

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW MEXICO**

THE NAVAJO NATION, *et al.*,

Plaintiffs,

v.

URBAN OUTFITTERS INC., *et al.*,

Defendants.

Case No. 1:12-cv-00195-LH-WDS

**THE NAVAJO NATION'S RESPONSE IN OPPOSITION TO DEFENDANTS' MOTION
TO DISMISS THE COMPLAINT**

The Navajo Nation (“Nation”)¹ responds in opposition to the Urban Outfitters Defendants’, Anthropologie Defendants’, and Free People Defendants’ (hereinafter, collectively, “Defendants”) Motion to Dismiss the Amended Complaint, ECF No. 33 (hereinafter “Motion” or “Motion to Dismiss”), and states as follows:

I. INTRODUCTION

The Nation has been using the Navajo marks in commerce for over 150 years. Amended Complaint for Injunctive Relief & Damages ¶ 3, 24, ECF No. 30 (hereinafter, the “Complaint”). The Nation first registered its NAVAJO trademark for numerous classes of goods, including clothing, accessories, and jewelry in 1944. The Nation has invested substantial capital in promoting its NAVAJO trademarks. The result is more than \$500 million in sales of NAVAJO-branded goods. The strength of the NAVAJO marks is one of the Nation’s most valuable assets.

At least as early as March 2009, Defendants branded a product line called “the Navajo line,” which included clothing, accessories, and jewelry. Upon learning of the infringement, the Nation sent a cease-and-desist letter, and demanded that Defendants stop using the Nation’s trademarks to sell Defendants’ products. In response, Defendants eliminated some trademark use of the term “Navajo,” but continued to sell their products using the “Navajo” marks on other websites and in their stores. In short, Defendants continued to knowingly and intentionally trade off of the NAVAJO marks’ goodwill to sell a variety of their items. These products not only infringed on the Nation’s trademarks, they also misled consumers into believing that the products were Indian made when, in fact, they were not. That misleading behavior violates the Indian Arts

¹ The “Nation” means the Navajo Nation as a sovereign government—the Nation’s governmental/political subdivisions, the Nation’s authorized agents, the Navajo People—who are today known by their unique political status as enrolled members of the Nation, and the Nation’s organizations, entities, and instrumentalities—including, Navajo Arts and Crafts Enterprise, and Diné Development Corporation.

and Crafts Act and the New Mexico Unfair Trade Practices Act. The Nation has adequately pleaded all of its claims, and the Motion to Dismiss should be denied.

II. ARGUMENT

A. The Pleading Standard Favors the Nation.

On a motion to dismiss, a court must “accept[] the well-pleaded allegations of the complaint as true and constru[e] them in the light most favorable to the [plaintiff].” *Doe v. City of Albuquerque*, 667 F.3d 1111, 1118 (10th Cir. 2012); Fed. R. Civ. P. 12(b)(6). “To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Id.* (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). Instead of challenging the allegations in the Complaint *as they have been pleaded*, drawing all inferences in the Nation’s favor, Defendants have attempted to introduce other facts, and to draw inferences in their favor. Defendants’ recourse to factual disputes shows that their Motion is inappropriate.

B. The NAVAJO Marks are Inherently Distinctive and Protectable.

1. The NAVAJO Marks, As Suggestive, Arbitrary or Fanciful, are Inherently Distinctive.

The Nation has alleged that its trademarks are “inherently distinctive.” Compl. ¶ 1. This allegation is plausible because the Complaint explains that the marks are suggestive, arbitrary, or fanciful, and it explains in detail why the marks are not generic or merely descriptive. *Id.* at ¶¶ 3, 24-31. This—according to the standards of *Iqbal* and *Twombly*—means the Complaint cannot be dismissed. Tenth Circuit law makes clear that the determination of whether a trademark is “inherently distinctive” is a fact-driven inquiry. *Donchez v. Coors Brewing Co.*, 392 F.3d 1211, 1216 (10th Cir. 2004). Marks are often classified in categories of progressive distinctiveness:

generic, descriptive, suggestive, arbitrary, and fanciful. *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (describing categories). The five categories are described as follows:

A mark is generic if it is a common description of products and refers to the genus of which the particular product is a species. A mark is descriptive if it describes the product's features, qualities, or ingredients in ordinary language or describes the use to which the product is put. A mark is suggestive if it merely suggests the features of the product, requiring the purchaser to use imagination, thought, and perception to reach a conclusion as to the nature of the goods. An arbitrary mark applies a common word in an unfamiliar way. A fanciful mark is not a real word at all, but is invented for its use as a mark.

Donchez, 392 F.3d at 1216 (citing *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 344 (2d Cir. 1999)).

A mark is distinctive and capable of being protected if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992). An inherently distinctive mark may “almost automatically tell a customer that [it] refer[s] to a brand and . . . immediately . . . signal[s] a brand or a product source.” *Wal-Mart Stores, Inc. v. Samara Bros. Inc.*, 529 U.S. 205, 212-13 (2000). Suggestive, arbitrary, and fanciful marks are protectable because “because their intrinsic nature serves to identify a particular source of a product, [such marks] are deemed inherently distinctive and are entitled to protection.” *Two Pesos*, 505 U.S. at 768. Descriptive marks are protectable only after they have acquired “secondary meaning,” which means that the public uses the word or symbol as a trademark to identify and distinguish a single source of goods. *Wal-Mart Stores*, 529 U.S. at 212. When a descriptive word has no secondary meaning, it has not acquired distinctive status, and therefore, is not protectable. *See, e.g., Vail Assoc., Inc. v. Vend-Tel-Co., Ltd.*, 516 F.3d 853, 882–83 (10th Cir. 2008) (“Saying that a trademark has acquired ‘secondary

meaning’ is shorthand for saying that a descriptive mark has become sufficiently distinctive to establish ‘a mental association in buyers’ minds between the alleged mark and a single source of the product”); 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 15:1 (4th ed. 2012) (“MCCARTHY”). Generic marks are not protectable.

