

# Three Point Shot

June 2014

## Federal Circuit Leaves Cobra Golf Co. in the Rough

It's dormie. On Eighteen. You're in great shape, having hit a solid drive, leaving yourself a fairway lie and a mid-iron into a back-right Sunday pin. Feeling good about your chances to even the match, you watch your opponent's ball come screaming out of the deep woods, cutting hard against the wind before bounding onto the green and rolling to thirty feet. *What a miracle.* He'll have two putts to win the match, but your partner is in good shape too. *Kerplunk.* His ball sails over the green and into the water. It's up to you. A perfect approach shot could set up a birdie putt to tie the match, but a wild swing will doom your comeback. You step up to your ball and wrap your fingers around the tacky grip of your 7-iron. Looking at the ball, confidence and fear wrestle in your mind, before you finally settle down and start your backswing. *Just ... make ... contact.*

All weekend warriors could use a little help making solid contact and it all starts with the right equipment. Earlier this month, the Federal Circuit gave the district court a mulligan in *Nassau Precision Casting Co. v. Acushnet Co. Inc.*, No. 2013-1410 (Fed. Cir. June 6, 2014) (nonprecedential), a patent infringement suit dealing with irons designed to help amateur golfers hit better shots. Cobra Golf Co, then owned by Acushnet, introduced the [Cobra S9 iron model](#) in 2007 and the S9 Second Generation model in 2009. Marketed as "the most technologically advanced, most forgiving irons" Cobra had ever made, the S9 looked a bit different than that classic [Ben Hogan 1-iron](#) collecting dust in your garage. In designing the S9's club head, Cobra replaced the metal material from the top line of its backside with a lightweight polymer insert, allowing Cobra to add more metal to the bottom of the club without increasing the iron's overall weight. The concept of weight reallocation is common in "game-improvement" irons designed to help bad golfers hit shots with higher loft and straighter trajectory. By changing the club head's weight allocation, Cobra lowered the center of gravity of the S9, increasing the golfer's chances to strike the ball with the "sweet-spot" and avoid the dreaded shank.

The Cobra S9 model was commercially successful, achieving gold status on the coveted [Golf Digest Hot List](#) for three consecutive years beginning in 2007. However, Acushnet's big putt may have lipped out earlier this month, when the Federal Circuit partially vacated a district court's decision that Acushnet's Cobra S9 did not infringe on the patent of Nassau Precision Casting (U.S. Patent 5,486,000), which asserts two claims protecting methods of improving weight distribution in a golf club. Prior to filing suit, Nassau had approached Acushnet with notice of possible infringement and an offer to license the patent. Acushnet declined to pay any greens fee, and Nassau filed suit. The district court awarded Acushnet summary judgment of noninfringement, and Nassau appealed.

On appeal, the Federal Circuit examined whether the Cobra design infringed two claims of Nassau's '000 patent – while Acushnet won the front nine, the back nine was a different story. Claim 2 of the '000 patent covers reallocating the exact weight of the removed material from the top portion of the head to the bottom to improve a golfer's chance of striking the sweet spot, while keeping the overall weight of the club the same. In affirming the lower court's holding that Acushnet did not infringe with respect to Claim 2, the Federal Circuit held that because the polymer insert in Cobra's S9 model has a measurable weight, not all of the weight of the removed metal from the club head was reallocated to the bottom, and complete reallocation of weight was a necessary condition for infringement of Claim 2. By contrast, with respect to Claim 1 of the '000 patent, the Federal Circuit ruled that Acushnet may be out of bounds, vacating the district court's finding of noninfringement. Specifically, Claim 1 prohibits others from removing construction material from "a location not used during ball-striking" and relocating the construction material to the bottom of the iron's head. The actual Nassau iron embodies the claim quite literally, removing metal from the top of the club face without replacing it, leaving the club with an odd concave shape. The Federal Circuit reasoned that the Cobra S9 model removed material from the top line of the club's backside and reallocated it to the bottom of the club's backside (i.e., Cobra removed material from areas other than the club head face "used during ball-striking"), ultimately ruling that the lower court's ruling of noninfringement should be vacated based on either party's claim construction. The Federal Circuit remanded the case for further proceedings and to resolve issues of validity not reached by the district court.

The match-play battle between Acushnet and Nassau raises interesting questions about claim construction of sports equipment patents, and perhaps an even more interesting question about how to avoid the shanks. Is Cobra's ball still in play? Just like your 7-iron from the middle of the fairway on Eighteen, we'll soon find out.

### **Fuel Clothing Co. Runs Out of Gas in Trademark Suit**

[Fuel Clothing Co.](#) ("Fuel") produces and markets sports apparel that embodies the "skate, snow, surf, moto[cross], music and racing lifestyle." However, Fuel is not so anti-establishment when it comes to protecting its intellectual property. Indeed, while Fuel's sponsored athletes are shredding the fresh powder, you can often find Fuel's lawyers hanging ten in the courthouse, vigorously defending Fuel's trademarks against other apparel companies. The latest battle over the FUEL mark involves Nike.

