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May 25, 2006

VIA E-MAIL AND U.S. MAIL

Brad H. Hamilton
Jones & Keller
World Trade Center
1625 Broadway, Suite 1600
Denver, Colorado 80202

**Re: Infringement of Shea Homes' Trademark Rights
Our Reference No. 17060-0001**

Dear Mr. Hamilton:

I am in receipt of your letter of May 4, 2006. The arguments made in your letter do not alter our opinion that Mr. Petrelli's use of the **myhighlandsranch.com** domain name infringes Shea Homes' federal and common law rights in the mark HIGHLANDS RANCH®.

1. Third Party Use.

You argue that the HIGHLANDS RANCH® mark is weak and subject to limited protection because various third parties make use of the term "Highlands Ranch" in their business and trade names. We disagree. As I am sure you are aware, the Lanham Act distinguishes trade names from trademarks by definition and does not provide for registration of trade names. *In re Leticia Corp.*, 226 U.S.P.Q. 276, 277 (TTAB. 1985) (noting "the clear intention by Congress to draw a line between indicia which perform only trade name functions and indicia which perform or also perform the function of trademarks or service marks"). In fact, the United States Patent and Trademark Office ("USPTO") will refuse registration of the matter on both the principal and supplemental register that it determines serves solely as a trade name. *Trademark Manual of Examining Procedure* ("TMEP") § 1201.01. Therefore, the fact that various businesses may use the term "Highlands Ranch" as part of their business or trade name bears absolutely no relevance on the strength and/or validity of Shea's federal or common law rights in the HIGHLANDS RANCH® mark or the likelihood of consumer confusion resulting from your client's use of the **myhighlandsranch.com** domain name.

In addition, to Shea Homes' knowledge, none of the businesses to which you refer use the name or mark "Highlands Ranch" in connection with real estate development or real estate

sales services—services offered by Shea Homes under its mark (as a result of its common law usage, Shea Homes rights extend beyond merely construction services). Moreover, Shea Homes has licensed the use of the mark to a number of third parties. Conversely, as in this case, whenever Shea Homes becomes aware of an unauthorized commercial use of the HIGHLANDS RANCH® mark, Shea Homes takes prompt action to stop such use.

2. **Web Site Disclaimer.**

Your client is using “Highlands Ranch” in its domain name as an “attention-getting” symbol. The initial interest confusion that is created thereby constitutes trademark infringement. *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 304 F.3d 936, 664 U.S.P.Q.2d 1514 (9th Cir. 2002). The fact that Mr. Petrelli has added a disclaimer to his web site does not remedy this initial interest confusion. *PACCAR, Inc. v. TeleScan Technologies, LLC*, 319 F.3d 243 (6th Cir. 2003) (“a disclaimer disavowing affiliation with a trademark owner read by a consumer after reaching the web site comes too late. This ‘initial interest confusion’ is recognized as an infringement under the Lanham Act.”). Consequently, Mr. Petrelli’s use of the **myhighlandsranch.com** domain name violates Shea’s trademark rights.

3. **The Highlands Ranch® Mark is Not Merely Geographically Descriptive.**

You contend that the HIGHLANDS RANCH® mark is merely geographically descriptive since it serves as the name of a community with a physical location. Neither the facts nor the law support your position. Shea Homes and its predecessors are the developers of Highlands Ranch. The success and notoriety of the Highlands Ranch community is directly attributable to promotional activities of Shea Homes and its predecessors. Accordingly, the mark HIGHLANDS RANCH® is subject to trademark protection. *See e.g., In re Pebble Beach Co.*, 19 U.S.P.Q.2d 1687 (TTAB. 1991) and *Prestwick, Inc. v. Don Kelly Bldg.*, 302 F.Supp. 1121 (D.Md. 1969) (finding names of geographic significance to be distinctive and registerable).

In the case of *In re Pebble Beach Co.*, the PTO Trademark Trial and Appeal Board reversed a refusal that was based on a conclusion of primary geographic descriptiveness. There, the applicant sought to register *17 Mile Drive* with various goods and services. The goods and services were rendered in an area in California known as the 17 Mile Drive. The TTAB held that “the mere fact that a term may be the name of a place that has a physical location does not necessarily make that term primarily geographically descriptive” and that “terms which denote areas which have a physical location can also be registered and function as trademarks.” The TTAB noted that the name *17 Mile Drive* “was coined by the applicant’s predecessor to refer to both its carriage ride services and the place where those services were performed,” and concluded that “the fact that ‘17 Mile Drive’ is well known, and people may know the geographic area where it is located, does not make this a geographic term within the meaning of the Act.”

