Trademark Law

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1. Introduction to Trademark Law

Welcome to trademark law. This introductory chapter has three purposes. First, it outlines some basics of trademark law at a very high level of generality. Second, it outlines some traditional arguments for the protection of trademark rights. Finally, it introduces some issues that complicate the development and application of trademark law.

At the outset, it is worth noting that trademark law is always in dialogue with other social practices and legal systems. You don't need to take a stroll in Times Square to know that we are awash in brands. Their creation and promotion consume an enormous amount of resources. The choices made by marketers are, of course, strongly influenced by the requirements of trademark law, but other imperatives shape their strategies and, in turn, our experiences with trademarks. As we will see, trademark doctrine has a set of conceptions about the relationship between citizens and trademarks, but that relationship is not necessarily congruent with the one that emerges from our interactions with trademark creators and marketers.

Likewise, trademark law is just one of several legal doctrines grouped in the "intellectual property" category. As we will study, the federal copyright and patent regimes both leave marks on the scope of trademark rights, and the state law right of publicity overlaps with certain aspects of trademark doctrine.

In my view, however, classifying trademark law as a subset of intellectual property law obscures its parallel status as a regulator of marketplace information. Trademark law is one of many doctrines—both state and federal, regulatory and tort—that shape the creation and dissemination of information to us in our capacities as consumers and citizens. Some of these doctrines are quite general and could be the topic of a course of their own. For example, federal false advertising law creates a cause of action against advertising that "misrepresents the nature, characteristics, qualities, or geographic origin of . . . [a] person's goods, services, or commercial activities." 15 U.S.C. § 1125(a). Other consumer information rules can be incredibly specific, as when federal law spells out what kinds of whisky may be labeled as "bourbon." 27 C.F.R. § 5.22(b). Detailed regulations of this sort may also cover broader product categories, as is the case for the rules surrounding what may be labeled as "organic." 7 CFR Part 205. And, of course, many important laws shaping the consumer information ecosystem are not explicitly about consumer information at all. Most notably, section 230 of the Communications Decency Act is critical legal infrastructure for the existence of websites that host consumer ratings and reviews of goods and services. Most of these sites did not exist, and were not contemplated, when the law was first passed in the 1990s.

Trademark law is just a part of this larger legal framework, offering its particular views on a range of consumer information issues. Some of its answers may conflict with those offered by other regimes. As you move through these materials, you might ask yourself not only whether trademark law answers these questions correctly, but also whether trademark law is the appropriate arena for resolving some of the underlying disputes.

Some basics

Terminology. We begin with terminology. Simply stated, a *trademark* is anything used to identify and distinguish goods in the marketplace. Or as the statute puts it, a trademark is "any word, name, symbol, or device, or any combination thereof" that is used "to identify and distinguish" the markholder's goods "from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."[1] 15 U.S.C. § 1127. So PEPSI functions as a trademark because it distinguishes that brand of soda from COCA-COLA. Of course, this simple statement hides a host of complexities that qualify what kinds of marks can actually receive trademark protection. These rules are the subject of the chapters that follow this one.

To be technical, a trademark specifically identifies *goods*, and a *service mark* is used to identify and distinguish *services*. In the vast majority of cases, however, the rules for the two are the same. Unless otherwise specified, therefore, these materials will use the term "trademark" to encompass both trademarks and service marks.

There are a couple of other mark categories. A *certification mark* reflects the certification of the mark owner that someone else's goods or services possess certain qualities. Well-known certification marks include that of UL (formerly Underwriters Laboratories) or fair-trade marks directed to practices promoting sustainability.

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[1] In full the statute provides:

> Trademark. The term "trademark" includes any word, name, symbol, or device, or any combination thereof–
>
> (1) used by a person, or
>
> (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,
>
> to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

15 U.S.C. § 1127.

Finally, a *collective mark* is a trademark or service mark "used by the members of a cooperative, an association, or other collective group or organization" and "includes marks indicating membership in a union, an association, or other organization." 15 U.S.C. § 1127.

Trademark registration. You no doubt have encountered the ® symbol in conjunction with certain marks. This symbol indicates that the mark has been registered with the Patent and Trademark Office ("PTO"), which I will sometimes refer to as the Trademark Office. The PTO has a webpage (https://tmsearch.uspto.gov/bin/gate.exe?f=login&p_lang=english&p_d=trmk) that enables search for trademark registrations and applications for registration. Registration is *not* a requirement for securing rights in a mark. Indeed in the United States, trademark rights are primarily based on actually using the mark in question, and trademark rights may be lost if use ceases (known as *abandonment*). Rights based on use alone are typically referred to as common law rights. Nor does registration confer rights outside the United States (though a domestic registration may be a basis for securing a foreign one). That said, registration confers important advantages, such as the ability to secure priority in markets where your mark is not yet known. You likely have also seen trademark users append the TM and SM symbols to their marks. Unlike the ®, these terms are not federally regulated and simply represent a claim of trademark rights, which may or may not be valid when push comes to shove.

Trademark Office review. The PTO produces the *Trademark Manual of Examining Procedure* (TMEP) as a reference guide for trademark examiners. It provides both a helpful summary of much of trademark law and the Trademark Office's view of it, so the readings will often cite it.

The actions of the Trademark Office in registering (or refusing to register) marks are reviewable by federal courts. Those denied registration first appeal to the Trademark Trial and Appeal Board (TTAB). In addition to hearing appeals from adverse examiner decisions, the TTAB also adjudicates adversary proceedings (e.g., petitions to cancel a registration). Parties that lose before the TTAB may directly appeal to the Federal Circuit, which is better known for being the appellate court for patent cases. Alternatively, one may file a civil action in federal district court. 15 U.S.C. § 1071.

Trademark rights. Federal law creates several causes of action for trademark holders. The most fundamental ones are reprinted below.

Section 32 of the Lanham Act (15 U.S.C. § 1114):

> Any person who shall, without the consent of the registrant . . . use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)):

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

As you can see, Section 32 addresses registered marks, while section 43(a) broadens potential relief to include unregistered marks. In practice, the two provisions are administered in similar ways. Note the shared standard of targeting conduct that is "likely to cause confusion." In addition to these causes of action, the Lanham Act has causes of action addressing both trademark dilution and certain uses of trademarks in domain names. We will, of course, cover all these causes of action in detail later in the course.

The source of federal trademark law. Trademarks are also protected by state law. State trademark law largely parallels federal law, and our focus will be on federal law. Any federal trademark statute needs to have a basis in the Constitution. Before reading further, can you figure out the constitutional basis for the Lanham Act?

And now the answer. The Patent and Copyright Acts trace their authorization to the Intellectual Property (IP) clause.[2] In *Trade-Mark Cases*, 100 U.S.

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[2] Article I, § 8 of the Constitution gives Congress the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

82 (1879), the Supreme Court rejected an effort to base a federal trademark statute in the IP clause and declared the statute unconstitutional. Since then, federal trademark statutes have been grounded in the Commerce Clause, found in Article I, § 8 of the Constitution, which authorizes Congress to "regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes."

Trademark law and unfair competition law. You will sometimes see trademark cases referred to as suits for "unfair competition." This is in part because modern federal trademark law unites what were once somewhat discrete bodies of law. Unfair competition is a tort that encompasses a range of activities. These acts traditionally included "passing off" or "palming off" of goods, acts that are now encompassed by the trademark infringement cause of action.[3] The unfair competition tort—being loosely defined[4]—also included suits for acts like misappropriation, which you may have encountered in other courses. *See* International News Service v. Associated Press, 248 U.S. 215 (1918).

Trademark law has been described as part of unfair competition law, Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 413 (1916) ("[T]he common law of trademarks is but a part of the broader law of unfair competition."), but it also has independent roots. 1 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:2.[5] In any case, the two bodies of law were discrete in the

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[3] *See* Restatement (Third) of Unfair Competition § 9 cmt. d (1995) (describing issue in early cases involving trademarks as "whether the defendant had imitated the plaintiff's mark for the purpose of misrepresenting the defendant's goods as those of the plaintiff" and explaining that "[t]hese actions eventually evolved into a distinct tort of 'passing off,' or 'unfair competition' as it came to be known in the United States"). Passing off is now largely synonymous with trademark infringement, though the overlap may not be perfect. *See, e.g.*, J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 1:15 ("This kind of 'passing off' consisted of trying to deceive buyers by passing off one's product as that of a competitor by means of similar marks, packaging or advertising. This type of behavior is still a major form of unfair competition, but now is categorized one particular type of trademark infringement. Today, the terms "passing off" or "palming off" are more properly reserved for those cases where defendant has made an unauthorized substitution of the goods of one maker when the goods of another were ordered by the customer.").

[4] *See, e.g.*, Levings v. Forbes & Wallace, Inc., 396 N.E.2d 149, 153 (Mass. App. 1979) ("The objectionable conduct must attain a level of rascality that would raise an eyebrow of someone inured to the rough and tumble of the world of commerce.").

[5] The McCarthy treatise is the leading trademark treatise, and courts often cite it as authority, as will these materials.

first part of the Twentieth Century. Federal trademark protection was once limited to what were known as "technical trademarks," and the law of unfair competition covered what were then known as trade names, but are now treated as trademarks.[6] Passage of the Lanham Act in 1946 unified federal trademark protection in one body of law.[7]

For the most part, therefore, the references you encounter to unfair competition will be references to trademark law (for example when an action for infringement of an unregistered mark is styled as a suit for unfair competition). McCarthy § 2:7 (noting that practice of calling infringement of unregistered marks "unfair competition" in pleading "is not inaccurate, but may mislead those not conversant with the standard labels used in this field of law. The habits and traditions of custom and usage are hard to break.").

What is the purpose of trademark law?

