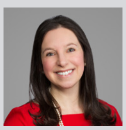
Katten

KATTISON AVENUE

Advertising Law Insights From Madison Avenue and Beyond

Spring 2021 | Issue 5

Letter From the Editor

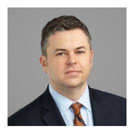


With a new year and increasing numbers of people getting vaccinated comes a new sense of optimism that the end of the pandemic is in sight. In this issue of *Kattison Avenue*, we learn about a new development in an old issue — compensating collegiate athletes for the use of their name, image and likeness — just in time for March Madness! We also examine the renewed scrutiny of the adtech industry by the UK's Information Commissioner's Office, as well as a fresh copyright infringement suit against The North Face by a graffiti artist. Finally, look inside for an overview of recent legislative developments, as we highlight the Trademark Modernization Act and the Copyright Alternative in Small-Claims Enforcement Act. We wish our readers continued good health and safety throughout the spring.

Jessica G. Kraver

In This Issue

Game On: Are New Opportunities Opening Up for Brands to Use Student Athletes' Name, Image and Likeness Rights?



by Jeffrey A. Wakolbinger, Jennifer Vliet, and Quincy Wolff

This article is based, in large part, on an article written by Jennifer Vliet and Quincy Wolff during their time participating in Katten's 2020 Summer Associate Program. The project was supervised by Chicago Intellectual Property partner Jeffrey Wakolbinger and New York Litigation associate Zachary Beal. The content has been updated to reflect ongoing developments. Jennifer and Quincy will be joining Katten as new associates upon their graduation from law school.

The debate over the extent to which student athletes should be compensated is hardly new, but antitrust challenges brought against the NCAA, and new state legislation allowing athletes to receive compensation for the use of their name, image or likeness (commonly abbreviated as "NIL") has shone a fresh light on the issue. This state legislation, along with a call for national action, may drastically change the world of collegiate athletics as we know it. Will this change be for the better or worse? Views differ, and time will tell.

New legislation in several states, such as the Fair Pay to Play Act in California, will not limit the academic institutions' ability to use an athlete's name, image and likeness to generate revenue, marketing and sponsorship deals, but it will allow for sponsors and brands to contract directly with a student athlete for deals concerning their NIL. These laws are contrary to current NCAA rules.

Pre-Game Background and the *O'Bannon* Decision

The NCAA is the governing body behind college athletics. Although it is a nonprofit organization, college sports is big business, and the

NCAA's massive television contracts, global media power, and strict policies have a direct effect on the sports industry and the student athletes that are its lifeblood. Significant revenues are generated in connection with college sports, and, for the most part, student athletes do not share in the wealth.

Historically, the NCAA has ensured that student athletes (also known as "amateur athletes") were prohibited from receiving pay for their NIL rights through Article 12 of the NCAA Bylaws (the Bylaws), which provides that "only an *amateur* student athlete is eligible for intercollegiate participation in a particular sport" (emphasis added).[1] While the NCAA does not explicitly define "amateurism" in the Bylaws, it does define a "professional athlete" as "one who receives any kind of payment, directly or indirectly, for athletics participation except as permitted by the governing legislation of the Association."[2] Student athletes lose eligibility if they, among other things, get an agent, enter a professional draft after enrollment, or accept pay in any form in their sport.[3] The requirement that student athletes maintain their "amateur status" has created a hurdle for student athletes with any hope of seeing a cut of profits from use of their NIL.

In 2008, UCLA basketball standout Edward O'Bannon saw himself in avatar form in a videogame.[4] The character looked like him, played for the same team, and wore his jersey number. He had not consented to this use of his NIL and received no compensation for it. In *O'Bannon v. NCAA*, O'Bannon was drafted as the lead plaintiff in a federal lawsuit against the NCAA.[5] He claimed that the NCAA's restriction on Division I Men's basketball and football players' ability to receive pay for use of their NIL was an unlawful restraint on trade prohibited by the Sherman Antitrust Act.[6]

