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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91152145
Party	Defendant WAL-MART STORES, INC.
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PUBLIC VERSION

**CONTAINS REDACTED PORTIONS
PURSUANT TO PROTECTIVE ORDER**

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

_____)	
WAL-MART STORES, INC.)	
)	OPPOSITION NO. 91/150,278
Opposer.)	OPPOSITION NO. 91/154,632
)	
v.)	
)	Trademark:
FRANKLIN LOUFRANI)	SMILEY & Design Serial No. 75/302,439
)	SMILEY & Design Serial No. 75/977,376
Applicant.)	
_____)	
FRANKLIN LOUFRANI)	
)	OPPOSITION NO. 91/152,145
Opposer.)	
)	
v.)	
)	Trademark:
WAL-MART STORES, INC.)	Smiley Design Serial No. 76/320,901
)	
Applicant.)	
_____)	

**BRIEF OF WAL-MART STORE INC. AS DEFENDANT
IN OPPOSITION NO. 91152145**

Dated: September 4, 2007

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I. DESCRIPTION OF THE RECORD

On October, 3, 2001, Applicant Wal-Mart filed Application Serial No. 76/320,901 (“Wal-Mart’s Application”) with the United States Patent and Trademark Office (“USPTO”) to register the following service mark for retail department store services, in International Class 35 (hereinafter referred to as “Wal-Mart’s Mark”):



With regard to the mark, and in response to the opposition filed by Franklin Loufrani (“Loufrani”), Wal-Mart has secured and placed in the record survey and testimony evidence that demonstrates sustained and extensive use and promotion of Wal-Mart’s Mark, as well as the resulting widespread and overwhelming association of Wal-Mart’s Mark with Wal-Mart’s retail department store services. *See, e.g.*, Expert Report of Dr. Michael Rappaport (R.L. Associates): *Perceptions Of “Smiley”* and associated testimony of Dr. Rappaport; Testimony of Troy David Steiner (showing, *e.g.*, widespread use of, and investment in, Wal-Mart’s Mark); Testimony of Gary F. Sholtes (showing, *e.g.*, scope of Wal-Mart’s use of the Wal-Mart Trademark and evidence of public association of the mark with Wal-Mart’s retail services).

On June 3, 1997, Opposer Loufrani filed an intent-to-use application, *i.e.*, Application Serial No. 75/302,439 (thereafter divided to add child Application Serial No. 75/971,376; hereinafter referred to together as the “Loufrani Applications”), with the following mark for hundreds of goods and services (hereinafter referred to as the “Alleged Mark”):



However, in response to an Office Action issued on June 12, 2000, Loufrani disclaimed the “smiley face” design (hereinafter referred to as “Loufrani’s Disclaimed Design”), but not the word “SMILEY,” which describes the disclaimed material.

The evidence of record includes:

Wal-Mart’s Notices of Reliance filed April 27, 2005 (numerous third-party publications associating the “smiley face” design with Wal-Mart);

Wal-Mart’s Notice of Reliance filed December 12, 2005 (representative registrations of ubiquitous symbols as trademarks for specific goods or services);

Wal-Mart’s Notice of Reliance filed March 15, 2006 (Loufrani abandoned applications);

Loufrani’s Notice of Reliance filed April 24, 2006 (Interrogatory Responses);

Loufrani’s Notice of Reliance filed May 1, 2006 (Showing that the term “smiley face” is listed in Merriam-Webster’s Collegiate Dictionary 1177 (11th ed. 2003) as referring to the “smiley face” design);

The testimonial of Troy David Steiner taken April 29, 2005, submitted by Wal-Mart on May 24, 2005 (showing, *e.g.*, widespread Wal-Mart use of, and investment in, Wal-Mart’s Mark);

The testimonial deposition of Gary F. Sholtes, taken on April 15, 2005, together with Exhibits 1-12, submitted by Wal-Mart on May 16, 2006 (showing, *e.g.*, scope of Wal-Mart’s use of the Wal-Mart service mark and evidence of public association of Wal-Mart’s Mark with Wal-Mart’s retail services.)

The testimonial deposition of Dr. Michael Rappaport taken on April 26, 2005, together with Exhibits 1-13, submitted by Wal-Mart on May 25, 2005; and Dr. Rappaport’s rebuttal deposition taken on March 14, 2006, together with Exhibit 14A, submitted by Wal-Mart on April 11, 2006 (showing, *e.g.*, by survey evidence (a) the public association of the Wal-Mart Mark with Wal-Mart’s retail services; and (b) public use of the term “smiley” to refer to the “smiley face” design);

The deposition of Megan Desai taken on August 2, 2005, together with Exhibit 1, submitted by Wal-Mart, together with Exhibit 1, submitted by Wal-Mart on March 30, 2006 (showing, *e.g.*, public use of the term “smiley” to refer to the “smiley face” design)

II. STATEMENT OF ISSUES RAISED BY LOUFRANI

Loufrani's challenge to Wal-Mart's Mark rests upon the following positions:

- A. Based on Loufrani's disclaimer of the "smiley face" design in his own applications, Loufrani has tried to improperly impute the effect of his abandonment of the Disclaimed Design to Wal-Mart, arguing that Wal-Mart is bound by the "law of the case" to adhere to Loufrani's position in a proceeding: (a) in which Wal-Mart did not participate; and (b) that did not involve any consideration of Wal-Mart's Application and supporting evidence related thereto.
- B. Loufrani argues, in the face of Wal-Mart's direct and contrary law and evidence, that the "smiley face" design can never serve as a trademark.
- C. Loufrani attempts to introduce the incorrect and untimely argument that Wal-Mart has failed to police Wal-Mart's Mark against non-infringing uses, thereby showing acceptance of third-party use of the "smiley-face" design.