Fuel owns the trademark for the word FUEL for clothing goods, and in February 2012 brought claims against Nike for trademark infringement and unfair competition relating to Nike's fitness tracker products. According to the [complaint](#), Nike used the term "Fuel" in connection with its NIKE+FUELBAND electronic wristband that tracks physical activity metrics including calories and steps taken, and sold promotional t-shirts with phrases such as "Fuel it up" and "Fuel the people." Nike also registered the trademarks "NIKE+FUELBAND" and "NIKEFUEL" in several classes such as health monitoring devices, watches and bracelets, but not apparel (the class in which the FUEL mark is registered). Nike's branding efforts most certainly fueled the lawsuit, but in this particular judicial footrace, Nike proved to be in better shape. See [Fuel Clothing Co., Inc. v. Nike, Inc.](#), 2014 WL 1155402 (D.S.C. Mar. 20, 2014).

In May 2013, Nike moved for summary judgment on two separate grounds: First, Nike argued that Fuel had abandoned its mark through naked licensing, whereby a licensor that exercises insufficient quality control over its licensee's use of a trademark can lose rights in its mark; and, second, Nike argued that Fuel could not show that there is a likelihood of consumer confusion stemming from Nike's use of the FUEL mark.

Fuel raced to a quick lead as the court rejected Nike's affirmative defense of abandonment, whereby Nike argued that some of Fuel's prior agreements in which it permitted certain third parties to use the "Fuel" mark in their products were naked licenses. The court rejected Nike's summary judgment motion on the issue, finding a reasonable jury could interpret the prior agreements to sufficiently restrict the licensees' use of Fuel's mark.

However, Nike refueled and ultimately took the checkered flag as the court granted Nike summary judgment dismissing Fuel's trademark infringement and unfair competition claims, finding no likelihood of confusion. In reaching its decision, the court considered the following factors:

- *Strength of Fuel's Mark:* The court found that while Fuel's mark is "inherently distinctive," it is commercially weak since consumers would not necessarily associate the mark with the company. In fact, Nike presented [evidence of over 1,000 federal trademark registrations](#) that included the word "Fuel," with at least fifteen of those registrations belonging to the same class as Fuel's registration.
- *Similarity of Marks:* The court noted that Nike's use of FUEL is always paired with the "NIKE" mark or "swoosh," or the "NIKE+FUELBAND" mark, which lessens any consumer confusion due to the textual similarity of the marks.
- *Similarity of Goods:* As the evidence suggested, the NIKE+FUELBAND is an electronic device unlike anything Fuel ever sold or plans to sell, and sold at a higher price point than Fuel's leather wristbands. As such, the court found that the NIKE+FUELBAND and Fuel's leather wristbands are functionally and aesthetically distinct, and while Nike's promotional t-shirts are within the scope of Fuel's mark, the t-shirt sales account for less than 1% of all the NIKE+FUELBAND-related sales.
- *Similarity of Sales Channels:* The court concluded that the NIKE+FUELBAND and Fuel's goods generally were not sold in the same trade channels -- Nike sells the NIKE+FUELBAND exclusively in Nike and Apple stores and on the internet, while Fuel sells its apparel products through its own store, in small retailers, and the internet.

While the court declined to dismiss Fuel's trademark dilution claim due to inadequate briefing of the issue, in a subsequent [Consent Order and Final Judgment](#), Fuel stipulated to the dismissal of the dilution claim in exchange for Nike's withdrawal of its counterclaim seeking to declare Fuel's trademarks invalid.

With surfing as popular as ever – even on the East Coast – the waters are crowded, as swamis and gremmies vie for the best waves. Similarly, the sports apparel and sporting goods market is crowded with countless brands each vying to be the Big Kahuna and ride the next big marketing wave. Not surprisingly, the energetic term "Fuel" is widely sought after. However, at least in this instance, the district court found Fuel's fiery claims little more than smoke.

### **Minimalist Shoe Company Avoids De-feet With Settlement**

Did you purchase a pair of Vibram "FiveFingers" shoes hoping that they would make you the next [Usain Bolt](#) or [Meb Keflezighi](#)? Perhaps you thought that these "barefoot" running shoes could, as claimed, strengthen muscles or reduce foot injuries. If so, you may be eligible for a refund.

Vibram USA Inc., manufacturer of the trendy "FiveFingers" running shoe/foot-glove, has agreed to a settlement of \$3.75 million stemming from allegations that it engaged in deceptive advertising regarding its minimalist line of shoes. Vibram denies any wrongdoing in relation to its advertising efforts, and contends that the settlement agreement was reached solely to avoid the pain of competing in this marathon litigation.

