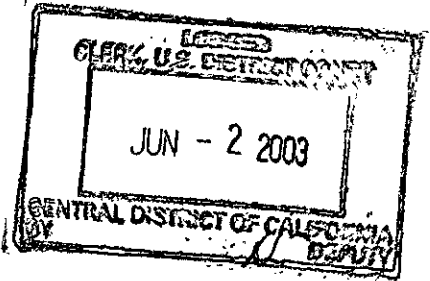


UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

NO. 01-56055
CT/AG# SACV-00-00276-GLT



KP PERMANENT MAKE-UP INC

Plaintiff-counter-defendant - Appellee

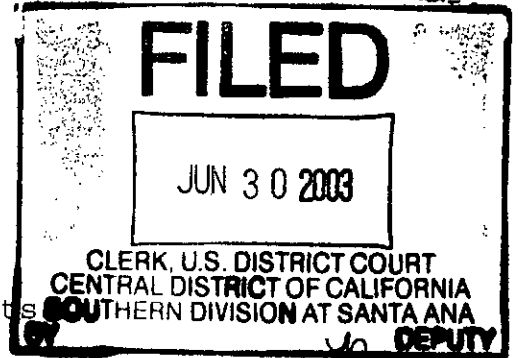
v.

LASTING IMPRESSION INC; MCN INTERNATIONAL INC;

Defendants-counter-claimants - Appellants

ROES 1 THROUGH 10, inclusive

Counter-defendant - Appellee

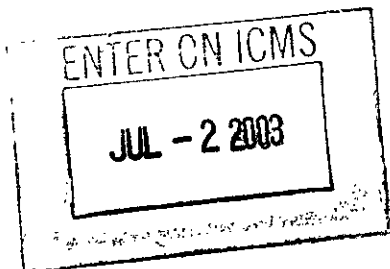


Send

APPEAL FROM the United States District Court for the
Central District of California (Santa Ana) .

THIS CAUSE came on to be heard on the Transcript of the
Record from the United States District Court for the
Central District of California (Santa Ana)
and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and
adjudged by this Court, that the judgment of the said
District Court in this cause be, and hereby is REVERSED and
REMANDED.

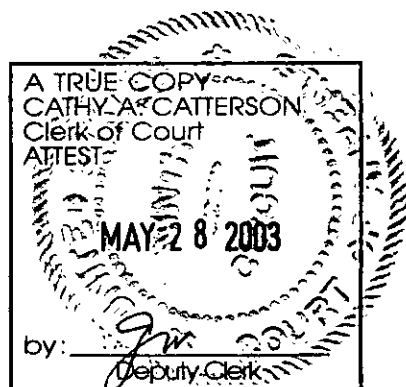


JP

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Filed and entered

April 30, 2003



INTERNAL USE ONLY: Proceedings include all events.
01-56055 KP Permanent Make-up v. Lasting Impression, et al

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ROES 1 THROUGH 10, inclusive
Counter-defendant -
Appellee

No appearance
[NTC]

F
**UNITED STATES
FOR THE**

KP PERMANENT MARKING
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v.

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INTERNATIONAL INC.,
Defe
claim

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Appeal from
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Before: Pro
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BY WEST GROUP—SAN FRANCISCO—(800) 888-3600

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mark is complaining that the most salient feature of its mark is being imitated and a likelihood of confusion may result, the holder of the mark does not have to show that the salient feature, apart from the mark, has acquired secondary meaning; rather, the conclusive presumption that the mark has acquired secondary meaning extends to the most salient feature of the mark.