III. FACTS AND ARGUMENTS

A. **Loufrani's Argument That Wal-Mart's Mark Cannot Be Registered Under the "Law Of The Case Doctrine" Misconstrues The Doctrine, Trademark Law And The Manifest Facts Of This Case.**

1. The Determination Of The Examining Attorney With Regard To Loufrani's Applications, And Loufrani's Acceptance Thereof, Do Not Bind Wal-Mart; The Law Of The Case Doctrine Is Inapplicable

A significant portion of Loufrani's trial brief attempts to establish that the Examining Attorney's requirement that Loufrani disclaim the "smiley-face" design from the Alleged Mark, as it appears in the Loufrani Applications, "should be treated as the law of the case." Loufrani Br. at 6. However, the only authority that Loufrani cites for this position is *In re Bankers Finance Invest. Mgmt. Corp.*, 222 U.S.P.Q. 914 (T.T.A.B. 1984).¹ In *Bankers Finance*, the Trademark Trial and Appeal Board ("TTAB" or "the Board") reversed an Examining Attorney's decision refusing a mark as descriptive of the subject services. The applicant, Bankers Finance, argued that the USPTO had previously registered numerous similar marks with the wording "Bank" or "Bankers," including "Bankers Trust" and "Bank for Cooperatives."

¹ Loufrani cites *In re Remington Prods.*, 3 U.S.P.Q.2d 1714 (T.T.A.B. 1987), in this section of its trial brief, but only as support for its argument on the merits that a "smiley face" design cannot be a registrable trademark. Loufrani also cites *Ex parte Zucker*, 111 U.S.P.Q. 442 (Comm'r Patents 1956), but *Zucker* has no apparent relevance to the issues presented by Wal-Mart's Application except that the Examining Attorney prosecuting Loufrani's Alleged Mark cited it in the June 12, 2000 decision.

Loufrani misapplied to the circumstances in this case an argument advanced by Bankers Finance's counsel "that uniform treatment under Section 2(e)(1) of similar marks used on similar goods or services is essential to trademark owners and to the trademark bar, as well as to the effective administration of the Trademark Act." Loufrani Br. at 5 (quoting *Bankers Finance*, 222 U.S.P.Q. at 917). As demonstrated by the law, precedent and facts discussed below, Loufrani's attempt to erect the *Bankers Finance* decision as a bar to the legitimate acquisition and registration of Wal-Mart's Mark is, at best, inappropriate and far-fetched.

The TTAB has highlighted the importance of striving for consistency in determining registrability and the decision in *Bankers Finance* does nothing more than restate that principle. See also *In re Nett Designs, Inc.*, 236 F.3d 1339, 1342, 57 U.S.P.Q.2d 1564 (Fed. Cir. 2001). The TTAB Panel in *Bankers Finance* did not consider the applicability of, or otherwise address, the law of the case doctrine. Instead, the TTAB made note of the common proposition that "decisions of the Examining Operation with respect to registrability of similar marks should have *some* persuasive effect" *Bankers Finance*, 222 U.S.P.Q. at 917 (emphasis added). Nowhere did the TTAB refer to a preclusive effect, nor, under the circumstances of this case, would it. Even in recognizing the relevance of statements made during trademark examination, the TTAB emphasized the well-established principle that "each case must be determined on its own facts." *Id.*

Contrary to Loufrani's statements in his trial brief, *Bankers Finance* does not support the proposition that an applicant's clear evidence of secondary meaning and registrability should be ignored because a different applicant could not present such evidence with regard to its own application. Thus, Loufrani mischaracterizes the holding in *Bankers Finance* and ignores one of the basic tenets of trademark law, *i.e.*, that a trademark may at one time, for a particular applicant, be unregistrable, but such determinations are not applicable to other registrants who present evidence establishing source-indicating significance in the minds of consumers. See *Singer Mfg. Co. v. Briley*, 207 F.2d 519 (5th Cir. 1953); *Goodyear Tire & Rubber Co. v. H. Rosenthal Co.*, 246 F. Supp. 724, 147 U.S.P.Q. 92 (D. Minn. 1965);

In re Owens-Corning Fiberglass Corp., 774 F.2d 1116, 227 U.S.P.Q. 417 (Fed. Cir. 1985); *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161 (1985). A trademark is a property right which is acquired by use. As stated by the court in *Boston Professional Hockey Association, Inc. v. Dallas Corp & Emblem Mfg., Inc.*, 510 F.2d 1004, 1014, 185 U.S.P.Q. 364 (5th Cir.), *cert. den'd*, 423 U.S. 868 (1975): “The acquisition of such a right through use represents the passage of a word or design out of the public domain into the protective ambits of trademark law.” Loufrani’s failure to present evidence showing that his Disclaimed Design has acquired secondary meaning through use has no bearing on the registrability of Wal-Mart’s Mark. It would be manifestly unfair, and contrary to law and equitable principles, to deprive Wal-Mart of the registration of a service mark that has been used by Wal-Mart for over ten years and has accumulated more-than-ample goodwill with the purchasing public simply because Loufrani failed to present *bona fide* evidence supporting the registrability of his Alleged Mark.

In the examination of an application for a trademark or service mark, each case is decided on its own facts, and each mark stands on its own merits. The TTAB’s statements in *In re Sunmarks, Inc.*, 32 U.S.P.Q.2d 1470, 1472-73 (T.T.A.B. 1994), on this matter are particularly instructive:

The cases are legion holding that each application for registration of a mark for particular goods or services must be separately evaluated Section 20 of the Trademark Act, 15 U.S.C Section 1070, gives the Board the authority and duty to decide an appeal from an adverse final decision of the Examining Attorney. This duty may not be delegated by adoption of conclusions reached by Examining Attorneys on different records. Suffice it to say that each case must be decided on its own merits based on the evidence of record.

See also In re Nett Designs, 236 F.3d at 1342; *In re Best Software, Inc.*, 58 U.S.P.Q.2d 1314 (T.T.A.B. 2001); *AMF Inc. v. American Leisure Products, Inc.*, 177 U.S.P.Q. 268, 269 (C.C.P.A. 1973); *In re International Taste, Inc.*, 53 U.S.P.Q.2d 1604 (T.T.A.B 2000); *In re National Novice Hockey League, Inc.*, 222 U.S.P.Q. 638, 641 (T.T.A.B. 1984); *In re Consolidated Foods Corp.*, 200 U.S.P.Q. 447 (T.T.A.B. 1978). In this case, Wal-Mart’s Mark and Loufrani’s Alleged Mark are not similarly situated and, as discussed in more detail below, the record established by Wal-Mart clearly shows that Wal-Mart’s Mark has obtained secondary meaning and is therefore registrable on the Principle Register.

