted in good faith reliance on the limited trademark search.<sup>184</sup> The court specifically held, “Hilfiger cannot lay claim to a ‘good faith’ belief that it was not infringing on ISCYRA’s mark because it neither fully explored others’ rights to ‘STAR CLASS’ nor ceased its infringing behavior when it was sued.”<sup>185</sup>

### **B. Laches**

#### **1. *SunAmerica Corp. v. Sun Life Assurance Co. of Canada*<sup>186</sup>**

How to fashion an appropriate equitable remedy in a case involving two parties with long-standing use of the disputed mark was recently addressed by the Eleventh Circuit. Although the parties had peacefully coexisted (both used the mark SUN LIFE) for over 75 years, recent changes in each of their businesses appeared to make conflict unavoidable. The district court, upon remand by the Eleventh Circuit, concluded that confusion was not only likely, but inevitable, and enjoined the junior \*175 user from using the SUN LIFE mark, despite previous acquiescence by the senior user.<sup>187</sup>

On appeal, the Eleventh Circuit remanded the case again to the district court. This time, because it was unsure whether the district court had considered any less burdensome remedies, other than a permanent injunction.<sup>188</sup> The Eleventh Circuit carefully avoided expressing any opinion on the viability or appropriateness of such alternatives, but noted that the district court should seek the least burdensome remedy that will eliminate inevitable confusion.<sup>189</sup> In the words of the Eleventh Circuit, “The hardship of a total injunction against a junior user in an acquiescence case is permissible only if the junior user fails to demonstrate the availability of a feasible and effective alternative means of redressing the senior user’s revived claim ... without causing undue hardship to the senior user.”<sup>190</sup>

## Footnotes

<sup>a</sup> Arnold, White & Durkee, Austin, Texas.

<sup>1</sup> 86 F.3d 789, 39 U.S.P.Q.2d (BNA) 1131 (8th Cir. 1996).

2 *Id.* at 795, 39 U.S.P.Q.2d at 1136.

3 5 U.S.C. §§ 701-706 (1994).

4 *Preferred Risk*, 86 F.3d at 790, 39 U.S.P.Q.2d at 1132.

5 *Id.* at 791, 39 U.S.P.Q.2d at 1132.

6 *Id.*

7 *Id.*

8 *Id.*

9 *Id.*

10 *Id.*, 39 U.S.P.Q.2d at 1132-33.

11 *Id.*, 39 U.S.P.Q.2d at 1133.

12 *Id.* at 795, 39 U.S.P.Q.2d at 1136.

13 *Id.* at 791 n.1, 39 U.S.P.Q.2d at 1133 n.1 (citing 5 U.S.C. § 702 (1994)).

14 *Id.* at 792, 39 U.S.P.Q.2d at 1133.

15 *Id.* at 793, 39 U.S.P.Q.2d at 1134.

16 *Id.* at 794, 39 U.S.P.Q.2d at 1135.

17 *Id.* (quoting 15 U.S.C. § 1127 (1994)).

18 *Id.*

19 *Id.* See Pub. L. No. 102-502, § 3(d), 106 Stat. 3568 (1992) (amending 15 U.S.C. § 1127).

20 86 F.3d at 794, 39 U.S.P.Q.2d at 1135.

21 *Id.* See *Woelffer v. Happy States of America*, 626 F. Supp. 499, 504, 229 U.S.P.Q. 376, 379 (N.D. Ill. 1985) (holding that the Lanham Act did not waive states' sovereign immunity); *Serra v. General Servs. Admin.*, 667 F. Supp. 1042, 1051 (S.D.N.Y. 1987)

*aff'd*, 847 F.2d 1045 (2nd Cir. 1988) (dismissing trademark infringement suit against United States).

22 *Id.*, 39 U.S.P.Q.2d at 1136.

23 *Id.*

24 *Id.* at 795, 39 U.S.P.Q.2d at 1135-36.

25 *Id.*, 39 U.S.P.Q.2d at 1136.

26 *Id.* at 792, 39 U.S.P.Q.2d at 1133.

27 *Id.* at 792, 39 U.S.P.Q.2d at 1133-34.

28 *Id.* at 794, 39 U.S.P.Q.2d at 1135.

29 *Id.* at 795, 39 U.S.P.Q.2d at 1136. The INTA brief suggests that not applying the Lanham Act to the federal government leaves trademark owners vulnerable to piracy by the federal government. *Id.*

30 *Id.* (“[The legislative branch] is free to amend the Lanham Act to expressly waive the sovereign immunity of the United States as it has done with the states.”)

31 81 F.3d 455, 38 U.S.P.Q.2d (BNA) 1449 (4th Cir. 1996).