So much for basics. What is the purpose of trademark law? What rights should the owner of a trademark in order to pursue those purposes? Before we proceed, what do you think? Even though you likely haven't studied trademarks before, you probably have spent your life surrounded by them. How would your life be different without trademarks? Would it be worse? Are there any ways in which it might be better? Consider the following hypothetical:

> You are driving cross country and pull off the highway to buy gas. You're hungry and look for something to eat. Assume for the sake of this example that you like hamburgers. Across the street are two restaurants: a McDONALD'S and "JOE'S Burgers." You like McDonald's fine, but it's not your favorite cuisine. You've never heard of Joe's, and it's a purely local place. It's 3:00, so there are no customers in either restaurant.

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[6] You need not worry about the details of this old division right now as we have yet to discuss trademark categories. But for the sake of completeness and future reference, *see* 1 McCarthy § 4:5 ("Under archaic usage, marks that were not inherently distinctive were not protected as 'technical trademarks,' but were protected as 'trade names' under the law of 'unfair competition' upon proof of secondary meaning."); *id.* § 4:12 ("The Lanham Act of 1946 integrated the two types of common law marks (technical trademarks and trade names), calling both types 'trademarks' and treating them in essentially the same manner."). Federal trademark statutes before the Lanham Act limited registration to technical trademarks. *Id.* § 5:3.

[7] The statute also filled the gap created by *Erie R.R. v. Tompkins*, 304 U.S. 64 (1938), which eliminated federal unfair competition law as a matter of judge-made common law.

Where do you go? Why? How might trademarks have influenced your decision? Are you conscious of all these influences? What advantages does the McDonald's gain from its mark? How might the McDonald's mark help your choice even if you don't like McDonald's? Can you think of ways that the McDonald's mark might *inhibit* competition?

Continuing to think about McDonald's, how far do you think the company may go in controlling its marks? Should it be allowed . . .

to stop Joe's from renaming itself "McDonald's"?

to stop Joe's from renaming itself "McDougal's"?

to stop a computer seller from calling itself McDonald's?

to stop a beef seller from calling itself McDonalds's?

to stop an adult-themed magazine from calling itself McDonald's?

to stop Joe's from adopting a similar color scheme?

to stop Joe's from offering similar-tasting burgers?

to stop Joe's from advertising, "we are better than McDonald's"?

to stop Joe's from advertising, "we're just off highway 6, next to the McDonald's"?

to stop Joe's from paying Google to display its advertising when a search is run on the word "mcdonald's"?

to stop Joe's from running an ad in which actors beat up a clown dressed like Ronald McDonald?

to stop a vegetarian market from registering mcdonaldsfood.com as a domain name when the owner is named McDonald, but the market is not?

to stop a vegetarian market from registering mcdonaldsfood.com as a domain name when it has no connection to the name?

to stop a beef producer from advertising (truthfully) that McDonald's uses its products?

to stop the sales of t-shirts with the McDonald's logo?

to stop a fictional film from depicting a McDonald's franchise as the setting of the film's plot?

to stop a magazine from writing an article about the rise of McJobs, defined as a poorly paid job with little hope for advancement?

What guides your choices? See if they remain constant as you progress through these materials.

A happy story of trademark law. More than seventy years ago, the Senate Committee on Patents explained that:

> [t]he purpose underlying any trade-mark statute is twofold. One is to protect the public so that it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.[8]

The Senate Report talks of protecting the public and trademark owners. Are these goals in harmony? Let's start with the public side of the equation. Most basically, as the Senate Report states, we want to ensure that purchasers "get the product" they are asking for. In this, trademark protection can prevent fraud and other forms of deception (if I ask for a COKE, are you going to try to pass something else off as COKE?).

But trademarks do a good deal more than simply name our final product choices. A common rationale for trademark protection is the potential of trademarks to lower consumer *search costs*. The idea here is that when you make a purchase, you don't just pay the final price of the good or service in question. The act of looking can also be costly, so making search easier will free time and resources for consumers.

How might trademarks lower search costs? We've mentioned one way already, protecting trademark rights enables consumers to trust that their choices will be honored (if I ask for a DELL XPS, do I get a DELL XPS?). Marks also allow consumers to rely on their past experiences as a guide to future encounters (is this POTBELLY sandwich likely to taste the same as the ones that I've had the past?). *See* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163–64 (1995) ("In principle, trademark law, by preventing others from copying a source-identifying mark, 'reduce[s] the customer's costs of shopping and making purchasing decisions,' for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past." (citation omitted) (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 2–3 (3d ed. 1994)); *see also* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269 (1987). And here we can bring sellers into the framework. If consumers can rely on past experiences with a product, sellers have an incentive to make those experiences positive in order to attract repeat business.

Another powerful way trademarks lower consumer search costs is by allowing others to assume the costs of gathering information about products. Sellers generally have better access to this data than consumers, and are usually delighted to gather it

[8] S. Rep. No. 1333, 79th Cong., 2d Sess. 3, *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274.

on the consumer's behalf. So once a mark is established, say for a TOYOTA CAMRY, the seller can imbue that mark with information about the attached product (e.g., what is the fuel efficiency of a TOYOTA CAMRY?) that would be difficult for the buyer to assemble. The seller may also provide information about its general reliability or otherwise offer assurances of quality that may attach to multiple goods or services.[9] The trademark is a repository of information that can also be filled by third parties (e.g., product reviews or consumer word of mouth). And some of this information may go beyond "concrete" product details and can encompass matters like brand personality[10] or collective affiliation (as with fans of a sports team).

By signaling source, a trademark is able to stand in for all this information in a manageable manner for the consumer and can then serve as a reference point for deeper explorations, inquiries, and ultimate choices.

> The economic role of the trademark is to help the consumer identify the unobservable features of the trademarked product. This information is not provided to the consumer in an analytic form, such as an indication of size or a listing of ingredients, but rather in summary form, through a symbol which the consumer identifies with a specific combination of features. Information in analytic form is a complement to, rather than a substitute for, trademarks.

Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 526–27 (1988).

What about sellers? The Senate Report language quoted above talks of the protection of seller investments from "misappropriation by pirates and cheats." The story here is a simple one. Sellers would be reluctant to make investments in improving the quality or lowering the price of their services if someone else were able to swoop in and make the sale to the consumer under the first seller's mark. Protecting this interest of trademark holders is sometimes referred to as protecting the *goodwill* embodied by the mark.[11]

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[9] Potentially addressing what is sometimes referred to as the "lemons" problem. George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, The Quarterly Journal of Economics, Oxford University Press, vol. 84(3), pages 488-500 (1970).

[10] For example, the marks APPLE and MICROSOFT have very different connotations. An old Apple campaign rested on these differences. *See* https://www.youtube.com/watch?v=0eEG5LVXdKo.

[11] Goodwill has a variety of definitions that contemplate more than one conception of the word. Note, *An Inquiry into the Nature of Goodwill*, 53 Colum. L. Rev. 660, 661 (1953) (noting "the three ideas which

This cheerful account sets up consumer and seller protection as flip sides of the same coin. The benefit to sellers, protection of goodwill, redounds to the benefit of consumers by incentivizing the creation of desirable goods and services, creating a competitive market in which sellers are incentivized to meet the needs and wants of the buyers. The benefit to consumers, lowered search costs and freedom from fear of fraud, also benefits sellers, as it enables them to compete for business. What could be better? How might we complicate this simple happy story?

Diverging interests. We might start by questioning the identity of consumer and trademark owner interests. Trademark infringement actions are brought by trademark holders, not consumers. Might we imagine situations in which seller self-interest might lead to actions that stifle, rather than promote, competition?

Sure. What would happen if a trademark could be claimed in a useful product feature, like the taste of a soda? That would potentially give the soda maker a monopoly on a particular taste.[12] What if an apple distributor could claim a trademark in the word "apple" and seek to prevent competitors from labeling their products as apples? What if leading brands could stop unapproved references by competitors (e.g., references by the "PEPSI Challenge" to COKE) as a misappropriation of goodwill?

Trademark law answers some of these questions with certain categorical exclusions from protection. Subject matter that is *functional* cannot be protected. Likewise there is no protection for *generic* marks, which are trademarks that describe a product category rather than a specific product. As for comparative advertising, trademark law has a variety of doctrinal mechanisms for giving competitors room to talk about market incumbents. Naturally the precise scope of each of these limitations is contested, as we will study in the coming readings.

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are in some way vaguely associated with that phrase: (1) excess value, (2) favorable customer relations, and (3) the privilege of continuance."). It has been called "that which makes tomorrow's business more than an accident. It is the reasonable expectation of future patronage based on past satisfactory dealings." Edward S. Rogers, GOOD WILL, TRADEMARKS AND UNFAIR TRADING 13 (1914)); cf. Newark Morning Ledger Co. v. U.S., 507 U.S. 546, 555-56 (1993) ("Although the definition of goodwill has taken different forms over the years, the shorthand description of good-will as 'the expectancy of continued patronage,' provides a useful label with which to identify the total of all the imponderable qualities that attract customers to the business" (citing Boe v. Commissioner, 307 F.2d 339, 343 (9th Cir. 1962)). See generally McCarthy § 2:17.

[12] Note that we might want to encourage this sort of monopoly in order to incentivize innovation that may lead to new products. But that kind of incentive theory is explicit in the *non-trademark* IP regimes of **patent** law (for inventions) and copyright law (for works of authorship).

Other issues are trickier. Should the holder of, say, the BOSTON RED SOX trademark get to control the sale of baseball caps with the team's trademark logo? After all, no one buys the cap because they think the team makes a good hat. They do it for other reasons—because they like the team, are from Boston, are trying to annoy Yankees fans, etc. None of these reasons fit into the happy account of trademark law. Indeed, trademark rights seem to disadvantage the consumer here, because giving control to the team (or Major League Baseball's collective licensing entity) serves to create artificial scarcity and raise consumer prices.

Common rejoinders argue that third parties should not be able to "free ride" on the mark (why not?) and that the Red Sox deserve the monopoly profits that come with creating an attractive mark. Note that these rationales are outside the trademark story developed above. The law does not prohibit free riding—imagine the impossibility of competition if every idea were forever off limits to competitors—and incentive theories are the province of IP regimes like copyright and patent. But even if we overlook that, how sure are we that the Red Sox, and not their fans, deserve the surplus value at issue here? After all, isn't part of the value of fandom the shared experience with other fans (e.g., when Red Sox fans identify themselves as "Red Sox Nation") that is derived from their efforts? Why should these individual, private investments of emotion be the basis for having to pay more rather than less? All that said, the intuition that the team should have control over merchandising markets seems entrenched among judges (who likely number sports fans among their ranks). Should that mean that trademark law should bend to conform notwithstanding the poor fit with trademark's consumer protection story?

