

Apple v. Amazon.com – The War for "App" Dominance Advances

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Apple's recent lawsuit against Amazon opens a new front in the war for app dominance. Apple, it seems, could not abide Amazon's launch of its own mobile app marketplace – Amazon Appstore. Yet this was not the first shot fired in this battle, as Microsoft last year opposed Apple's attempt to register the APP STORE brand name with the U.S. Patent and Trademark Office.

So, why all this attention? Why are the app "super powers" – Amazon, Apple, RIM/Blackberry, Google, Microsoft – shifting their strategy from development and consumer marketing to the legal battlefield?

As the mobile phone market continues to undergo tremendous growth, the app creates a lucrative revenue stream that connects to consumers through their mobile phones, smartphones, and other devices connected wirelessly. In recent years, the smartphone has all but eliminated the basic mobile device and, more recently, downloadable software applications or "apps" have become the new technology craze.

Consumers the world over love the fact that with the right app they can get information about almost anything wherever and whenever they want. There

are travel apps, news apps, weather apps, game apps, social networking apps – the list goes on and on. Apple leads the app marketplace with over 300,000 apps available at its own App Store. Google Android follows with over 60,000 apps. BlackBerry's App World features over 10,000. Many apps are free. A number, however, are only available for purchase from the applicable device's or operating system's app "store."

Apple launched its App Store in July 2008. Microsoft opened its Windows Marketplace for Mobile in October 2009. Google launched its Google Apps Marketplace in March 2010. Enter Amazon.com whose strategy seems to be to strike a balance between the open Google Android platform and the limits and restrictions that Apple places on its platform. Amazon.com recently launched the "amazonappstore Developer Portal" and began selling apps for the Google Android in what it dubbed the "amazonappstore." After several failed attempts to persuade Amazon to stop using "appstore," Apple filed a complaint in federal court in California on March 18, 2011, alleging trademark infringement and dilution under the federal Lanham Act as well as related California state law provisions.¹

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What follows is a general overview of the protections granted by federal trademark registration, the *Apple, Inc. v Amazon.com, Inc.* lawsuit, and the elements of a federal trademark infringement suit.

Trademark and Federal Trademark Registration

A trademark is a word, phrase, symbol or design, or any combination thereof, that identifies and distinguishes the source of goods of one party from those of others. Trademark rights can be established under either state or federal law, but unlike a patent do not require registration. Since the establishment of the Lanham Act in 1946, most trademark law has been focused on federal rights; however, state law still plays a role in many trademark actions.

Rights in a mark may be established simply through the sale of a product or service in connection with the mark at issue. Federal registration, however, does provide several additional protections: (1) public notice of a claim of ownership of the mark, (2) a legal presumption of ownership of the mark and the exclusive right to use the mark nationwide on or in connection with the goods/services listed in the registration, (3) the ability to bring an action concerning the mark in federal court, (4) use of the U.S. registration as a basis to obtain the mark in foreign countries, (5) the ability to record the U.S. registration with the U.S. Customs and Border Protection Service to protect importation of infringing foreign goods, (6) the right to use the federal registration symbol [®], and (7) listing in the U.S. Patent and Trademark Office's online databases. There are also other procedural advantages that grow from registration rights. For all of those reasons, while a federal registration is not always necessary, it can often be exceptionally useful in protecting a brand.

Of course, not every word, trade dress or logo can be the subject of trademark rights. Common or generic terms (such as "car" for automobiles) cannot be registered, and a registered mark may be cancelled at any time if it becomes generic. A mark that is "merely descriptive" describes the qualities or

characteristics of a good or service, and this type of mark may be registered only if the registrant demonstrates that it has become distinctive of the applicant's goods in commerce. Suggestive marks, arbitrary marks (such as "Apple" for computers), and fanciful marks (such as "Google") are presumptively registrable if the user is first to market.

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In its complaint,² Apple alleges that Amazon has begun to use Apple's own "APP STORE" mark in connection with Amazon's mobile software developer program, and believes it intends to also improperly use its mark in connection with Amazon's mobile software download service.

Apple's "APP STORE" service allows users of Apple's iPhone, iTunes software, iPod, and iPad to, what Apple calls, "license a wide range of third party software programs." Importantly, Apple intentionally avoids in its complaint describing these "software programs or products" by their common name, "apps."

Apple claims that it created this type of service, and that the wild success of Apple's "APP STORE" prompted competitors to offer their own services, but that these competitors, barring Amazon, have used distinctive terms to brand their services without using "APP STORE," such as with Microsoft's "Marketplace."

Apple seeks to enjoin Amazon from using the "APP STORE" mark, as well as Amazon's profits, damages to Apple, and cost of its suit.

