

TRADEMARK LAW UPDATE

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I. Cancellation of Registration as “Scandalous” or “Disparaging”

A. Summary

1. Section 2 of the Lanham Act provides:
 No trademark . . . shall be refused registration . . . **unless** it
 - (a) Consists of or comprises *immoral, deceptive, or scandalous* matter; or matter which may *disparage* or falsely suggest a connection with persons . . . institutions, beliefs, or national symbols, or bring them into *contempt or disrepute*
 15 U.S.C. 1052 (emphasis added).
2. A “vast majority” of the case law on Section 2(a) deals with marks that consist of scandalous matter. *See Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705 (T.T.A.B. 1999). In the past, marks have been canceled as immoral or scandalous for reasons such as sexual or religious content. *See ex parte Parfum L’orle, Inc.*, 93 U.S.P.Q. 481 (Chief Examiner 1952); *In re Riverbank Canning Co.*, 95 F.2d 327 (C.C.P.A. 1938). Nonetheless, the Federal Circuit usually allows registration of a mark possessing a double meaning, opting for the interpretation which is not immoral or scandalous. *See J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition* 19:77 (4th ed. 1999).
3. Marks should be interpreted in light of the manner in which a word is defined by a “substantial composite” of the general public and not merely by the individual perception of the examiner. *In re Mavety Media Group*, 33 F.3d 1367 (Fed. Cir. 1994). In fact, the Federal Circuit resolves the question of whether a mark is scandalous or immoral in favor of the applicant in *ex parte* proceedings, leaving it to those who are injured by the mark to bring an opposition proceeding. *See id.* Use of the adversary system in this manner leads to greater balance in the introduction of evidence and therefore a more well-rounded record.
4. In part because the courts rely on the public as an enforcement mechanism for the prohibition against registering scandalous or disparaging marks, Section 13 of the Lanham Act contains a liberal provision that grants standing to “[a]ny person who believes that he would be damaged by the registration of a mark” 15 U.S.C. § 1063 (a). This includes “interested members of the composite of the general public.” *In re Mavety Media Group*, 33 F.3d 1367 (Fed. Cir. 1994), *citing Bromberg v. Carmel Self Serv., Inc.*, 198 U.S.P.Q. 176, 178-79 (T.T.A.B. 1978).

B. Recent Cases

1. “Scandalous” and “disparaging” marks defined

i. *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705 (T.T.A.B. 1999).

In *Harjo*, petitioner Susan Harjo, together with other members of the Native American community, successfully alleged that the use by a professional football team of the “Redskins” mark violated Section 2(a) of the Lanham Act. Finding that the inquiry should focus on the use of the term at the time of the mark’s registration, the Board held that it was indeed disparaging to Native Americans and thus canceled the mark’s registration.

Recognizing that the “guidelines for determining whether a mark is scandalous are somewhat vague’ and that the determination [of whether] a mark is scandalous is necessarily a highly subjective one,” the Board sought to clarify the standards under which a mark may be refused registration as scandalous, disparaging, or causing contempt or disrepute. The Board noted the almost total lack of either legislative history or judicial precedent to establish a definition of “disparaging” and thus, apparently for the first time, distinguished the term from courts’ relatively more well-established use of the term “scandalous.”

The Board began by noting that the terms “scandalous” and “disparaging” should be defined in relation to their ordinary and common meaning. Thereafter, it distinguished the terms such that “scandalous” marks should be measured by the reaction of all of American society, while “disparaging” marks should be measured by the reaction of the particular identifiable segment of the population that the mark allegedly offends. On inspection of the language of Section 2(a), the Board concluded that under the statute only registration of a mark that “**is** scandalous” must be prohibited, while even the registration of a mark that “**may be** disparaging” must be prohibited. The result shifts the focus of the term “disparaging” away from a definition that looks to the speaker’s intent and that instead focuses on the perception of the listener. The Board thus established a two-part test to determine whether or not a mark is disparaging. The examiner must, therefore, first determine the overall meaning of the matter in question and, second, review whether that meaning may be disparaging to the particular group.

In its 145 page opinion, the Board outlined evidence presented by Harjo. The evidence included the summary of the testimony of a witness from the Indian Legal Information Development Service, as well as summaries of expert witnesses on linguistics, American history, film and social sciences. The Board also noted that Harjo presented survey evidence examining individual responses as to whether or not terms

commonly used to describe Native Americans were “offensive.” In that survey, 46.2% of the general population found that the term “redskins” was personally “offensive” while 36.6% of the Native American population found that the term was personally “offensive.” The Board concluded that the survey, while not dispositive, was relevant and contained probative value.