32 *Id.* at 458, 38 U.S.P.Q.2d at 1450.

33 *Id.*

34 *Id.*

35 *Id.* at 461, 38 U.S.P.Q.2d at 1452.

36 *Id.*

37 *Id.* at 460, 38 U.S.P.Q.2d at 1452-53.

38 *Id.* at 465, 38 U.S.P.Q.2d at 1455.

39 *Id.* at 467, 38 U.S.P.Q.2d at 1457.

40 *Id.* at 460, 38 U.S.P.Q.2d at 1452.

41 *Id.* at 461, 38 U.S.P.Q.2d at 1452.

42 *Id.* at 462, 38 U.S.P.Q.2d at 1453.

43 *Id.*

44 *Id.*

45 *Id.* at 463, 38 U.S.P.Q.2d at 1453.

46 *Id.*, 38 U.S.P.Q.2d at 1454.

47 *Id.*

48 *Id.* The factors considered by the Fourth Circuit are:

- (1) the distinctiveness of the senior mark;
- (2) the similarity of the two marks;
- (3) the similarity of the goods or services that the marks identify;
- (4) the similarity of the facilities employed by the parties to transact their business;
- (5) the similarity of the advertising used by the parties;
- (6) the defendant's intent in adopting the same or similar mark; and
- (7) actual confusion.

*Id.* (citing *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527, 224 U.S.P.Q. (BNA) 185, 187 (4th Cir. 1984)).

49 *Id.* at 464, 38 U.S.P.Q.2d at 1454.

50 *Id.* at 465, 38 U.S.P.Q.2d at 1455.

51 *Id.*

52 *Id.* at 465, 38 U.S.P.Q.2d at 1456.

53 *Id.* at 466, 38 U.S.P.Q.2d at 1456-57. The Fourth Circuit cited a good deal of evidence of bad faith and noted that the magistrate judge who presided over the trial concluded that defendants intended to take advantage of its "mark's similarity to L'EGGS to siphon sales of Sara Lee's products." *Id.* at 466 n.14, 38 U.S.P.Q.2d at 1456 n.14.

54 *Id.* at 466, 38 U.S.P.Q.2d at 1457.

55 *Id.*

56 *Id.* at 467, 38 U.S.P.Q.2d at 1457.

57 *Id.* In a footnote, the Fourth Circuit stated, “We may infer from the case law that survey evidence clearly favors the defendant when it demonstrates a level of confusion much below ten percent.” *Id.* at 466 n.15, 38 U.S.P.Q.2d at 1457 n.15.

58 *Id.* at 468-72, 38 U.S.P.Q.2d at 1458-61 (J. Widener dissenting).

59 *Id.* at 469-70, 38 U.S.P.Q.2d at 1459 (noting that the discussion occupied twenty pages of the district court’s discussion) (J. Widener dissenting).

60 *Id.* at 471, 38 U.S.P.Q.2d at 1460-61 (J. Widener dissenting).

61 78 F.3d 1111, 38 U.S.P.Q.2d (BNA) 1161 (6th Cir. 1996).

62 *Id.* at 1115, 38 U.S.P.Q.2d at 1162.

63 *Id.* 38 U.S.P.Q.2d at 1162-63.

64 *Id.*

65 *Id.* at 1116, 38 U.S.P.Q.2d at 1163.

66 *Id.* at 1122, 38 U.S.P.Q.2d at 1169. The factors considered by the Sixth Circuit are:  
(1) the strength of the plaintiff’s mark;  
(2) the relatedness of the services;  
(3) the similarity of the marks;  
(4) the evidence of actual confusion;  
(5) the marketing channels used;  
(6) the likely degree of purchaser care;  
(7) the defendant’s intent in selecting the mark; and  
(8) the likelihood of expansion of the product lines.  
*Id.* at 1116, 38 U.S.P.Q.2d at 1163 (citing *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186, 5 U.S.P.Q.2d (BNA) 1944, 1946 (6th Cir. 1988)).

67 *Id.*, 38 U.S.P.Q.2d at 1168.

68 *Id.*

69 *Id.* at 1119, 38 U.S.P.Q.2d at 1166.

70 *Id.*

71 *Id.*

72 *Id.* (quoting the district court) (alterations in original).

73 *Id.*

74 *Id.*

75 *Id.* (quoting *Esercizio v. Roberts*, 944 F.2d 1235, 1243, 20 U.S.P.Q.2d 1001, 1008 (6th Cir. 1991)).

76 84 F.3d 1093, 38 U.S.P.Q.2d (BNA) 1937 (8th Cir. 1996).