The Nation alleges that the NAVAJO marks are either suggestive, arbitrary, or fanciful. Compl. ¶ 29. The NAVAJO marks are fanciful, because the term “Navajo” is an archaic, made-up name. It was originally a pejorative used by the Spanish when referring to the members of the Nation. It is derived from the Tewa language of the Pueblo Indians, who—like the Spanish—were often adverse to the Nation. ALONSO BENAVIDES, BENAVIDES’ MEMORIAL OF 1630 45 (Peter P. Forrestal trans., Acad. of Am. Franciscan Hist. ed. 1954). Members of the Nation, however, identify themselves as Diné, which means “the People” in their native language. Thus, “Navajo” is essentially an invented term. Alternatively, “Navajo” is arbitrary, because although it is a word used to describe an Indian tribe, it is arbitrary as applied to classes of goods: clothing, accessories, and jewelry. Finally, “Navajo” is suggestive, because it suggests, or requires thought and perception for the observer to understand that the goods sold thereunder are associated with the Nation. *See* MCCARTHY § 11:64 (discussing suggestive marks). Although the Nation has sufficiently pleaded that the NAVAJO marks are not generic or merely descriptive; because this is a factual inquiry, this Court need not decide which distinctive category applies to the NAVAJO marks at this juncture in the case.

The Nation further alleges that the NAVAJO marks are neither descriptive nor generic for the classes of goods—clothing, accessories, or jewelry. While the word “Navajo” refers to the Indian Nation that shares territory with Arizona, Utah, and New Mexico, it is not descriptive

of a category or character of goods, namely clothing, accessories, and jewelry. *See, e.g., Abercrombie*, 537 F.2d at 9, n.6 (explaining “ivory” may be generic to describe a product made from elephant tusks, but it is arbitrary as applied to soap). The Nation alleges specific facts in the Complaint to support its allegation that the NAVAJO marks are inherently distinctive. For instance, the allegation that the “NAVAJO marks are immediately recognized and associated with the Navajo Nation.” Compl. ¶ 29. The Nation further specifically alleges that the marks are not generic for a class of products, because “[c]ustomers do not go into an Urban Outfitters store and ask for a ‘Navajo.’ If they did, a sales person would not know how to assist them.” *Id.* Thus, the NAVAJO mark falls into the inherently distinctive side of the spectrum, being either suggestive, arbitrary, or fanciful, and serving as a strong source-identifier of the Nation. Accordingly, the NAVAJO marks cannot be generic marks.

2. The NAVAJO Marks are Incontestable Marks and Presumptively Valid.

The NAVAJO marks are also incontestable marks, and as such, are presumptively valid. A registered mark achieves “incontestable status” if it is in continuous use for five consecutive years, and the required affidavit is filed. 15 U.S.C. § 1065(3). Incontestable marks are presumed to be valid. *Id.* at § 1065; *Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193-97 (1985). The Nation currently has registered 86 trademarks for goods such as clothing, accessories and jewelry. Compl. ¶ 3. All but one of the Nation’s registrations at issue in this case have become incontestable under 15 U.S.C. § 1065. *E.g.* Reg. Nos. 2,237,848 (clothing); 2,976,666 (footwear, blouses, sweaters, hats); 3,602,907 (online retail store services); 3,787,515 (leather ornamented with silver and turquoise), 3,787,518 (neckties and leather belts); and 3,793,381 (shoulder bags; tote bags). Accordingly, they are presumptively valid.

A certificate of registration with the United States Patent Trademark Office (“USPTO”) is *prima facie* evidence that a mark is protectable, and that the registrant has the exclusive right to use the mark in commerce. 15 U.S.C. § 1115(a); *Lane Capital Mgmt.*, 192 F.3d at 344. Registration by the USPTO without proof of secondary meaning creates the presumption that a mark is more than merely descriptive, and thus, that a mark is inherently distinctive. *PaperCutter, Inc. v. Fay’s Drug Co.*, 900 F.2d 558, 563 (2d Cir.1990). Where, as here, a plaintiff sues for infringement of its registered mark, a defendant may not attack the mark as being merely descriptive. *Beer Nuts*, 805 F.2d at 924. Registration constitutes “conclusive evidence” of the Nation’s right to use the mark, and such marks are conclusively presumed to be protectable, either being “nondescriptive or [understood] to have acquired secondary meaning.” *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 924 (10th Cir. 1986); *see also Park ‘N Fly, Inc.*, 469 U.S. at 196-97 (concluding incontestable marks not challengeable as merely descriptive). Thus, the NAVAJO marks are incontestable, and can not be attack as being merely descriptive.

C. Defendants’ Use of the NAVAJO Marks is Not Fair Use.

Defendants also argue that their use of the word “Navajo” is fair, and cite *Hygrade Food Prods. Corp. v. H.D. Lee Mercantile Co.*, 46 F.2d 771, 772-73 (10th Cir. 1931), to support their argument that this defense may be decided on a motion to dismiss. Motion at 11. The *Hygrade* case, however, did not dismiss the complaint based on fair use of the plaintiff’s mark. Rather, in *Hygrade*, where the plaintiff was using the “Hygrade” mark to sell food products, the court ruled that defendants were using the dissimilar phrase “High Grade Food Stores” as a name for a store, but not as a trademark for goods sold in the store. *Id.* The court stated: “[t]he mere use of the phrase ‘High Grade Food Stores’ on a place of business, without marking the goods and

packages offered for sale by a trade-mark similar to that of plaintiff, would not be calculated to deceive a person exercising ordinary prudence in the purchasing of food products.” *Id.* Accordingly, Defendants’ preferred authority does not support dismissal of this case.

