



Maryland State Bar Association Intellectual Property Section Second Annual Intellectual Property Law Update

The Federal Circuit Gives Its Interpretation of The Materiality Test

Where would you expect “Moskovskaya vodka” to come from? If you answered Moscow or Russia, the USPTO and the TTAB agree with you. According to the United States Court of Appeals for the Federal Circuit, however, the issue is yet to be decided.

Spirits International B.V. (formerly Spirits International N. V.) (“Spirits”) appealed a decision by the United States Patent and Trademark Office (“USPTO”) refusing to register the mark “MOSKOVSKAYA” for vodka on the ground that it is primarily geographically deceptively misdescriptive. *In re Spirits International, N.V.*, 2009 U.S. App. LEXIS 9413 (Fed. Cir. 2009). The mark is a Russian word that when translated into English reads “of or from Moscow.” The applicant admitted that it would not manufacture, produce or sell the vodka in Moscow. The Trademark Trial and Appeal Board (“TTAB” or “Board”) upheld the refusal of the examining attorney. The Federal Circuit, however, vacated and remanded the case because it found the USPTO and the TTAB applied the wrong test for materiality in determining whether the mark in question was primarily geographically deceptively misdescriptive.

Background

Spirits applied to the USPTO to register the mark MOSKOVSKAYA for vodka. The examining attorney at the USPTO refused the registration on the ground that the mark was primarily geographically deceptively misdescriptive under 15 U.S.C. § 1052 (e) (3). Spirits appealed the decision to the TTAB. The Board affirmed the examining attorney’s decision finding that Russian speakers would likely be deceived as to the source of the vodka. *In re Spirits Int’l N.V.*, 86 USPQ2d 1078 (TTAB 2008). Spirits appealed the Board’s decision to the United States Court of Appeals for the Federal

Circuit. The Federal Circuit vacated and remanded the Board’s decision stating that “the Board applied an incorrect test for materiality in determining that the mark was geographically deceptive.” *In re Spirits International, N.V.*, 2009 U.S. App. LEXIS 9413 (Fed. Cir. 2009). The Board incorrectly limited its analysis to whether Russian speaking individuals in the U.S. (over 700,000 individuals according to the 2000 census) would be deceived by the mark without proving that Russian speakers make up a significant portion of the intended audience.

The Test for Materiality

The Federal Circuit took the opportunity in *In re Spirits Int’l N.V.* to fully interpret the materiality requirement of 15 U.S.C. § 1052 (e) (3) as it relates to primarily geographically deceptively misdescriptive marks. Subsection (e) (3) is relatively new having been added in 1993 by the NAFTA Implementation Act. Prior to its enactment, primarily geographically deceptively misdescriptive marks were treated together with primarily geographically descriptive marks under subsection (e)(2) which stated: “[The PTO shall not register a mark that] when used on or in connection with the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them.” 15 U.S.C. § 1052 (e) (2) (1988). See, *In re California Innovations, Inc.*, 329 F.3d 1334, 1336-41 (Fed. Cir. 2003); *Institut National Des Appellations D’Origine v. Vintners Int’l Co.*, 958 F.2d 1574, 1580 (Fed. Cir. 1992) (describing section 1052 (e) (2) prior to NAFTA). Subsection (e)(2) now only refers to primarily geographically descriptive marks and the new subsection (e) (3) relates to primarily geographically deceptively misdescriptive marks and states:

[n]o trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it . . .

[c]onsists of a mark which . . . when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them.

15 U.S.C. § 1052 (e) (3). The Federal Circuit noted that “Congress implicitly added [the] requirement that the PTO establish that the misdescription materially affect the public’s decision to purchase the goods.” *In re Spirits Int’l N.V.*, at 10-11 (2009); citing, *Cal. Innovations*, 329 F.3d 1339-40.

Prior to the NAFTA Implementation Act, a well developed body of case law made it easy for the PTO to deny the registration of a mark on the ground that it was primarily geographically deceptively misdescriptive. Only two elements had to be met:

- (1) the primary significance of the mark was a generally known geographic location, and (2) a consumer would likely believe incorrectly that the mark is an accurate description of the origin or other association of the goods with the geographic location.

In re Wada, 194 F.3d 1297, 1299-300 (Fed. Cir. 1999). In contrast, the Federal Circuit noted that the test under § 1052 (a), which addresses false advertising and permanently bars “immoral, deceptive, or scandalous” use of marks, is much more demanding because of its permanence. The subsection (a) test, while requiring the same two elements mentioned above, adds the “third element: that the misdescription would ‘materially affect the public’s decision to purchase the goods.’” *Cal. Innovations*, 329 F.3d at 1336-37. The Federal Circuit concluded that the new permanence of a bar under subsection (e)(3) adds materiality to this subsection and requires the same elevated standard as under § 1052 (a). The Court stated:

[u]nder the circumstances it is clear that section (e)(3) – like subsection (a), the false advertising provision of the

Lanham Act, and the common law – requires that a significant portion of the relevant consuming public be deceived. That population is often the entire U.S. population interested in purchasing the product or service.

In re Spirits Int’l N.V., at 21 (2009).

The new standard as set forth by the Federal Circuit is:

[i]n order to establish a prima facie case of materiality there must be some indication that a substantial portion of the relevant consumers would be materially influenced in the decision to purchase the product or service by the geographic meaning of the mark.

Id. at 23. In vacating and remanding the instant case, the Court stated that the Board applied an incorrect test by failing to consider whether Russian speakers were a “substantial portion of the intended audience.” *Id.* at 24. The Court expressed no opinion as to whether it believed that a substantial portion of the intended audience would be materially deceived.

Conclusion

The Federal Circuit established that for a registration to be refused on the grounds that it is primarily geographically deceptively misdescriptive, the examining attorney must establish that a substantial (significant) portion of the relevant consumers’ decision to purchase the goods would be due to the misdescription inherent in the mark. The Court did not set a standard for what is considered a substantial portion noting only that 0.25% of the U.S. population, the percentage considered in the Board’s findings, is not a substantial portion. What amounts to a substantial portion of the targeted community must be determined on a case by case basis.