Apple, Inc. v. Amazon.com Inc.: Corporate Bullying through Trademark Infringement

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I. INTRODUCTION PARAGRAPH

This case arises from the creation of an application by Amazon named “Amazon Appstore for Android.”1 The issue is whether Amazon can be held liable for trademark infringement and dilution for developing the “Amazon Appstore for Android” application by Android mobile devices.2 Apple brought this action against Amazon alleging five causes of action including, trademark infringement under the Lanham Act and common law, dilution under the Lanham Act and common law, and unfair competition.3 Apple also sought a preliminary injunction.4 Trademark infringement under the Lanham Act provides that a “likelihood of confusion” standard must be met for infringement of an unregistered trademark.5 Dilution under the Lanham Act mandates that a plaintiff is entitled to injunctive relief if he or she can establish that the mark is famous, competitors are making commercial use of the mark after the mark became famous, and the mark is likely to cause dilution by blurring or tarnishment.6 The District Court for the Northern District of California held that Apple failed to meet its burden for all the asserted claims and that Amazon had made proper use of the term “App Store” by specifically designating, in its name, the market for which the application is intended.7 This case presents an important, cautionary measure for companies seeking to bring new but similarly functioning application products to the online market.

II. FACTUAL BACKGROUND

Plaintiff, Apple, Inc., is a 35-year old multinational corporation known for its consumer electronics, computer software, and personal computers.8

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2. Id.
Apple is the exclusive licensee of more than 140 trademarks. Since 2008, Apple has provided an online store featuring applications that can be downloaded to its various consumer electronic products such as the iPod, iPad, and Mac. The downloadable applications from the “App Store” are for exclusive use on Apple’s consumer electronic products.

Defendant, Amazon.com Inc., is a 17-year old multinational electronic commerce company that provides an online marketplace that enables third parties to sell retail goods. Amazon, located at www.amazon.com, allows both registered companies and registered individual sellers to post a used item or product on the trademarked “Amazon Marketplace” for a price set by the seller. The Amazon Marketplace connects sellers and buyers and is the basis of its business model for this particular section of Amazon.com. Once a successful sale is completed between the registered seller and buyer, Amazon.com takes a small percentage of that transaction as its profit.

On July 17, 2008, Apple began the process of registering a trademark for the term “App Store” by filing with the U.S. Patent and Trademark Office (“PTO”). Nearly a year and a half later, on January 5, 2010, the PTO published the mark in the Trademark Official Gazette, allowing any party to contest the mark if it felt it would be damaged by it. That same month, Microsoft Corporation (“Microsoft”) filed an opposition to the term’s registration with the Trademark Trials and Appeals Board (“TTAB”) asserting the term “App Store” could not be registered because it was too generic.

In September 2010, Amazon began searching for software developers to assist in a future project which involved a mobile software download service. In January 2011, Apple received word of this new Amazon project
and demanded Amazon cease any use of the mark “App Store.” Amazon, however, made no substantive response to this demand. Subsequently, in March 2011, Amazon launched the “Amazon Appstore for Android.” This service, available on Amazon.com, offers about 4,000 mobile software applications for download onto Android mobile devices.

III. DESCRIPTION OF PLAINTIFF’S CLAIM

Apple filed this claim in the United States District Court for the Northern District of California against Amazon on April 6, 2011 asserting multiple causes of action. Under both the common law and the Lanham Act, Plaintiffs sought a preliminary injunction enjoining Amazon from using the term “App Store” in the name of Amazon’s newly created Appstore service. Plaintiffs also allege, under the Lanham Act, Amazon is liable for dilution because “its mark is famous . . . [and] widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” Lastly, Plaintiffs alleged unfair competition. The court analyzed the claims separately, first looking to trademark infringement and then looking to the dilution claim.

IV. PROCEDURAL AND SUBSTANTIVE HISTORY

On July 6, 2011, the District Judge in the United States District Court for the Northern District of California issued an order denying Apple’s motion for a preliminary injunction. This followed the hearing that occurred on June 22, 2011. Apple has taken no further action after the court denied its preliminary injunction.