Plaintiff Valerie Bezdek kicked off the [lawsuit](#) in March 2012, alleging violations of state consumer protection and false advertising laws. Cases filed in [California](#) and [Illinois](#) were later consolidated with Bezdek's Massachusetts complaint.

Bezdek alleged that Vibram's national advertising campaign promoted the minimalist shoe as providing certain health benefits to its wearers, such as improved posture, reduced risk of injuries, and stronger lower leg muscles. The plaintiff also alleged that these claims lacked the support of scientific studies and that Vibram stretched the conclusions of research to prospective purchasers. Had she known that the scientific claims were unfounded, the plaintiff claimed that she would not have purchased the shoes or would not have paid a premium price for them. Vibram countered that the plaintiff's allegations reflected merely a difference in opinion in the scientific community as to barefoot running, and did not constitute deceptive advertising.

The settlement agreement comes on the heels of Vibram's unsuccessful [motion to dismiss](#), where a Massachusetts district court found that the plaintiff's allegations of falsity and deception were sufficient because she identified the supposedly misleading statements made by Vibram and alleged that those statements were untrue. (*Bezdek v. Vibram USA Inc.*, 2013 WL 639145 (D. Mass. Feb. 20, 2013)). The court put it simply: "defendants have no serious argument as to why these allegations are insufficient." After this ominous warning, Vibram sprinted to the bargaining table.

Unable to convince the plaintiffs to put the shoe on the other foot, Vibram eventually entered into a settlement agreement in April 2014 covering a class of purchasers dating back to March 2009. Based on unofficial video and photographic evidence, perhaps this group should include ex-NFLers such as [Randy Moss](#), [Eddie George](#) and [Dick Butkus](#), as well as America's favorite mutant superhero [Wolverine](#).

To those claimants who feel they were taken for a five-finger discount by Vibram's advertisements, the settlement agreement, while expressly denying any wrongdoing on Vibram's part, calls for two forms of relief.

First, class members are eligible to receive up to \$94 per pair of FiveFingers shoes, though the settlement documents suggest that the anticipated recovery more likely will be in the range of \$20 to \$50 per pair. Any remaining funds, after claims and expenses, will be donated to the [American Heart Association](#) for research concerning running and exercise.

Second, Vibram has agreed to put the brakes on its current FiveFingers marketing and advertising campaigns. Moving forward, Vibram has agreed not to make any claims that FiveFingers footwear is effective in strengthening muscles or preventing injury, unless it can prove it.

The settlement agreement does, however, leave the door open for personal injury claims resulting from the use of Vibram's shoes. The current settlement relates solely to the claims of false and misleading advertising and goes to great lengths to note that the class did not "releas[e] any claims of...personal injury."

Minimalist running still has its [supporters](#) in far-flung running clubs, yet according to some [reports](#), sales of minimalist shoes are down this year and the trend is on the wane. Million-dollar settlement or not, if this is the case, it would appear that nobody wants to walk a mile in Vibram's shoes.

### **Postscript: In Supreme Court Title Fight, "Raging Bull" Heir Knocks Out Laches Defense**

In our [Summer 2013 Edition](#), we first wrote about the copyright dispute between MGM and Paula Petrella, the heir to Frank Petrella, whose works about boxer Jake LaMotta were adapted into the classic film *Raging Bull*. After Frank Petrella died during the initial copyright period, the renewal rights reverted to his heir, Paula Petrella, who eventually renewed the copyrights in 1991 and became the sole owner. Seven years later, she advised MGM that its exploitation of *Raging Bull* violated her copyright and threatened suit, prompting negotiations with MGM involving rights issues related to the movie. However, she waited nine years after the talks broke off before filing a copyright infringement suit in 2009. The appeals court ruled that Petrella's delay in bringing suit was unreasonable and warranted dismissal based upon the equitable defense of laches. Already groggy from two judicial knockdowns, Petrella refused to throw in the towel and filed a last-gasp petition...and the Supreme Court [took the case](#).

In a heavyweight ruling, the Court reinstated Petrella's copyright suit and ruled that the laches defense could not bar copyright claims requesting damages brought within the three-year statute of limitations period ([Petrella v. MGM, Inc.](#), 2014 WL 2011574 (U.S. May 19, 2014)). As the Court noted, rightsholders can rightly wait to bring suit based upon the existence of recoverable profits: "[T]here is nothing untoward about waiting to see whether an infringer's exploitation undercuts the value of the copyrighted work, has no effect on that work, or even complements it." Surely this ruling will embolden certain rightsholders to come out swinging and reconsider infringement actions involving works long in the marketplace, including hit songs, TV shows, comic books, and, yes, perhaps even other critically acclaimed movies besides those depicting sympathetic, self-destructive former middleweight champions.

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