

No. 01-56055

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

K.P. PERMANENT MAKE-UP, INC.,)
)
 Plaintiff-counter-defendant/Appellee)
)
 v.)
)
 LASTING IMPRESSION I, INC.; et al.)
)
 Defendants-counterclaimant/Appellants)
)

Appeal from the United States District Court
For the Central District of California
The Honorable Gary L. Taylor

APPELLANTS' BRIEF RESPONDING TO JANUARY 20, 2005
ORDER REGARDING IMPACT OF
SUPREME COURT'S OPINION ON THIS CASE

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I

QUESTION PRESENTED BY COURT

This Court's January 20, 2005 Order stated the following query:

"The judgment of this court, 328 F.3d 1061 (9th Cir. 2003), has been vacated by the United States Supreme Court in *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, ___ U.S. ___, 125 S.Ct. 542 (2004). This court shall retain jurisdiction. The parties are directed to file, within 21 days, simultaneous briefs not to exceed fifteen (15) pages addressing the impact of the Supreme Court's opinion on this case."

II

BRIEF ANSWER BY APPELLANTS

LASTING IMPRESSION I, INC. AND

MCN INTERNATIONAL, INC.

In compliance with the Supreme Court's remand for "further proceedings consistent with this opinion" (125 S.Ct. at 551), any modifications by this Court to its prior 2003 decision (328 F.3d 1061) should not result in any change to the substantive outcome of reversal.

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III

BRIEF REVIEW OF

THIS COURT'S 2003 DECISION

This appeal came to this Court as a result of the District Court's grant of respondent KP Permanent Make-Up, Inc.'s ("KP") motion for summary judgment and its denial of the motion for summary adjudication by appellants Lasting Impression I, Inc. and MCN International, Inc. (328 F.3d at 1066.)

This Court framed the issues in the context of a trademark infringement action. Respondent KP is the alleged infringer, and the appellants are positioned as owner of the registered "MICRO COLORS" trademark that was deemed incontestable per 15 U.S.C. § 1065. (328 F.3d at 1067-1068.)

The summary judgment granted by the District Court in favor of respondent KP was based on the following as quoted from this Court's decision:

"A. The words 'micro color,' as distinct from Lasting's entire logo, are not protected because the words are generic and thus cannot constitute a valid mark.

"B. Even if those words are not generic, they are descriptive and have no secondary meaning and thus cannot constitute a valid mark.

"C. The 'fair use' defense is applicable to KP and precludes a claim of infringement."

(328 F.3d at 1067-1068.)

This Court reversed the District Court's ruling for the following four reasons as stated in its 2003 decision (328 F.3d 1061):

In Section III(C) of this Court's decision, the Court ruled that, pursuant to Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 782 F.2d 1508 (9th Cir. 1986), the words "MICRO COLOR" must be the focus of the inquiry of validity because they are the most salient features of the mark. (328 F.3d at 1068-1069.)

In Section III(D) of this Court's decision, the Court addressed the issue of whether the "MICRO COLORS" mark is generic. (328 F.3d at 1069-1071.) The Court disagreed with respondent KP that (1) the term "MICRO COLORS" is an abbreviation of generic terms, and (2) appellants used the term generically in a brochure and an article. The Court went on to conclude that respondent KP failed to present any genuine issue of material fact that the mark is generic. (*Id.*) In doing so, the Court ruled that respondent KP's summary judgment could not be upheld on that ground, and further ruled that appellants were entitled to summary adjudication on their motion on said genericness issue. (328 F.3d at 1070-1071.)

In Section III(E) of this Court's decision, the Court ruled that the District Court may not require appellants to demonstrate secondary meaning because an incontestable mark is presumed already to have acquired secondary meaning. (328 F.3d at 1071.)

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In Section III(F) of this Court's decision, the Court ruled that consideration of the fair use defense under 15 U.S.C. § 1115(b)(4) required an analysis of the likelihood of confusion which, in turn, required the application of the eight-part test prescribed by AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979). This Court went on to note that the existence of genuine issues of material facts regarding the Sleekcraft factors precluded the granting of summary judgment. (328 F.3d at 1071-1073.)