The trial court agreed, holding that NCAA rules are not immune from the antitrust laws and that, when challenged, they must be tested by the Rule of Reason, a three-step, burden-shifting process applied in antitrust challenges, where the court considers (1) the anti-competitive effects of the alleged restraint in a given market, (2) the pro-competitive effects, and (3) whether less restrictive alternatives could achieve the same legitimate objectives.[7] The court held that the NCAA prohibition on paying athletes for NIL use was anti-competitive in the relevant market; that maintaining "amateurism" in college sports was a legitimate pro-competitive objective because it increased consumer demand for college sports and integrated academics and athletics; and that the plaintiffs had shown less restrictive alternatives for achieving that objective, namely, allowing schools (1) to provide scholarships to athletes up to the full "cost of attendance" and (2) to pay cash compensation of up to $5,000 per year to be held in trust until after graduation.[8] The US Court of Appeals for the Ninth Circuit largely agreed and affirmed on appeal, though it limited the injunction only to the first of the proffered alternatives. As to the $5,000 per year trust payment, the appellate court determined that allowing a student to be a "poorly-paid professional athlete" would not be virtually as effective as retaining full amateur (non-professional) status.[9] Thus, the court held that a rule prohibiting cash payments unrelated to education was not an antitrust violation.[10] This case was perhaps a win for student athletes, but it can hardly be called an upset — compensation for NIL use could be capped at whatever remained for the cost of attending the school.

Student Athletes Get a Rematch

Since August 2015, the Bylaws have allowed many exclusions to their no-pay rules, authorizing a wide range of above-cost-of-attendance payments, both related and unrelated to education, including athletic participation awards, disbursements for tutoring, study abroad expenses, car repair, insurance policies, mandatory medical care, per diem charges, and many other expenses.[11] But, the general prohibition on receiving pay remains.

In *In re NCAA*, three classes of athletes comprising FBS football players, Division I men basketball players, and Division I women basketball players, again, challenged the NCAA's amateurism rules as unlawful restraints of trade.[12] Their argument was similar in nature to *O'Bannon*, but the relaxed rules on permissible compensation allowed the plaintiffs to target additional gaps in the NCAA's pro-competitive defense, more broadly attacking the interwoven set of NCAA rules that restrict the amount of compensation students may receive in exchange for their athletic-related services.

The district court entered a permanent injunction, implementing less restrictive alternatives to the NCAA rules, namely (1) allowing the NCAA to continue limits on grants in aid at no less than the cost of attendance, (2) allowing the NCAA to continue to limit compensation and benefits unrelated to education, and (3) enjoining limits on most compensation and benefits related to education but allowing certain limitations.[13] The NCAA appealed.

On appeal, the Ninth Circuit emphasized the district court's conclusion that "not paid" and "amateurism" are not synonymous, as shown, in part, by the numerous carve-outs allowing money to go to student athletes unrelated to education expenses.[14] The Ninth Circuit affirmed and reiterated that the crux of the problem comes from the actual price-fixing of student athlete compensation.[15] The NCAA echoed its pro-competitive argument from O'Bannon, but the Ninth Circuit found that only some of the challenged rules were pro-competitive. Preventing the receipt of "unlimited cash payments akin to professional salaries" was justified, but rules restricting "non-cash education-related benefits" did not foster or preserve demand for college athletics.[16]

The relaxation of payment to student athletes since *O'Bannon* affirmed that "non-education-related cash payments in excess of cost of attendance are no longer a '*quantum leap*' from current NCAA practice," as they were once described in *O'Bannon* (emphasis added).[17] The Ninth Circuit affirmed, holding that "NCAA limits on education-related benefits do not 'play by the Sherman Act's rules.'"[18] The Supreme Court granted *certiorari* on December 16, 2020, and arguments are currently scheduled for March 31.

Full Court Press: The Rulebook is Changing

In the wake of *O'Bannon* and *In re NCAA*, states around the country quickly began passing legislation allowing athletes to receive payment for their NIL rights. California's Fair Pay to Play Act (the California FPPA) was the first of its kind and paved the way for other states to follow suit. The California FPPA blatantly went against the rules of the NCAA. Effective January 1, 2023, the California FPPA not only allows athletes to receive compensation for NIL rights, it also bars the NCAA from retaliating against players or teams for pursuing such compensation. Florida, Colorado, Nebraska, and New Jersey have passed similar legislation, with Florida's new law on Intercollegiate Athlete Compensation and Rights (SB 646) taking effect July 1, 2021.[19] All states so far have included prohibitions against a student athlete entering into a contract involving NIL rights where a provision of that contract would conflict with a provision in the team's contract.[20] For example, if UCLA has an endorsement deal with Under Armour, a player on that team may not enter into a conflicting contract with Nike to use his likeness in advertising.

With multiple state laws poised to go into effect and grant NIL rights to student athletes, the federal government and the NCAA are now considering a uniform body of laws

regulating NIL rights compensation. In addition to benefiting college athletes, uniform regulations would benefit the NCAA, allowing it to regulate compensation for NIL rights in a uniform fashion, rather than on a state-by-state basis. In turn, the NCAA could help maintain competitive fairness in college athletics. Companies would have the opportunity to sponsor players across the country — not just in those states that passed NIL rights legislation — allowing them to maximize profits generated through student-athlete endorsement deals. There is, of course, another side: if student athletes are poised to see more revenue, that money has to come from somewhere. There is a risk that the line between college and professional athletics is further blurred.