Moreover, fundamental law and equitable considerations militate squarely against the application of the law of the case doctrine against Wal-Mart's Mark in this proceeding. For example, as stated in Charles Alan Wright et al., 18B *Federal Practice and Procedure* § 4478.5 (cum ed. 2007), with regard to an analogous situation under the *Federal Rules of Civil Procedure*: "Within a single action, perhaps the simplest situation involving the assertion against a new or different party arises when a party seeks to argue an issue resolved in *ex parte* proceedings before that party was joined; law of the case does not apply." Loufrani attempts to avoid this conclusion by arguing that the Examining Attorney's disclaimer requirement constitutes a determinative "part of the record in this case, not 'another case involving a different mark for different goods and services.'" Loufrani Br. at 5 (quoting *Bankers Finance*, 222 U.S.P.Q. at 917). This argument relies more on sleight of hand than on logic, however. The Examining Attorney's requirement was not offered as part of Loufrani's opposition against Wal-Mart's Mark, but rather with respect to the Examining Attorney's determinations with regard to the "smiley-face" design depicted in the Loufrani Applications and without the record established by Wal-Mart with regard to actual use and the secondary meaning of Wal-Mart's Mark. The Examining Attorney's conclusions are only "part of the record" now because, for procedural expediency (not substantive justice), the TTAB consolidated Wal-Mart's opposition against Loufrani's Alleged Mark with Loufrani's opposition against Wal-Mart. As such, any statements made by the Examining Attorney with respect to Loufrani's Alleged Mark should not be deemed a substantive or binding "decision" against Wal-Mart and should not apply to Wal-Mart under the law of the case doctrine.

Finally, the Examining Attorney's decision cannot be the law of the case in this proceeding because it is not a TTAB order, nor is it an order from a court with binding authority in a related proceeding. Indeed, most likely the TTAB has never felt it necessary to expressly state that the law of the case doctrine does not apply to decisions made by Examining Attorneys, given the well established principle that a prior decision made by a trademark examining attorney in the course of prosecution is not binding on the Board and has little persuasive value. *See, e.g., In re Best Software*, 58 U.S.P.Q.2d at

1316-17. While Loufrani chose to accept the Examining Attorney's requirement that he disclaim the "smiley-face" design, this is simply not a law of the case issue and Wal-Mart is not bound by Loufrani's decision to waive his right to challenge the Examining Attorney's conclusions.

2. The Evidence Presented By Wal-Mart As To Wal-Mart's Use Of And The Secondary Meaning Acquired By Wal-Mart's Mark For Retail Department Store Services Is In Stark Contrast To The Lack Of Evidence Presented By Loufrani With Regard To The Alleged Marks Or His Challenge To Wal-Mart's Mark; The Examining Attorney's Determinations In The Loufrani Proceedings Should Have No Preclusive Or Presumptive Effect With Regard To Wal-Mart's Application.

As discussed above, Loufrani's reliance on the Examining Attorney's requirement that he disclaim the "smiley face" design from the Alleged Mark has no preclusive effect on the registration of Wal-Mart's Mark. While Loufrani accepted the Examining Attorney's disclaimer requirement, thus making it binding with respect to the source-indicating power of Loufrani's Alleged Mark, the Examining Attorney's findings have no bearing on the registrability of Wal-Mart's Mark, as the evidence and arguments establishing the acquired distinctiveness of the Wal-Mart's Mark were not presented to the Examining Attorney, nor were they at issue during prosecution of the Loufrani Applications. Accordingly, the Examining Attorney for the Loufrani Applications was unaware of the myriad and compelling evidence supporting registration of Wal-Mart's Mark, including without limitation: (a) the numerous third-party publications associating the smiley symbol with Wal-Mart, *e.g.*, Wal-Mart's Notices of Reliance filed April 27, 2005; (b) the representative registrations of ubiquitous symbols as trademarks for specific goods or services, *e.g.*, Wal-Mart's Notice of Reliance filed December 12, 2005; (c) the testimonial of Troy David Steiner taken April 29, 2005, submitted by Wal-Mart on May 24, 2005 (showing, *e.g.*, widespread Wal-Mart use of, and investment in, Wal-Mart's Mark); (d) the testimonial deposition of Gary F. Sholtes, taken on April 15, 2005, together with Exhibits 1-12, submitted by Wal-Mart on May 16, 2006 (showing, *e.g.*, scope of Wal-Mart's use of the Wal-Mart Mark and evidence of public association of the mark with Wal-Mart's retail department store services); and (e) the testimonial deposition of Dr. Michael Rappaport taken on April 26, 2005, together with Exhibits 1-13, submitted by Wal-Mart on May 25, 2005; and Dr. Rappaport's rebuttal deposition taken on March 14, 2006, together

with Exhibit 14A, submitted by Wal-Mart on April 11, 2006 (showing, *e.g.*, by survey evidence: (1) the public association of Wal-Mart's Mark with Wal-Mart's retail department store services; and (2) public use of the term "smiley" as the term to refer to the "smiley face" design). As such, it would be inequitable, as a matter of precedent, law and evidence, for Wal-Mart to be bound by Loufrani's acceptance of the Examining Attorney's determinations with regard to his trademark applications.

Given Loufrani's failure to produce any evidence of acquired distinctiveness, it is not surprising that the Examining Attorney determined that "members of the public would not perceive [the smiley face figure] as serving as a sole source identifier *for the applicant*" and that the smiley face was "simply incapable of serving to distinguish *the application* as the sole source of goods bearing this design." Loufrani Br. at 4 (emphasis added). The Examining Attorney's decision focused solely on "the applicant" and "the application" at issue and is therefore limited by its own terms to Loufrani's use of the Disclaimed Design as a potential trademark and the lack of source-identifying ability associated therewith. The Examining Attorney's decision was exclusively made on the evidence (or lack thereof) presented with regard to Loufrani's Alleged Mark and has no bearing on Wal-Mart's extensive use of the "smiley face design" with its retail department store services and the public recognition of the Wal-Mart as a service mark for the same. In stark contrast to Loufrani's lack of evidence to establish secondary meaning of the Alleged Mark, Wal-Mart has the following support: (a) Wal-Mart's expert, Dr. Michael Rappaport, has provided undisputed survey results and testimony regarding consumer association of the "smiley face" design with Wal-Mart; and (b) Wal-Mart's other witnesses, each having broad and pertinent experience, provided evidence and testimony further supporting the trademark status of Wal-Mart's Mark.² In light of the disparity in the secondary meaning associated with Wal-Mart's Mark and the lack of any secondary meaning demonstrated by Loufrani with regard to Loufrani's Alleged Mark,

² To the extent that certain statements in the Examining Attorney's findings with regard to the Loufrani Applications may be construed as suggesting that the "smiley face" design is unregistrable because it is incapable of acquiring distinctiveness, Wal-Mart maintains that such conclusion is contrary to the precedent, law and evidence contained in the record herein.