Instead, the weight of authority, including the law in this Circuit, holds that the fair use defense is a highly factual inquiry. *John Allan Co. v. Craig Allen Co.*, 540 F.3d 1133, 1133 (10th Cir. 2008) (holding likelihood of confusion standard, including fair use, is question of fact); *see also Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1242 (D. Colo. 2009) (same); *Shelby v. Factory Five Racing, Inc.*, 684 F. Supp. 2d 205, 217 (D. Mass. 2010) (refusing to decide fair use on a motion to dismiss). Accordingly, the asserted fair use defense is a matter of fact, which is not properly decided on the Motion to Dismiss.

1. The Fair Use Defense Does Not Apply to Inherently Distinctive Marks.

The fair use defense is also not available here, because the NAVAJO marks are inherently distinctive, and the fair use defense is inapplicable to inherently distinctive marks. *See, e.g., Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96, 133 (S.D.N.Y. 1989) (holding fair use defense unavailable with suggestive marks); *SA Bay LLC v. Hall*, 2012 WL 300735, at *11 (S.D. Tex. 2012) (concluding fair use affirmative defense not applicable in restaurant’s action alleging competitor infringed on its suggestive mark); *see also Ringling Bros.–Barnum & Bailey v. Celozzi–Ettelson Chevrolet*, 855 F.2d 480, 484 (7th Cir. 1988) (holding fair use defense requires defendant’s use merely describe goods or services offered); *Institute for Scientific Information, Inc. v. Gordon & Breach, Science Publishers*, 931 F.2d 1002, 1010 (3d Cir. 1991) (same). It is Defendants’ burden to establish any affirmative defense. And as discussed above, the NAVAJO marks are inherently distinctive marks. As distinctive marks, the

fair use defense is not available to Defendants. This well-established rule of law is logical, as an infringer cannot use a mark “descriptively” when the mark is not descriptive in the first place. Where, as here, the marks are distinctive, *e.g.*, arbitrary, fanciful, or suggestive, then the “use” may never be “fair,” because the infringer is not describing, but rather is misappropriating a distinctive mark. Thus, because Navajo is not a descriptive term as applied to Defendants’ products, Defendants’ fair use defense is inapplicable.

2. Defendants Do Not Use the Term “Navajo” Descriptively.

For the fair use defense, *it is a defendant’s responsibility to prove*: (1) it used a plaintiff’s mark in non-trademark use; (2) the phrase is descriptive of its goods or services; and (3) it used the phrase fairly and in good faith. 15 U.S.C. § 1115(b)(4); *Beer Nuts*, 711 F.2d at 937.

Defendants’ Motion fails to meet this burden. First, Defendants made trademark use of the term “Navajo.” A term or symbol is used as a trademark when it is used to identify the source of goods to the public, and to distinguish those goods from others. *Beer Nuts*, 711 F.2d at 937-38 (citing *M.B.H. Enters. v. WOKY, Inc.*, 633 F.2d 50, 53–54 (7th Cir. 1980)). Throughout the Complaint, the Nation alleges that Defendants used the word “Navajo” as a trademark in connection with their sale of clothing, jewelry, and accessories in their stores and on their websites. Furthermore, a trademark is a symbol that attracts public attention, is the most prominent element on the package, and dominates the package as a whole. *Id*; *see also Fortune Dynamic, Inc. v. Victoria’s Secret*, 618 F.3d 1025, 1040 (9th Cir. 2010) (finding Victoria’s Secret’s use of “Delicious” was to attract public attention); *Venetianaire Corp. of America v. A & P Import Co.*, 429 F.2d 1079, 1082 (2d Cir. 1970) (noting although “Hygienic” is capable of

being descriptive, and therefore noninfringing use, it is not fair use when used as a symbol to attract public attention).

Here, the Complaint and accompanying exhibits allege specific factual details to support the Nation's claim that Defendants used "Navajo" as a trademark, namely, as an "attention getting symbol." The Nation alleges that Defendants branded a product line of more than 20 items as "the Navajo line." Compl. ¶ 41. The Nation also alleges that Defendants used the word "Navajo" as an attention getting symbol to trade off of the cachet of the NAVAJO marks. *Id.* at ¶¶ 46-47. This is because Defendants advertised the word "Navajo" in the most prominent text on the webpages. *See, e.g.*, Compl., Ex. A, ECF No. 30-1. Defendants have, therefore, failed to meet their burden for the first factor.

Second, Defendants fail to show they are using "Navajo" merely to describe their products. To prevail on the second factor, Defendants must establish that they used "Navajo" in its "primary descriptive meaning." *Fortune Dynamic*, 618 F.3d at 1040. "If the original meaning of the term is not in fact descriptive of the attributes of the user's goods, services, or business, the defense is not applicable." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 (1995) (hereinafter, the "RESTATEMENT"); *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003) (concluding fair use not applicable when "Beach Boys" not used in primary descriptive sense). Here, the primary descriptive sense of the word "Navajo" is:

1. An Athapaskan people of Northern New Mexico and Arizona, ranging also into Colorado and Utah – called also *Dine*.

Webster's Third New International Dictionary of the English Language 1508 (3d ed. 1986), attached to Swope Decl., Ex. A. "[T]he scope of the fair use defense varies with the level of descriptive purity. Thus, as a defendant's use of a term becomes less and less purely descriptive,

its chances of prevailing on the fair use defense becomes less and less likely.” *Fortune Dynamic*, 618 F.3d at 1042 (rejecting claim “delicious” is descriptive for fruit flavored lip gloss).