V. DISTRICT COURT HOLDING AND OVERVIEW OF RATIONALE

The United States District Court for the Northern District of California held that Apple failed to meet its burden on the trademark infringement claims, under the Lanham Act and common law, and on the dilution claims,
under the Lanham Act and common law. Hence, Apple’s motion for a preliminary injunction was denied. The Court’s decision focused on Apple’s infringement and dilution claims. Despite Apple’s unfair competition claim, the Court specifically stated “[t]his is a trademark infringement case.”

VI. Court’s Rationale

The Court began its analysis by asserting that a plaintiff seeking a preliminary injunction “must establish that it is likely to succeed on the merits, that it is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in its favor, and that the injunction is in the public interest.” Further, the Court stated that “an injunction is a matter of equitable discretion and is an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.” Therefore, Apple had a high burden of proof. While Apple alleged violations of trademark infringement and dilution under both state common law and federal law (Lanham Act), the Court analyzed the infringement claim under a test established by the Ninth Circuit and then analyzed the dilution claim under the federal Lanham Act requirements.

The Court first addresses Apple’s trademark infringement claim. In response to Apple’s allegations of trademark infringement, Amazon contends that Apple failed to demonstrate it is likely to succeed on the merits of the claim because “the ‘App Store’ mark is generic (and therefore not protectable), and even if the mark is not generic, Apple cannot demonstrate any likelihood of confusion.” The Court applied a two-prong test requiring Apple to first “show ownership of a legally protectable mark” and second, to demonstrate “a likelihood of confusion arising from Amazon’s use.” The first prong classifies the mark in question “as either generic, descriptive, suggestive, arbitrary, or fanciful.” On this point, the Court assumed the mark to be protectable as a descriptive mark that had acquired a secondary mean-

32. *Id.* at *12.
33. *Id.* at *2, 8.
34. *Id.* at *1.
35. *Id.* at *2.
36. *Id.* (internal quotation mark omitted).
39. *Id.* at *2.
40. *Id.*
The Court disagreed with Amazon’s contention that the mark is purely generic because the mark, “App Store,” is not primarily understood to represent a specific group of services and Apple’s principal competitors all had used terms other than “App Store” to describe their similarly functioning services. Despite the Court’s disagreement with Amazon’s contention that the mark is purely generic, it did not find that Apple had shown the mark to be suggestive because there was no need for a leap of imagination to understand what the term meant. Therefore, the Court found Apple failed to satisfy the first prong of the trademark infringement test.

The Court next addressed the second prong of the infringement test: whether Apple can establish any likelihood of confusion with Amazon’s use of the mark “App Store.” Courts employ the eight-factor Sleekcraft test to assess whether a likelihood of confusion exists in trademark infringement cases. The Sleekcraft test looks at the following factors: (1) the strength of the mark; (2) the proximity or relatedness of the goods; (3) the similarity of the marks; (4) evidence of actual confusion; (5) the marketing channels used; (6) the degree of care customers are likely to exercise in purchasing the goods; (7) the defendant’s intent in selecting the mark; and (8) the likelihood of expansion into other markets. The Court found factors two and three favored Apple to some degree because both companies are offering downloads of software applications for mobile devices and the marks are essentially identical in sight, sound, and meaning. However, the Court found factors one, five, and seven favored Amazon because Apple did not establish that “App Store” is a strong mark, the marketing channel to be used is the Amazon.com website and not the Apple iTunes website, and Apple failed to show Amazon’s intent in selecting the mark. The Court found the remaining three factors to be neutral, not clearly favoring either side. The Court found Apple failed to establish the second prong of the trademark infringement test. Consequently, the Court held that Apple’s trademark infringement claim must fail.