“[i]t is [] easy to reject a law-of-the-case argument when the differences in the parties’ positions generate different issues, so that a ruling with respect to one party’s issue does not resolve another party’s different issue.” Wright et al., *supra* § 4478.5; *cf. id.* § 4478 (stating that the law of the case doctrine should not apply with regard to the sufficiency of evidence if “the evidence at a new trial differs in any significant way from the evidence at a prior trial”).

In short, the Examining Attorney was not presented with Wal-Mart’s Application and the extensive evidence supporting the source-indicating power associated with Wal-Mart’s Mark with regard to retail department store services. As such, to the extent the Examining Attorney’s determination can be the “law” of any case, it is only the law for determining the registrability of Loufrani’s Alleged Mark as subject to Oppositions Nos. 91/150,278 and 91/154,632 against the Loufrani Applications, and should be not be afforded any preclusive or presumptive effect with regard to Wal-Mart’s Application.

3. Even If The Law Of The Case Doctrine Were Considered Applicable In This Matter, It Would Not Militate Against Registration Of Wal-Mart’s Mark

Even assuming *arguendo* that the law of the case doctrine somehow applies with regard to Wal-Mart’s Application, the TTAB should reconsider the applicability of the Examining Attorney’s decision in determining registrability of the “smiley-face design” with respect to Wal-Mart’s Application for use of the design in connection with retail department store services. The law of the case doctrine is a flexible case management tool, not absolute protection for incorrect prior judgments. As discussed above, and in light of the record discussed more fully below, Wal-Mart is differently situated than Loufrani with respect to the registration and use of the “smiley face” design and should have every opportunity to make these differences of record in support of the registrability of Wal-Mart’s Mark. As such, it would be against the fundamental nature of fairness to preclude Wal-Mart from providing evidence and arguments in support of its service mark application.

B. Both The Law And Evidence Support The Conclusion That Wal-Mart's Mark Has, Like Many Basic Designs Registered On The Principal Register, Acquired Trademark Status

1. Loufrani's Argument That Basic Or Widely-Used Designs Can Never Acquire Trademark Status For Particular Goods Or Services Is Incorrect As A Matter Of Law And Fails To Take Into Account The Evidence With Regard To Wal-Mart's Mark; Moreover Loufrani's Argument Misconstrues The Term "Generic" And Its Effect

As with his law of the case argument, Loufrani attempts to take his own lack of investment in the "smiley face" design and impute it as conclusive with regard to Wal-Mart's Mark. Therefore, Loufrani argues that the "smiley face" design is incapable of functioning as a trademark because it is "ubiquitous" and used with a variety of goods and services throughout the United States. Loufrani Br. at 8. As demonstrated below, Loufrani's position ignores both the pertinent law regarding the acquisition of secondary meaning with regard to basic designs, colors, etc., as well as the following facts: (a) Wal-Mart's Application is limited to retail department store services; and (b) the evidence, much of which is uncontested, conclusively demonstrates that Wal-Mart's Mark functions as a service mark for Wal-Mart's retail department store services.

Moreover, despite the fact that this proceeding has taken a fairly lengthy time, Loufrani has not introduced any survey or testimonial evidence to support his contention that the "smiley face" design can never acquire distinctiveness for particular goods or services. This is not surprising. As discussed below, the case law and the Principal Register are filled with affirmations that widely used designs can, for particular goods or services, acquire secondary meaning with the purchasing public. Although the record shows a number of third-party decorative and ornamental uses of the "smiley face" design, this (as demonstrated by the Principal Register registrations, the survey, and other evidence below) does not preclude registration of Wal-Mart's Mark for retail department store services. The TTAB need only look at the Principal Register, precedent and Wal-Mart's submitted evidence for affirmation that Wal-Mart's Mark is registrable.

To properly be characterized as unprotectably generic under trademark law, the proposed mark must be the name of the same product or service for which it is alleged to identify the source. *See Society*

of Financial Examiners v. National Association of Certified Fraud Examiners, Inc., 41 F.3d 223, 33 U.S.P.Q.2d 1328 (5th Cir. 1995). Moreover, a designation can be a generic name for one thing, but be a valid trademark for another product or service. For example, the fact that the word “COSMOS” is a generic name for the universe does not preclude it from being a service mark for travel agency services. See *Eurotech, Inc. v. Cosmos European Travels Aktiengesellschaft*, 213 F. Supp. 2d 612, 620 (E.D. Va. 2002).

Loufrani stated that the Examining Attorney’s Office Action requiring the disclaimer of the “smiley face” design is proof positive that the design does not serve any trademark function, and that consequently, Wal-Mart is not entitled to registration of its service mark.³ As discussed above, with regard to Loufrani’s assertion of the law of the case doctrine, the Examining Attorney’s June 12, 2000 Office Action is neither law of the case with respect to Wal-Mart’s Mark nor based on any appropriate consideration of the evidence submitted by Wal-Mart with regard to Wal-Mart’s Mark. Moreover, Loufrani has not introduced any evidence, expert or otherwise, that the public perceives the Wal-Mart Mark as a “generic” indicator of retail department store services. Rather, in light of the overwhelming evidence supporting the acquired distinctiveness of Wal-Mart’s Mark, it is clear that Loufrani must rely on misplaced procedural arguments and inapplicable precedent in his attempt to claim that Wal-Mart’s Mark is unregistrable for use in connection with retail department store services.