Here, Defendants did not use the term “Navajo” in its primary descriptive sense, *e.g.*, the Athapaskan stock of North American Indians. Contrary to Defendants’ assertion, the descriptive meaning of “Navajo” does not refer to an Indian print, nor does it describe the clothing or jewelry offered by Defendants. Instead, Defendants’ infringing use of the term “Navajo” proves this point. Some of the items Defendants branded “Navajo” have no print on them anywhere whatsoever. *E.g.*, Compl., Ex. A 8, ECF No. 30-1 (“Navajo Feather Earrings”); *Id.* at 13 (“OBEY Navajo Painters Jacket”); *Id.* at 28 (“Vintage Navajo Handmade Necklace”). This usage cannot be descriptive. Thus, as the Nation alleges, Compl. ¶ 46, that Defendants’ branding a line of clothes and accessories as “Navajo” was to attract attention, and was not designed to merely describe products as “Navajo.” Another indication that a defendant is using a term descriptively is if it also uses other precautionary measures to dispel confusion. *See Fortune Dynamic*, 618 F.3d at 1042. Here, as the Nation alleges, Compl. ¶ 46, Defendants do not use any disclaimer to dispel confusion. Thus, Defendants have not met the second factor.

Third, whether there are other words available to commensurately function as describing a product is a consideration for the fair use defense. RESTATEMENT § 28; *Fortune Dynamic*, 618 F.3d at 1042-43; *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 65 (2d Cir. 2000). Here, Defendants could have used other words to describe their goods, but initially chose not to use those words. Other terms available to describe Defendants’ products include the words Defendants recently decided to use to replace “Navajo,” such as “southwestern” or “geometric.” Compl. ¶ 46. These descriptive words do not trade off of the

cachet and goodwill associated with the NAVAJO brand and its source identifier, the Nation. Accordingly, as demonstrated by Defendants' changes, they have not met their burden for any of the factors, and the fair use defense is not applicable here.²

3. Defendants' Fair Use Arguments Have No Merit.

Defendants' authorities are inapposite here. Defendants' cited fair use cases refer to the descriptive use of colors, such as "golden" or "ebony," or the multi-holed shape of a "honeycomb." *See, e.g.*, Motion at 11 (citing cases). Colors and shapes are descriptive of products. However, here, the term "Navajo" is not descriptive of the goods Defendants sell. Rather, "Navajo" is an arbitrary or fanciful term that suggests an association with the Nation.

Defendants also argue that their use of the term is fair, because some of the items are sold by individuals who "self-identify" as Navajo Indians, or are otherwise "believed to be" Navajo Indians. Motion at 10, 15. However, as made clear in the Complaint, only enrolled members of the Nation may sell goods under the NAVAJO trademarks. Compl. 2, n. 1, 15. Accordingly, Defendants' efforts to fairly use the NAVAJO trademark by claiming their products were sold by members of the Nation are meritless and fail.

Defendants also attack the Nation's allegations regarding programming "Navajo" as a search term on Defendants' websites. The Nation alleges that Defendants used "Navajo" in their internal search engines to divert customers to their products, and therefore, engaged in internal interest confusion. The use of keyword searches is recognized as trademark use in this Circuit. *See Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006) (holding that "Defendants used the goodwill associated with Plaintiffs' trademarks in such a way that

² This analysis is applicable to all of the Defendants, including the Free People Defendants, the Anthropologie Defendants, and the Urban Outfitters Defendants.

consumers might be lured to the lotions from Plaintiffs’ competitors”). Defendants argue this claim fails because the Nation does not allege individuals are making search queries to search for the Nation’s goods. Motion at 15. However, the Nation specifically alleges that Defendants are using “Navajo” to divert the customers to their products. Compl. ¶ 40. Thus, the Nation has sufficiently alleged that customers looking for Navajo-made goods are using Defendants’ search engines to find Defendants’ products.

Defendants next argue that claims against the Free People Defendants should be dismissed, because the term “Navajo Beauty” posted by a Free People customer, is not “use” by Defendants. Motion at 15. However, the Nation alleges that the Free People Defendants, not a customer, used “Navajo” to sell their products, both in their search engines, and in their labeling. *See* Compl. Ex. A, 25-33, ECF No. 30-1; Ex. C, ECF No. 30-3. Defendants’ attempts to divert the issue fail by of the plain language of the Complaint and accompanying Exhibits.

Finally, Defendants try to misconstrue trademark filings made by or on behalf of the Nation in the USPTO. Defendants claim the Nation itself asserted that the use of the term “Navajo” can be “fair” for *anyone* in a licensure agreement. However, the agreement notes that the Nation’s enrolled members’ use is not prohibited. The Nation’s members’ use does not falsely affiliate with the Nation, NAVAJO marks, or genuine products, because they have a particular political status as a matter of law. *E.g., Morton v. Mancari*, 417 U.S. 535, 554 (1974) (holding Indian tribes’ members possess special political status); 1 N.N.C. § 701 (West 2008) (providing criteria for enrollment with Nation). Indeed, the term “fair use” is not used in the agreement in the technically correct sense. Motion, Ex. A 2, ECF No. 33-1.³ Thus, the

³ A true and correct copy of excerpts of the licensing agreement is attached as Ex. B to the Swope Decl.

unremarkable statement that *enrolled members of the Nation* may sell their goods under the NAVAJO marks, Compl. 2, n. 1, does not mean Defendants' use as *non-members* is also fair.

4. Defendants' Reliance on Nominative Fair Use is Unfounded.

Defendants cursorily suggest their use of the Nation's marks was "nominative fair use." Motion at 12. Nominative fair use applies when a defendant uses a mark to refer to a trademarked good itself. *E.g., Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175-76 (9th Cir. 2010); *Brother Records*, 318 F.3d at 905. This is not an infringement only if there is no likelihood of confusion. MCCARTHY § 23:11. However, the Tenth Circuit has not adopted the Ninth Circuit's "nominative fair use" analysis. *Health Grades*, 634 F. Supp. 2d at 1241. Indeed, the circuit courts that have considered the Ninth Circuit's analysis have either rejected the approach outright or modified it to allow the likelihood of confusion to be determined largely on the traditional analysis.⁴ Even if this Court were to consider the Motion's nominative fair use defense, it is defective here because Defendants do not use the term "Navajo" to refer to the Nation's products. Thus, Defendants' using "Navajo," which is identical to NAVAJO, to refer to their products is not nominative fair use, and the defense is defective.