Appellant Lasting Impression I, Inc., a permanent makeup manufacturer, owned a trademark that consisted of the term "micro colors," set in white, within a black box. The mark was registered in 1993 as both a design and word mark and became incontestable in 1999. Appellee K.P. Permanent Make-Up, Inc. (KP), a direct competitor of Lasting Impression, used the term "micro colors" on its products and brochures beginning in 1990. In 1999, KP began using the term "micro color" in its marketing brochures in a stylized format. Upon receiving a cease and desist letter from Lasting Impression in 2000 demanding KP discontinue its use of the term "micro color," KP brought an action in district court for declaratory relief against Lasting Impression and its distributor, appellant MCN International, Inc. (collectively, Lasting), asserting that Lasting did not have the exclusive right to use the term "micro colors" and that the term was generic and incapable of receiving trademark protection. Lasting counterclaimed, alleging that KP's use of the term infringed Lasting's incontestable, registered mark. The parties filed cross motions for summary judgment and summary adjudication. The district court concluded that the term "micro colors" was generic, or if not generic, descriptive. The district court recognized that Lasting's registered logo mark was incontestable. However, it ruled that the logo mark's incontestable status did not apply to the term "micro colors," because the registration was for the micro colors logo, and not merely the term. The court determined that KP was entitled to continue use of the term "micro color," in the manner that it had been since 1991, and that Lasting could continue to use its trademarked logo.



APPENDIX A



Lasting appealed.

[1] The Lanham trademark to hold li in commerce any re of any goods or ser Trademarks are ge generic; (2) descrip fanciful. [3] Generi tered mark may be it has become ge describe the qualiti registered only if th has acquired distinc

[4] No incontest the generic name fo whether a term has consumers understa producer's goods o word to refer to the identified with all s suppliers, it is gene

[6] Federal regis strong presumption validity resulting fr cific presumption th sumption of validit the mark, the words to produce sufficien

[8] At the summary must be drawn mo evaluating the summ ences had to be dra party. If the challer puted facts or a con the trademark holde

KP presented no evidence that "micro colors" was used or understood by consumers as a generic term rather than a brand name. Lasting presented evidence that micro colors was used and understood as a brand name not a generic term. [10] There was no genuine issue of material fact as to whether the salient part of Lasting's trademark, the words "micro colors," was generic. A reasonably minded jury could not conclude from the evidence produced that "micro colors" is a generic term. [11] KP's motion for summary judgment could not be upheld on this ground. Furthermore, Lasting's motion for summary adjudication on the issue of genericness should have been granted.

[12] A descriptive mark that has become incontestable is conclusively presumed to have acquired secondary meaning. A defendant in a trademark infringement action cannot assert that an incontestable mark is invalid because it is descriptive and lacks secondary meaning. [13] The district court erred in requiring that Lasting demonstrate secondary meaning in the term apart from the mark. A registered mark may be infringed even if the exact mark is not being imitated and the challenger of an incontestable mark cannot assert that the most salient feature of the mark is descriptive and lacks secondary meaning. Thus, when the holder of an incontestable mark is complaining that the most salient feature of its mark is being imitated and a likelihood of confusion may result, the holder of the mark does not have to show that the salient feature, apart from the mark, has acquired secondary meaning. Rather, the conclusive presumption that the mark has acquired secondary meaning extends to the most salient feature of the mark. [14] Thus, Lasting's incontestable registration was conclusive evidence that the mark was non-descriptive or had acquired secondary meaning, and there was no need to require a showing of secondary meaning in the term "micro colors" apart from the mark. Therefore, KP's motion for summary judgment could not be upheld on this ground.

[15] Section 1115(b)(4) of the Lanham Act allows a fair use defense to the infringement of an incontestable mark.

because a full record of facts. *Clicks Billiard*

KP's motion for summary judgment on the issue of material fact was denied. There is no confusion. Therefore, summary judgment for KP is affirmed. Confusion exists, with the result being favorable to Lasting.

The Ninth Circuit has held that in determining whether there is a likelihood of confusion, *Inc. v. Sleekcraft Boats*, 677 F.2d 1523 (9th Cir. 1982). Those factors are: 1) the relatedness of the goods; 2) the evidence of actual confusion; 3) the degree of care exercised by the purchaser; 4) the nature of the goods; 5) the nature of the marketing; 6) the degree of care exercised by the purchaser; 7) the nature of the goods; and 8) the likelihood of confusion. Although the above factors are not dispositive in determining whether there is a likelihood of confusion, not all of the factors are required in every case. *Downing*

[18] The application of the fair use defense to KP's use of the mark "micro colors" requires that there be a showing of a likelihood of confusion. The district court's judgment should not be upheld on this ground.