³ Loufrani cites a portion of the Examiner’s Office Action wherein the Examiner concluded that “as such a widely used decorative symbol, [the Loufrani “happy face” design] . . . is simply incapable of serving to distinguish applicant as the sole source of goods bearing on this design.” Assuming that the Examining Attorney’s determination was correct with respect to *Loufrani’s goods*, Wal-Mart’s Application seeks registration with respect to “retail department store services only.” As a service mark, Wal-Mart’s mark is neither decorative nor ornamental. Therefore, the Examining Attorney’s rationale is neither binding nor wholly applicable to the registrability of Wal-Mart’s Mark. Loufrani’s assertion that “the USPTO’s conclusion . . . must apply equally to Loufrani and Wal-Mart” must be rejected.

2. Wal-Mart Has Shown That Basic Designs And Symbols Have Been Accepted On The Principal Register As Capable Of Possessing Secondary Meaning With Regard To Particular Goods And Services

Loufrani argues that not all designs, symbols or slogans used in the sale or advertising of goods or services function as trademarks. Loufrani Br. At 8. Regardless of whether or not this statement is correct, it has nothing to do with this case. The principal case relied upon by Loufrani, *In re Remington Products, Inc.*, 3 U.S.P.Q.2d 1714, 1715 (T.T.A.B. 1987), involved a determination by the TTAB that the “informational phrase”⁴ “Made In The USA” was not shoehorned into registrability by addition of the term “Proudly” to the beginning of the phrase. Loufrani Br. at 8-9. To somehow stretch this opinion to preclude registration of all basic designs, symbols or slogans that have acquired secondary meaning is, at best, a mischaracterization of the abundant case law and examples establishing the registrability of designs, symbols or slogans that have acquired secondary meaning through the registrant’s extensive use of the mark with particular goods and/or services.⁵ For example, as shown in Wal-Mart’s December 12, 2005 Notice of Reliance, the following are among the basic and symbols that have achieved registration:

⁴ Loufrani’s equation of the smiley symbol with an “informational phrase” is particularly curious in light of his argument in his own applications that the addition of the symbol’s common name removes it from this alleged category of unregistrability.

⁵ Loufrani similarly takes out of context (and quotes without attribution) the Examining Attorney’s characterization of *In re Morganroth*, 208 U.S.P.Q. 284 (T.T.A.B. 1980), from the Examining Attorney’s June 12, 2000 Office Action. Compare Loufrani Br. at 8, with June 12, 2000 Office Action at 2. While the Examining Attorney does state that “Not all words, designs, symbols or slogans used in the sale or advertising of goods or services function as trademarks, regardless of applicant’s intent,” Loufrani omits that the Examining Attorney’s clarification to this statement: “A term does not function as a trademark unless it is used in a manner which clearly projects to purchasers a single source of the goods or services.” See Office Action at 2. As described herein, Wal-Mart’s use of its mark has acquired significant secondary meaning and “clearly projects to purchasers a single source” of retail department store services in International Class 35.

Registration No. 2994722 (Principal – Design Only)



Design Search Code: Clover, Four-Leaf
Registration Description: Four-Leaved Shamrock Design
Good and Services: Automobile and Structural Parts Thereof

Registration No. 2567003 (Principal – Design Only)



Design Search Code: Horseshoes
Goods and Services:
Printed Materials and Guides in the Field of Gaming, Gambling and Casino Services
Entertainment Services In The Nature of Gambling and Gaming Services
Hotel, restaurant, Nightclub and Bar Services

Registration No. 0138572 (Principal – Design Only)



Design Search Code: Triangles That Are Completely Or Partially Shaded
Good and Services: Pale Ale and Beer

Registration No. 2555598 (Principal – Design Only)



Design Search Code: Moons, Crescent; Moons, Half; Partial Moons, Including Half Moons and Crescent
Moons (Not A Moon With Craters)
Good and Services: Facilitating Dental Association Endorsement Of The Dental Health Plans Of Others

Registration No. 2984690 (Principal – Design Only)



Design Search Code: Comets, Stars With Five Points
Good and Services (Abbreviated):
Online Retail Store Services
Educational and Entertainment Services

Providing Multiple-User Access To Interactive Computer Databases in The Fields Of Athletics And
Athletic Competitions

3. Wal-Mart Has Shown By Extensive Survey, Testimonial And Third-Party Evidence That
Wal-Mart's Mark Has Acquired Secondary Meaning And Merits Registration

In addition to the well-established, general principle that common symbols or designs, and even single colors, may attain trademark status for specific goods and services, *see, e.g.*, above excerpts from Wal-Mart's December 12, 2005 Notice of Reliance; *In re Dassler*, 134 U.S.P.Q. 265 (T.T.A.B. 1962) (three parallel bands suitable for registration upon showing of extensive use and trade recognition); *Qualitex*, 514 U.S. at 164 (colors, shapes, fragrances words and signs may attain registrable trademark status—it is the possession of secondary meaning, not the “ontological status” of the claimed mark, that matters). Wal-Mart's Mark overwhelmingly satisfies the criteria for demonstrating secondary meaning and is therefore registrable on the Principle Register.

In *Perceptions of Smiley*, a Survey Report prepared by R.L. Associates in connection with this proceeding, the overwhelming evidence of establishing public association of Wal-Mart's Mark (“the smiley face”) with Wal-Mart retail stores is shown in Table II of the Report:

TABLE II

	SMILEY NO WORD	SMILEY + WORD	PEP BOYS	WALKING FISH
Number of Respondents	(134)	(134)	(88)	(89)
Uniquely with Wal-Mart	54%	57%	0%	0%
All Others	46	43	100	100

See R.L. Associates Report, *Perceptions of Smiley*, p. 8; Rappaport Tr. 35-37.

The Report describes the data in Table II as follows:

As shown in Table II, when asked about retailers, somewhat over half of these samples of consumers identified the "Smiley Face" uniquely with Wal-Mart. The proportion was essentially the same whether the word SMILEY appeared below the picture (56%), or the picture appeared by itself (54%). Not one single respondent identified either of the two controls uniquely with Wal-Mart. *Id.*

Numerous opinions have accepted much less dramatic and supportive results to demonstrate that a mark has acquired secondary meaning and is registrable. See, e.g., *Monsieur Henri Wines, Ltd. v. Duran*, 204 U.S.P.Q. 601 (T.T.A.B. 1979) (37% of interviewees associated opposer's brand with a background design; probative to corroborate finding of strong trademark in the design); *North Carolina Dairy Foundation, Inc. v. Foremost-McKesson, Inc.*, 92 Cal. App. 3d 98, 154 Cal. Rptr. 794, 203 U.S.P.Q. 1012 (1st Dist. 1979) (46% of 800 women shoppers identified producer by name from the mark; held a substantial segment). Moreover, Dr. Rappaport testified that, in his experience, the percentages shown by his survey are compelling as to a conclusion that the subject mark has acquired secondary meaning for Wal-Mart's retail store services. Rappaport Tr. 38-39.