The NCAA has called on Congress to pass federal legislation regulating NIL compensation and has even presented Congress with its own version of legislation: The Intercollegiate Amateur Sports Act of 2020. Although the NCAA's proposal was not introduced, multiple bills have been. There's US Senator Roger Wicker's Collegiate Athlete and Compensatory Rights Act, US Senator Marco Rubio's Fairness in Collegiate Athletics Act, US Representatives Anthony Gonzalez's and Emanuel Cleaver's Student Athlete Level Playing Field Act, and US Senators Cory Booker's and Richard Blumenthal's College Athletes Bill of Rights, all of which were introduced during the last session of Congress. One issue that differs in the various proposals is whether a new law would protect the NCAA from future antitrust challenges. All of the proposals would permit student athletes the right to earn compensation for use of their NIL.

Power Forward

Thus far, the current session of Congress has not taken up any of the bills introduced last session or introduced any new bills concerning NIL rights for student athletes. And, the NCAA, despite voting unanimously last year to permit student athletes to benefit from the use of the NIL and directing updates to the Bylaws, announced on January 11 that it was tabling the proposal, citing "external factors, including recent correspondence with the U.S. Department of Justice."[21] Electronic Arts (EA), a videogame producer who was involved in the *O'Bannon* case but settled and has refrained from releasing any college football videogames since 2013, just announced that it plans to bring the game back, but it will be different. Pursuant to a deal reached with the NCAA's licensing company, the game will feature real teams, uniforms and logos, but it will not include any player-specific NIL.[22]

But Florida's law is set to go into effect this summer, ahead of the start of the next college football and basketball seasons. While the NCAA and Congress may continue to struggle with the task of compensating student athletes while preserving the amateur nature of college athletics, it is reasonable to expect that some form of NIL rights compensation regulation is coming on a larger scale. With athletes able to receive NIL rights compensation, brands should be prepared for new endorsements or sponsorship deals. The world of college sports remains an interesting area to watch.

---

(1) NCAA Bylaws, Article 12.01.1 (2020) available at https://www.ncaapublications.com/productdownloads/D110.pdf.

(2) *Id.* § 12.02.11

(3) *Id.* § 12.1.2.

(4) *O'Bannon v. Nat'l Collegiate Athletic Ass'n*, 802 F.3d 1049, 1055 (9th Cir. 2015).

(5) *Id.*

(6) *Id.*

(7) *Id.* at 1057, 1070.

(8) *Id.* at 1052–53.

(9) *Id.* at 1076–77.

(10) *Id.* at 1079.

(11) *In re Nat'l Collegiate Athletic Ass'n Athletic Grant-in-Aid Cap Antitrust Litig.* 958 F.3d 1239, 1244–45 (9th Cir. 2020).

(12) *Id.* at 1247.

(13) *Id.* at 1251–52.

(14) *Id* at 1258–59.

(15) *Id* at 1254.

(16) *Id.* at 1257–58.

(17) *Id.* at 1255.

(18) *Id* at 1265–66 (quoting *O'Bannon*, 802 F.3d at 1079).

(19) Fla. Stat. § 1006.74.

(20) *See, e.g., Id.* § 1006.74(2)(h); Cal. Educ. Code § 67456(e)(1).

(21) *See* Division 1 Council tables proposals on name, image, likeness and transfers, Jan. 11, 2021, *available at* https://www.ncaa.org/about/resources/media-center/news/division-i-council-tables-proposals-name-image-likeness-and-transfers.

(22) Sarah E. Needleman & Laine Higgins, *EA to Return to College Football Arena*, Wall St. J., Feb. 2, 2021, at B8.

False Advertising Implications of the Trademark Modernization Act

By Michael R. Justus and Matthew Hartzler

On December 27, 2020, the Trademark Modernization Act (TMA) became law as part of the Consolidated Appropriations Act spending bill.[1] Despite its name, the TMA impacts not only trademark law, but also false advertising law. The TMA amends the Lanham Act — the federal statute covering both trademarks and false advertising — in very significant ways.

Among other things, the TMA provides a nationwide presumption of irreparable harm in favor of plaintiffs seeking injunctive relief in trademark and false advertising claims under the Lanham Act.[2] That presumption applies when: (1) a plaintiff seeking a preliminary injunction or temporary restraining order demonstrates a likelihood of success in proving its trademark or false advertising claim; or (2) a plaintiff seeking a permanent injunction proves its trademark or false advertising claim. The presumption is rebuttable by the defendant, although "proving a negative," such as the lack of irreparable harm to goodwill, can be challenging. As such, the likely net result of the TMA is a lower bar for plaintiffs seeking injunctive relief in Lanham Act cases.