77 *Id.* at 1095, 38 U.S.P.Q.2d at 1938.

78 *Id.*

79 *Id.*

80 *Id.*

81 *Id.*, 38 U.S.P.Q.2d at 1939.

82 *Id.* at 1099, 38 U.S.P.Q.2d at 1942.

83 *Id.* at 1097, 38 U.S.P.Q.2d at 1940.

84 *Id.*

85 *Id.*

86 *Id.*

87 *Id.* at 1098, 38 U.S.P.Q.2d at 1941.

88 *Id.* at 1099, 38 U.S.P.Q.2d at 1941.

89 *Id.* at 1098, 38 U.S.P.Q.2d at 1941.

90 *Id.*

91 *Id.*

92 *Id.* at 1099, 38 U.S.P.Q.2d at 1941. The factors considered by the Eighth Circuit are: (1) the strength of the trademark;

- (2) the similarity between the parties' marks
- (3) the competitive proximity of the parties' products;
- (4) the alleged infringer's intent to confuse;
- (5) evidence of actual confusion;
- (6) the degree of care reasonably expected of potential customers.

*Id.* at 1096, 38 U.S.P.Q.2d at 1939 (citing *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 774, 31 U.S.Q.2d (BNA) 1296, 1299 (8th Cir. 1994) *cert. denied*, 115 S.Ct. 903 (1995)).

93 *Id.*

94 *Id.*

95 *Id.* 38 U.S.P.Q.2d at 1941-42.

96 *Id.* at 1097, 38 U.S.P.Q.2d at 1940.

97 895 F. Supp. 616, 38 U.S.P.Q.2d (BNA) 1716 (S.D.N.Y. 1995).

98 *Id.* at 619, 38 U.S.P.Q.2d at 1718.

99 The factors used by this court are those adopted by the Second Circuit:

- (1) the strength of [plaintiff's mark],
- (2) the degree of similarity between the two marks,
- (3) the proximity of the products,
- (4) the likelihood that the prior owner will bridge the gap,
- (5) actual confusion,
- (6) defendant's good faith in adopting its own mark,
- (7) the quality of the defendant's product, and
- (8) the sophistication of the buyers.

*Id.* at 626, 38 U.S.P.Q.2d at 1724 (citing *Polaroid Corp. v. Polarad Elecs. Corp.* 281 F.2d 492, 495, 128 U.S.P.Q. (BNA) 411, 413 (2nd Cir. 1961) (J. Friendly)).

100 *Id.* at 630, 38 U.S.P.Q.2d at 1727.

101 *Id.* at 628, 38 U.S.P.Q.2d at 1726.

102 *Id.* at 632, 38 U.S.P.Q.2d at 1729.

103 *Id.* at 625, 38 U.S.P.Q.2d at 1723. The court describes reverse confusion as "the phenomenon in which the junior user's advertising so greatly overshadows that of the senior user that consumers come to the mistaken conclusion that the junior user is in fact the source of the *senior user's* goods." *Id.* (citing *J. THOMAS MCCARTHY, 2 MCCARTHY TRADEMARKS AND UNFAIR COMPETITION* § 23.1(E) (1984)).

104 *Id.* at 620, 38 U.S.P.Q.2d at 1719.

105 *Id.* at 625, 38 U.S.P.Q.2d at 1723.

106 *Id.* at 627, 38 U.S.P.Q.2d at 1725.

107 *Id.* at 626-28, 38 U.S.P.Q.2d at 1724-26.

108 *Id.* at 635, 38 U.S.P.Q.2d at 1731.

109 *Id.* at 631, 38 U.S.P.Q.2d at 1728 (stating that “[t]he court is convinced that the relevant buyer class is the ultimate consumer”).

110 *Id.* at 632, 38 U.S.P.Q.2d at 1729.

111 86 F.3d 619, 39 U.S.P.Q.2d (BNA) 1181 (6th Cir. 1996).

112 *Id.* at 625, 39 U.S.P.Q.2d at 1186.

113 *Id.* at 620, 39 U.S.P.Q.2d at 1181.

114 *Id.*

115 *Id.*

116 *Id.* at 620-21, 39 U.S.P.Q.2d at 1182-83.

117 *Id.* at 620, 39 U.S.P.Q.2d at 1181.

118 *Id.* at 625-26, 39 U.S.P.Q.2d at 1186.

119 *Id.* at 621, 39 U.S.P.Q.2d at 1182.

120 *Id.* at 621, 39 U.S.P.Q.2d at 1182-83.

121 *Id.* at 626, 39 U.S.P.Q.2d at 1186-87.