Dr. Rappaport testified fully as to the nature and methodology of the survey and the resulting Report, including the rigorous and well-accepted approach to data gathering (mall-intercept), Rappaport Tr. 16-18; establishing the universe and sample, Rappaport Tr. 18-22; the questionnaires, Rappaport Tr. 24-30, the controls, Rappaport Tr. 22-24; the interviewing, Rappaport Tr. 30-32; and the validation, Rappaport Tr. 32. Furthermore, in follow-up testimony regarding potential exclusion of one mall from

the survey because it had a Wal-Mart store, Dr. Rappaport confirmed that the percentage of associations with Wal-Mart, even after excluding the one mall, were substantially the same and were statistically valid to support the conclusion finding secondary meaning on behalf of Wal-Mart, although he also stated that he believed that the exclusion of that one mall was not necessary or appropriate. *See* Rappaport Reb. Tr. 9, 11.

In addition, testimony of Troy David Steiner, then Senior Media Director for Wal-Mart, responsible for all media at Wal-Mart (both internal and external), and the accompanying Exhibits, add detail to the process that led to Wal-Mart's acquisition of secondary meaning its service mark. Steiner Tr. 3. Mr. Steiner confirmed Wal-Mart's use of the "smiley-face" design, as depicted in Wal-Mart's Application, since 1996. Steiner Tr. 5, 10. With regard to print media, Mr. Steiner testified that, since 1996, Wal-Mart has spent in the range of _____ annually on print media using the smiley image, Steiner Tr. 11, and estimated that amounts in the "\$ _____

_____ " were spent annually for in-store signage using the smiley image. Steiner Tr. 16. In Wal-Mart's use of the Wal-Mart Mark, there are frequently embellishments or differing text, but the consistent and dominate element in such uses the "smiley face" design. Steiner Tr. 52-53, *see also* Sholtes Tr. 160.

Further details regarding the efforts and expenditures leading to Wal-Mart's acquisition of service mark rights in the "smiley face" design are provided in the testimony of Gary F. Sholtes, and accompanying Exhibits. Mr. Sholtes was the leader of the Wal-Mart team at the Bernstein-Rein Advertising Agency, an advertising agency that had been used by Wal-Mart for over thirty years. Sholtes Tr. 29, 31. Mr. Sholtes testified that in 1996, expenditures by Wal-Mart for television advertisements using the "smiley face" design, only one of the forms of advertising using the "smiley face" design, were _____, Sholtes Tr. 46-47, with advertisements placed in widely viewed network prime time and local news. Sholtes Tr. 48-49. Wal-Mart's television advertising campaign using the "smiley face" design was projected to a national audience via network television outlets like NBC, ABC, CBS, and Fox. Sholtes Tr. 43-44. It was also

projected to a national audience through cable outlets including CNN, the History Channel, Arts & Entertainment, and Nickelodeon. *Id.* Wal-Mart's advertising campaign also focused on advertising the "smiley face design" in individual markets through placements in local news programs. This advertising campaign reached virtually every household in the United States with a television. *See id.*⁶

Similarly large levels of expenditures continued:

- (a) in 1997, was spent, Sholtes Tr. 53-54;
- (b) in 1998, was spent, Sholtes Tr. 56;
- (c) in 1999, was spent, Sholtes Tr. 65;
- (d) in 2000, was spent (smiley on television and internet), Sholtes Tr. 66;
- (e) in 2001, was spent, Sholtes Tr. 68;
- (f) in 2002, was spent, Sholtes Tr. 70;
- (g) in 2003, was spent, Sholtes Tr. 71.⁷

With decades of experience in the advertising business, Sholtes Tr. 8-32, and intimately familiar with Wal-Mart's television advertising usages, Sholtes Tr. 32, Mr. Sholtes also testified that: (a) consumers associated the "smiley face" design with Wal-Mart's retail department store services, Sholtes Tr. 82, 162; and (b) as shown in the Exhibits, numerous third-party references to Wal-Mart in the media

⁶ "The amount and geographical extent of advertising is relevant in that it results in a large number of potential buyers who have been exposed to this symbol used as a trademark. That is, nationwide advertising will expose a larger number of potential buyers to the symbol used as a mark than mere local advertising." *See* 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 15:52 (4th ed. 2007). "With nationwide advertising, secondary meaning in an initially non-distinctive mark can be established much more quickly than in the old days of limited geographical markets and limited advertising." *Id.* §15.50.

⁷ Courts have found significant advertising expenditures by national corporations to be probative in determining whether a mark has acquired secondary meaning. *See Blockbuster Entertainment Grp. v. Laylco, Inc.*, 869 F.Supp. 505, 510, 33 U.S.P.Q.2d 1581 (E.D. Mich. 1994) (relying primarily on Blockbuster's expenditure of \$75 million on advertising in determining that its mark had acquired secondary meaning); *Stern's Miracle-Gro Prods., Inc. v. Shark Prods., Inc.*, 823 F. Supp. 1077, 1085, 27 U.S.P.Q.2d 1267 (S.D.N.Y. 1993) (finding that the expenditure of over \$12 million probative in determining that mark had acquired secondary meaning).

(newspaper articles, etc.) incorporated the “smiley face” design to identify Wal-Mart and acknowledge Wal-Mart’s service mark rights in the “smiley face” design. Sholtes Tr. 89-96; 99-108.

In sum, the evidence provided in the record of this proceeding demonstrates conclusively that: (a) Wal-Mart has properly engaged in extensive use and investment in the Wal-Mart Mark; (b) as a result, Wal-Mart’s Mark has acquired secondary meaning with the purchasing public with regard to Wal-Mart’s retail store services; and (c) Wal-Mart’s Mark, therefore, merits registration on the Principle Register.