The TMA's nationwide presumption of irreparable harm resolves a circuit split that arose after the *US Supreme Court's eBay, Inc. v. MercExchange decision*, which eliminated a presumption of irreparable harm in patent cases.[3] Some courts applied eBay to trademark and false advertising cases. In such jurisdictions, plaintiffs needed to provide concrete evidence of irreparable harm to obtain injunctive relief. That was difficult to do in Lanham Act cases, where harm to intangible goodwill may be the primary harm. Now, thanks to the TMA, all courts throughout the country must apply a rebuttable presumption of irreparable harm in trademark and false advertising cases under the Lanham Act.

Of note, the TMA's presumption of irreparable harm for injunctive relief does not directly address another circuit split, namely, whether similar presumptions apply to other elements of a false advertising cause of action. For example, some courts apply presumptions of deception, injury and causation depending on the nature of the challenged advertising claims (*e.g.*, literally false comparative claims naming a competitor) and the requested remedies (*e.g.*, monetary damages or equitable relief). Because irreparable harm (for injunctive relief) and injury/causation (for the prima facie case) have been conflated at times, the TMA may influence application of other presumptions in false advertising cases. As of the time of writing this article, we did not locate any federal court decisions applying the TMA in false advertising cases. But this is something to watch.

For more information about the Trademark Modernization Act's sweeping changes to trademark law, please read the article "Trademark Modernization Act of 2020 Strengthens Accuracy of the Federal Trademark Register" on page 11.

(1) https://www.congress.gov/116/crpt/hrpt645/CRPT-116hrpt645.pdf.

(2) The text of the TMA and its legislative history focus on trademark claims and do not expressly refer to false advertising claims. However, the TMA amends Section 34 of the Lanham Act, which in turn addresses injunctive relief sought under, inter alia, Section 43(a), which includes false advertising claims.

(3) 547 U.S. 388 (2006).

UK Information Commissioner's Office to Resume Adtech Investigations

By Jeremy Merkel

In the midst of the COVID-19 crisis last spring, the adtech industry enjoyed a period of relief when regulators shifted resources away from investigating consumer privacy practices and towards focusing on pandemic response efforts. A spokesperson from the United Kingdom's privacy watchdog — the Information Commissioner's Office (ICO) — issued the following statement in May 2020: The ICO recently set out its regulatory approach during the COVID-19 pandemic, where we spoke about reassessing our priorities and resources. Taking this into account, we have made the decision to pause our investigation into real-time bidding and the Adtech industry. It is not our intention to put undue pressure on any industry at this time, but our concerns about Adtech remain, and we aim to restart our work in the coming months, when the time is right.

It now appears that the time is right. Citing concerns surrounding the use of personal data to serve online advertisements through real-time bidding (RTB) and whether this practice meets the threshold required by the GDPR and related UK data protection and e-marketing laws, on January 22, the ICO announced that it is resuming investigations into the adtech industry and RTB.

What is Real-Time Bidding?

Real-time bidding is a programmatic method of purchasing digital advertising that gives marketers the ability to buy ad space across the internet with increased flexibility. The auction-based method enables marketers to "bid" on ad space in real time — as quickly as in the milliseconds that it takes for a webpage to load and display to users — and whomever has the highest bid has the rights to serve their ad within the given space. Over the past several years, RTB has evolved to make up a significant portion of online advertising and has expanded beyond display and video advertisements to other formats, including audio ads and connected TV. With RTB's ubiquity in adtech largely reliant on marketers' ability to target specific categories of consumers, which, in turn, is supported by the flow of personal data from controllers to online publishers and other downstream entities (and the key driver of these participants' revenue), the complex supply chain leads to an increased risk of data misuse.

Adtech Issues Under European Privacy Law

Since the arrival of the GDPR in 2018, the adtech industry and RTB have been the subject of numerous complaints to the ICO, as well as to regulators across the European Union, including in Ireland, Belgium, Luxembourg, the Netherlands and Spain, which have opened inquiries into the behavioral advertising function of RTB. Among the issues that have faced particular scrutiny are whether the data processing mechanisms underlying RTB, which may broadcast personal data — including potential sensitive categories of data — to third parties in order to generate bids for ad space, are capable of obtaining data subject consent and whether they include the appropriate security safeguards.