In its final analysis, the Board concluded that the term “Redskins” was not scandalous and that use of the team’s graphic of a Native American in profile was not disparaging. However, the Board held that because there was sufficient evidence to support the finding that the use of the term “Redskins” *may be* perceived by the Native American population as disparaging, the registration of the mark must be canceled. In addition, the Board summarily found, employing the same rationale, that the mark must be canceled on the ground that it may bring Native Americans into contempt or disrepute.

ii. *Order Sons of Italy in America v. The Memphis Mafia, Inc.*, 1999 WL 495963 (T.T.A.B. July 9, 1999).

An Order of Italian-Americans sought cancellation of the service mark, “The Memphis Mafia.” The Order had organized a special Commission to eliminate the indiscriminate use of the term “Mafia” which they believed perpetuated the stereotype that all Italian-Americans are connected to organized crime. The mark was registered for entertainment services, which the owner of the mark claimed were intended solely to perpetuate the memory of Elvis Presley through speeches given by former associates and employees of Presley.

The Board refused to cancel the mark on the ground that it was disparaging to Italian-Americans. Beginning its inquiry by finding that the predominant meaning of the term “Mafia” is a “secret organization of Italian-origin engaged in criminal activities,” the Board determined that the word itself was not per se offensive or disparaging. Next, using the two-part test set out in *Harjo*, the Board examined what the meaning of the term was most likely to be in the context of the mark’s use. Under this first inquiry, the Board was unable to determine a relevant meaning in context other than that espoused by the owner of the mark, which was a definition contained in a dictionary. Under that definition, a “small powerful or influential group in an organization,” no connection existed to Italian-Americans. In the second step of the inquiry, the Board found that it was the inaccurate use of the term that was derogatory, not the term itself. The Board distinguished the *Redskins* case where “all usages of the term . . . were found to be offensive to Native Americans.” The Board noted that the Order failed to sustain its burden of showing that the use of the mark may disparage Italian-Americans, because, while expert testimony had been provided, each expert witness served as an active member of the Order. As such, the Board concluded that the testimony was potentially

self-serving and was not as probative as the testimony of independent witnesses. The Board denied the petition to cancel the mark.

2. Standing to oppose registration of a mark as “disparaging”

i. *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999).

In *Simpson*, the Federal Circuit reversed the Board’s dismissal of oppositions and thereby addressed the question of standing to oppose applications for federal registration of a potentially scandalous or disparaging trademark. O.J. Simpson filed applications to register three marks: “O.J. Simpson,” “O.J.” and “The Juice.” An opposition to the applications was brought by an individual, Ritchie, who opposed the marks’ registration on the ground that they were scandalous and disparaging to his family values, offensive to his moral feelings, and appeared to justify violence against women.

The Court held that two judicially-created requirements exist that supplement the Lanham Act’s broad requirement that a person believe that the registration would cause him or her damage in order to have standing to oppose a registration. First, the person must have a “real interest” and, second, the person must have a “reasonable” basis for the belief that he or she will be damaged.

Applying this test, the Court determined that Ritchie did indeed have a real interest in the outcome of the opposition. The Court noted that it must consider true Ritchie’s belief that the marks would be synonymous with “wife-beater” and “wife-murderer”. Thus, the potential injury would be the “disparagement of his alleged belief in a loving and nurturing relationship between husband and wife.” This, the Court reasoned, would lead to a real interest which is more than that of an intermeddler.

First, the Court found Ritchie’s belief in the potential for damage from the mark to be reasonable. The Court outlined two methods for showing that it is reasonable to believe that a mark is offensive: one, if the individual opposing the mark shows that he or she possesses a trait or characteristic of a group or, two, if the individual shows that others share the belief that the mark would cause harm. The Court found that Ritchie belonged to the second group, and that he had established that he was not alone in his belief that he would be damaged. Therefore, the Court held that Ritchie did have standing to oppose the application and remanded the case for further proceedings.