122 914 F. Supp. 651, 38 U.S.P.Q.2d (BNA) 1439 (D. Me. 1996).

123 *Id.* at 653, 38 U.S.P.Q.2d at 1440-41.

124 *Id.*

125 *Id.* at 656, 38 U.S.P.Q.2d at 1443.



126 *Id.* at 655, 38 U.S.P.Q.2d at 1443.

127 *Id.*

128 *Id.*

129 *Id.*

130 *Id.*

131 *Id.*

132 *Id.* at 655-56, 38 U.S.P.Q.2d at 1443.

133 79 F.3d 258, 38 U.S.P.Q.2d (BNA) 1202 (2d Cir. 1996).

134 *Id.* at 260, 38 U.S.P.Q.2d at 1203.

135 *Id.*

136 *Id.* at 260-61, 38 U.S.P.Q.2d at 1203-04.

137 *Id.* at 264, 38 U.S.P.Q.2d at 1207.

138 *Id.* at 265, 38 U.S.P.Q.2d at 1207.

139 37 U.S.P.Q.2d (BNA) 1748 (T.T.A.B. 1995).

140 *Id.* at 1749 (quoting from application).

141 *Id.* at 1752.

142 *Id.* at 1749.

143 *Id.* at 1756-57.

144 *Id.* at 1753.

145 *Id.* at 1754.

146 *Id.* at 1753-54.

147 *Id.* at 1754-55. The applicant did not dispute that the gothic design provides substantial benefits over other designs. *Id.* at 1752.

148 *Id.* at 1755.

149 *Id.*

150 *Id.* at 1754 (citing 734 F.2d 1482, 1484, 222 U.S.P.Q. (BNA) 1, 3 (Fed. Cir. 1984)).

151 *Id.*

152 919 F. Supp. 198, 37 U.S.P.Q.2d (BNA) 1713 (E.D.N.C. 1995).

153 *Id.* at 205, 37 U.S.P.Q.2d at 1718.

154 *Id.* at 202, 37 U.S.P.Q.2d at 1716.

155 *Id.*

156 *Id.*

157 *Id.*

158 *Id.*

159 *Id.*

160 38 U.S.P.Q.2d (BNA) 1218 (T.T.A.B. 1995) (Unpublished Opinion).

161 *Id.* at 1219.

162 *Id.* at 1219-20.

163 *Id.* at 1220.

164 86 F.3d 1379, 39 U.S.P.Q.2d (BNA) 1411 (5th Cir. 1996).

165 *Id.* at 1386, 39 U.S.P.Q.2d at 1417.

166 *Id.* at 1382, 39 U.S.P.Q.2d at 1413.

167 *Id.* at 1388, 39 U.S.P.Q.2d at 1419-20.

168 38 U.S.P.Q.2d (BNA) 1053 (E.D.N.Y. 1995).

169 *Id.* at 1056.

170 *Id.* at 1054.

171 *Id.*

172 *Id.*

173 *Id.*

174 *Id.*

175 *Id.*

176 *Id.* at 1056.

177 *Id.*

178 *Id.* at 1057.

179 80 F.3d 749, 38 U.S.P.Q.2d (BNA) 1369 (2d Cir. 1996).

180 *Id.* at 751, 38 U.S.P.Q.2d at 1371.

181 *Id.*

182 *Id.* at 752, 38 U.S.P.Q.2d at 1371.

183 *Id.*

184 *Id.*

185 *Id.* at 754, 38 U.S.P.Q.2d at 1373.

186 77 F.3d 1325, 38 U.S.P.Q.2d (BNA) 1065 (11th Cir. 1996)

187 *Id.* at 1330, 38 U.S.P.Q.2d at 1067. The Eleventh Circuit noted that “the standard of confusion required for a finding of inevitability of confusion is an increment higher than that required for a finding of a likelihood of confusion.” *Id.* at 1334 n.3, 38 U.S.P.Q.2d at 1071 n.3 (quoting *Coach House Restaurant v. Coach and Six Restaurants*, 934 F.2d 1551, 1564 19 U.S.P.Q.2d (BNA) 1401, 1409 (11th Cir. 1991)).

188 *Id.* at 1338, 38 U.S.P.Q.2d at 1074.

189 *Id.*

190 *Id.* at 1337, 38 U.S.P.Q.2d at 1073. The Eleventh Circuit also stated that courts should take into account the prior history involved in a case. Specifically, whether or not the senior user caused the inevitable confusion that revived its claims, and then comes forth “with ‘unclean hands’ wrongfully seeking to appropriate the goodwill of the junior user’s mark.” *Id.* at 1336 n.4, 38 U.S.P.Q.2d at 1073 n.4