

Keywords: Trademark infringement; permanent injunction; temporary restraining order; contempt; sanctions

Summary: Defendant's use of plaintiff's "Reno Air Races" and "pylon logo" marks on merchandise defendant sells at racing events has caused, and is likely to continue to cause, consumer confusion, since plaintiff's marks are strong, and since plaintiff and defendant sell substantially similar merchandise bearing identical or substantially similar marks in extremely close proximity.

Reno Air Racing Association Inc. v. McCord
76 U.S.P.Q.2d 1302 (D. Nev. 2004)
Decided March 9, 2004

I. Facts

The plaintiff, Reno Air Racing Association ("Reno Air"), is a non-profit corporation that organizes, promotes, and operates the National Championship Air Races at the Reno/Stead Airport. The annual event is commonly referred to as the "Reno Air Races" and features airplanes that race around pylons for cash prizes and acrobatic airplane stunt. Each year the event attracts nearly 90,000 people and generates millions of dollars in revenue.

Since 1964, Reno Air has used a logo featuring a checkered pylon with two airplanes circling it ("pylon logo") to identify the event. Reno Air is the registered owner of federal trademarks 1,322,146 and 1,371,797 for the pylon logo, one being a trademark and the other being a service mark. The marks have been registered since 1985 and have acquired incontestable status. Additionally, Reno Air has spent extensive effort advertising the event as the "Reno Air Races" (the advertising budget for the event was about \$280,000 in 2002, with an additional \$60,000 spent on the program for the event that year), and claim "Reno Air Races" as a common law mark. Reno Air has entered into licensing agreements which permit vendors situated within the gates of the show to sell merchandise bearing the marks.

The defendant, Jerry McCord ("McCord"), owns Western Sales Distributing Company, a sole proprietorship. Between 1999 and 2002, McCord sold merchandise, such as t-shirts, sweatshirts, and mugs, depicting the term "Reno Air Races" and artwork containing at least one airplane and a pylon. From 1999 to 2002 McCord sold approximately \$26,911 worth of such merchandise by setting up booths just outside the main gate and near the pit gate.

In 2000, McCord received a letter and telephone call from Reno Air's attorney, who objected to the sale of the merchandise at the air races. The next year, a representative of Reno Air contacted McCord and informed him that his activities violated Reno Air's rights.

On September 13, 2002, Reno Air filed a complaint in the district of Nevada, alleging infringement of the "pylon logo" mark in violation of 15 U.S.C. §1114(1)(a) and infringement of the unregistered "Reno Air Race" mark in violation of 15 U.S.C. §1125(a). Reno Air also filed an ex parte temporary restraining order (TRO) pursuant to Rule 65(b) and a motion for a preliminary injunction. The TRO was granted and served upon McCord that same day. McCord discontinued sales of a particular T-shirt noted in an exhibit to the TRO, but continued to sell other merchandise until the end of the air show on September 15.

II. Issues

1. Whether McCord infringed the trademarks owned by Reno Air?
2. Whether sanctions are appropriate for violation of the TRO?

III. Discussion

1. Yes. A claim of trademark infringement under § 1114(1)(a) requires a trademark holder to demonstrate: (1) ownership of a valid mark, and (2) that the alleged infringer's use of the mark "is likely to cause confusion" to consumers. Therefore, it must be determined whether the "pylon logo" mark is protectable and the federal registration is valid and enforceable, whether the "Reno Air Races" mark has achieved secondary meaning and is protectable without federal registration, and whether McCord's use of the "pylon logo" and "Reno Air Races" is likely to cause confusion.

With regard to the "pylon logo," under 15 U.S.C. §1115(b) a mark that has been registered more than five year becomes incontestable and, furthermore, the federal registration carries a presumption that the mark is distinctive. See 15 U.S.C. §1115(a) and §1057(b). The only way in which an incontestable federally registered mark can be proven to be non-distinctive is through genericness, and the burden falls to the defendant to make such a showing.

To determine genericness, the court applied the "who are you/what are you" test. Under the test, a trademark answers a buyer's questions "who are you," while a generic name answers the question "what are you." See *Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc.* 53 U.S.P.Q. 2d 1001 (9th Cir. 1999). In the present case, the court concluded that the defendant, McCord failed to establish that the "pylon logo" is generic for airplane racing or that it is the common name or identifier for such services. As such, the "pylon logo" mark is protectable and the federal registrations are valid and enforceable.