5. Defendants' Intent to Copy the NAVAJO Marks Was Not in Good Faith.

The Nation alleges that Defendants did not act in good faith, and that Defendants "knowingly and intentionally used the 'Navajo' and 'Navaho' names and marks for their retail goods to compete directly with the sale of the Nation's goods, which are sold using the NAVAJO trademarks." Compl. ¶¶ 8, 53, 55. As a threshold issue, whether Defendants acted in

⁴ *E.g., Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546-47 (5th Cir. 1998); *see also PACCAR Inc. v. TeleScan Tech., LLC*, 319 F.3d 243, 256 (6th Cir. 2003) (rejecting nominative fair use); *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220-22 (3d Cir. 2005) (analyzing likelihood of confusion in nominative fair use cases with modified version of traditional test, with nominative fair use considered as an affirmative defense).

good faith is an issue of intent, and therefore, is an issue of fact not appropriately decided on a motion to dismiss. *EMI Catalogue P'ship*, 228 F.3d at 68. In any event, it is Defendants' burden to show they were acting in good faith for this defense. *Id.* Defendants attempt to turn the burden of proof on its head by claiming the Nation failed to allege "how bad faith occurred." Motion at 14. However, beyond being a factual issue that is inappropriate for a motion to dismiss, this is Defendants' burden to prove, which they have not met. Thus this defense fails.

In any event, the Nation has made sufficient allegations to support its claims. "The proper focus under this factor is whether defendant had the intent to derive benefit from the reputation or goodwill of plaintiff." *Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 973 (10th Cir. 2002). "One who adopts a mark similar to another already established in the marketplace does so at his peril, because the court presumes that he can accomplish his purpose: that is, that the public will be deceived. All doubts must be resolved against him." *Id.* (quoting *Beer Nuts*, 711 F.2d at 941). Here, Defendants adopted the *identical* word, "Navajo," to sell their items. The Nation alleges Defendants did so to derive benefits from the reputation and goodwill established by the Nation. Compl. ¶ 46. Before filing this action, the Nation demanded that Defendants cease and desist their unlawful conduct. In response, Defendants modified, but did not stop their infringement. Defendants knowingly and intentionally continued, and continue to use "Navajo" to derive a benefit from the Nation's reputation associated with the NAVAJO marks. The Nation alleges sufficient facts to support its claim that Defendants intentionally infringed on the NAVAJO marks. Defendants have not met their burden to show they acted in good faith.

D. The Nation States a Claim Under the New Mexico Trademark Act.

Defendants claim that the Nation fails to state a claim for the New Mexico Trademark Act, because the Nation has supposedly failed to allege that the NAVAJO marks are famous in New Mexico. Motion at 26. The Nation controls territory spanning 27,000 square miles, and shares some of this with the State. Compl. ¶ 9. The Nation also alleges that the NAVAJO marks are famous for their products “in commerce in the United States.” Compl. ¶ 26. New Mexico is clearly included therein, and to claim the marks are not famous in New Mexico, where the Nation shares territory, when the Nation alleges the marks are famous in the United States, is simply disingenuous and defective. Still, the Nation is willing to amend the Complaint to add “New Mexico” in Count Six if this Court finds it necessary to do so.

E. The NAVAJO Marks Are Not Generic.**1. Defendants Fail to Prove Genericness, Which is a Factual Issue.**

Defendants argue the Nation’s marks are generic, and therefore not protectable. Whether a particular mark is generic is a question of fact. *Creative Gifts, Inc. v. UFO*, 235 F.3d 540, 544 (10th Cir. 2000). The Nation alleges that the NAVAJO marks are inherently distinctive. As inherently distinctive marks, they are not, generic. *See supra.*, Section II.B. And Defendants’ challenge to the Nation’s marks is not appropriately considered on their Motion. Thus, on this basis alone, this Court’s denial of Defendants’ Motion is appropriate.

Moreover, Defendants have the burden of proof regarding the asserted genericness of the NAVAJO marks. *Creative Gifts.*, 235 F.3d at 545; *Reno Air Racing Ass’n, Inc. v. McCord*, Case No. 02-0474, 2004 WL 3561191, at *3-4 (D. Nev. Mar. 9 2004). To this point, the Nation’s NAVAJO registrations provide *prima facie* evidence of their validity, which further reinforces

the strong presumption in the Nation's favor that its marks are not generic. *Creative Gifts*, 235 F.3d at 545; 15 U.S.C. § 1057(b); *see also Liquid Controls v. Liquid Control Corp.*, 802 F.2d 934, 936 (7th Cir. 1986) (defendant's burden); *Horizon Mills Corp. v. QVC, Inc.*, 161 F. Supp. 2d 208, 214 (S.D.N.Y. 2001)(same). Accordingly, Defendants have not met their burden of proving genericness, and this Court should appropriately deny the Motion.

2. The NAVAJO Marks Are Not Generic for a Class of Goods.

Defendants argue the NAVAJO marks are generic, and as such, are not protectable as trademarks. In the Tenth Circuit, “[a] generic mark refers to a general class of goods, such as ‘cola,’ of which an individual article is but a member.” *Sally Beauty*, 304 F.3d at 976; *Beer Nuts*, 711 F.2d at 939. Generic marks do not indicate the particular source of an item, and are not entitled to trademark protection. *Sally Beauty*, 304 F.3d at 976. In contrast, descriptive terms may become trademarks where they have acquired secondary meaning. As the Tenth Circuit has stated:

A descriptive term identifies a characteristic or quality of an article or service... Because a descriptive term is one which a competitor would likely need to use in describing his product, the term does not indicate that a product comes from a single source. Therefore, a trademark that is descriptive may be registered only if it has acquired secondary meaning.