In a similar vein, what about "prestige goods"? Suppose someone offers to sell me a fake ARMANI suit, fully disclosing that it's a knockoff. Assuming I don't then try to resell it as an authentic suit, is my purchase a problem for trademark law? What is the harm?

Issues like these abound in trademark law (some reflected in the list of hypotheticals at the beginning of this section). The disputes concern not only discrete questions of policy (e.g., should trademark owners control merchandising markets?), but also more fundamental questions of trademark law's scope (e.g., questions of how we measure likelihood of confusion—Confusion of what? Whose confusion? How many are confused? How likely is the confusion? Is pre-sale confusion relevant? Post-sale? And so on and on). They reflect conflicting interests not just between sellers and purchasers, but also among consumers (for example, I may want to buy a fake ARMANI suit, but someone enjoying the prestige of the real thing may not want me to).

Trademarks as expression. Another tension concerns the role of trademarks as cultural objects. Trademark holders work very hard to push their marks into our consciousness. Having made trademarks part of the water in which we swim, what happens when they are used as objects of commentary or as raw material for creative expression?

Can strong marks undermine search? We might also question the extent to which trademarks serve the consumer. Think about an over-the-counter pain reliever like TYLENOL. It retails for a premium over generic bottles of acetaminophen (which is the active ingredient of TYLENOL) even though the products are chemically identical. Why is that? We might tell a benign story about a consumer belief in the quality control of the mark owner, but given the equivalence of the products (as regulated by the FDA) there might be some reason to question that.[13]

A more malign story might be that the seller of TYLENOL is taking advantage of consumer cognitive limitations. Think about all the effort marketers make in order to "position" brands in our mind and ensure that theirs is the one that comes to mind when it's time to shop.[14] On that note, consider how much of the advertising we see has nothing to do with empirical data about a product but is instead about creating a mood or crafting a brand personality.

Once this sort of advertising and other factors have entrenched a mark as the leading brand, does the strength of the mark function as a barrier to entry? To some extent, the difficulty of dislodging entrenched market leaders may be the flip side of the benefits of trademarks to consumer search costs. Our time and attention are limited. By standing in for a range of information, trademarks simplify our ability to find a satisfactory option, but this efficiency can be turned against competition. If a brand is the market leader, or otherwise favorably positioned in the consumer's mind, it can take advantage of consumer inertia or heuristics that lead to predictable deviations from what we might expect a purely "rational" consumer to do. Consider the "availability heuristic," described by Amos Tversky & Daniel Kahneman,[15] which gives disproportionate weight to information that comes readily

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[13] Julia Belluz, *Stop Wasting Money on Brand-name Drugs*, VOX (Feb. 16, 2016, 9:40 AM), https://www.vox.com/2016/2/16/11008134/generic-drugs-safe-effective-cheaper ("The existing body of high-quality evidence suggests that generic drugs consistently meet [the FDA's equivalence-to-branded-medicine] requirements. So there's generally little downside to switching to generics. The only difference (in most cases) is that they're less of a burden on the wallet.").

[14] *See, e.g.*, Al Ries and Jack Trout, POSITIONING: THE BATTLE FOR YOUR MIND.

[15] See Amos Tversky & Daniel Kahneman, *Judgment under Uncertainty: Heuristics and Biases*, SCI., Sept. 27, 1974, at 1124, 1130, https://www.socsci.uci.edu/~bskyrms/bio/readings/tversky_k_heuristics_biases.pdf.

to mind. Its existence suggests that that the primary need of advertisers is not to give us information about their products, but rather to create simple brand awareness.

This prospect is a familiar issue in trademark scholarship. Writing in 1948, Ralph Brown observed that:

> With time, the symbol comes to be more than a conduit through which the persuasive power of the advertising is transmitted, and acquires a potency, a "commercial magnetism," of its own. One of the oldest of advertising techniques, the simple reiteration of the brand name, contributes to this result. Early advertising artists aspired to deface every natural monument with such forgotten symbols as "Sapolio." Their successors, no longer earthbound, write the bare syllables "Pepsi-Cola" in the sky. If those who crane their necks at the sky-writing are unable to blurt any name but Pepsi-Cola to the soda-clerk, the symbol obviously has commercial value. Even though its continued nurture requires continued outlays, the distillation of past displays and jingles and art exhibits into a word makes that word of great price, quite independently of the vats and alchemy that produce the drink.[16]

Does this ring true to you? If not, how would you explain this ad: https://www.youtube.com/watch?v=f_SwD7RveNE?

If it is the case that strong marks may be a barrier to entry, what, if anything, should trademark law do about it? Should we, for example, allow the sellers of generic acetaminophen to use the name TYLENOL? (e.g., "TYLENOL by CVS"). Or would that undermine the potential benefits of trademark rights in other settings? Are there middle ground positions that trademark law might take?

A final note. These materials are a work in progress, and I modify them each year in response to changes in the law and student comments. I welcome your input as the term goes along for making them better (and in catching the new typos generated by each year's changes).

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[16] Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 Yale L.J. 1165, 1187–88 (1948) (footnotes omitted); *see also id.* at 1189 (observing that marks may "be the vehicle of persuasion, either because of extensive repetition and embellishment apart from their use on goods, or because the advertiser has selected and somehow appropriated to his exclusive use a symbol which independently predisposes the customer to buy").

2. Distinctiveness

Trademark protection begins with selecting a trademark that is eligible for protection. To be protected a trademark must be distinctive, that is, it must be capable of identifying and distinguishing the product or service in the marketplace. Accordingly, Section 45 of the Lanham Act (15 U.S.C. § 1127) defines a trademark as "any word, name, symbol, or device, or any combination thereof [used] . . . to identify and distinguish [goods or services] from those manufactured or sold by others and to indicate the source of the goods [or services], even if that source is unknown." The Restatement of Unfair Competition requires that a mark be "distinctive of a person's goods or services and . . . used in a manner that identifies those goods or services and distinguishes them from the goods or services of others."

Note that neither of these definitions limits a trademark to words. As we will see in coming classes, trademark rights have been claimed in a range of subject matter, including logos, symbols, product packaging, product design, color, sounds, and expressive works. This reading focuses on trademark protection for words.

What does it mean to be distinctive? Trademark law sees certain marks as *inherently distinctive*. That means that by their very nature, the marks are perceived as performing a trademark function when paired with a product or service. Note that this is an empirical assumption, which may not necessarily be true. If a court treats a mark as inherently distinctive, the mark holder need not show that consumers *actually* treat the word as a trademark.

On the flip side of the coin, some would-be marks are not inherently distinctive but remain eligible for protection. These source identifiers are treated as trademarks only if the trademark holder can establish *secondary meaning*. For protection, the mark holder must show that consumers have come to treat the word or device in question as a trademark. In other words, the primary significance of the word (in context) with the relevant consuming public must be as a source identifier rather as a descriptor of the product. *See, e.g.*, *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 113 (1938) (when "the primary significance of the term in the minds of the consuming public is not the product but the producer"). As you will see when you read the *Zatarains* case, words that are deemed descriptive of a product are not inherently distinctive for trademark purposes, while arbitrary words are. Thus APPLE computer is an inherently distinctive mark, while TASTY hamburgers is not. But if the consuming public comes to associate TASTY with a particular source of hamburgers, the TASTY mark may be protected. Secondary meaning has its limits. Some words may never be trademarked regardless of what consumers think. Generic marks, words that are descriptive of product *categories*, are ineligible for protection regardless of secondary meaning. APPLE cannot be a trademark for a brand of apple.

The distinction between distinctive and non-distinctive marks also applies to trademark registration. Section 2 of the Lanham Act, 15 U.S.C. § 1052, makes this distinction and gives some clues on ways to establish secondary meaning. It provides that:

> . . . . Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.

A well-known classification case follows:

Zatarains, Inc. v. Oak Grove Smokehouse, Inc.
698 F.2d 786 (5th Cir. 1983)

GOLDBERG, Circuit Judge:

This appeal of a trademark dispute presents us with a menu of edible delights sure to tempt connoisseurs of fish and fowl alike. At issue is the alleged infringement of two trademarks, "Fish-Fri" and "Chick-Fri," held by appellant Zatarain's, Inc. ("Zatarain's"). The district court held that the alleged infringers had a "fair use" defense to any asserted infringement of the term "Fish-Fri" and that the registration of the term "Chick-Fri" should be cancelled. We affirm.

I. FACTS AND PROCEEDINGS BELOW

A. THE TALE OF THE TOWN FRIER

Zatarain's is the manufacturer and distributor of a line of over one hundred food products. Two of these products, "Fish-Fri" and "Chick-Fri," are coatings or batter mixes used to fry foods. These marks serve as the entreè in the present litigation.

Zatarain's "Fish-Fri" consists of 100% corn flour and is used to fry fish and other seafood. "Fish-Fri" is packaged in rectangular cardboard boxes containing twelve or twenty-four ounces of coating mix. The legend "Wonderful FISH-FRI ®" is displayed prominently on the front panel, along with the block Z used to identify all Zatarain's products. The term "Fish-Fri" has been used by Zatarain's or its predecessor since 1950 and has been registered as a trademark since 1962.

Zatarain's "Chick-Fri" is a seasoned corn flour batter mix used for frying chicken and other foods. The "Chick-Fri" package, which is very similar to that used for "Fish-Fri," is a rectangular cardboard container labelled "Wonderful CHICK-FRI." Zatarain's began to use the term "Chick-Fri" in 1968 and registered the term as a trademark in 1976.

Zatarain's products are not alone in the marketplace. At least four other companies market coatings for fried foods that are denominated "fish fry" or "chicken fry." Two of these competing companies are the appellees here, and therein hangs this fish tale.