With regard to the "Reno Air Races" mark, a mark is protectable without federal registration if it operates as an indicator of source or origin for products or services. See 15 U.S.C. §1125(a). The issue is whether the public associates the "Reno Air Races" mark with the event and the plaintiff has the burden of establishing that the mark is not generic. The court again applied the "who are you/what are you" test and determined that who are you is answered as "Reno Air Races" and what are you is answered as an airplane race and acrobatic show. Additionally, the court states that "Reno Air Races" is clearly not the name of all airplane racing or acrobatic events and that there are no generic references in dictionaries or trade journals to Reno Air Races.

In determining secondary meaning, the court stated that Reno Air Races is a composite term and validity should not be judged by an examination of its parts, rather validity should be judged by viewing the mark as a whole. See *California Cooler, Inc. v. Loretto Winery, Ltd.*, 227 U.S.P.Q.2d 808 (9th Cir. 1985); *Union Carbide Corp. v. Ever Ready, Inc.* 188 U.S.P.Q. 623 (7th Cir.). Thus, words that could not individually be protected may become protectable when taken together. "Reno" is a descriptive term, as is "air races," however, the court states that the evidence is clear that the term "Reno Air Races" has acquired a substantial secondary meaning. In arriving at such a conclusion the court considered: a) amount and manner of advertising; b) length and manner of use; c) exclusivity of the mark; d) the number of customers and amount of sales; e) established place in the marketplace; and f) proof of intentional copying. Accordingly, the court concluded that "Reno Air Races" has achieved a secondary meaning and is protectable as a trademark or service mark.

With regard to likelihood of consumer confusion, the court applied the *Sleekcraft* test which comprises a balancing of eight factors. 1. The strength of the marks: the court stated that the marks are "strong" in view of the above mentioned evidence. 2. The proximity of the goods offered: both parties sold merchandise at the same venue, one selling inside the gates the other just outside the gates. 3. The similarity of the marks: both parties used similar pylon and airplane motif with the term "Reno Air Races." 4. Evidence of actual confusion: customers had asked if the defendant's merchandise was official. 5. The similarity of marketing channels: both parties sold similar products at the same venue. 6. The similarity of the type of goods and purchaser care: as mentioned above each sold similar products and purchasers exercised little care. 7. The defendant's intent in adopting the mark: the court determined that the McCord was trying to trade off the

marks' goodwill. 8. The likelihood of expansion of defendant's product line: McCord indicated that he had intentions to continue to sell merchandise if permitted and increased from one booth to two booths between 1999 and 2002.

In view of the factors, the court concluded that the McCord's use of the marks is likely to continue to confuse the public as to source, affiliation, connection, or sponsorship if allowed to continue to sell goods marked with the "pylon logo" and "Reno Air Races." Because the marks were found to be valid and enforceable, and there was a likelihood of consumer confusion the court found infringement.

2. Yes. According to McCord, he read the TRO the evening he received it, but had difficulty finding legal help as it was the weekend. The court explained that it was persuaded in listening to McCord's testimony and observing his demeanor that "he did not find it particularly important to read the temporary restraining order as soon as it was served on him nor did he make any substantial or concerted effort to seek legal advice until after the air show was completed." As such, the court found McCord in contempt and awarded attorney's fees relevant to the issuance of the injunction.

Conclusion

Reno Air secured a permanent injunction against McCord's use of the marks, \$6,727 in damages, and reasonable attorney fees relating to the issuance of the injunction.

Appeal

The appeal was decided just last month by the 9th Circuit. The 9th Circuit court reversed the district court's decision regarding sanctions, finding that issuance of the TRO was improper under Fed. R. Civ. P. 65(b) and that it lacked specificity. With regard to infringement, McCord summarized his argument as follows: "Now Appellate court, please compare these two. They don't look anything alike, do they?" The appellate court was not persuaded and stated that the legal question is not whether they look alike, but whether they look similar to ordinary customers.

One more point of interest, with regard to the permanent injunction, the 9th Circuit cited the recent *eBay* case. District courts should apply "traditional equitable principles" in deciding whether to grant permanent injunctive relief and the decision is "an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion." *eBay v. MercExchange, L.L.C.*, ___ U.S. ___, 126 S.Ct. 1837, 1839-40 (2006). The 9th Circuit found that there was no abuse of discretion by the district court and upheld the injunction.