Beer Nuts, 711 F.2d at 939-40; *see supra.*, Section II.B.

In determining whether a term is generic, the predominant test courts rely upon is the “who-are-you/what-are-you” test: “A mark answers the buyer's questions ‘Who are you?’ ‘Where do you come from?’ ‘Who vouches for you?’ But the [generic] name of the product answers the question ‘What are you?’” *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1391

(9th Cir. 1993) (quoting 1 J. THOMAS MCCARTHY, § 12.01 (3d ed. 1992)).⁵ Under this test, “[i]f the primary significance of the trademark is to describe the type of product rather than the producer, the trademark [is] a generic term and [cannot be] a valid trademark.” *Filipino Yellow Pages, Inc. v. Asian Journal Publ’ns, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999).

The NAVAJO marks clearly answer the question “who are you,” rather than “what are you.” A NAVAJO-branded item indicates that it originates from its producer, the Nation. The term “Navajo” is not generic, because it does not name “what are you.” It does not name any type, kind, or class of goods. The following example shows the flaws in Defendants’ argument. Chevrolet cannot forbid Ford from describing its products as a “car” because “car” is a generic term. Similarly Defendants argue that the Nation cannot prevent them from describing their items as “Navajo,” because “Navajo” is a generic word, too. But “car” names an entire class of goods. In contrast, “Navajo” does not name an entire class of goods. Rather, as the Nation specifically alleges in the Complaint, “if customers go into an Urban Outfitters store and ask for a ‘Navajo,’ a sales person would not know how to assist them.” Compl. ¶ 29. Unlike the example above and Defendants’ argument, “Navajo” is not a generic term for an entire class of clothing, accessories, or jewelry.

Defendants also argue that the word “Navajo” is a “generic descriptor” for “a type of design and style of clothing and clothing accessory.” Motion at 16 (citing *Miller Brewing Co. v.*

⁵ See *Bos. Duck Tours, LP v. Super Duck Tours, LLC*, 531 F.3d 1, 14 (1st Cir. 2008); see also generally *Colt Def. LLC v. Bushmaster Firearms, Inc.*, 486 F.3d 701 (1st Cir. 2007); *Rudolph Intern., Inc. v. Realys, Inc.*, 482 F.3d 1195 (9th Cir. 2007); *Nat’l Nonwovens, Inc. v. Consumer Prods Enterps., Inc.*, 397 F. Supp. 2d 245 (D. Mass. 2005); *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925 (9th Cir. 2005); *Soc’y of Fin. Exam’rs v. Nat’l Ass’n of Certified Fraud Exam’rs*, 41 F.3d 223 (5th Cir. 1995), *cert. denied*, 115 S. Ct. 2247 (1995) (test applied); *Eagle Snacks, Inc. v. Nabisco Brands, Inc.*, 625 F. Supp. 571, 581 (D.N.J. 1985) (noting treatise test of “What are you-Who are you?” was used as “the clearest test for genericness”); *In re B. C. Switzer & Co.*, 211 U.S.P.Q. 644, 1981 WL 40491 (T.T.A.B. 1981); *CES Publ’g Corp. v. St. Regis Publ’ns*, 531 F.2d 11 (2d Cir. 1975).

G. Heileman Brewing Co., 561 F.2d 75 (7th Cir. 1977)). Defendants incorrectly conflate the trademark categories by asserting that the mark is a “generic descriptor.” Motion at 16. “Generic” and “descriptive” are separate categories that have different implications for trademark analysis, and courts have held that it is reversible error to characterize a mark as a “generic descriptor.” *E.g.*, *Express Servs., Inc. v. Careers Exp. Staffing Servs.*, 176 F.3d 183, 186 (3rd Cir. 1999). Adoption of Defendants’ incorrect statement of the law is inappropriate.

Some courts in other circuits have allowed adjectives to be generic terms to name a kind of class of goods, such as “light beer” for low calorie beer. *E.g.*, *Miller Brewing*, 561 F.2d at 79–80. The Tenth Circuit, however, has not held that an adjectival descriptor may be generic. Instead, the Tenth Circuit has expressly rejected the proposition that an adjective may be a generic term for a class of goods. *See Creative Gifts*, 235 F.3d at 546 (concluding website evidence showing term used as an adjective not relevant to whether term described class of goods). Defendants have tried to introduce evidence of webpages to support their assertion that the term “Navajo” has become generic. Motion, Ex. B, ECF No. 33-2. However, in addition to Defendants’ impermissible attempt to introduce evidence on a motion to dismiss, such adjectival evidence—namely, webpages—to show genericness has expressly been rejected by the Tenth Circuit. *Creative Gifts*, 235 F.3d at 546.

Defendants have accordingly failed to prove genericness. Because generic use implies some use consistent with a common understanding, courts have often looked to dictionaries as a source of evidence on genericness. *See, e.g.*, *Liquid Controls*, 802 F.2d at 937 (relying on Webster's Third); *Gimix, Inc. v. JS&A Grp., Inc.*, 699 F.2d 901, 905–06 (7th Cir. 1983) (noting lack of dictionary evidence; finding “auto page” not generic); *Miller Brewing*, 561 F.2d at 80–81

(using Webster's Third). In *Miller*, for example, the Seventh Circuit cited dictionary definitions to hold that "'Light' is a common descriptive word when used with beer." 561 F.2d at 81. As noted above, Webster's Third defines "Navajo" as "the Athapaskan people of northern new Mexico and Arizona." *See supra.*, Section II.C.2. The dictionary definition of "Navajo," therefore, demonstrates it is not a common descriptive word when used with clothing, accessories or jewelry. "Navajo" is not a generic term, because it does not refer to a kind or subclass of goods. *See Henri's Food Prods. Co. v. Tasty Snacks*, 817 F.2d 1303 1305 (7th Cir. 1987) (holding "tasty" not a generic term to describe salad dressing). In sum, Defendants have the burden of proving genericness, and they may not introduce evidence in support of their arguments in the Motion. Even if this Court were to consider the merits of Defendants' generic argument, it fails as a matter of law, because the NAVAJO marks do not name a class of goods of clothing, accessories, or jewelry.