II. Types of Confusion on the Internet

A. Summary

1. On the Internet, hidden codes (called “metatags” or “cyberstuffing”) create Internet “traffic” confusion when a consumer types in a name on a search engine only to arrive at web pages very distinct from what was desired, a result akin to a highway traffic detour. In fact, the web pages highlighted on the search engine may not even visibly contain the desired words. Instead, the words are concealed as hidden code, and often these hidden words are repeated hundreds of times in order to attract search engines which count the number of times words appear on web pages and then list these sites for the user.
2. The Northern District of California was the first court to address the issue of metatags. In *Playboy Enterprise Inc. v. Calvin Designer Label*, the Court enjoined the defendant from using the plaintiff’s trademarks in buried code or metatags on its home or web pages. 985 F. Supp. 1220 (N.D. Cal. 1997). The Court merely recognized the conflict and did not engage in any substantive legal analysis of the metatag issue.

B. Recent Cases

1. *Brookfield Communications, Inc. v. West Coast Entertainment, Corp.*, 174 F.3d 1036 (9th Cir. 1999).

In *Brookfield*, the Court of Appeals for the Ninth Circuit recently ruled that “initial interest confusion” is distinct from “source confusion.” The *Brookfield* case arose when West Coast Entertainment Corp. (“West Coast”), a video rental chain, announced plans in October 1998 to launch an Internet web site named “moviebuff.com”. Brookfield Communications, Inc. (“Brookfield”), a provider of entertainment news and software, operates the web site “moviebuffonline.com” and holds a federal trademark registration for the mark MOVIEBUFF. Brookfield argued that the searchable database on West Coast’s moviebuff.com site was similar to the software covered by Brookfield’s trademark registration, which had been issued in September 1998. Brookfield filed a complaint in Federal District Court in Los Angeles to halt the launch of the West Coast site, alleging trademark infringement and unfair competition. The District Court denied Brookfield’s request for preliminary injunctive relief.

The Ninth Circuit overturned the lower court decision and issued a permanent injunction barring West Coast from using “moviebuff” as part of a domain name. The Court further prohibited West Coast from using the MOVIEBUFF mark within its web

site's metatags. The Ninth Circuit agreed with lower courts that had enjoined the use of a third party trademark within one's metatags. *See Playboy Enters. v. AsiaFocus Int'l, Inc.*, No. 97-734, 1998 WL 724000 (E.D.Va. Apr. 10, 1998), *Niton Corp. v. Radiation Monitoring Devices, Inc.*, No. 27 F.Supp.2d 102 (D. Mass. 1998). The Court held this practice was likely to cause consumer confusion, and likened it to posting a sign with another's trademark in front of one's store. To describe this type of confusion, the Court coined the term "initial interest confusion." The Court ruled that "the Lanham Act bars [the defendant] from including in its metatags any term confusingly similar with [the plaintiff's] marks."

In addition, the Court held that registering an Internet domain name, in itself, does not establish the owner's right to receive trademark protection for the name. Instead, a domain name must be used publicly to advertise or sell goods or services in order to be protected as a trademark. West Coast registered moviebuff.com as a domain name with Network Solutions Inc. (NSI) in February 1996, and used moviebuff.com as part of its e-mail address that same year. Thus, West Coast argued it had first use of the mark. Brookfield claimed that it held the superior right to use moviebuff.com based on both its federal trademark registration and because West Coast's earlier use of moviebuff.com did not involve the promotion of a good or a service. The Ninth Circuit agreed, finding that West Coast's first use of the moviebuff.com mark was neither February 1996, when it registered its domain name with NSI, nor April 1996, when it first used moviebuff.com in e-mail communications. Rather, West Coast's first use was in November 1998, when it first made a public announcement about the imminent launch of its web site. Accordingly, Brookfield was found to be the true senior trademark user.

2. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, --- F.Supp.2d---, 1999 WL 428233 (C.D. Cal. June 24, 1999).

Using another's trademark as a metatag to generate "initial interest" confusion, or "traffic" confusion, can only be prohibited under the Lanham Act when the mark does not also possess a generic meaning. Because the terms "playboy" and "playmate" also have a generic meaning, plaintiff Playboy Enterprises was unable to enjoin defendants Netscape Communications and Excite ("Netscape") from using the terms as metatags that would cause the banner ads of adult entertainment sites to appear at the top of search results generated on defendant's search engines.

The Court distinguished *Playboy* from *Brookfield*, stating that the confusion was not similar to that described in *Brookfield*, which was likened to a company putting up a billboard using a competitor's trademark in order to direct customers to its store. Instead, the Court stated that this type of confusion was more akin to a business merely

placing a billboard containing generic terms next to a competing business in an effort to entice customers to try its product. Therefore, the Court reasoned that, under these circumstances, it would be unfair to hold the party where both the billboard and business were located responsible for any diversion. Accordingly, the Court refused to enjoin Netscape's use of the terms playboy and playmate.