41. Id. at *7.
42. Id. at *4, 7.
43. Id. at *7.
45. Id. at *4.
46. Id.
47. AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979).
49. Id.
50. Id. at *8.
51. Id.
52. Id.
The Court then addressed Apple’s dilution claim. The Court analyzed the claim based on whether Apple’s mark is famous, whether Amazon’s mark is similar enough to Apple’s mark to blur the distinctiveness of Apple’s mark, and finally whether Amazon’s use of the mark will tarnish Apple’s mark. The Court first looked to determine whether a mark is famous by referring to the Lanham Act factors: “(1) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (2) the amount, volume, and geographic extent of sales of goods or services offered under the mark; (3) the extent of actual recognition of the mark; and (4) whether the mark is registered.” Considering these factors, the Court found that the “App Store” mark was not famous enough to be “prominent” and “renowned.” The Court, however, did find that Apple had spent large amounts of advertising and publicity money, sold several applications from its “App Store,” and furnished evidence supporting actual recognition of the “App Store” mark. Nevertheless, the Court noted that the term “App Store” had been “used by other companies as a descriptive term for a place to obtain software applications for mobile devices.” Therefore, the Court determined that Apple had failed to establish that its “App Store” mark was famous.

Next, the Court briefly addressed Apple’s claims for dilution by blurring and by tarnishment under the Lanham Act and quickly disposed of them both. First, because the majority of the factors relevant in determining blurring were found to be in favor of Amazon, the dilution by blurring claim failed. The Court decided that Apple did not meet its burden on this claim for several reasons. The Court explained that the mark is more descriptive than it is distinctive and that Apple’s exclusive use of the mark faded as more companies over the years began using the term. Furthermore, the mark had widespread recognition only as a descriptive term and Apple had not put forth any concrete evidence demonstrating that Amazon actually intended to create an association between its Android apps and Apple’s apps. Subsequently, the Court held that Apple had failed to establish dilution by tarnish-

53. Id. at *8–9.
56. Id.
57. Id.
58. Id.
59. Id. at *11–12.
60. Id. at *11.
62. Id. at *11.
ment because Amazon had not offered apps for Apple devices, and thus Amazon's App Store was not damaging to Apple's reputation.63

VII. CRITIQUE OF COURT'S APPROACH

The Court's reasoning was quite methodological and focused on the relative strength of each side's arguments regarding all of the factors considered. Apple made strong arguments and provided intense evidence regarding the second and third Sleekcraft factors considered in the 'likelihood of confusion' prong of the infringement claim.64 Yet, the Court found Amazon's counter arguments more persuasive because Amazon had demonstrated that there was no need for intense evidence at the preliminary injunction stage.65 The Court set the burden of proof quite high for each claim because that is the standard required for an injunction. However, the application of this holding to a factually similar case may not be as clear, should it go to trial.

Apple, Inc. v. Amazon.com Inc. impacts the state of the law in three ways. First, products with similar functions, but inherently separate markets, may not be subject to trademark infringement claims because the first prong of the infringement test specifically requires consumer confusion. Given that, Amazon's use of the phrase "for Android" in combination with the "intended market" Sleekcraft factor under the consumer confusion prong probably should have discredited any sort of infringement claim brought by Apple.66 Amazon's choice of name inherently makes it clear that Amazon's only intended market is Android mobile devices, not Apple mobile devices.67 The Court, by favoring Amazon on this factor, may create situations where a company considering the use of the word "App" in its mark for a new online application store will include a mark or name that designates the specific market to which the applications are intended to be sold as a way to avoid liability. Accordingly, as long as a company uses the name of the market for which a retail or distribution service is intended, a company can eliminate any potential trademark infringement attack. "" The court should have considered Amazon's inclusion of its intended market, "for Android," in its application store's name in greater depth prior to the hearing on this claim. It is possible that future cases with similar facts will cite this holding as a reason to dismiss the claim.