F. The NAVAJO Marks are Famous Under the Trademark Dilution Statute.

Defendants claim that the NAVAJO marks are not famous. The Lanham Act states: "a mark is famous if it is 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." 15 U.S.C. § 1125(c)(2)(A). The statute has a four-part test for determining whether a mark is famous. *Id.* This test considers the duration and extent of use of the mark in connection with the goods and services, and the degree of recognition of the mark in the channels of trade used by the mark's owner. Where, as here, the Nation and Defendants are using the same mark in the same or related markets, the mark must be famous in a specialized market. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 163 (3d Cir. 2000). The Nation alleges that the

NAVAJO marks have been in commerce for 150 years, and were first registered in 1944. Compl. ¶ 3; *see also* Swope Decl., Ex. C, (providing 1944 Registration (cancelled)). The Nation also alleges that the NAVAJO marks are immediately and broadly recognized as the Nation's marks by purchasers of consumer goods, including clothing, accessories and jewelry. The Nation further alleges that the NAVAJO marks are famous marks, and that they have been famous for decades before Defendants' use. Compl. ¶ 31.

Defendants' argument—that the Nation has failed to allege a dilution by blurring claim, because the consuming public does not associate the term “Navajo” exclusively with the Nation—similarly has no merit. For the Lanham Act, “dilution by blurring” is association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the latter. 15 U.S.C. § 1125(c)(2)(B). The Nation alleges that Defendants' misappropriation of the NAVAJO marks to promote their marketing and retailing of the 23-product “Navajo Collection” makes it very likely consumers will incorrectly believe NAVAJO is an indistinct term. Compl. ¶ 60. The Nation's allegations state a claim for relief for trademark dilution by blurring.

Defendants also argue that the Nation has failed to allege dilution by tarnishment because: (1) the Nation itself has registered the trademark for shot glasses; (2) Defendants have not produced lower quality goods, because customers have given them “three-star ratings;” (3) the Nation's products are not sold in the same channels of trade as Defendants', as evidenced by a separate trademark registration that supposedly states the Nation's products are only sold on the Navajo Reservation; and (4) using “Navaho” is not scandalous. Motion at 20-21. “Tarnishment occurs where a trademark is ‘linked to products of shoddy quality, or is portrayed

in an unwholesome or unsavory context[.]” *N.Y. Stock Exch., Inc. v. N. Y., N. Y. Hotel LLC*, 293 F.3d 550, 558 (2d Cir. 2002). The Nation addresses each of Defendants’ arguments in turn.

First, the NAVAJO marks are not registered for shot glasses. The Nation’s Gaming Enterprise (“NNGE”) owns casinos, with names that include “Navajo.” The NNGE has registered marks such as FIREROCK NAVAJO CASINO. The NNGE’s provision of alcohol occurs pursuant to a narrow exception to the Nation’s criminal prohibitions covering alcohol. The Nation generally bans the sale and consumption of alcohol within its borders, except within the confines of the dining areas of a NNGE facility. 17 N.N.C. §§ 410- 412(D). The NNGE sells alcohol as a complimentary good to gaming. Further, shot glasses, which can only be used to serve alcohol in the NNGE’s facilities dining rooms, are different than flasks, which facilitate the transport and concealment of alcohol. The Nation alleges that Defendants’ sale of flasks using the term “Navajo” tarnishes the Nation’s marks. Compl. ¶ 63. Defendants’ argument that there is no tarnishment because the NNGE has registered marks for shot glasses is not entirely accurate, nor is it a basis to dismiss the Nation’s dilution claim.

Second, the Nation alleges that Defendants’ sales of products of significantly lower quality than the Nation’s own authentic comparable products harms the NAVAJO marks’ reputation. Compl. ¶¶ 64-65. Defendants’ argument that some consumers like the lower quality products—according to some unknown scale entirely of Defendants’ own making—does not show that the Nation has failed to state a tarnishment claim.

Third, the Nation alleges that Defendants have sold, and are selling their goods in the same channels of trade as the Nation’s. *Id.* at ¶ 65. For example, Defendants sell their goods over the Internet, and the Nation also sells its goods over the Internet. *Id.* at ¶¶ 30, 52. Defendants

argue that a trademark registration *for tableware sold only within the territory of the Nation* is evidence that the parties sell their goods in different channels of trade. *See* Reg. No. 78883232, attached as Ex. D to Swope Decl. This separate trademark registration is not the subject of this lawsuit, and the Nation, thus, is not estopped from bringing its trademark dilution claim. Finally, the Nation alleges that Defendants’ use of “Navaho” is contrary to Navajo law, and is scandalous. Compl. ¶ 66. Navajo law is clear, and Defendants’ conduct violates it. 1 N.N.C. § 502 (West 2008)). The Nation alleges sufficient facts to state a trademark dilution claim. This Court’s denial of the Motion, therefore, is appropriate.

G. The Nation’s Indian Arts and Crafts Act Claim is Proper Here.

The Indian Arts and Crafts Act (“IACA”), 25 U.S.C. § 305 *et seq.* (2012), prohibits selling a good “in a manner that falsely suggests it is . . . an Indian product.” *Id.* at § 305e(b). The Nation alleges that Defendants sells various specific goods, including clothing and jewelry, manners that suggests they were Indian made when, in fact, they were not. Compl. ¶ 106. These allegations create a plausible case that Defendants violated the IACA, and Defendants’ Motion to Dismiss should be denied on this point. Defendants note some potential factual disputes, such as whether their clothes are “contemporary clothing” (and therefore, perhaps, not covered by the IACA), or whether the products marketed as “Navajo” are made by “individuals who self-identify as Navajo” (and therefore, perhaps, are Indian made). Motion at 14-15, 23-24. But such factual disputes are not properly decided on a motion to dismiss. *Twombly*, 550 U.S. at 563.