In response to complaints filed in the United Kingdom, a June 2019 report issued by the ICO expressed doubt over the lawfulness of certain programmatic advertising practices, including RTB. Among its concerns, the ICO noted that participants inappropriately rely on "legitimate interests" as a lawful basis for processing personal data and serving cookies to obtain such data, rather than on the basis of consent. On the topic of consent, the ICO has claimed that RTB participants process sensitive categories of data, such as health data, religious or political affiliation, and sexual orientation, without the explicit consent that is required under Article 9 of the GDPR. Given the rapid development of RTB technologies, including the introduction of new capabilities to make automated decisions or serve ads based on biometrics (e.g. facial recognition), there is also concern that participants have neglected to conduct data protection impact assessments (DPIAs) to fully assess and mitigate the privacy risks.

Although some of the complaints are over two-and-a-half years old at this point, the ICO warned that it will be issuing assessment notices to specific companies in the upcoming months and conducting audits of these companies' practices for using and sharing personal data. This subsequent investigatory phase is also set to scrutinize another key stakeholder in the adtech ecosystem: data brokers.

The ICO Investigates Data Brokers

The ICO's announcement comes on the heels of a major investigation into how the three credit reporting agencies (Experian, Equifax and Transunion) use personal data within their data brokerage departments for direct marketing purposes. The multi-year investigation led to an enforcement action against Experian that requires the company to inform consumers of the personal data it holds about them and how it uses that data for marketing purposes. The ICO also directed Experian to end its use of personal data derived from its credit reporting arm for direct marketing by January 2021. If Experian fails to implement the changes compelled by the enforcement notice, it could face a fine of 20 million pounds or four percent of its total annual revenue.

Data brokers, by their nature, do not have a direct relationships with the consumers whose personal data they process. This makes it difficult, if not impossible, to obtain consent to process individuals' personal data. For data brokers to be in compliance with the GDPR and UK data protection law, this creates unique challenges: while the company may use the information it obtains, it must do so within a specifically defined scope; for example, the data broker's legitimate interest, which may differ from that of the organization that engaged it.

5 Things to Know About the New Copyright Small Claims Court

By Jessica G. Kraver

1. The Copyright Alternative in Small-Claims Enforcement Act of 2020 (the CASE Act) was enacted on December 27, 2020 and provides small business owners an opportunity to pursue copyright claims without the expense of federal litigation.

2. The CASE Act establishes a Copyright Claims Board (CCB) to hear certain types of claims, including, but not limited to, infringement claims, counterclaims and declarations of non-infringement. The CCB will most likely be established by the end of this year.

3. Damages are capped at $30,000 per proceeding (statutory damages are capped at $15,000 per claim for works that were timely registered). Unlike federal court actions, claimants are not required to register their work prior to initiating a claim before the CCB, though the timing of registration may reduce the statutory damage award to $7,500 per claim.

4. The respondent has a 60-day period to opt-out of the proceeding before the CCB. If a respondent timely opts-out, the proceeding is dismissed, and the claimant can elect to file an action in federal court. If the respondent does not timely opt-out, then the CCB's determination is final and binding, and generally precludes re-litigation before another tribunal or court.

5. There are streamlined procedures to limit discovery and rely substantially on written materials, and there are penalties for bad faith claimants and claimants who repeatedly abuse the system.

This absence of privity between data brokers and data subjects also limits the transparency individuals have surrounding how data brokers process information, which, as the ICO noted, is often beyond the public's reasonable expectations. In conjunction with the Experian enforcement action, the ICO released a market research report detailing the public's perception of how data brokers use and share their personal information. For an online audience, nearly nine out of ten respondents expect to be notified by a company with which they do not have a direct relationship about the data that company holds and how it uses that data.

Vermont and California Regulate Data Brokers

Beyond the ICO's investigation of the credit reporting agencies (which, importantly, focused on their *offline* marketing services), at the core of data brokers' business model, and what makes them attractive to organizations — ranging from commercial to political to charitable — is their practice of collecting consumers' personal data from a variety of sources and running that data through machine-learning algorithms in order to build segmented profiles of similar groups of people. This processing of voluminous amounts of data and use of automated decision-making has also led to increased scrutiny by US regulators.

In 2019, Vermont became the first state to pass a law aimed at regulating businesses that buy and sell data about consumers without offering services to those consumers. Vermont's data broker law requires any business that "knowingly collects and sells or licenses to third parties the brokered personal information of a consumer with whom the business does not have a direct relationship," to (1) annually register with the Vermont Secretary of State, including certain disclosures about consumer opt-out options, purchaser credentialing processes, previous data breaches, and information about minors, and (2) maintain minimum data security standards, such as implementing a written information security program with appropriate administrative, technical, and physical safeguards.[1]

Vermont's law also prohibits any business or individual — not just data brokers — from acquiring brokered personal information through fraudulent means or for the purpose of stalking, harassment, discrimination or fraud.