Appellee Oak Grove Smokehouse, Inc. ("Oak Grove") began marketing a "fish fry" and a "chicken fry" in March 1979. Both products are packaged in clear glassine packets that contain a quantity of coating mix sufficient to fry enough food for one meal. The packets are labelled with Oak Grove's name and emblem, along with the words "FISH FRY" OR "CHICKEN FRY." Oak Grove's "FISH FRY" has a corn flour base seasoned with various spices; Oak Grove's "CHICKEN FRY" is a seasoned coating with a wheat flour base.

Appellee Visko's Fish Fry, Inc. ("Visko's") entered the batter mix market in March 1980 with its "fish fry." Visko's product is packed in a cylindrical eighteen-ounce container with a resealable plastic lid. The words "Visko's FISH FRY" appear on the label along with a photograph of a platter of fried fish. Visko's coating mix contains corn flour and added spices.

Other food manufacturing concerns also market coating mixes. Boochelle's Spice Co. ("Boochelle's"), originally a defendant in this lawsuit, at one time manufactured a seasoned "FISH FRY" packaged in twelve-ounce vinyl plastic packets. Pursuant to a settlement between Boochelle's and Zatarain's, Boochelle's product is now labelled "FISH AND VEGETABLE FRY." Another batter mix, "YOGI Brand ® OYSTER SHRIMP and FISH FRY," is also available. Arnaud Coffee Corporation ("Arnaud") has manufactured and marketed "YOGI Brand" for ten to twenty years, but was never made a party to this litigation. A product called "Golden Dipt Old South Fish Fry" has recently entered the market as well.

B. OUT OF THE FRYING PAN, INTO THE FIRE

Zatarain's first claimed foul play in its original complaint filed against Oak Grove on June 19, 1979, in the United States District Court for the Eastern District of Louisiana. The complaint alleged trademark infringement and unfair competition under the Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (1976), and La.Rev.Stat.Ann. § 51:1405(A) (West Supp.1982). Zatarain's later amended its complaint to add Boochelle's and Visko's as defendants. Boochelle's and Zatarain's ultimately resolved their dispute, and Boochelle's was dismissed from the suit. The remaining defendants, Oak Grove and Visko's, filed counterclaims against Zatarain's under the Sherman Act § 2, 15 U.S.C. § 2 (1976); the Clayton Act § 4, 15 U.S.C. § 15 (1976); La.Rev.Stat.Ann. § 51:1401 (West Supp.1982); the Fair Packaging and Labeling Act, 15 U.S.C. §§ 1451-1461 (1976); and the Food, Drug, and Cosmetic Act § 403, 21 U.S.C. § 343 (1976). The defendants also counterclaimed for cancellation of the trademarks "Fish-Fri" and "Chick-Fri" under section 37 of the Lanham Act, 15 U.S.C. § 1119 (1976), and for damages under section 38 of the Lanham Act, 15 U.S.C. § 1120 (1976).

The case was tried to the court without a jury. Treating the trademark claims first, the district court classified the term "Fish-Fri" as a descriptive term identifying a function of the product being sold. The court found further that the term "Fish-Fri" had acquired a secondary meaning in the New Orleans geographical area and therefore was entitled to trademark protection, but concluded that the defendants were entitled to fair use of the term "fish fry" to describe characteristics of their goods. Accordingly, the court held that Oak Grove and Visko's had not infringed Zatarain's trademark "Fish-Fri."

With respect to the alleged infringement of the term "Chick-Fri," the court found that "Chick-Fri" was a descriptive term that had not acquired a secondary meaning in the minds of consumers. Consequently, the court held that Zatarain's claim for infringement of its trademark "Chick-Fri" failed and ordered that the trademark registration of "Chick-Fri" should be cancelled.

Turning to Zatarain's unfair competition claims, the court observed that the evidence showed no likelihood of or actual confusion on the part of the buying public. Additionally, the court noted that the dissimilarities in trade dress of Zatarain's, Oak Grove's, and Visko's products diminished any possibility of buyer confusion. For these reasons, the court found no violations of federal or state unfair competition laws.

Finally, the court addressed the counterclaims asserted by Oak Grove and Visko's. Because no evidence was introduced to support the defendants' allegations of monopolistic behavior, fraud, and bad faith on the part of Zatarain's, the court dismissed the federal and state antitrust and unfair trade practices counterclaims. The court also dismissed the counterclaim based on Zatarain's allegedly improper product identity labelling. Both sides now appeal to this court.

II. ISSUES ON APPEAL

The district court found that Zatarain's trademark "Fish-Fri" was a descriptive term with an established secondary meaning, but held that Oak Grove and Visko's had a "fair use" defense to their asserted infringement of the mark. The court further found that Zatarain's trademark "Chick-Fri" was a descriptive term that lacked secondary meaning, and accordingly ordered the trademark registration cancelled. Additionally, the court concluded that Zatarain's had produced no evidence in support of its claims of unfair competition on the part of Oak Grove and Visko's. Finally, the court dismissed Oak Grove's and Visko's counterclaims for antitrust violations, unfair trade practices, misbranding of food products, and miscellaneous damages.

Battered, but not fried, Zatarain's appeals from the adverse judgment on several grounds. First, Zatarain's argues that its trademark "Fish-Fri" is a suggestive term and therefore not subject to the "fair use" defense. Second, Zatarain's asserts that even if the "fair use" defense is applicable in this case, appellees cannot invoke the doctrine because their use of Zatarain's trademarks is not a good faith attempt to describe their products. Third, Zatarain's urges that the district court erred in cancelling the trademark registration for the term "Chick-Fri" because Zatarain's presented sufficient evidence to establish a secondary meaning for the term. For these reasons, Zatarain's argues that the district court should be reversed. . . .

III. THE TRADEMARK CLAIMS

A. *BASIC PRINCIPLES*

1. Classifications of Marks

The threshold issue in any action for trademark infringement is whether the word or phrase is initially registerable or protectable. Courts and commentators have traditionally divided potential trademarks into four categories. A potential trademark may be classified as (1) generic, (2) descriptive, (3) suggestive, or (4) arbitrary or fanciful. These categories, like the tones in a spectrum, tend to blur at the edges and merge together. The labels are more advisory than definitional, more like guidelines than pigeonholes. Not surprisingly, they are somewhat difficult to articulate and to apply.

A *generic* term is "the name of a particular genus or class of which an individual article or service is but a member." A generic term connotes the "basic nature of articles or services" rather than the more individualized characteristics of a particular product. Generic terms can never attain trademark protection. Furthermore, if at any time a registered trademark becomes generic as to a particular product or service, the mark's registration is subject to cancellation. Lanham Act § 14, 15 U.S.C. § 1064(c) (1976). Such terms as aspirin and cellophane have been held generic and therefore unprotectable as trademarks. *See Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y.1921) (aspirin); *DuPont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir.1936) (cellophane).

A *descriptive* term "identifies a characteristic or quality of an article or service," such as its color, odor, function, dimensions, or ingredients. Descriptive terms ordinarily are not protectable as trademarks, Lanham Act § 2(e)(1), 15 U.S.C. § 1052(e)(1) (1976); they may become valid marks, however, by acquiring a secondary meaning in the minds of the consuming public. *See id.* § 2(f), 15 U.S.C. § 1052(f). Examples of descriptive marks would include "Alo" with reference to products containing gel of the aloe vera plant and "Vision Center" in reference to a business offering optical goods and services. As this court has often noted, the distinction between descriptive and generic terms is one of degree. The distinction has important practical consequences, however; while a descriptive term may be elevated to trademark status with proof of secondary meaning, a generic term may never achieve trademark protection.

A *suggestive* term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services. A suggestive mark is protected without the necessity for proof of secondary meaning. The term "Coppertone" has been held suggestive in regard to sun tanning products.

Arbitrary or *fanciful* terms bear no relationship to the products or services to which they are applied. Like suggestive terms, arbitrary and fanciful marks are protectable without proof of secondary meaning. The term "Kodak" is properly classified as a fanciful term for photographic supplies; "Ivory" is an arbitrary term as applied to soap.

2. Secondary Meaning

As noted earlier, descriptive terms are ordinarily not protectable as trademarks. They may be protected, however, if they have acquired a secondary meaning for the consuming public. The concept of secondary meaning recognizes that words with an ordinary and primary meaning of their own "may by long use with a particular product, come to be known by the public as specifically designating that product." In order to establish a secondary meaning for a term, a plaintiff "must show that the primary significance of the term in the minds of the consuming public is not the product but the producer." The burden of proof to establish secondary meaning rests at all times with the plaintiff; this burden is not an easy one to satisfy, for " '[a] high degree of proof is necessary to establish secondary meaning for a descriptive term.' " *Vision Center*, 596 F.2d at 118 (quoting 3 R. Callman, *supra*, § 77.3, at 359). Proof of secondary meaning is an issue only with respect to descriptive marks; suggestive and arbitrary or fanciful marks are automatically protected upon registration, and generic terms are unprotectible even if they have acquired secondary meaning.

3. The "Fair Use" Defense

Even when a descriptive term has acquired a secondary meaning sufficient to warrant trademark protection, others may be entitled to use the mark without incurring liability for trademark infringement. When the allegedly infringing term is "used fairly and in good faith only to describe to users the goods or services of [a] party, or their geographic origin," Lanham Act § 33(b)(4), 15 U.S.C. § 1115(b)(4) (1976), a defendant in a trademark infringement action may assert the "fair use" defense. The defense is available only in actions involving descriptive terms and only when the term is used in its descriptive sense rather than its trademark sense. In essence, the fair use defense prevents a trademark registrant from appropriating a descriptive term for its own use to the exclusion of others, who may be prevented thereby from accurately describing their own goods. The holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of the goods or services. *See* 1 J. McCarthy, *Trademarks and Unfair Competition* § 11.17, at 379 (1973). . . .