III. Use of Foreign Terms as Marks

A. Summary

1. Under the Doctrine of Foreign Equivalents, a foreign generic term is ineligible (as are English generic terms) for private trademark ownership in the United States. A potential federal trademark registrant must translate any foreign words in its proposed mark before registration is granted. Once translated, the United States Patent and Trademark Office ("PTO") determines whether the foreign words, in English, are generic or descriptive. Foreign descriptive words, as with English descriptive terms, may only be registered if the mark has gained a secondary meaning in the U.S. marketplace.
2. Generic and descriptive words are not protectable as trademarks since these classes of words remain within the public domain. *See* Restatement (Third) of Unfair Competition § 15 cmt. b. The Doctrine of Foreign Equivalents has recently assumed added significance as the global marketplace continues to expand. As citizens of all countries travel more extensively around the globe, foreign words are more easily recognizable by larger segments of the consuming public. Indeed, the PTO and courts determine whether a foreign word is generic or descriptive to that segment of consumers familiar with that language. *See Orto Conserviera Cameranesa D Giacchetti Marino & C. S.N.C. v. Bioconserve, S.R.L.*, 1999 WL 47258 (S.D.N.Y. Feb. 3, 1999). Allowing private ownership of generic or descriptive words is akin to granting a monopoly over terms that are more appropriately left in the public domain.
3. In sum, when attempting to register a word with foreign origins, the registrant must ensure that the word translated into English is not generic (and unprotectable) or descriptive (and protectable only upon a showing of secondary meaning).

B. Earlier Decision

1. *Financial Matters, Inc. v. PepsiCo, Inc.*, 1993 U.S. Dist. LEXIS 13294 (S.D.N.Y. September 24, 1993).

PepsiCo imported vodka under the Stolichnaya trademark and owned incontestable registrations for the marks “Stolichnaya” and “Stoli.” PepsiCo began contracting with seven distilleries throughout the Soviet Union to produce Stolichnaya vodka in 1973 for importation into the United States.

The plaintiff, Financial Matters, Inc. (FMI), sued PepsiCo for a declaratory judgment of noninfringement. The plaintiff cited the USSR patent office’s conclusion in 1991 that the word “stolichnaya” had become generic inside the Soviet Union. “Stolichnaya,” in Russian, refers to a particular recipe for brewing vodka.

Shortly after the term stolichnaya was declared generic, the USSR dissolved. In 1991, the Russian parliament passed legislation providing for the disposition of intellectual property rights within the former Soviet Union. All intellectual property rights not allocated to a specific governmental agency devolved to the republics. In June of 1992, FMI contracted with a distillery in the Republic of Ossetia to export and sell Stolichnaya vodka within the U.S. Shortly thereafter, in October of 1992, the Republic of Ossetia decreed that all trademark rights to the generic term “stolichnaya” belonged only to the individual distilleries producing stolichnaya vodka. FMI claimed that this decree vesting trademark rights in each distillery provided it with superior rights to import stolichnaya vodka into the U.S. and consequently use the name stolichnaya on the product. Therefore, FMI demanded that PepsiCo’s trademark registrations be canceled.

The Southern District of New York found the term “stolichnaya” to be descriptive and not generic. The Court considered the USSR’s action deeming the word generic and concluded that it “is irrelevant to the status of the U.S. trademark right.” Additionally, the Court concluded that the Stolichnaya mark, due to Pepsi’s efforts, had become famous and retained a value that was “incalculable”. Therefore, the mark gained secondary meaning and was in fact distinctive, solidifying PepsiCo’s trademark rights. As such, FMI’s use of the mark was deemed to cause confusion, dilution, and be a source of unfair competition to PepsiCo’s Stolichnaya mark. The Court denied FMI the requested declaratory judgment.

C. Recent Decisions

1. *Orto Conserviera Cameranesa D Giacchetti Marino & C. S.N.C. v. Bioconserve, S.R.L.*, 1999 WL 47258 (S.D.N.Y, Feb.3, 1999).