The second (and currently the only other) state to enact a data broker registration law was — you guessed it — California. Bundled with the CCPA amendments in September 2019, California's data broker law requires, among other things, that data brokers register in a published directory maintained by the California Attorney General by January 31, following each year when it meets the requirements of the "data broker" definition.[2] Data brokers must provide their contact information, which is published online by the California Attorney General, but do not have disclosure obligations to the same extent that are required by Vermont's law. Furthermore, as data brokers, by definition under the CCPA, sell personal data, they are required to provide an opt-out mechanism by which consumers can instruct the broker to cease such sales, and, in accordance with the CCPA regulations, "treat user-enabled global privacy controls, such as a browser plugin or privacy setting, device setting, or other mechanism, that communicates or signal[s] the consumer's choice to opt-out of the sale" of personal data as an opt-out request.

California's law differs from Vermont's insofar as it does not define what a "direct relationship" is, simply stating that one may be formed in a variety of different ways, such as by visiting a business's premises or internet website, or by affirmatively and intentionally interacting with a business's online advertisements. In contrast, Vermont Attorney General T.J. Donovan has issued guidance on what it means to have a "direct relationship," stating that a business would be considered to have a direct relationship with past or present customers, clients, subscribers, users, registered users, employees, contractors, agents, investors and donors.

Last year, Hawaii, New York, Rhode Island, and Washington all considered similar bills that would require data brokers to register and provide information to consumers on how to opt-out of the collection of information. As state legislatures return to work in 2021 with consumer privacy regulation top of mind, businesses should prepare for further regulatory requirements.

(1) 9 V.S.A. § 2430..

(2) Cal. Civ. Code §§ 1798.99.80-1798.99.82.

The North Face's "FUTURELIGHT" Apparel Line is Alleged to Infringe Upon Graffiti Artist's Name and Distinctive "Atom Design"