IV

THE EFFECT OF THE SUPREME COURT'S RULING ON THIS COURT'S PRIOR DECISION

At the outset, it should be noted that respondent KP's question presented to the Supreme Court was limited only to the fair use defense issue that was the subject of Section III(F) of this Court's 2003 decision (328 F.3d at 1071-1073):

"The question here is whether a party raising the statutory affirmative defense of fair use to a claim of trademark infringement, 15 U.S.C. § 1115(b)(4), has a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected."

(125 S.Ct. at 545-546.)

As discussed in Subsection A below, matters decided by this Court and not presented to the Supreme Court should remain

undisturbed.

A. The issues NOT affected by the Supreme Court's decision

Because respondent KP did not seek Supreme Court review of the issues regarding the salient features of the mark, genericness, and secondary meaning, this Court's discussions and rulings in Sections III(C), III(D) and III(E) of its prior decision should remain unaffected by the Supreme Court's decision.

Such a conclusion finds support in Footnote 3 of the Supreme Court's decision which states in pertinent part:

"The District Court's findings as to the generic or descriptive nature of the term 'micro color' and any secondary meaning that term has acquired by any of the parties ... are not before us. Nor are the Court of Appeals's holdings on these issues."

(125 S.Ct. at 546 & fn. 3.)

B. The sole issue of the fair use defense that is affected by the Supreme Court's decision

The issue of likelihood of confusion remains a relevant part of any adjudication of the fair use defense such that Section III(F) of this Court's 2003 decision remains viable.

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In disagreeing with this Court, the Supreme Court held that the alleged infringer (respondent KP here) should not shoulder the burden of demonstrating no likelihood of confusion (125 S.Ct. at 551), but the Supreme Court did not make irrelevant the issue of likelihood of confusion.

In essence, although the Supreme Court placed the burden of proof upon the mark holder for the issue of likelihood of confusion, the Supreme Court affirmatively recognized that the issue remains relevant in adjudicating the fair use defense.

In that regard, the Supreme Court said:

"It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."

(125 S.Ct. at 550.)

See also another comment by the Supreme Court: "Since we do not rule out the pertinence of the degree of consumer confusion under the fair use defense...." (125 S.Ct. at 551.)

In other words, likelihood of confusion remains as a relevant component in determining whether a use of the mark is fair.

Regardless of which party bears the burden of persuasion on the issue of likelihood of confusion, the factual disputes raised by that issue still preclude summary judgment at its most basic level.

Therefore, looking back to Section III(F) of this Court's decision, this Court's ruling on the fair use defense remains accurate to deny respondent KP's motion for summary judgment due to the existence of numerous genuine issues of material facts presented by the respective parties regarding the issue of likelihood of confusion. Such a result is faithful to both this Court's 2003 decision and the Supreme Court's decision.

V

SUMMARY

In sum, this Court will need to modify Section III(F) of its 2003 decision to conform to the Supreme Court's pronouncement regarding the burden of proof on the issue of likelihood of confusion in the context of the fair use defense.

But, this Court need not change the other portions of its decision and it certainly need not change any of its ultimate rulings on the substantive outcome.

The Court had reversed the summary judgment granted to KP and directed summary adjudication in favor of appellants on the issue of genericness. Such rulings should remain intact.

Respectfully submitted,

WU & CHEUNG, LLP

Dated: Feb. 9, 2005

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Inc. and MCN International, Inc.,
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PROOF OF SERVICE
1013A(3) CCP Revised 5/1/88

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action; my business address is 98 Discovery, Irvine, CA 92618-3105.

On Feb. 9, 2005, I served the foregoing document(s) described as:

Appellant's Brief Responding to Jan. 20, 2005 Order Regarding Impact of Supreme Court's Opinion on This Case

on all interested parties in this action

by placing the original a true copy thereof enclosed in sealed envelopes addressed as follows:

Mr. Michael Machat, Esq.
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COUNTER-DEFENDANT

(BY PERSONAL SERVICE) On the above-stated date, I delivered such envelope by hand to the offices of the addressee. (C.C.P. 1011)

BY MAIL

*I deposited such envelope in the mail at Irvine, California. The envelope was mailed with postage thereon fully prepaid.

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Executed on Feb. 9, 2005, at Irvine, California.

(Federal) I declare under penalty of perjury under the laws of the United States of America that the above is true and correct.

Mary Kim