IV. Conclusion

Based on the foregoing, the district court's judgment of summary judgment for KP is affirmed. The district court's judgment for summary adjudication on the issue of genericness is reversed and summary judgment for KP is affirmed. Proceedings in accordance with the above are

REVERSED AND

292 F.3d at 1151. As expressed in *Cairns*, the fair use analysis “only complements the likelihood of customer confusion analysis.” *Id.* at 1150; see also *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 911 F.2d 363, 366 n.2 (9th Cir. 1990) (explaining that anyone is free to use a term in its primary, descriptive sense, as long as such use does not result in consumer confusion as to the source of the goods); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984) (explaining that the fair use defense is not available if likelihood of confusion has been shown).

This is a case concerning the classic fair use defense. KP is using the term “micro color” to describe its own products, not that of Lasting. Therefore, KP can only benefit from the fair use defense if there is no likelihood of confusion between KP’s use of the term “micro color” and Lasting’s mark. The district court declined to discuss likelihood of confusion because it found KP’s use to be fair. However, as discussed above, because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed. Therefore, in addressing KP’s motion for summary judgment, we must determine whether there are any genuine issues of fact that exist with respect to likelihood of confusion.

[17] Likelihood of confusion exists when consumers viewing the mark would probably assume that the goods it represents are associated with the source of a different product identified by a similar mark. *Clicks Billiards*, 251 F.3d at 1265. A finding of likelihood of confusion requires that confusion be probable, not just a possibility. *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987). Thus, “[s]ummary judgment is inappropriate when a jury could reasonably conclude that there is a likelihood of confusion.” *Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1008 (9th Cir. 2001). Due to the factual nature of likelihood of confusion, determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored

“Classic fair use” is used the trademark product, and not a product. [16] When necessary to analyze of confusion exists probably assume the with the source of mark. [18] The app mining whether a numerous genuine i genuine issues of r confusion, KP’s mo upheld on this grou had to be reversed.

Charles C. H. Wu a
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Michael Machat, E
counter-defendant-a

HUG, Circuit Judge

I. Introduction

This case concer

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terms has no significan

the right to use it. Lasting Impression I, Inc., owns an incontestable, registered trademark which consists of the term “micro colors,” set in white, within a black box. It is the registration for this composite mark that is the basis of this litigation.

K.P. Permanent Make-Up, Inc. (“KP”) uses the term “micro colors” on its products and brochures. Upon receiving a cease and desist letter from Lasting Impression I, Inc. in January 2000 demanding KP discontinue its use of the term “micro color,” KP brought this action for declaratory relief against the defendants Lasting Impression I, Inc., and its distributor, MCN International, Inc. (hereinafter collectively referred to as “Lasting”). KP asserted that Lasting did not have the exclusive right to use the term “micro colors” and that the term was generic and incapable of receiving trademark protection. Lasting counterclaimed, alleging that KP’s use of the term “micro color” infringed Lasting’s incontestable, registered mark. The parties filed cross motions for summary judgment and summary adjudication.

The district court concluded that the term “micro colors” was generic, or if not generic, descriptive. The court then determined that KP was entitled to continue use of the term “micro color,” in the manner that it had been since 1991, and that Lasting could continue to use its trademarked logo. Lasting appeals the district court’s grant of summary judgment in favor of KP. We have jurisdiction under 28 U.S.C. § 1291.

II. Factual and Procedural Background

KP and Lasting are direct competitors in the permanent makeup industry. To better understand the nature of the term “micro color,” a brief description of permanent makeup and the permanent makeup industry is of use. Permanent makeup is similar to a tattoo, in that both are created by injecting pigment into the skin. Permanent makeup has both cosmetic and medical uses. For example, it may be used to create perma-

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[16] In contrast,
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because the registration was for the “micro colors” logo, and not merely the term.