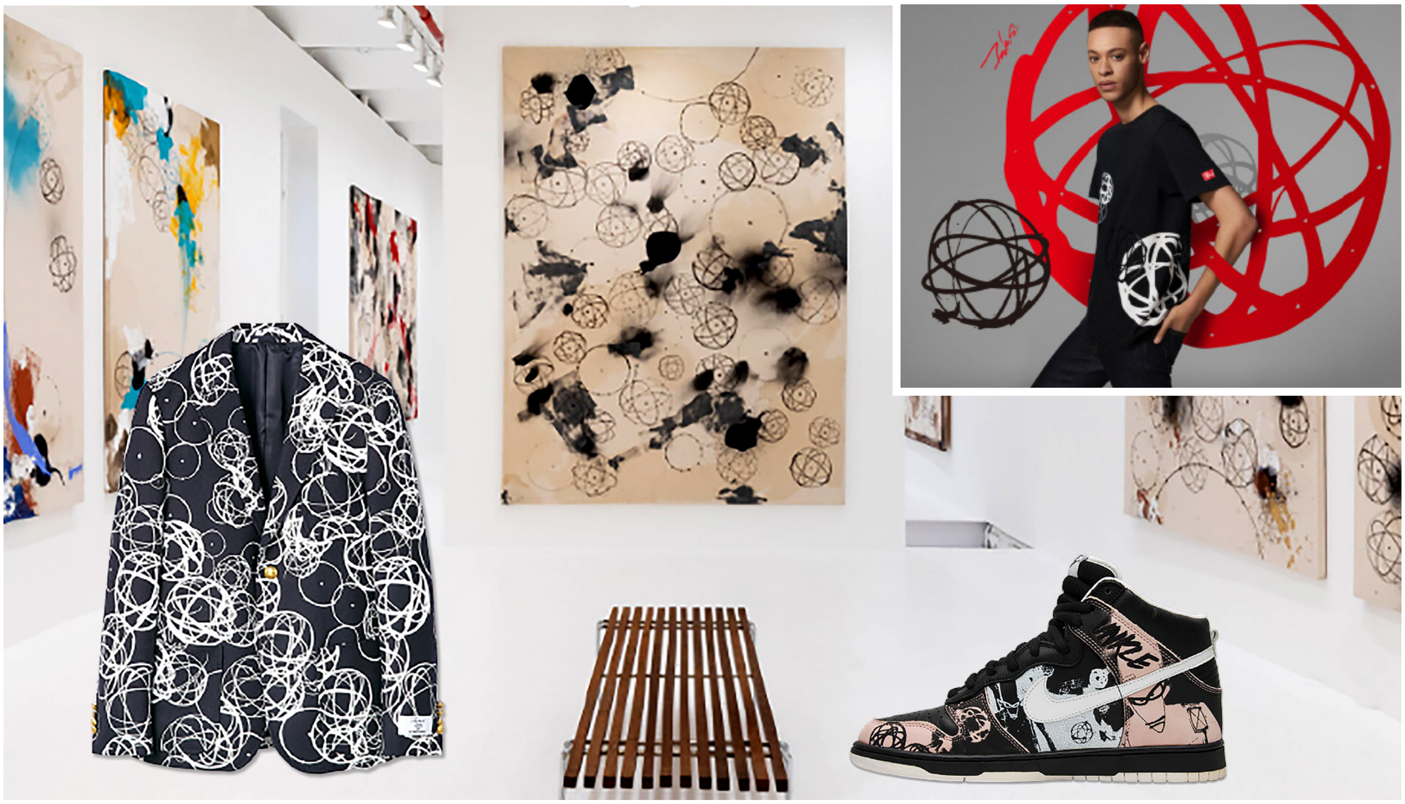
By David Halberstadter

The North Face Apparel Corporation can add its name to the growing list of retailers who have been sued for allegedly making unauthorized use of graffiti artists' intellectual property. In a lawsuit filed in federal court in California on January 12, Leonard Hilton McGurr, a graffiti artist better known as "Futura," claims that the manufacturer of winter outerwear has made unauthorized use of one of his distinctive design elements, which appears in many of his works. Coupling that design with the product line name "FUTURELIGHT," the lawsuit contends, intentionally misleads consumers into believing that there is an association between the graffiti artist and the apparel company.

According to the complaint, McGurr began his career in the 1970s as one of the pioneers of street art in New York City. Although he is known primarily as a graffiti artist, he has also worked as an illustrator and graphic designer of album covers, first becoming involved with British punk rock group, The Clash. In fact, McGurr toured extensively with the band, spray-painting backdrops on stage while the band played. He has also collaborated with a number of well-known retail brands, including Nike, Uniqlo, the New York Mets, the New York Yankees and BMW. In addition, McGurr designs his own clothing under the label Futura Laboratories.

McGurr claims that over the years, he has become known for a "signature element" that appears repeatedly in his various works, which he describes as a particular stylized depiction of an atom. This "atom design" can be seen in the images accompanying this article. According to the complaint, McGurr has "often" used this "atom design" as "a traditional logo, to identify himself as the source of consumer products he offers, including apparel."

Samples of McGurr's "atom design," as it appears in his artwork and on certain goods:



In his federal complaint, McGurr alleges that beginning in 2019, The North Face began using a copy of the "atom design" as the logo for a new line of apparel and fabric technology, which The North Face calls "FUTURELIGHT." The combination of the "atom design" and the name "FUTURELIGHT," McGurr asserts, falsely creates the perception that he is somehow associated with The North Face's new product line.

The North Face is hardly the first retailer who has been accused of co-opting the distinctive designs of street artists. To the contrary, the company is only the latest addition to a list of defendants that includes American Eagle Outfitters, Coach, Fiat, General Motors, H&M, Epic Records, McDonald's, Mercedes-Benz, Moschino, Roberto Cavali, and Starbucks. Read "Gambling With Graffiti: Using Street Art on Goods or in Advertising Comes With Significant Risks" in the Summer 2020 issue of *Kattison Avenue*.

Instead, McGurr alleges unfair competition under the Lanham Act. The Lanham Act generally prohibits the use in connection with goods and services of "any word, term, name, symbol, or device" or any "false designation of origin" that is likely to cause confusion or mistake (1) as to the affiliation, connection or association of such goods or services with another person, or (2) another person's sponsorship or approval of those goods or services. McGurr also seeks to cancel The North Face's trademark registration for its "FUTURELIGHT" logo.

McGurr is certain to face any number of challenges as his litigation proceeds. For one thing, it is not clear from the allegations of his complaint that McGurr has, in fact, used his "atom design" as a "source identifier" for goods or services. It is also not clear that this "atom design" is so uniquely affiliated with McGurr that any purchasers of gear sold by The North Face did so because they

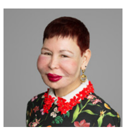
Side-by-side comparison of McGurr's "atom design" and The North Face's logo:

But McGurr's claims are somewhat different from the claims that street artists have typically asserted against retailers. For one thing, the primary claim that most street artists assert is for copyright infringement, based upon the alleged uses of the artists' works in fabric designs, on product labels, or in advertisements. McGurr alleges in the complaint that he "brings this action for copyright infringement," but he does not actually allege any such claim. This may be due to the fact that McGurr has never registered his "atom design" with the U.S. Copyright Office, an essential prerequisite to commencing a copyright infringement action.

believed the items were sponsored by, or somehow affiliated with, McGurr.