B. "FISH-FRI"[3]

1. *Classification*

Throughout this litigation, Zatarain's has maintained that the term "Fish-Fri" is a suggestive mark automatically protected from infringing uses by virtue of its registration in 1962. Oak Grove and Visko's assert that "fish fry" is a generic term identifying a class of foodstuffs used to fry fish; alternatively, Oak Grove and Visko's argue that "fish fry" is merely descriptive of the characteristics of the product. The district court found that "Fish-Fri" was a descriptive term identifying a function of the product being sold. Having reviewed this finding under the appropriate "clearly erroneous" standard, we affirm.

We are mindful that "[t]he concept of descriptiveness must be construed rather broadly." 3 R. Callman, *supra,* § 70.2. Whenever a word or phrase conveys an immediate idea of the qualities, characteristics, effect, purpose, or ingredients of a product or service, it is classified as descriptive and cannot be claimed as an exclusive trademark. *Id.* § 71.1. Courts and commentators have formulated a number of tests to be used in classifying a mark as descriptive.

A suitable starting place is the dictionary, for "[t]he dictionary definition of the word is an appropriate and relevant indication 'of the ordinary significance and meaning of words' to the public." *Webster's Third New International Dictionary* 858 (1966) lists the following definitions for the term "fish fry": "1. a picnic at which fish are caught, fried, and eaten; .... 2. fried fish." Thus, the basic dictionary definitions of the term refer to the preparation and consumption of fried fish. This is at least preliminary evidence that the term "Fish-Fri" is descriptive of Zatarain's product in the sense that the words naturally direct attention to the purpose or function of the product.

The "imagination test" is a second standard used by the courts to identify descriptive terms. This test seeks to measure the relationship between the actual words of the mark and the product to which they are applied. If a term "requires imagination, thought and perception to reach a conclusion as to the nature of goods," it is considered a suggestive term. Alternatively, a term is descriptive if standing alone it conveys information as to the characteristics of the product. In this

[3] We note at the outset that Zatarain's use of the phonetic equivalent of the words "fish fry"-that is, misspelling it-does not render the mark protectable.

case, mere observation compels the conclusion that a product branded "Fish-Fri" is a prepackaged coating or batter mix applied to fish prior to cooking. The connection between this merchandise and its identifying terminology is so close and direct that even a consumer unfamiliar with the product would doubtless have an idea of its purpose or function. It simply does not require an exercise of the imagination to deduce that "Fish-Fri" is used to fry fish. Accordingly, the term "Fish-Fri" must be considered descriptive when examined under the "imagination test."

A third test used by courts and commentators to classify descriptive marks is "whether competitors would be likely to need the terms used in the trademark in describing their products." A descriptive term generally relates so closely and directly to a product or service that other merchants marketing similar goods would find the term useful in identifying their own goods. Common sense indicates that in this case merchants other than Zatarain's might find the term "fish fry" useful in describing their own particular batter mixes. While Zatarain's has argued strenuously that Visko's and Oak Grove could have chosen from dozens of other possible terms in naming their coating mix, we find this position to be without merit. As this court has held, the fact that a term is not the only or even the most common name for a product is not determinative, for there is no legal foundation that a product can be described in only one fashion. There are many edible fish in the sea, and as many ways to prepare them as there are varieties to be prepared. Even piscatorial gastronomes would agree, however, that frying is a form of preparation accepted virtually around the world, at restaurants starred and unstarred. The paucity of synonyms for the words "fish" and "fry" suggests that a merchant whose batter mix is specially spiced for frying fish is likely to find "fish fry" a useful term for describing his product.

A final barometer of the descriptiveness of a particular term examines the extent to which a term actually has been used by others marketing a similar service or product. This final test is closely related to the question whether competitors are likely to find a mark useful in describing their products. As noted above, a number of companies other than Zatarain's have chosen the word combination "fish fry" to identify their batter mixes. Arnaud's product, "Oyster Shrimp and Fish Fry," has been in competition with Zatarain's "Fish-Fri" for some ten to twenty years. When companies from A to Z, from Arnaud to Zatarain's, select the same term to describe their similar products, the term in question is most likely a descriptive one.

The correct categorization of a given term is a factual issue; consequently, we review the district court's findings under the "clearly erroneous" standard of Fed.R.Civ.P. 52. The district court in this case found that Zatarain's trademark "Fish-Fri" was descriptive of the function of the product being sold. Having applied the four prevailing tests of descriptiveness to the term "Fish-Fri," we are convinced that the district court's judgment in this matter is not only not clearly erroneous, but clearly correct.[4]

2. Secondary Meaning

Descriptive terms are not protectable by trademark absent a showing of secondary meaning in the minds of the consuming public. To prevail in its trademark infringement action, therefore, Zatarain's must prove that its mark "Fish-Fri" has acquired a secondary meaning and thus warrants trademark protection. The district court found that Zatarain's evidence established a secondary meaning for the term "Fish-Fri" in the New Orleans area. We affirm.

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[4] Oak Grove and Visko's argue in a conclusory manner that the term "fish fry" is a generic name for the class of substances used to coat fish prior to frying. We are unable to agree. No evidence in the record indicates that the term "fish fry" is the common, recognized name for *any* class of foodstuffs. The district court specifically rejected the contention that the term "Fish-Fri" was generic. This finding was not clearly erroneous and must be affirmed.

Zatarain's urges that its "Fish-Fri" mark is suggestive rather than descriptive, and our lengthy discussion in text addresses this contention fully. We pause here, however, to speak to Zatarain's argument that certain survey evidence introduced at trial proves the suggestive nature of the term "Fish-Fri." Just as the compleat angler exaggerates his favorite fish story, so Zatarain's overstates the results of its consumer survey. We consider the survey unpersuasive on the issue of suggestiveness for several reasons.

First, the survey was not intended to investigate the term's descriptiveness or suggestiveness. Rather, as expert witness Allen Rosenzweig testified, the survey was designed to explore two completely different issues: likelihood of confusion in the marketplace and secondary meaning. Furthermore, the district court prohibited Rosenzweig's testimony as to whether the survey data showed Zatarain's term to be suggestive or descriptive.

Second, a glance at the survey itself convinces us that, regardless of its purpose, the questions were not framed in a manner adequate to classify the mark properly. Respondents were asked the following questions: "2. If you planned to fry fish tonight, what would you buy at the grocery to use as a coating? 3. Are you familiar with any product on the market that is especially made for frying fish?" If these questions were to test the associational link between the mark "Fish-Fri" and Zatarain's product, they should have been devoid of such broad hints as the place of purchase ("grocery"), the nature of the product ("coating"), and the purpose or function of the product ("to fry fish"). Furthermore, we caution that survey samples such as these-100 women in each of four randomly selected cities-may not be adequate in size to prove much of anything.

Survey evidence is often critically important in the field of trademark law. We heartily embrace its use, so long as the survey design is relevant to the legal issues, open-ended in its construction, and neutral in its administration. Given the admitted purposes of this survey and its obvious design limitations, it is rather disingenuous of Zatarain's to assert that the survey provided conclusive evidence of suggestiveness. We therefore reject Zatarain's contention in this regard.

Finally, Zatarain's urges that it is entitled to a legal presumption of suggestiveness by virtue of its federal registration of the term "Fish-Fri." The Lanham Act provides that:

> [Registration] shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

Lanham Act § 33(a), 15 U.S.C. § 1115(a) (1976). *See also id.* § 7(b), 15 U.S.C. § 1057(b). This statutory presumption can be rebutted by establishing the generic or descriptive nature of the mark.

Zatarain's maintains that Oak Grove and Visko's failed to show that the term "Fish-Fri" is a descriptive one. We cannot agree. As our discussion in text indicates, ample evidence supports the appellees' contention that "Fish-Fri" is descriptive of a coating used to fry fish. This evidence is sufficient to rebut the presumption that the term is suggestive rather than descriptive.

The existence of secondary meaning presents a question for the trier of fact, and a district court's finding on the issue will not be disturbed unless clearly erroneous. The burden of proof rests with the party seeking to establish legal protection for the mark-the plaintiff in an infringement suit. The evidentiary burden necessary to establish secondary meaning for a descriptive term is substantial.

In assessing a claim of secondary meaning, the major inquiry is the consumer's attitude toward the mark. The mark must denote to the consumer "a single thing coming from a single source," to support a finding of secondary meaning. Both direct and circumstantial evidence may be relevant and persuasive on the issue.

Factors such as amount and manner of advertising, volume of sales, and length and manner of use may serve as circumstantial evidence relevant to the issue of secondary meaning. While none of these factors alone will prove secondary meaning, in combination they may establish the necessary link in the minds of consumers between a product and its source. It must be remembered, however, that "the question is not the *extent* of the promotional efforts, but their *effectiveness* in altering the meaning of [the term] to the consuming public."

Since 1950, Zatarain's and its predecessor have continuously used the term "Fish-Fri" to identify this particular batter mix. Through the expenditure of over $400,000 for advertising during the period from 1976 through 1981, Zatarain's has promoted its name and its product to the buying public. Sales of twelve-ounce boxes of "Fish-Fri" increased from 37,265 cases in 1969 to 59,439 cases in 1979. From 1964 through 1979, Zatarain's sold a total of 916,385 cases of "Fish-Fri." The district court considered this circumstantial evidence of secondary meaning to weigh heavily in Zatarain's favor. Record on Appeal, Vol. I at 273.

In addition to these circumstantial factors, Zatarain's introduced at trial two surveys conducted by its expert witness, Allen Rosenzweig. In one survey, telephone interviewers questioned 100 women in the New Orleans area who fry fish or other seafood three or more times per month. Of the women surveyed, twenty-three percent specified *Zatarain's* "Fish-Fri" as a product they "would buy at the grocery to use as a coating" or a "product on the market that is especially made for frying fish." In a similar survey conducted in person at a New Orleans area mall, twenty-eight of the 100 respondents answered "*Zatarain's* 'Fish-Fri' " to the same questions.[8]

[8] The telephone survey also included this question: "When you mentioned 'fish fry,' did you have a specific product in mind or did you use that term to mean any kind of coating used to fry fish?" To this inartfully worded question, 77% of the New Orleans respondents answered "specific product" and 23% answered "any kind of coating." Unfortunately, Rosenzweig did not ask the logical follow-up question that seemingly would have ended the inquiry conclusively: "Who makes the specific product you have in mind?" Had he but done so, our task would have been much simpler.