The Southern District of New York, in an opinion failing to identify the relevant procedural history, again tackled the Doctrine of Equivalents in a case dealing with Italian olives. Defendant Bioconserve owned the trademark name “Bella di Cerignola” in the United States and claimed to be the first importer of a type of a sweet olive known in Italy as “oliva di spagna.” In contrast, the plaintiff contended that the term “Bella di Cerignola” was in fact the Italian generic designation for a particular type of sweet olive. Consequently, the plaintiff demanded the cancellation of Bioconserve’s mark.

The plaintiffs introduced evidence suggesting that the registered mark was in fact used generically in the United States and Italy for as many as twelve years prior to the defendant’s registration. The Court agreed with the plaintiff’s evidence and found the term “clearly a generic term for a type of olive.” Stating that a monopoly would result from allowing the defendant to exclusively use the term, the Court invalidated Bioconserve’s trademark.

The Court stated that, in the alternative, the mark “Bella di Cerignola” would at best be descriptive. If this were the case, only through a showing of secondary meaning would Bioconserve be able to preclude plaintiff’s use of the mark. The Court concluded that a secondary meaning was not proven through the traditional evidence of surveys or extensive advertising.

Lastly, the Court concluded that while Bioconserve must lose its trademark rights in the words “Bella di Cerignola,” it would retain its rights in the stylized form in which the words were placed on the jar. Noting that “while a particular word or phrase may be generic and cannot be used for trademark standing alone, it may be used as a trademark if presented in a particular stylized manner or in a distinctive combination of elements.”

2. *Otokoyama Co. v. Wine of Japan Import, Inc.*, 175 F.3d 266 (2d Cir. 1999).

The plaintiff Otokoyama was the first company to sell sake labeled otokoyama in the U.S. The company imported and sold sake under the name “Hokkai Otokoyama,” with the term Hokkai signifying a Japanese island. The plaintiff owned four U.S. trademark registrations for the word “Otokoyama” and the Japanese pictograms signifying the same. In Japanese pictograms, the word otokoyama is comprised of the

words for “man” and “mountain,” and the plaintiff stated to the U.S. Patent and Trademark Office that the mark was fanciful and arbitrary. At the same time, at least 10 brewers in Japan designated sake as “otokoyama,” with the result being that plaintiff was unable to register the word as a trademark in that country.

The plaintiff filed suit alleging infringement of its trademark and moved for a preliminary injunction when the defendant began importing a brand of sake labeled “Mutsu Otokoyama.” The defendant’s counterclaim sought to cancel the plaintiff’s trademark, alleging that 1) otokoyama is a generic term signifying a type of sake, and 2) the plaintiff’s trademarks were fraudulently obtained.

The Southern District of New York granted the plaintiff’s motion for a preliminary injunction. In doing so, the District Court declined to hear any evidence of the meaning of the word otokoyama outside of the U.S. The Court also refused to consider a statement published by the Japanese Patent Office after the plaintiff attempted to register its mark in Japan. The Court granted the preliminary injunction after concluding that the plaintiff showed both irreparable harm and a likelihood of success on the merits.

The Second Circuit Court of Appeals reversed and lifted the preliminary injunction, holding that the defendant’s evidence of the word’s generic meaning in Japanese was improperly excluded. While noting that a claimant’s U.S. trademark rights cannot be established by a foreign court’s determination that rights existed (or failed to exist) in that country, the Court stated that the evidence at issue was competent to prove the highly relevant meaning of the word.

Without reaching the merits of the case, the Court simply concluded that information from the word’s country of origin is relevant in a determination as to whether the word has a generic meaning in the United States. In this case, the exclusion of the evidence cast sufficient doubt on the plaintiff’s likelihood of success. Therefore, it should have been included by the District Court when assessing the need for a preliminary injunction. The case was remanded for a trial on the merits to determine whether the word “Otokoyama” serves as a generic term for sake.

IV. Standard for Confusion Clarified in Third Circuit.

A. Recent Case

1. *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 166 F.3d 197 (3d Cir. 1999).

The United States Court of Appeals for the Third Circuit clarified the appropriate standard for evaluating trademark infringement cases, discarding the “possibility of confusion” standard for the “likelihood of confusion” standard that all other circuits had adopted.

A&H Sportswear, Inc. ("A&H") owned a federal trademark registration for the mark MIRACLESUIT and began using the MIRACLESUIT mark to identify swimwear prior to the adoption by Victoria's Secret Stores, Inc. ("Victoria's Secret") of the well-known MIRACLE BRA trademark for lingerie. A&H did not initially object to Victoria's Secret's use and registration of the MIRACLE BRA trademark in connection with lingerie. A&H did object, however, when Victoria's Secret expanded its well-known MIRACLE BRA product line to include MIRACLE BRA swimwear, and sued for trademark infringement when Victoria's Secret began advertising and selling MIRACLE BRA swimwear.