C. Loufrani’s “Failure to Police Argument” Is Untimely And Unsupported; Wal-Mart Is Under No Obligation To Police Non-Infringing Uses.

Loufrani waived its “failure to police argument” by failing to plead it as a ground for its opposition of Wal-Mart’s Mark. Moreover, Loufrani failed to provide proper notice that would allow the matter to be fully litigated and Wal-Mart has not, through its briefing or otherwise, consented to the litigation of this issue. As a result, the Board should deem Loufrani’s Failure to Police argument waived, and strike any reference to the argument from Loufrani’s trial brief.

Loufrani’s Notice of Opposition makes no claims regarding, or otherwise references, Wal-Mart’s “failure to police” its mark against objectionable third-party use. *See* Opposition 91/152,145, filed on May 22, 2002. “A plaintiff may not rely on an unpleaded claim. The plaintiff’s pleading must be amended (or deemed amended), pursuant to Fed. R. Civ. P. 15(a) or (b), to assert the matter.” *Trademark Board Manual of Procedure* § 314 (2d ed. 2004). In this case, Loufrani never moved the Board, pursuant to Fed. R. Civ. P. 15(a) or (b), to amend its opposition to include claims that Wal-Mart “failed to police,” or otherwise forfeited, the Wal-Mart Mark. Failure to plead a ground of an opposition constitutes a waiver of the right to rely upon that ground, *see Gallo v. E. & J. Winery*, 74 U.S.P.Q.2d 136, 137 (Comm’r Patents 1947), and Loufrani’s last ditch reliance on this basis of attack is insufficient to place the argument properly before the Board. Wal-Mart has not expressly or by acquiescence accepted Loufrani’s last-ditch insertion of this issue into this proceeding. Therefore, fairness and avoidance of

undue prejudice dictates that the TTAB should deem Loufrani's "failure to police" argument waived and prohibit Loufrani from relying on that ground in support of its opposition of Wal-Mart's Mark.

Even assuming Loufrani did not waive the "failure to police" argument, Loufrani has not shown that Wal-Mart failed to enforce its mark against any objectionable third-party uses. Loufrani merely claims, without any substantiation, that Wal-Mart has failed to police its mark. However, a general and unsupported claim of failure to enforce against third-party use is insufficient; instead, Loufrani must provide evidence that the alleged third-party use is objectionable. *The Univ. Book Store v. The Board of Regents of the Univ. of Wisconsin System*, 33 U.S.P.Q.2d 1385, 1393 (T.T.A.B. 1994); *Tea Board of India v. The Republic of Tea, Inc.*, 80 U.S.P.Q.2d 1881, 1888-89 (T.T.A.B. 2006); *see also Linville v. Rivard*, 41 U.S.P.Q.2d 1731, 1741 (T.T.A.B. 1996). Moreover, Loufrani must establish that Wal-Mart has forfeited the rights to its mark by clear and convincing evidence. *See Linville*, 41 U.S.P.Q.2d at 1741. The mere existence of third-party use of a "smiley-face" design does not constitute abandonment of Wal-Mart's Mark for its retail store services.

Contrary to Loufrani's citation to the record in this case, Loufrani's short, hypothetical line of questioning regarding Wal-Mart's enforcement position with respect to third-party use, failed to establish Wal-Mart's failure to police its mark. Troy David Steiner, then Senior Media Director for Wal-Mart, testified that Wal-Mart would object to infringing uses to advertise other retailer services. *See Steiner Tr. 37.*⁸ It should be noted that during this line of questioning, Loufrani failed to identify even one objectionable use by a third-party that Wal-Mart failed to police. Instead, Loufrani focused Mr. Steiner's attention on Wal-Mart's non-objection to non-infringing uses, *e.g.*, Joe Boxer's use of a "smiley-face" design on boxer shorts or K-Mart's advertising that it carried Joe Boxer's product. *See Steiner Tr. 40.* Therefore, Loufrani's quotation from Mr. Steiner on page 10 of Loufrani's Brief is blatantly misleading.

⁸ The hypothetical nature of a further line of questioning by Loufrani's counsel was objected to in that it did not identify any specific use for Mr. Steiner to consider, but the non-objectionable portion (whether
(continue)

Loufrani's apparent attempts to extract "damning" information regarding Wal-Mart's enforcement from Gary Scholtes, the leader of the Wal-Mart team at the Bernstein-Rein Advertising Agency, were equally unsuccessful. In his testimony, Mr. Scholtes indicated that the "smiley-face" image was used at various times by third-parties as product ornamentation, and that this was distinct from the types of use that led to a brand that was associated with a company or product. Sholtes Tr. 154, 158.

The fact that a number of third-parties use the "smiley face" design in a decorative or ornamental fashion is uncontroverted. However, as shown in Wal-Mart's December 12, 2005 Notice of Reliance (showing various registrations for basic symbols) and as demonstrated by case law, a basic design or even a color can rise to the level of a trademark or service mark upon a showing that the design has acquired secondary meaning in the mind purchasers. *See, e.g., Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159 (1985). One wonders if Loufrani would have Apple Corp. pursue all folk artists who use an ornamental design of an "apple," or the term itself, to ornament their aprons, quilt designs, etc. or if Target Corp. would be considered amiss if it allowed products on its shelves (*e.g.*, toys, archery sets, comic books, novels etc.) that depict images of targets or use the term "target."⁹ In short, Wal-Mart is under no obligation to enforce its service mark rights against non-infringing and ornamental third-party use.

D. Loufrani's "Public Usurpation" Argument Is Wildly Speculative, Without Any Basis And Simply Inapplicable

Although not appropriate, either as an argument in Loufrani's trial brief, or under legal theory or evidence, Loufrani claims that Wal-Mart's assertion of service mark rights for the limited class of its

(continued)

Wal-Mart would enforce its rights if a retailer used the "smiley face" design in an infringing manner) was addressed by Mr. Steiner, who confirmed that Wal-Mart would not acquiesce to such use. Steiner Tr. 37.