Nevertheless, the retailer now faces at least some risk of liability, which could include the disgorgement of any profits The North Face earned as a result of its use of the "atom design" in combination with the "FUTURELIGHT" mark. And it certainly will incur legal fees unless the company quickly settles the lawsuit.

Trademark Modernization Act of 2020 Strengthens Accuracy of the Federal Trademark Register

By Karen Artz Ash and Alexandra Caleca

Individuals and businesses all over the world rely on the accuracy and integrity of the US Patent and Trademark Office's (PTO) federal Trademark Register to inform key decisions regarding branding and marketing. The Trademark Modernization Act of 2020 (TMA), part of the COVID-19 relief legislative package signed into law on December 27, 2020, acknowledges this by, among other things, establishing new procedures and creating powerful tools to fortify the reliability of the Register, while addressing the long-standing issues caused by trademark filings based on false assertions of use in the United States.

Challenging Unused Trademarks

The TMA, which will go into effect on December 27, provides two new mechanisms to challenge existing trademark registrations on the ground of non-use and are intended to reduce the effort required for interested parties to remove abandoned marks from the Register.

First, a third party can file an *ex parte* petition for an expungement of a registration within three to 10 years of its issuance on the ground that the trademark was never used in US commerce. Second, a third party can file an *ex parte* petition for reexamination of a registration within the first five years of its issuance on the ground that the trademark was not used in US commerce prior to its registration date.

In a petition for either expungement or reexamination, the challenger must assert that a reasonable investigation was undertaken and that the evidence submitted shows that the mark had not been used in connection with the covered goods or services as is required under US law. These proceedings do not require a showing of standing and may also be initiated by the PTO directly if the Director of the PTO (Director) discovers information that supports a *prima facie* case that a mark has never been used in US commerce or has not been used in US commerce as of a particular relevant date with certain goods or services covered by a registration.

Letter of Protest

In addition to adding new options for post-registration challenges, the TMA provides statutory authority to codify the process for third parties to submit a Letter of Protest against registration of a mark while the application is still in its PTO examination phase. Parties can submit evidence that supports any ground of potential refusal of an application, including, for example, a claim that the protested application is: likely to be confused with a trademark in a US registration or prior pending application, merely descriptive of or generic for the identified goods or services, or suggests a false connection with the protestor. The Director will then have two months from the filing of the evidence to decide whether to include the evidence in the examination record of the application.

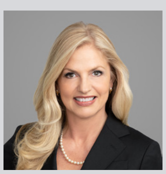
Any determination by the Director whether or not to include such evidence in the record of an application will be final and non-reviewable but will not prejudice any party's right to raise any issue and rely on any evidence again in any subsequent opposition or cancellation proceeding.

Improving Flexibility

Furthermore, the TMA provides the opportunity to quicken the typical prosecution timeline by offering PTO Examining Attorneys flexibility in setting response deadlines to rejections of pending applications. Under the TMA, PTO Examining Attorneys can, for the first time, shorten the previously rigid six-month office action response window to as few as two months. Applicants, however, will have the ability to request extensions up to six months in total.

Finally, the TMA resolves a split among the judicial Circuits to clarify that irreparable harm can, in fact, be presumed in requests for injunctive relief upon a finding of trademark infringement or a showing of likelihood of success on the merits for preliminary injunctions. By clarifying a trademark owner's burden in litigation and creating this uniform rule, the TMA will assist trademark owners seeking to enforce their rights against infringers in Federal Court.

Doron S. Goldstein
Partner
Co-Chair, Advertising, Marketing & Promotions
doron.goldstein@katten.com



Kristin J. Achterhof
Partner
Co-Chair, Advertising, Marketing & Promotions
kristin.achterhof@katten.com

Katten's IP Practice

Some of the most recognized companies in the world rely on Katten to safeguard and build value in their IP portfolios. From trademark clearance and transactional due diligence to portfolio exploitation, enforcement and litigation, we enhance the global commercial value of intellectual property and brands.

Katten

For more information, contact: Jessica Kraver
Associate | Intellectual Property Department | Katten Muchin Rosenman LLP
+1.212.940.6523 | jessica.kraver@katten.com | 575 Madison Avenue | New York, New York 10022

CENTURY CITY | CHARLOTTE | CHICAGO | DALLAS | LONDON | LOS ANGELES | NEW YORK | ORANGE COUNTY | SHANGHAI | WASHINGTON, DC