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Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

7th Circ. Hands Victory To Sunstar In Trademark Feud

By **Jacqueline Bell**

Law360, New York (October 30, 2009) -- Handing a victory to Japan's Sunstar Inc. in a nearly nine-year battle with Alberto-Culver Co., maker of Alberto VO5 hair care products, a federal appeals court has ruled that the legal meaning of a Japanese term used in a trademark license agreement between the two must be taken into consideration.

In a strongly-worded decision handed down by Judge Richard A. Posner on Wednesday, the U.S. Court of Appeals for the Seventh Circuit also made clear that the Japanese legal term used in the contract, senyoshiyoken, plainly indicates that hair and beauty products producer Sunstar should be entitled to make small changes to the VO5 trademark at issue.

Bryan W. Leach, an associate at Bartlit Beck Herman Palenchar & Scott LLP who argued the case on behalf of Sunstar before the appeals court, said the Japanese company was gratified by the court's ruling.

“We are very pleased that the Seventh Circuit has overturned the judgment against Sunstar in this long-standing dispute. The court's opinion vindicated Sunstar's continued use of the popular VO5 brand in Japan,” said Leach.

The spat between the two firms centered on a license agreement allowing Sunstar to use certain trademarks held by Alberto-Culver Co. in Japan. Most of the trademarks at issue in the case are versions of the VO5 mark.

According to the opinion, the agreement between the two companies gave Sunstar a senyoshiyoken, a term of art in Japanese trademark law that translates to “exclusive-use right.”

In 1999 Sunstar began using what it called a “modernized” version of the V05 trademark, using a different typeface and adding a black background and a white bar.

Alberto-Culver refused to allow Sunstar to use the variant under the terms of the agreement, but Sunstar challenged the company's denial by filing a lawsuit in 2001 in U.S. court, seeking a declaration that Sunstar's changes are permitted by the license.

A long and complex legal battle ensued, but the fight turned on whether the meaning of the Japanese legal term senyoshiyoken should be taken into account by U.S. courts.

The district court ruled that the Japanese term should not be a factor and refused to instruct the jury on the legal meaning of the word. The jury returned a verdict for Alberto-Culver, and the judge enjoined Sunstar from using the VO5 variant and ordered the license agreement terminated.

In the Wednesday ruling, the appeals court said the use of a technical term in a contract, even a foreign term, is presumed to be used in its technical sense, requiring U.S. courts to interpret its meaning.

“That meaning, we have decided as a matter of law, because it is an issue of law, is that the holder of such a license is entitled to make minor changes in the trademark without being deemed to have exceeded the rights conferred on it by the license,” the court ruled.

The Seventh Circuit said that while it was “tempted” to order all claims dismissed, Sunstar had only asked for a new trial.

“We doubt that further trial proceedings are warranted, but leave that decision to be made in the first instance by the district court.” the Seventh Circuit ruled. It also ordered that the remanded case be reassigned to a different district court judge.

Craig S. Fochler, partner at Foley & Lardner LLP, who represented Alberto-Culver, said the company will be asking the appeals court to reconsider the ruling.

“We believe there were some misapprehensions of fact and misconstructions of the law, particularly Japanese law,” Fochler said.

Sunstar is represented by Bartlit Beck Herman Palenchar & Scott LLP, and Alberto-Culver is represented by Foley & Lardner LLP.

The case is Sunstar Inc. v. Alberto-Culver Co. et al., case numbers 07-3288, 07-3289, 08-3835, 08-3836, 08-3931 and 08-3936, in the U.S. Court of Appeals for the Seventh Circuit.