[13] We conclude that the district court erred in requiring that Lasting demonstrate secondary meaning in the term apart from the mark. As we have discussed, a registered mark may be infringed even if the exact mark is not being imitated and the challenger of an incontestable mark cannot assert that the most salient feature of the mark is descriptive and lacks secondary meaning. *See Park 'N Fly*, 469 U.S. at 192 n.2, 205. Thus, when the holder of an incontestable mark is complaining that the most salient feature of its mark is being imitated and a likelihood of confusion may result, the holder of the mark does not have to show that the salient feature, apart from the mark, has acquired secondary meaning. Rather, the conclusive presumption that the mark has acquired secondary meaning extends to the most salient feature of the mark.

[14] Thus, Lasting’s incontestable registration is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning, and there is no need to require a showing of secondary meaning in the term “micro colors” apart from the mark. Therefore, KP’s motion for summary judgment cannot be upheld on this ground.

F. The Fair Use Defense and Likelihood of Confusion

[15] We next turn to the issues of fair use and likelihood of confusion. The district court granted KP’s motion for summary judgment on the basis of fair use, under 15 U.S.C. § 1115(b)(4). It held it need not make a determination with respect to likelihood of confusion. Section 1115(b)(4) of the Lanham Act allows a fair use defense to the infringement of an incontestable mark providing:

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of

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Additionally, under both the vial and the phrase "micro color pigment" is the word "chart." Both the words "pigment" and "chart" appear in a smaller size type than the term "micro color," making the term the most dominant feature of the image. The brochure on which this image appears contains a chart displaying all the various colors in which KP's pigments are available. An illustration of the term in the marketing brochures is shown in Appendix B.

In March 2000, KP commenced this trademark declaratory relief action against Lasting. In response, Lasting counterclaimed, alleging that KP's use of the phrase "micro color" infringed Lasting's incontestable registration of its "micro colors" mark and sought damages for the infringement. Lasting's counterclaim also alleged unfair competition and false advertising.

KP filed a motion for summary judgment. KP's contentions consisted of the following: (1) Lasting's picture mark registration did not give Lasting the exclusive right to the term "micro color" separate from the logo; (2) the term "micro color" is generic; (3) KP can use "micro color" under the fair use doctrine; (4) the phrase has no secondary meaning; (5) Lasting has also used "micro color" in a generic sense and is estopped from arguing the term is not generic; (6) Lasting cannot show likelihood of confusion; and (7) KP's continuous prior use of the term "micro color" defeats Lasting's claim to exclusivity.

Lasting moved for summary adjudication of certain issues, principally that KP's contention that the term "micro colors" is generic had no merit, that KP's prior use contention had no merit, and that Lasting's registered trademark was not limited to the composite.

The district court granted KP's motion for summary judgment and denied Lasting's motion for summary adjudication. It held that KP could continue to use the term "micro color"

[9] KP presented no evidence that the term "micro color" was known or understood by consumers as a trademark or brand name. Lasting's argument that the term is used and understood as a trademark is unavailing. We held in *Park 'N Fly*, 199 F.3d 1008 (9th Cir. 2000), that the consuming public the term "micro color" [Park 'N Fly] is to denote the source, we are without authority to grant Park 'N Fly's mark

[10] There is no evidence that the term "micro colors" is generic. Whether the salient feature of the mark is "micro colors," is generic, we cannot conclude from the fact that the term is a generic term. See *U.S. 242, 249* (1986).

[11] Based on the evidence presented, KP's motion for summary judgment is granted. Furthermore, KP's motion on the issue of

E. Descriptiveness

[12] The district court's finding that "micro colors" were descriptive and Lasting had no claim to those words. A descriptive term is conclusively presumed to be generic. *Entrepreneur*, 199 F.3d 1008 (9th Cir. 2000). A defendant cannot assert that an otherwise descriptive and lac

U.S. at 205.

The district court's finding that the mark was incontestable and its incontestable status c

KP's other support for its generic argument was a statement that Story, the founder of Lasting, had made. KP contends that she used "micro colors" as a generic term in a brochure and an article. Story explained that neither reference was to "micro colors" as generic, and explained that in context the references were to the "Micro Colors" brand name and not intended as a generic term.