The District Court found that Victoria's Secret's MIRACLE BRA trademark, when used on lingerie, did not infringe A&H's MIRACLESUIT mark because it was not likely to cause consumer confusion. With respect to use on swimwear, however, the District Court found that Victoria's Secret's MIRACLE BRA trademark did infringe A&H's mark because it caused a "possibility of confusion" as to the source of the two parties' products. Borrowing the equitable remedy of reasonable royalty payments from patent law, the Court awarded A&H royalties on past and future sales of MIRACLE BRA swimwear totaling more than 1.1 million dollars, and ordered Victoria's Secret to continue to disclaim affiliation with the MIRACLESUIT product. The District Court claimed that the "possibility of confusion" standard was proper under Third Circuit precedent which required Courts to apply a lower standard where a "newcomer" (like Victoria's Secret) "moved into the territory of an established concern."

The Third Circuit affirmed the District Court's finding that Victoria's Secret's use of MIRACLE BRA on lingerie was not likely to cause confusion and thus did not constitute infringement. The Third Circuit panel concluded that "likelihood of confusion," not "possibility of confusion," was the proper standard under which all trademark infringement actions should be reviewed. It remanded the case so that the

District Court could evaluate whether a likelihood of confusion existed as a result of the parties' concurrent use of the marks on swimwear. The Third Circuit panel further reversed the damage award, explaining that the "reasonable royalty" remedy generally is atypical in trademark cases, and specifically was improper in this case. The panel left open the possibility that the District Court could award damages in other forms if it found that a likelihood of confusion existed.

After the Victoria's Secret District Court's holding last year, some predicted that the Third Circuit could become one of the most desirable forums for bringing certain trademark infringement actions, due to the lower "possibility of confusion" standard and the potential for large "reasonable royalty" damages awards. This decision harmonizes the Third Circuit infringement standard with that of the rest of the federal circuits, and rejects the reasonable royalty method of calculating trademark infringement damages.

V. No Violation of Lanham Act by Local Zoning Ordinances

A. Summary

1. Section 39 (b) of the Lanham Act (15 U.S.C. § 1121(b)) prohibits the alteration of a federally registered trademark by any state or political subdivision. Recent litigation has applied this section to municipal signage ordinances primarily aimed at regulating the color and lettering of exterior signs in shopping plazas. Trademark owners and their licensees often argue that such ordinances seek to "alter" their federally registered trademarks in violation of Section 39 (b).
2. Section 39 (b) was prompted by concerns expressed by the real estate firm Century 21 about local ordinances it encountered across the country requiring its local franchisees to display their names along with Century 21's mark on at least 50% of the surface area of all displays. *See Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979). Section 39 (b) now forbids any requirement that additional marks be displayed along with a federally registered trademark. In a separate clause, it also forbids local ordinances from requiring the alteration of a federally registered trademark. Litigation in this area has focused upon the meaning of the statutory term "alter".
3. The first reported decision interpreting Section 39 (b) is *Payless Shoesource, Inc. v. Town of Penfield*, 934 F. Supp. 540 (W.D.N.Y. 1996). The District Court granted summary judgment in favor of Penfield and upheld an ordinance requiring Payless to change the coloring on its exterior signs. The Court reasoned that legislative history of Section 39 (b) was clear that aesthetic zoning does not constitute an "alteration" of a mark within the meaning of the statute.

B. Recent Case

1. *Lisa's Party City, Inc. v. Town of Henrietta*, 51 U.S.P.Q.2d 1523 (2d Cir. 1999).

Lisa's Party City's registered trademark consisted of the words "Party City" in large multi-color letters. The plaza in which Lisa's Party City was located mandated that all signs be in red letters. Lisa's Party City sought a variance to erect a multi-color sign reflecting its trademark but was denied. Lisa's Party City brought suit against the Town of Henrietta alleging among other things that the sign restrictions violated Section 39 (b).

The District Court granted Henrietta's motion for summary judgment and dismissed Lisa's Party City's complaint. The Court of Appeals affirmed the District Court's holding that Section 39 (b) was not designed to interfere with uniform aesthetic zoning requirements, given that the mark could continue to be utilized correctly in all other mediums.