The authorities are in agreement that survey evidence is the most direct and persuasive way of establishing secondary meaning. The district court believed that the survey evidence produced by Zatarain's, when coupled with the circumstantial evidence of advertising and usage, tipped the scales in favor of a finding of secondary meaning. Were we considering the question of secondary meaning *de novo,* we might reach a different conclusion than did the district court, for the issue is close. Mindful, however, that there is evidence in the record to support the finding below, we cannot say that the district court's conclusion was clearly erroneous. Accordingly, the finding of secondary meaning in the New Orleans area for Zatarain's descriptive term "Fish-Fri" must be affirmed.

3. The "Fair Use" Defense

[The court concluded that the defendant's use of the term "Fish-Fri" was a "fair use" for purposes of trademark law and did not create liability.]

C. "CHICK-FRI"

1. Classification

Most of what has been said about "Fish-Fri" applies with equal force to Zatarain's other culinary concoction, "Chick-Fri." "Chick-Fri" is at least as descriptive of the act of frying chicken as "Fish-Fri" is descriptive of frying fish. It takes no effort of the imagination to associate the term "Chick-Fri" with Southern fried chicken. Other merchants are likely to want to use the words "chicken fry" to describe similar products, and others have in fact done so. Sufficient evidence exists to support the district court's finding that "Chick-Fri" is a descriptive term; accordingly, we affirm.

2. Secondary Meaning

The district court concluded that Zatarain's had failed to establish a secondary meaning for the term "Chick-Fri." We affirm this finding. The mark "Chick-Fri" has been in use only since 1968; it was registered even more recently, in 1976. In sharp contrast to its promotions with regard to "Fish-Fri," Zatarain's advertising expenditures for "Chick-Fri" were mere chickenfeed; in fact, Zatarain's conducted no direct advertising campaign to publicize the product. Thus the circumstantial evidence presented in support of a secondary meaning for the term "Chick-Fri" was paltry.

Allen Rosenzweig's survey evidence regarding a secondary meaning for "Chick-Fri" also "lays an egg." The initial survey question was a "qualifier:" "Approximately how many times in an average month do you, yourself, fry *fish or other seafood*?" Only if respondents replied "three or more times a month" were they asked to continue the survey. This qualifier, which may have been perfectly adequate for purposes of the "Fish-Fri" questions, seems highly unlikely to provide an adequate sample of potential consumers of "Chick-Fri." This survey provides us with nothing more than some data regarding fish friers' perceptions about products used for frying chicken. As such, it is entitled to little evidentiary weight.[10]

It is well settled that Zatarain's, the original plaintiff in this trademark infringement action, has the burden of proof to establish secondary meaning for its term. This it has failed to do. The district court's finding that the term "Chick-Fri" lacks secondary meaning is affirmed.

3. Cancellation

Having concluded that the district court was correct in its determination that Zatarain's mark "Chick-Fri" is a descriptive term lacking in secondary meaning, we turn to the issue of cancellation. The district court, invoking the courts' power over trademark registration as provided by section 37 of the Lanham Act, 15 U.S.C. § 1119 (1976), ordered that the registration of the term "Chick-Fri" should be cancelled. The district court's action was perfectly appropriate in light of its findings that "Chick-Fri" is a descriptive term without secondary meaning. We affirm . . . .

Notes

Irresistible marks. It's easy to come up with an inherently distinctive term, isn't it? Why then do trademark holders insist on adopting descriptive marks? Judge Learned Hand mused,

> I have always been at a loss to know why so many marks are adopted which have an aura, or more, of description about them. With the whole field of possible coinage before them, it is strange that merchants insist upon adopting marks that are so nearly descriptive. Probably they wish to interject into the name of their goods some intimation of excellence, and are willing to incur the risk.

Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247 (S.D.N.Y. 1923), *aff'd*, 4 F.2d 1018 (2d Cir. 1925). The temptation to advertise while branding is a strong one. Is such advertising just about claiming a feature? Or something more?

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[10] Even were we to accept the results of the survey as relevant, the result would not change. In the New Orleans area, only 11 of the 100 respondents in the telephone survey named "Chick-Fri," "chicken fry," or "Zatarain's 'Chick-Fri' "as a product used as a coating for frying chicken. Rosenzweig himself testified that this number was inconclusive for sampling purposes. Thus the survey evidence cannot be said to establish a secondary meaning for the term "Chick-Fri."

Context matters. Note that a mark's classification depends on the product, so in *Abercrombie & Fitch Co. v. Hunting World, Inc.* the Second Circuit found that the mark SAFARI was generic for certain types of clothing, including a broad flat-brimmed hat with a large band, a belted bush jacket with patch pockets, and clothes with khaki coloring, but descriptive or suggestive for boots and shoes. Of course for web browsers, it is arbitrary (or perhaps suggestive), thus Apple's use of the name for its SAFARI browser.

Relatedly, in determining whether a mark is descriptive, one cannot consider the term in the abstract. As the Trademark Trial and Appeal Board has explained:

> the question of whether a mark is merely descriptive must be determined not in the abstract, that is, not by asking whether one can guess, from the mark itself, considered in a vacuum, what the goods or services are, but rather in relation to the goods or services for which registration is sought, that is, by asking whether, when the mark is seen on the goods or services, it immediately conveys information about their nature.

In re Patent & Trademark Services Inc., 49 U.S.P.Q.2d 1537, 1539, 1998 WL 970180 (T.T.A.B. 1998). So suppose you had a soda branded THICK. Liquid is not thick, so one might think that the mark is not descriptive, but suppose further that the soda's flavor had a very thick mouthfeel. Were that the case, a court could find that the term in context connotes flavor and not viscosity and would therefore be descriptive. *See, e.g.*, A.J. Canfield Co. v. Honickman, 808 F.2d 291 (3d Cir. 1986).

Anti-dissection. Sometimes would-be marks combine elements that would be ineligible for protection if used individually. The rule is to consider the marks as a whole and not their component parts. "The commercial impression of a trademark is derived from it as a whole, not from its elements separated and considered in detail. For this reason it should be considered in its entirety." *Estate of P. D. Beckwith, Inc. v. Commissioner of Patents*, 252 U.S. 538, 545–46 (1920). This is sometimes referred to as the anti-dissection rule. Thus COCA-COLA is a valid mark not withstanding the generic element COLA.

This is not to say that having non-protectable elements in a would-be mark is irrelevant. As the Federal Circuit has explained: "In considering the mark as a whole, the Board may weigh the individual components of the mark to determine the overall impression or the descriptiveness of the mark and its various components." In re Oppedahl & Larson LLP, 373 F.3d 1171 (Fed. Cir. 2004). There, the court affirmed a ruling by the TTAB that PATENTS.COM was merely descriptive notwithstanding the addition of the .com top-level-domain name to the word patents. Sometimes the whole is just the sum of its parts. *See, e.g.*, Arizona

Int'l, Ltd. v. Merrill Lynch Realty Operating Partnership, 1991 WL 407023 (D. Ariz. 1991) (rejecting ARIZONA REALTY as a generic composite of the product category of Arizona property services).

Anti-dissection principles also apply in considering whether a trademark is infringing.

Foreign words. The "doctrine of foreign equivalents" calls for words in foreign languages to be treated as if they were translated into English. Thus the French word "vin" would still be rejected as generic for a brand of wine. The TTAB has explained:

> The doctrine of foreign equivalents … extends the protection of the [Lanham] Act to those consumers in this country who speak other languages in addition to English … . At least one significant group of ordinary American purchasers is the purchaser who is knowledgeable in English as well as the pertinent foreign language.

In re Spirits International N.V., 86 U.S.P.Q.2d 1078, 1083–1085, 2008 WL 375723 (T.T.A.B. 2008). That said, the Federal Circuit has stated that the doctrine is not a rigid rule but should be applied in a contextual manner. Given the product's marketing, would a reasonable consumer familiar with both English and the foreign word make the translation? Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 1377 (Fed. Cir. 2005). Courts also refrain from applying the doctrine to dead or obscure languages.

Disclaimers. Because marks will often include non-protectable elements, it is common for trademark registrants to "disclaim" an effort to capture the non-protectable word. This does not preclude a rejection if the mark as a whole is descriptive. Nor does it preclude the registrant from claiming the disclaimed matter in an action based on common law use rights. *See generally* 15 U.S.C. § 1056.

Secondary meaning. There are a variety of judicial definitions of secondary meaning, but they center on the same concept, the point at which consumers identify a term as designating a product's source. *See, e.g.*, Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 118 (1938) (secondary meaning is the point at which "the primary significance of the term in the minds of the consuming public is not the product but the producer"). In a similar vein, section 2 of the Lanham Act (15 U.S.C. § 1052) provides that certain non-distinctive marks may be registered if they have "become distinctive of the applicant's goods in commerce."

Note, however, that this association with a word as designating a single source does not necessarily mean that the consumer knows precisely who that source is.

Proving secondary meaning. Did you find the survey evidence of *Zatarains* persuasive?

Courts are not entirely consistent in determining when secondary meaning exists, which is perhaps unsurprising given its status as a question of fact. In the absence of direct consumer testimony, surveys may provide something resembling direct evidence of consumer perception. As evidenced by *Zatarains*, courts do not require that a majority of the relevant consumer class see the word as a mark. A substantial portion is often enough.

Courts also rely on more circumstantial evidence. Some forms of acceptable circumstantial evidence include the exclusive use of the term by one party as a mark, advertising, sales and customers, market position, and evidence that a defendant intentionally copied the mark. *See, e.g.*, Viacom Int'l v. IJR Capital Investments, L.L.C., 891 F.3d 178, 190 (5th Cir. 2018) (listing factors as "(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant's intent in copying the [mark]." (internal quotation and citation omitted)); *see also* 15 U.S.C. § 1052 (providing that the Trademark Office "may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made."). Are these factors necessarily probative of secondary meaning? What about situations in which the descriptive term is sometimes used with an inherently distinctive mark and sometimes without?