The first alleged generic use is in a brochure in which Lasting stated,

MICRO-COLORS® pigment is the first and only MICRO-COLORS available by MCN. All other brands with similar or identical names are not associated with MCN. Due to the high demand for this superior quality pigment, many imposter pigments have been developed to create confusion in the marketplace. Make an informed purchasing decision: verify that MCN is the manufacturer before you buy. MICRO-COLORS is a federally registered trade name and trademark that is available only via MCN.

Rather than using the term in the generic sense, it is clear from the document itself that Lasting was distinguishing its mark from those who may have used MICRO-COLORS without authorization.

The second alleged generic use is in a trade article where Lasting discusses its product. In this article, Lasting states "all Lasting Impression I pigments (Micro-Colors) are six microns." From then on in the article, Lasting uses the term "Micro-Colors" (capitalized) instead of pigments in a general sense. Again, in context, it is clear that Lasting was not referring to "micro colors" in a generic sense. Rather Lasting had defined *its product* by its trademark "Micro-Colors" and uses that term to describe *its pigments* elsewhere in the article.

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III. Analysis

A. Standard of

A grant of summary judgment is appropriate only if there is no genuine issue as to any material fact and the movant is entitled to judgment as a matter of law. *Billiards, Inc. v. Six* (9th Cir. 2001). We must view the facts in the light most favorable to the party opposing the motion. There are no genuine issues as to any material fact if the court correctly applied the law to the facts of the case. *Entrepreneur* (9th Cir. 2002).

B. Trademark

In evaluating the motion for summary judgment, the court must view the facts in the light most favorable to the party opposing the motion. The motion raises essential issues of fact and law that require a trial. Infringement action.

[1] The Lanham Act prohibits the use of a trademark to hold a trademark holder liable for "use[s] in commerce" with the sale, offer

any goods or services” which is likely to cause confusion. 15 U.S.C. § 1114(1)(a). Before infringement can be shown, the trademark holder must demonstrate that it owns a valid mark, and thus a protectable interest. *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002). Once the trademark holder shows that it has a protectable interest, the holder must show that the alleged infringer’s use of the mark “is likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114(1)(a) & (b); *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 900 (9th Cir. 2002). The alleged infringer has a number of defenses available.

[2] Trademarks are generally divided into four categories: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful. The latter two categories are deemed inherently distinctive and are automatically entitled to protection because they naturally “serve[] to identify a particular source of a product . . .” *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992).

[3] Generic marks are not capable of receiving protection because they identify the product, rather than the product’s source. *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). “Generic terms are not registerable, and a registered mark may be canceled at any time on the grounds that it has become generic.” *Id.* Merely descriptive marks, which describe the qualities or characteristics of a product, may be registered only if the holder of the mark shows that the mark has acquired distinctiveness through secondary meaning. *Id.*

[4] One advantage of registration on the Principal Register is that the mark may attain incontestable status. 5 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 32:142 (2002). Incontestable status may be obtained by fulfilling the requirements of 15 U.S.C. § 1065. This requires that the registered mark has been in use for five consecutive years and is still in use in commerce. *Id.* In addition, the statute requires that

evaluating the summa- ences must be drawn party. We stated in issue is generally vie the challenger “can d or a combination the mark holder] cannot

KP relied principa Kim Plante, which s microcolors, such as micropigment colors micropigments and micropigmentation c are generic.” Whether for each other is hig that consumers under agree that the cosme term alone would r “micropigmentation o Plante’s affidavit say simply an abbreviat generic. The affidavit that “pigment” is gen into the skin as perm the hue or shade of th ants, the color or hue the generic process abbreviation for a ge

The contention th generic term for th “micro colors” is an generic is not one tha The words themselv introduced no eviden words.

buyer understands the word to refer to the source of the good, the term is not generic. However, if the disputed term is "identified with all such goods or services, regardless of their suppliers, it is generic." *Id.* (quotation marks and citation omitted).