Second, the Court wrestles with the fifth factor, the 'likelihood of confusion' prong of the trademark infringement test, which analyzes the market

63. Id. at *12.
64. See id. at *4.
65. See id. at *6, 8.
66. See id. at *8.
67. Amazon points out that apps compatible with Apple devices are available for purchase exclusively at Apple's App Store and not through any other resource. See Apple, 2011 WL 2638191 at *6.
channel used for each company's application.68 The Court wavered on this factor and seriously considered how Apple may have been favored "if one considers the marketing channel to be the Internet (where almost anything today can be bought or sold)."69 Since the Court was less decisive here, it leaves future courts with room for interpretation on what the standard for a marketing channel should be.70 Possible interpretations include the company's own website, other online retailers, or even the internet in general. It is difficult to tell how this case will be applied to future Ninth Circuit cases when there is a similar trademark infringement claim but the mark in question only partially designates its intended market.

Third, this case is representative of the use of trademark infringement litigation as a "bullying" tactic by larger companies to stall a competing company from obtaining a similar trademark on a name. In this case, Apple had filed the original complaint prior to Amazon's launch of its "Amazon App-store for Android" product, demonstrating an example of this "bullying/stalling" tactic.71 Did Apple file the claim because it actually felt Amazon's new product name infringed upon its "App Store" mark or simply because Apple knew it had the capital available to litigate a claim even though it did not truly feel threatened? If the latter is true, what would keep other highly capitalized companies from adopting the same tactic? This type of litigation could potentially have two negative results. First, smaller companies may be deterred from developing new technologies because they may fear being sued by larger companies who can afford to litigate claims for longer periods of time. Second, court dockets could be clogged with "bullying" claims, making the judiciary less efficient and delaying smaller companies from getting their product to market due to trademark infringement litigation. Either way, the winner seems to be the larger, more capitalized companies.

Is such a tactic ethical? Should there be legislation proposed to prevent this type of behavior by companies with the capital to perform such tactics? Perhaps most importantly, this Court's holding may represent the idea that courts are looking to deter such "bullying" litigation tactics. While the Court held for Amazon and denied the preliminary injunction, future courts may not have such a high burden of proof, and future plaintiffs may be more successful. A holding in opposition to this case may not further the Court's goal of limiting the amount of trademark infringement cases filed by large companies as a "bullying" tactic.

68. See id. at *8.
69. See id.
70. See Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1151 (9th Cir. 2011) (explaining how the marketing channel factor is vague and is not of much help in determining likelihood of confusion).
71. See Apple, 2011 WL 2638191, at *1.
VIII. Overview of Critique

Apple, Inc. v. Amazon.com Inc. addressed issues that are on the rise in the world of e-commerce and, more specifically, newly created applications. While the emergence of thousands of new applications creates a surplus of new opportunities for companies, it also brings about the very real possibility that more than one company will create an application with similar functionality. Inevitably, these applications will contain similar names. Thus, the question arises—does a lack of technological terminology or names for the functions of these applications contribute to trademark infringement claims? This case illustrates that a limited number of different terms or names for new technological products with similar uses in the online market may lead to increased trademark infringement litigation, despite inherent differences in the product’s intended market.

This California District Court relied heavily on the factors established by both statute and precedent for systematically analyzing each prong of every claim and for finding that the burden of proof is quite high for both the infringement test and the dilution test when a party seeks a preliminary injunction.\(^{72}\) In this case, although the Court admitted that Apple had made strong arguments concerning several of the factors, it ultimately found that Apple had failed to meet the high burden of proof for either the infringement or the dilution claim, despite Amazon’s very similar “App Store” mark.\(^{73}\) Therefore, should another company endeavor to create an online application store and use some version of “App Store” as part of the name, it may not be so clear as to whether that name will result in trademark infringement. This may lead a company to search for a new term instead of “app” or “application” in its name so as to avoid potential disputes. It will be interesting to see whether future courts analyzing trademark infringement claims concerning similarly named applications will shed light on what new technological terminology or names companies may create to avoid such trademark litigation.

\(^{72}\) See Apple, 2011 WL 2638191 at *2.

\(^{73}\) See id. at *7-8, 11-12.