Does it matter if a defendant copied the plaintiff's mark? Might a defendant sometimes copy a term for descriptive (as opposed to trademark) purposes? Some Second Circuit cases have suggested that the New York law of unfair competition allows evidence of the deliberate copying of a non-inherently distinctive mark to substitute for proof of secondary meaning. The viability of this "New York Rule" is in doubt. *See generally* 2 McCarthy § 15:20.

As for the Trademark Office, 37 C.F.R. § 2.41 provides that proof of acquired distinctiveness includes:

> (1) Ownership of prior registration(s). In appropriate cases, ownership of one or more active prior registrations on the Principal Register or under the

Trademark Act of 1905 of the same mark may be accepted as prima facie evidence of distinctiveness if the goods or services are sufficiently similar to the goods or services in the application; however, further evidence may be required.

(2) Five years substantially exclusive and continuous use in commerce. In appropriate cases, if a trademark or service mark is said to have become distinctive of the applicant's goods or services by reason of the applicant's substantially exclusive and continuous use of the mark in commerce for the five years before the date on which the claim of distinctiveness is made, a showing by way of verified statements in the application may be accepted as prima facie evidence of distinctiveness; however, further evidence may be required.

(3) Other evidence. In appropriate cases, where the applicant claims that a mark has become distinctive in commerce of the applicant's goods or services, the applicant may, in support of registrability, submit with the application, or in response to a request for evidence or to a refusal to register, verified statements, depositions, or other appropriate evidence showing duration, extent, and nature of the use in commerce and advertising expenditures in connection therewith (identifying types of media and attaching typical advertisements), and verified statements, letters or statements from the trade or public, or both, or other appropriate evidence of distinctiveness.

Sliding scales. Some courts vary the amount of evidence of secondary meaning required on how descriptive the term is. That is, terms closer to the suggestive/descriptive border may not require as much evidence of secondary meaning as a more obviously descriptive mark. *See, e.g.*, In re Steelbuilding.com, 415 F.3d 1293, 1300 (Fed. Cir. 2005) ("[T]he applicant's burden of showing acquired distinctiveness increases with the level of descriptiveness; a more descriptive term requires more evidence of secondary meaning."); 2 McCarthy § 15:33.

"Secondary meaning in the making." What happens if someone uses, advertises, or otherwise invests in a descriptive mark, but fails to achieve secondary meaning before another, more powerful user, deliberately steps in with the same mark. Does the first user have a remedy? The judicial answer has largely been no.

Labels. How a mark is used also affects whether consumers perceive it as performing a trademark function. If you look at, say, a box of cereal, you'll see that the brand name is set off in any manner of ways, including font size and style, graphic elements, and packaging position. These design choices also affect whether consumers perceive whether the mark is performing a trademark function. For empirical research on this point, *see* Thomas R. Lee, Eric D. DeRosia, & Glenn L. Christensen, *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 Ariz. St. L.J. 1033, 1097-98 (2009) (varying uses testing hypothetical WONDERFUL mark for chocolate coconut macaroons).

Enough marks? Trademark law assumes that the costs of protection are generally low given that there is a functionally inexhaustible supply of marks. For research suggesting this may not be so in practice, *see* Barton Beebe & Jeanne C. Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 Harv. L. Rev. 945, 953 (2018) ("New market entrants face significant barriers to entry in the form of the cost of searching for an unclaimed mark and in the ongoing cost of using a less effective mark.").

Fair use. You may have noticed the reference in *Zatarains* to "fair use" as excusing the defendants' potential liability. Those of you who have studied copyright may be familiar with the fair use defense in copyright. Fair use means something different in trademark law (as indicated by its description in *Zatarains*). We will cover trademark fair use in greater detail later in the course.

Problems

1. Your law firm has been hired to give trademark advice to Strisk Technologies, a computer manufacturer. Strisk has a new computer line that will be marketed as providing faster performance than Strisk's competitors, particularly when the computer is turned on. The marketing department suggested the following names:

Laptop
QuickStart
Computer
Computadora (Computer in Spanish)
Ordinateur (in French)
Kompyuta (in Swahili)
Ordenagailu (in Basque)
Pluto
Flizzasp
Strisk
Sprinter

Zips
A logo that looks like the silhouette of a computer
A logo that looks like the silhouette of an alligator

Which, if any, of these names could secure trademark protection? Which names would work best from a marketing perspective? You may assume that none of these options infringe any existing trademarks.

2. The Fair Isaac Corporation (FICO) developed a system of rating the credit worthiness of borrowers. FICO rates potential borrowers on a 300-850 point scale (with higher ratings indicating better credit risks). May FICO trademark "300-850" for its credit rating services? What kind of mark would it be? Is there any harm to allowing protection for this kind of mark?

3. Some years ago, CASH4GOLD sponsored a Super Bowl ad. Soon after, DOLLARS4GOLD, in the same line of business, put up advertising asking consumers if they had seen its Super Bowl ad. How might DOLLARS4GOLD, which in fact had no Super Bowl ad, defend against a trademark infringement suit?

3. Generic marks

Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc.
198 F.3d 1143 (9th Cir. 1999)

O'SCANNLAIN, Circuit Judge:

We must decide whether the publisher of a telephone directory for the Filipino-American community can establish that the term "Filipino Yellow Pages" is protectible under trademark law. [Plaintiff, FYP, published the *Filipino Yellow Pages*. Defendant, AJP, published the *Filipino Consumer Directory*.]

In June 1996, two months before it sued AJP for trademark infringement, FYP applied for registration of "Filipino Yellow Pages" with the Patent and Trademark Office ("PTO"). In December 1996, the PTO refused registration of "Filipino Yellow Pages." The PTO stated: "The proposed mark merely describes the goods and the nature and intended audience for the goods. Accordingly, the mark cannot be registered on the Principal Register based solely on an intent to use the mark in Interstate Commerce." The PTO informed FYP that because its application "indicate[d] use of the mark for a significant time," however, FYP could amend its application to seek registration based on acquired distinctiveness. The PTO further advised FYP that its amended application would have to include the following disclaimer: "No claim is made to the exclusive right to use [the term] 'yellow pages' apart from ['Filipino Yellow Pages']." FYP subsequently amended its application for trademark registration to seek registration based on acquired distinctiveness. FYP's application for trademark registration remains pending at the current time.

On August 2, 1996, FYP filed a complaint against AJP.... FYP alleged the following causes of action: (1) trademark infringement; (2) false designation of origin and false description of sponsorship or affiliation; (3) unfair competition and misappropriation of goodwill, reputation, and business properties . . . .

AJP moved for summary judgment, arguing that the term "Filipino Yellow Pages" is generic and as such incapable of trademark protection. In support of this contention, AJP relied upon:

1. the presence in the dictionary and generic nature of the individual terms "Filipino" and "yellow pages";

2. [The generic use of the term "Filipino Yellow Pages" in an earlier non-compete agreement between the parties in which the owner of the plaintiff entity "agree[d] not to compete in the Filipino Directory (Filipino Yellow Pages) [market] in California...."];

3. the marketing of a second *Filipino Yellow Pages,* that of Kayumanggi Communications, to the Filipino-American community on the East Coast; and

4. generic usage by the media of the term "Filipino Yellow Pages," in a *Los*

Angeles Times article on specialty yellow pages which stated as follows: "Virgil Janio of Los Angeles sells ads nationwide for his Filipino yellow pages...."

In opposing the motion for summary judgment, FYP contended that "Filipino Yellow Pages," rather than being generic, is protectible under trademark law as a descriptive mark with a secondary meaning in the minds of consumers (i.e., as specifically referring to FYP's telephone directory). . . .

[T]he district court granted AJP's motion for summary judgment. The district court held that (1) the term "Filipino Yellow Pages" is generic, and as such incapable of serving as a trademark; and (2) even if the term were descriptive, AJP would still be entitled to summary judgment because FYP had failed to produce any admissible evidence of secondary meaning. . . .

II

The first issue presented is whether the term "Filipino Yellow Pages" is generic with respect to telephone directories targeted at the Filipino-American community. . . .

A

Before proceeding to the merits, a word on the burden of persuasion is appropriate. In cases involving properly registered marks, a presumption of validity places the burden of proving genericness upon the defendant. If a supposedly valid mark is not federally registered, however, the plaintiff has the burden of proving nongenericness once the defendant asserts genericness as a defense. The case at bar involves a claimed mark that is unregistered; FYP has not yet been successful in its attempts to register "Filipino Yellow Pages" with the PTO. Thus FYP, as trademark plaintiff, bears the burden of showing that "Filipino Yellow Pages" is not generic.

B

. . . . AJP contends that "Filipino Yellow Pages" is a generic term and as such incapable of trademark protection, while FYP argues that the term is protectible as a descriptive term with secondary meaning.[3]

. . . . In determining whether a term is generic, we have often relied upon 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, *Trademarks and Unfair Competition* § 12.01 (3d ed.1992)). Under this test, "[i]f the primary significance of the trademark is to describe the *type of product* rather than the

[3] FYP does not claim (nor could it do so successfully) that "Filipino Yellow Pages" can qualify for trademark protection as a suggestive mark . . . . No imagination or mental leap is required to ascertain that the Filipino Yellow Pages is a telephone directory targeted at the Filipino-American community.

producer, the trademark [is] a generic term and [cannot be] a valid trademark."

Here the parties do not dispute that "Filipino" and "yellow pages" are generic terms. The word "Filipino" is a clearly generic term used to refer to "a native of the Philippine islands" or "a citizen of the Republic of the Philippines." *Webster's Ninth New Collegiate Dictionary* 462 (1986). The term "yellow pages" has been found to be a generic term for "a local business telephone directory alphabetized by product or service." *AmCan Enters., Inc. v. Renzi,* 32 F.3d 233, 234 (7th Cir.1994) (Posner, J.) (citing cases, and noting that "yellow pages," which originally was not a generic term, has become generic over time); *see also Webster's Ninth New Collegiate Dictionary* 1367 (defining "yellow pages" as "the section of a telephone directory that lists businesses and professional firms alphabetically by category and that includes classified advertising") . . . .