[6] "Federal registration of a trademark endows it with a strong presumption of validity. The general presumption of validity resulting from federal registration includes the specific presumption that the trademark is not generic." *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1254 (9th Cir. 1982) (citations omitted). This presumption of validity extends to the most salient feature of the mark, the words "micro color."

[7] We recently discussed the nature of that presumption in *Tie Tech, Inc. v. Kinedyne*, 296 F.3d at 782-83. Citing the wording of 15 U.S.C. § 1115(a) we stated:

Validity . . . is a threshold issue. On this point, the plaintiff in an infringement action with a registered trademark is given the prima facie or presumptive advantage on the issue of validity, thus shifting the burden of production to the defendant to prove otherwise. . . . Or, to put it as we did in *Vuitton [Et Fils S.A. v. J. Young Enters., Inc.]*, 664 F.2d 769 (9th Cir. 1981)], the defendant then bears the burden with respect to invalidity.

Id. at 783. In granting the summary judgment to KP, the district court erred in placing the burden on Lasting. The burden was on KP to produce sufficient evidence to overcome the presumption.

[8] The question then becomes what evidence must be produced to overcome the presumption. We noted in *Tie Tech* at the summary judgment stage that all inferences from facts must be drawn most favorably to the non-moving party. *Id.* In

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Park 'N Fly v. Dollar Park & Fly, Inc., 718 F.2d 327 (9th Cir. 1983), *rev'd*, 469 U.S. 189 (1985).

C. Protection Afforded to the Words "Micro Colors"

In *Park 'N Fly*, the mark at issue, which had attained incontestable status, consisted of the words "Park 'N Fly" and an airplane logo. The alleged infringer challenged the mark's validity arguing that the words "Park 'N Fly" were generic with respect to airport parking lots. *Id.* at 330. Park 'N Fly had a separate registration for the words "Park 'N Fly" without the airplane logo that was not yet incontestable. In addressing the issue of whether the words "Park 'N Fly" were generic, this court focused entirely on the words in the logo mark, which was incontestable, as opposed to words in the separate registration of the word mark.

Judge Kennedy (now Justice Kennedy), in writing for the court, held that because the most salient feature of the logo mark was the phrase "Park 'N Fly," any infringement of the word mark registration would also be an infringement of the logo mark. *Id.* at 331 n.3. Thus, the opinion concluded that the words "Park 'N Fly" were the most salient feature of the logo mark and that insufficient evidence had been presented to show the words were generic. *Id.*

It is significant that the United States Supreme Court, upon reviewing the Ninth Circuit's decision in *Park 'N Fly*, also recognized that Park 'N Fly had a separate registration for the words Park 'N Fly which had not become incontestable. However, it determined that such registration did not affect the resolution of the matter and focused on the incontestable logo mark in making its ruling. *Park 'N Fly*, 469 U.S. at 192 n.2.

The Supreme Court reversed the Ninth Circuit's opinion on a different issue. The Ninth Circuit opinion had held that a registrant could not use the incontestability of its mark offensively to enjoin infringement and that a challenger could

defend such an action descriptive. The Supreme Court's Ninth Circuit decision on the challenger's prior use of the mark showed no likelihood of confusion.

The remand by the Supreme Court was argued that it was the most salient feature of the logo trademark. The Ninth Circuit remanded the case because the logo trademark was not the most salient feature of the logo trademark and that there was sufficient evidence to grant an injunction in favor of the registrant. *Dollar Park and Fly, Inc. v. Park 'N Fly, Inc.*, 718 F.2d 327 (9th Cir. 1986).

It is clear under Ninth Circuit law that the Supreme Court, through its decision, protected by the registration of the words as the most salient feature of the logo mark. The words were held to be generic with an airplane; whereas the logo was a black background with a white airplane logo.

Because the words "Park 'N Fly" were the most salient feature of the mark, those words are entitled to the same protection as the logo mark.

D. Genericness

[5] KP contends that the words "Park 'N Fly" are generic and thus not entitled to trademark protection. The term has become generic because everyone can understand the word "Park 'N Fly" to refer to goods or whether the goods are related to the goods themselves.