The facts of *Prestwick* are even more analogous. There, a real estate developer had chosen the name *Tantallon* for “an exclusive, planned community developed by the plaintiff out of raw acreage in Prince George’s County, Maryland.” The Court rejected the argument that the

Tantallon name had “general geographic meaning and as such is not susceptible to registration as a service mark.” The Court noted that prior to its adoption by plaintiff, the *Tantallon* name had “no generally known geographic significance” and reasoned that the developer’s “success, nurtured by its promotional activities in the area, and becoming recognized by the general public does not deprive it of its service mark.” Accord *Pebble Beach Co. v. Tour 18*, 942 F.Supp. 1513, 1538 (S.D. Tex. 1996) (rejecting argument that names *Pinehurst* and *Harbour Town*, which were designated as locations on maps and by road signs, were merely geographically descriptive as used by owner/operators of golf courses and related facilities; court held that “where a developer chooses an arbitrary mark to designate a development, the mark is protectable despite geographic aspects of the development,” reasoning that “if there is any geographic connotation to *Pinehurst*, such meaning has developed over time since the creation of Pinehurst Resort and is directly attributable to the growth and success of the resort”).

More significantly, Shea Home’s federal registration entitles it to the presumption that its HIGHLANDS RANCH® mark is valid and protectable and not “merely geographically descriptive.” Indeed, Shea Home’s HIGHLANDS RANCH® mark was federally registered on the Principal Register without proof of secondary meaning which, as you know, is permitted only for inherently distinctive trademarks.

4. Laches Does Not Apply.

You contend that Shea’s infringement claims are barred by laches. However, as you are undoubtedly aware, laches is not measured from the date of defendants’ first use of the mark, but from the point in time when plaintiff has actual or constructive notice of defendants’ infringing activities. *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 142 U.S.P.Q. 239 (2nd Cir. 1964). Moreover, a trademark owner is not required to object to an infringer’s use of its mark until the infringing user has had substantial exposure in common channels of trade so as to pose a real threat of potential confusion. See e.g., *E&J Gallo Winery v. Gallo Cattle Co.*, 12 U.S.P.Q.2d 1657 (E.D. Cal. 1989), modified, *aff’d*, 955 F.2d 1327 (9th Cir. 1992), amended, 976 F.2d 1280 (9th Cir. 1992). Here, Shea Homes only became aware of your client’s web site within the past 60 days. Upon becoming aware of your client’s site, Shea Homes promptly issued its cease and desist directive. Accordingly, Shea Homes cannot be said to have engaged in undue delay.

Furthermore, to avail itself of a laches defense, a defendant must prove not just undue delay but, also, resulting prejudice. *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 951 (9th Cir. 2001). More significantly, where the evidence establishes the infringement was willful and deliberate, defendant cannot establish prejudice and laches does not apply. *Id.* at 956-57. In this case, a reasonable fact finder can easily conclude that your client’s use of the HIGHLANDS RANCH® mark as an attention-getting symbol constitutes intentional infringement and, therefore, laches will not apply.

Finally, many cases have found that delays far longer than the four year period of time your client has allegedly made commercial use of the mark are insufficient to constitute laches. See e.g., *Roto Rooter Corp. v. O’Neil*, 513 F.2d 44 186 U.S.P.Q. 73 (5th Cir. 1975) (five year

delay); *Friend v. H.A. Friend & Co.*, 416 F.2d 526, 163 U.S.P.Q. 159 (9th Cir. 1969) *cert. denied*, 397 U.S. 914, 25 L.Ed.2d 94, 164 U.S.P.Q. 41 (1970) (six year delay); *San Francisco Association for Blind v. Industrial Aid for Blind, Inc.*, 152 F.2d 532, 68 U.S.P.Q. 59 (8th Cir. 1946) (eight year delay).

5. **Cybersquatting.**

We strongly disagree with your assertion that the facts of this case do not evidence cybersquatting. One of the statutory factors that indicate a person has acted with a bad faith intent in registering a domain name is the person's intent to divert consumers to his/her own web site for commercial gain. 15 U.S.C. § 1125(d)(1)(B)(i)(V). Your client could have easily identified his services using a different domain name such as **www.brianpetrilli.com**, which he has already registered and is, in fact, using. There, he could state that he has listings in or can assist with the purchase and sale of homes within Highlands Ranch without running afoul of Shea Homes' trademark rights. However, in using the **myhighlandsranch.com** domain name he goes well beyond a fair use description of the services he offers. Rather, as noted above, he is using the HIGHLANDS RANCH® mark in his domain name as an attention-getting tool to divert consumers to his website for commercial gain. Therefore, his conduct falls squarely within the type of conduct prohibited under the Act.

6. **Conclusion.**

In conclusion, Shea would prefer to resolve this dispute without resorting to litigation. However, Shea must protect its rights in the HIGHLANDS RANCH® mark. As indicated before, Shea is willing to reimburse your client for any fees associated with the immediate transfer of the domain name. However, if we do not obtain your client's agreement to transfer the domain on or before June 15, 2006, Shea will initiate legal action to compel transfer of the domain name and to pursue all other rights and remedies available to it at law and in equity.

Sincerely,

GALLAGHER & KENNEDY, P.A.

By:


Robert J. Itri

RJl:jb

cc: Matthew Watson
Jeff Donelson