Defendants also argue that, for instance, the Nation has no claim—at all—under the IACA because it has not alleged “that product hang tags suggest the accused products are Indian made.” Motion at 25. That argument is plainly incorrect: a defendant need not violate the IACA

in *every* conceivable way to state *any* claim; not surprisingly, Defendants cite no authority to support that position, and this argument is appropriately rejected. Defendants also take a trademark filing out of context for the position that the IACA does not cover clothing. Motion, Ex. H. *But the federal regulations interpreting the IACA clearly provide that the IACA does cover clothing.* 25 C.F.R. § 309.15(a) (defining Indian apparel as “including, but not limited to, parkas, jackets, coats, moccasins, boots, slippers, mittens, gloves, gauntlets, dresses, and shirts).

The Nation has pleaded plausible, specific claims, such as that Defendants’ “Navajo Bracelet,” “Navajo Feather Earring,” and “Navajo Glove,” violate the IACA. Compl. ¶ 105. Defendants are selling these products in a way that falsely suggests that they are Indian made in violation of the IACA. Defendants’ Motion to Dismiss the IACA claim is appropriately denied.

H. The Nation Has Standing Under the New Mexico Unfair Trade Practices Act (“UPA”).

Defendants’ Motion argues that the Nation lacks standing under the UPA. Motion at 25-26. Because the text of the statute and reported cases give standing to third-parties, such as the Nation, Defendants’ Motion to Dismiss the UPA claim must fail. The UPA prohibits “any person” from misleading conduct in commerce. N.M. Stat. § 57-12-2(D). The “any person” language is expansive, and it allows a competitor standing to bring a UPA claim. The controlling New Mexico case is *Lohman v. Daimler-Chrysler Corp.*, 2007-NMCA-100, 142 N.M. 437, 166 P.3d 1091. *Lohman* considered third-party standing and held that third-parties have standing for the UPA. *Id.* at 1096-97; *Id.* at 1098 (“[UPA] does not require the plaintiff to acquire goods or services *from* the defendant”).

The *Lohman* court rejected Defendants’ reading of *Santa Fe Custom Shutters & Doors, Inc. v. Home Depot U.S.A., Inc.*, 2005-NMCA-051, 137 N.M. 524, 113 P.3d 347. Santa Fe

Custom Shutters & Doors was selling its products through Home Depot outlets. Believing that Home Depot had broken a promise to promote its goods, Custom Shutters & Doors sued for breach of contract, as well as violations of consumer protection laws. The court stated that “the UPA gives standing only to buyers of goods or services,” 113 P.3d at 353, was made when considering whether there was a UPA claim against Home Depot—as a buyer of Custom Shutters & Doors products—by Custom Shutters & Doors—as a seller. *Id.* This is not the case here.

Defendants’ reliance on *Guidance Endodontics, LLC v. Dentsply Int’l, Inc.*, 708 F. Supp. 2d 1209 (D.N.M. 2010), is similarly inapposite. Relying on *Santa Fe Custom Shutters*, the *Guidance* court held that sellers may not use the UPA against buyers. *Id.* at 1256. Like *Santa Fe Custom Shutters*, *Guidance* dealt with a seller’s standing, not a competitor’s standing (as the Nation’s standing here). Finding that a seller may not sue a buyer under the UPA is a world apart from the situation here, where a competitor seeks to invoke the UPA. This makes sense because the UPA is designed to prevent unfair practices by sellers; and a competitor, like a buyer, is hurt by a seller’s deceptive practices, which grants a competitor standing. The instant case is similar to *Lohman*, a case that distinguished *Santa Fe Custom Shutters*, and granted the third-party in that case standing to bring the claim. The Nation similarly has standing to pursue its UPA claim here.

III. CONCLUSION

Based on the foregoing, Defendants’ Motion to Dismiss is appropriately denied.

RESPECTFULLY SUBMITTED this 24th day of July, 2012.

NAVAJO NATION DEPARTMENT OF JUSTICE
HARRISON TSOSIE, ATTORNEY GENERAL

/s/ B. L. Lewis .

Brian L. Lewis, Attorney
BIA Club Building
Post Office Box 2010
Window Rock, Navajo Nation (Arizona) 86515
Telephone: 928/871-6933 / Fax: 928/871-6200
blewis@nndoj.org

KELLER ROHRBACK, L.L.P.

/s/ Karin B. Swope .

Mark A. Griffin (pro hac vice)
Karin B. Swope (pro hac vice)
1201 Third Avenue, Suite 3200
Seattle, Washington 98101
Telephone: 206/428-0561 / Fax: 206/623-3384
mgriffin@kellerrohrback.com
kswope@kellerrohrback.com
Attorneys for the Navajo Nation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 24th day of July, 2012, I filed the foregoing electronically through the CM/ECF system, which caused the following counsel to be served by electronic means:

H. Jonathan Redway
jredway@dicksonwright.com

Nicole M. Meyer
nmeyer@dicksonwright.com

Melissa A. Alcantara
malcantara@dicksonwright.com

Alfred Green, Jr.
algreen@btblaw.com

Joseph A. Fink
jfink@dicksonwright.com

The following parties have not yet appeared or registered with ECF and will be served via U.S. Mail:

Michael Silbert
Deputy General Counsel for Urban Outfitters, Inc.
Urban Outfitters, Inc.
UrbanOutfitters.com L.P.
Urban Outfitters Wholesale, Inc.
Anthropologie, Inc.
Anthropologie.com, L.P.
500 South Broad Street
Philadelphia, PA 19112-1495

/s/ Karin B. Swope
Karin B. Swope