The Lanham Act and Trademark Infringement

Apple's first cause of action is taken directly from Section 43(a)(1)(A) of the Lanham Act. Apple claims that Amazon's use of APP STORE constitutes "a false designation of origin and/or a false and misleading description or representation of fact that is likely to cause confusion, to cause mistake, or to deceive as

to (a) the affiliation, connection, or association of Amazon with Apple and/or (b) the origin, sponsorship, or approval of Amazons' goods, services, or commercial activities by Apple."

The Ninth Circuit Court of Appeals, whose views will govern Apple's suit, assesses the likelihood of confusion by analyzing a number of non-exclusive factors on a case by case basis. These factors include (1) strength of the mark, (2) similarity of the marks, (3) marketing channels used, (4) proximity or relatedness of the goods, (5) likelihood of expansion of the product lines, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) evidence of actual confusion, and (8) defendant's intent in selecting the mark. These are known as the *Sleekcraft* factors after the case that inspired them, *AMF, Inc. v. Sleekcraft Boats*.³ According to another Ninth Circuit decision, *Interstellar Starship Services, Ltd. v. Epix, Inc.*,⁴ the three most important *Sleekcraft* factors in the web context are: (1) the similarity of the marks, (2) the relatedness of the goods and services, and (3) the parties' simultaneous use of the Web as a marketing channel.

The factual support presented in Apple's complaint seeks to establish that "APP STORE" is a strong mark. The critical issue, however, is that "Apple" is a strong mark in and of itself. Although the word "apple" has an alternative meaning (*i.e.*, the fruit), "Apple" as a brand identifies a technology giant. "APP STORE" without "Apple" as a modifier is a much weaker mark. The term "software download," as described by Apple, is the technical term for what the general consumer today commonly refers to as an "app." Compared to a unique identifier such as "Xerox" or "Kodak," which have no alternative meaning and whose use by another would be almost certain to cause confusion, "APP STORE" without the "Apple" designation is understood by the general consumer to be a "place to buy apps." This is Amazon's exact position. In its answer filed on April 25, 2011, Amazon states that "the words 'App Store' together denote a store for apps, such as the app stores operated by Amazon and Apple."

The Lanham Act and Dilution

Apple bases its second claim on Section 43(c) of the Lanham Act. Apple alleges that Amazon's use of "APP STORE" for its developer portal and online marketplace are also likely to cause "dilution by blurring" or "dilution by tarnishment" of the "APP STORE" mark. Specifically, the complaint alleges that Amazon's use of "APP STORE" is likely to reduce the distinctiveness of that mark by whittling away at the general consuming public's association of the mark with Apple's services. Unlike Section 43(a), dilution *does not* focus on consumer confusion. The harm caused by dilution is that a new association is created between the consumer and a different product or service.

The Ninth Circuit uses a four prong test to assess dilution claims: (1) whether the mark is famous, (2) defendant puts the mark to commercial use in commerce, (3) defendant puts the mark to use after the plaintiff's mark became famous, and (4) there exists a likelihood of dilution of the distinctive value of the mark. There are two types of dilution: blurring and tarnishment. Blurring occurs where another's use of a mark creates a threat that a product will lose its ability to serve as a unique identifier. Tarnishment, by comparison, occurs where a famous mark is improperly associated with an inferior or offensive product or service.

Although Apple may claim its app service is superior to RIM/BlackBerry's App World and other competitors' apps, its dilution claim likely centers on *blurring*. The question becomes, has "APP STORE" been blurred and its distinctiveness harmed? If the general consuming public views "APP STORE" as a "place to buy Apps" and has already lost its association of "App" to "Apple," then a court (or other governing body) could view "APP STORE" as a *generic* term. If so, Apple could lose its trademark protection of "APP STORE" altogether.

This is Amazon's main line of attack. In its answer and counterclaim,⁵ Amazon states that its use of

"APP STORE" will not cause confusion, dilution, or unfair competition; and that in any event, these claims are barred because of the doctrine of fair use – "APP STORE" is a store that sells apps, nothing more.

While there is little doubt that these tech giants are unlikely to fold in this game of high stakes trademark poker, the outcome remains very much in question for all parties. For Apple, however, any result other than a finding that APP STORE is a strong, protectable mark will be an ugly one, and we will be left with a sour Apple, indeed.

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¹ *Apple, Inc. v. Amazon.com, Inc.*, No. 11-CV-01327, Complaint (N.D. Cal. Mar. 18, 2011).

² *Id.*

³ 599 F.2d 341 (9th Cir. 1979).

⁴ 304 F.3d 936 (9th Cir. 2002).

⁵ *Apple, Inc. v. Amazon.com, Inc.*, No. 11-CV-01327, Answer and Counterclaim (N.D. Cal. Apr. 25, 2011).