⁹ Ironically, Loufrani argued earlier in its brief that Wal-Mart's decision not to enforce its mark against non-infringing uses impairs Wal-Mart's ability to register its own mark for retail department store services. Loufrani Br. 10-11. As with Loufrani's earlier argument regarding Wal-Mart's decision not to police non-infringing uses of the Wal-Mart Mark, the argument regarding potential inappropriate future enforcement actions by Wal-Mart is unfounded.

retail store services would adversely affect Loufrani’s alleged right to register its “inherently distinctive composite mark” (sic). Loufrani Br. at 11. Loufrani’s lack of rights result of his own actions—or inactions. However, while Wal-Mart does not concede that Loufrani’s Alleged Mark is inherently distinctive, it is difficult to determine how Loufrani moves from that statement to a general “alarm” that Wal-Mart intends to “usurp the common, universal sign of a smiling face.” Loufrani Br. at 12.

As discussed above, and on the face of its application, Wal-Mart’s Application is limited to retail department store services, in International Class 35, and is comparable to the many registrations for “common, universal signs”—such as four-leaf clovers, horseshoes, triangles, moons and stars—that are limited to specific classes, goods or services. *See supra* Section B.2. As with his untimely and unsupported argument that Wal-Mart has acquiesced to third-party use of the “smiley face” design (*albeit* none were shown by Loufrani to be infringing), *see supra* Section C, Loufrani is now at the opposite yet equally untenable extreme. Loufrani has conjured up a fanciful scare tactic claiming that Wal-Mart is poised to usurp all non-infringing uses of the “smiley face” design. Loufrani Br. 12. Nothing could be further from the truth. Wal-Mart’s objection to Loufrani’s argument that his Alleged Mark is “inherently distinctive” is evidence that Wal-Mart is opposed to such unsupported claims, including the claim proffered by Loufrani himself.

Loufrani quotes *McCarthy on Trademarks and Unfair Competition* § 2:2 virtually in its entirety, reciting the basic principle “the [inherent] interest of others [non-trademark holders] in not being restrained from free use of trade names” However, in emphasizing this quote, Loufrani takes the passage completely out of context. In its entirety, the interest being balanced is “the interest of others in not being restrained from free use of trade names because of mere token use on the part of one.” *Id.* This tenet has significant applicability to Loufrani’s own applications; however, Wal-Mart’s extensive, secondary-meaning-generating use is not “token use.” As the record shows, Wal-Mart has engaged in sustained, wide-spread use of its mark and has spent hundreds of millions of dollars promoting Wal-Mart’s Mark in conjunction with its retail department store services. As a result of Wal-Mart’s vigorous,

widespread and sustained activities, the Wal-Mart Mark has acquired compelling recognition as a service mark in the minds of consumers, as supported by, *e.g.*, expert Dr. Rappaport's report and the testimony of Wal-Mart's witnesses. *See supra* Section B.3.

Based on Wal-Mart's Application and the record regarding Wal-Mart's Mark, the correct principle to apply with respect to Wal-Mart's Mark, and the goodwill and secondary meaning associated therewith, is that well-established trademarks and service marks prevent consumer confusion and "[t]he law should protect trademarks in order to encourage investment in advertising and the good will it creates." *McCarthy on Trademarks and Unfair Competition* § 2.30.

So while free competition is a goal, it does not override protection for the good will established by a senior user: "For though the good will of an unpatented product or device is in the public domain, the good will, name and reputation of the producer remains his private property and may not be traded upon and exploited by his competitors."

Id. (quoting *Pezon et Michel v. Ernest R. Hewin Associates, Inc.*, 270 F. Supp. 423, 427, 154 U.S.P.Q. 341 (S.D.N.Y. 1967)). Moreover, as noted by the Supreme Court in the *Qualitex* case, protection of marks that have obtained secondary meaning—whether they be colors, shapes, fragrances, words or signs—is in the interest of consumers and competition, not against them. 514 U.S. 159.

Loufrani also quotes *Zippo Manufacturing Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 694-95, 137 U.S.P.Q. 413 (S.D.N.Y. 1963), for the proposition that there is a "policy of encouraging competition from which the public benefits. A successful plaintiff in an unfair competition action obtains a monopoly unlimited in time, greater in that sense than even that available under patent law . . ." As with Loufrani's quotation of *McCarthy*, Loufrani's quotation is both puzzling and exceptionally inapposite to either Wal-Mart's Mark or this proceeding. For one thing, the portion of the *Zippo* Manufacturing opinion that Loufrani cites applies to the court's consideration of the appropriate legal standard for determining whether an aspect of a company's product is "functional" for purposes of New York unfair competition law. This proceeding, by contrast, involves Wal-Mart's service mark for retail

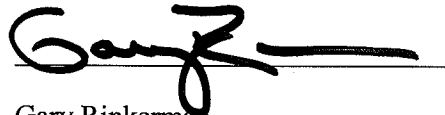
department store services, which has been shown to have earned secondary meaning in accordance with well-established and applicable trademark law.

IV. SUMMARY AND CONCLUSION

Wal-Mart has produced extensive and compelling evidence to demonstrate that Wal-Mart's Mark has acquired secondary meaning with regard to Wal-Mart's retail department store services and is, therefore, registerable by Wal-Mart with regard to those services. On the other hand, Loufrani has failed to rebut Wal-Mart's evidence and, instead, relies on inapplicable and misconstrued precedents, unsupported arguments and speculation, and, in the case of Loufrani's own applications, a wholly inappropriate and inapplicable law-of-the-case argument. Moreover, to the extent that Wal-Mart chose not to take action against third-party uses that Loufrani did not demonstrate were inappropriate or infringing, this restraint on the part of Wal-Mart contradicts rather than supports Loufrani's equally untenable arguments that either Wal-Mart abandoned its mark or is, conversely, somehow intent on quashing appropriate trademark claims or non-infringing uses.

Focusing on this proceeding, and the evidence of record, Wal-Mart's claim is to the registrability of Wal-Mart's Mark as a service mark for retail department store services, in International Class 35. The record and the law abundantly support Wal-Mart's claim.

Respectfully Submitted,



Dated: September 4, 2007

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CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of September, 2007, a true and correct copy of the foregoing Brief of Wal-Mart Store Inc. as Defendant in Opposition No. 91152145 (Redacted Version) has been served by first-class mail, postage prepaid, on Steven L. Baron and Natalie A. Harris, counsel for Franklin Loufrani.

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