The issue then becomes whether combining the generic terms "Filipino" and "yellow pages" to form the composite term "Filipino Yellow Pages" creates a generic or a descriptive term. AJP argues, and the district court concluded, that "Filipino Yellow Pages" is generic based on this court's analysis in *Surgicenters of America, Inc. v. Medical Dental Surgeries Co.,* 601 F.2d 1011 (9th Cir.1979). In *Surgicenters,* we held that the term "surgicenter" was generic and that the plaintiff's registered service mark had to be removed from the trademark register. In our discussion in *Surgicenters,* we summarized (but did not explicitly adopt) the analysis of the district court in that case, which reasoned that "surgicenter," created by combining the generic terms "surgery" and "center," retained the generic quality of its components. We distinguished "surgicenter" from the composite term "Startgrolay," upheld as a valid mark for poultry feed, by noting that the combination of terms in "surgicenter" did not constitute a "deviation from normal usage" or an "unusual unitary combination." Nowhere in *Surgicenters* did we hold, however, that a composite term made up of generic components is automatically generic unless the combination constitutes a "deviation from normal usage" or an "unusual unitary combination."

In reaching our conclusion of genericness in *Surgicenters,* we placed significant but not controlling weight on the dictionary definitions and generic nature of "surgery" and "center." We explained that "[w]hile not determinative, dictionary definitions are relevant and often persuasive in determining how a term is understood by the consuming public, the ultimate test of whether a trademark is generic." But we also based our genericness finding upon detailed information in some 45 exhibits that, taken collectively, suggested that the consuming public considered the composite term "surgicenter" to mean a surgical center generally speaking, as opposed to a surgical center maintained and operated by the plaintiff specifically. These exhibits included letters from potential consumers and several publications that used the term "surgicenter" in a clearly generic sense. The finding of genericness in *Surgicenters* cannot be separated from the uniquely well-developed record in that case.

In this case, the district court cited *Surgicenters* for the proposition that "a combination of two generic words is also generic, unless the combination is a 'deviation from natural usage' or an 'unusual unitary combination.' " The court then stated that "[u]nder this analysis, the term 'Filipino Yellow Pages' seems to be neither a 'deviation from natural usage,' nor an 'unusual unitary combination.' " The district court's reading of *Surgicenters* appears somewhat troubling insofar as it oversimplifies our opinion. First, it overlooks our explicit recognition that "words which could not individually become a trademark may become one when taken together." Second, it effectively makes dictionary definitions the crucial factor in assessing genericness, even though *Surgicenters* makes clear that such definitions are "not determinative" and that the "ultimate test" of genericnessness is "how a term is understood by the consuming public." Finally, it severs our *Surgicenters* analysis from its unique factual context, in which a wealth of exhibits supported a finding that the term "surgicenter" was generic even when taken as a whole (as opposed to the sum of generic parts).

Furthermore, reading the *Surgicenters* opinion for the rather broad (and somewhat reductionist) principle that "a generic term plus a generic term equals a generic term" would give rise to an unnecessary conflict between that decision and several other cases, decided both before and after *Surgicenters,* in which we have adopted a more holistic approach to evaluating composite terms.

In *United States Jaycees v. San Francisco Junior Chamber of Commerce,* 513 F.2d 1226 (9th Cir.1975) (per curiam), decided a few years before *Surgicenters,* this court rejected the rather blunt "generic plus generic equals generic" approach to evaluating composite terms. The *Jaycees* court affirmed the district court's holding that "Junior Chamber of Commerce" was a descriptive mark with secondary meaning over a dissent arguing that "Junior Chamber of Commerce" was generic. The dissent relied upon the presence of "junior" and "chamber of commerce" in the dictionary to argue that both terms were generic and that "junior" modified "chamber of commerce" in a perfectly ordinary way, thereby creating a generic term. The *Jaycees* court, in affirming over the dissent, implicitly rejected evaluating genericness of composite terms by breaking them down into their parts.

Several of our more recent cases have taken a fairly integrative approach to evaluating composite terms, rejecting the breaking down of such terms into their individual (and often generic) parts....

In *California Cooler, Inc. v. Loretto Winery, Ltd.,* 774 F.2d 1451 (9th Cir.1985), we affirmed the district court's preliminary injunction enjoining the defendant from using the name "California Special Cooler" for its wine cooler products on the ground that it was confusingly similar to the plaintiff's registered trademark, "California Cooler." The defendant in *California Cooler* argued that because the generic terms "California" and "Cooler" could not qualify as valid marks individually, their combination, "California Cooler," was similarly generic. We rejected this argument: "California Cooler's mark is a composite term, and its validity is not judged by an examination of its parts. Rather, the validity of a trademark is to be determined by *viewing the trademark as a whole.* ... Thus, the composite may become a distinguishing mark even though its components individually cannot.") . . . .

Finally, in Committee for Idaho's High Desert, Inc. v. Yost, 92 F.3d 814 (9th Cir.1996), we held that an environmental organization's name, "Committee for Idaho's High Desert," was not generic. Appellants challenged the validity of that tradename by arguing that it was generic based on the genericness of "Idaho's high desert" and "committee." We rejected their argument, stating that "[t]he district court was clearly correct in evaluating the genericness of the name as a whole, rather than looking to its constituent parts individually. .... The relevant question therefore is whether the *entire name* 'Committee for Idaho's High Desert' is generic."

As the foregoing discussion illustrates, several pre- and post-*Surgicenters* cases have announced what could be described as an "anti-dissection rule" for evaluating the trademark validity of composite terms. Official Airline Guides, Inc., 6 F.3d at 1392 (noting that under this rule, "the validity and distinctiveness of a composite trademark is determined by viewing the trademark as a whole, as it appears in the marketplace"). When *Surgicenters* is examined in light of these later cases, it becomes clear that *Surgicenters* should not be read overbroadly to stand for the simple proposition that "generic plus generic equals generic." Rather, *Surgicenters* must be read in its proper context. First, it must be noted that *Surgicenters* explicitly recognizes that generic individual terms can be combined to form valid composite marks. Second, it must be recalled that we found the term "surgicenter" generic based in large part on a well-developed record of 45 exhibits showing that the term "surgicenter," considered as a whole, was generic (i.e., understood by the consuming public as referring simply to a center at which surgery was performed).

In light of the foregoing discussion, the district court here may have oversimplified matters somewhat when it stated that "[t]he Ninth Circuit has held that a combination of two generic words is also generic, unless the combination is a 'deviation from natural usage' or an 'unusual unitary combination.' " Any arguable imprecision in the district court's application of *Surgicenters* was harmless, however, because the term "Filipino Yellow Pages" would be unprotectible in any event.

In finding "Filipino Yellow Pages" generic, the district court did not rely solely upon the generic nature and presence in the dictionary of "Filipino" and "yellow pages." The district court also considered other evidence tending to suggest that "Filipino Yellow Pages," even when considered as an entire mark, is generic with respect to telephone directories. The district court took note of the following facts: (1) [FYP's owner] himself appeared to use the term "Filipino Yellow Pages" in a generic sense in the Shareholders' Buy Out Agreement with [Defendant's owner], when he "agree[d] not to compete in the Filipino Directory (Filipino Yellow Pages) in California"; (2) FYP did not bring suit to challenge the marketing of a second *Filipino Yellow Pages* to the Filipino-American community on the East Coast; and (3) a *Los Angeles Times* article, in discussing a trend toward specialized yellow pages, appeared to use the term in a generic sense; the article referred to a directory published by one Virgil Junio as "his Filipino yellow pages" instead of using the actual title of Junio's publication.

These three pieces of evidence are not as weighty as the 45 exhibits presented in *Surgicenters,* in which the record established generic use of the term "surgicenter" by *Newsweek* magazine, six medical publications, and the Department of Health, Education and Welfare. An important difference between *Surgicenters* and the instant case should be noted, however. The mark at issue in *Surgicenters* was a federally-registered mark, and thus the burden of proving genericness rested upon the party challenging the mark's validity. The mark at issue in this case, in contrast, is not registered; thus FYP, as trademark plaintiff, must prove that "Filipino Yellow Pages" is *not* generic. It does not appear that FYP has offered evidence of nongenericness sufficient to rebut even the fairly modest evidence of genericness offered by AJP. In light of the evidence presented by AJP, it would seem that under the "who-are-you/what-are-you" test, the term "Filipino Yellow Pages" is generic. If faced with the question "What are you?", FYP's *Filipino Yellow Pages,* AJP's *Filipino Consumer Directory,* and the *Filipino Directory of the U.S.A. and Canada* could all respond in the same way: "A Filipino yellow pages." Giving FYP exclusive rights to the term "Filipino Yellow Pages" might be inappropriate because it would effectively "grant [FYP as] owner of the mark a monopoly, since a competitor could not describe his goods as what they are." *Surgicenters,* 601 F.2d at 1017 (internal quotation marks omitted).

Even assuming that AJP's other evidence of genericness would be insufficient to sustain a genericness finding by itself, it certainly suggests that "Filipino Yellow Pages," if descriptive, would be the feeblest of descriptive marks-in the words of one court, "perilously close to the 'generic' line." Such a weak descriptive mark could be a valid trademark only with a strong showing of strong secondary meaning. To this component of the trademark analysis we now turn.[5]

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[5] We have noted in the past that "the lines of demarcation [between the four categories of marks] are not always clear" and that "courts often have difficulty in distinguishing between generic and descriptive terms." Surgicenters, 601 F.2d at 1014, 1015. The difference between a generic mark and the weakest of descriptive marks may be almost imperceptible. In this case, we do not need to determine whether "Filipino

[The court ruled that "[t]he district court did not err in concluding that FYP had failed to establish secondary meaning for 'Filipino Yellow Pages,'" and affirmed.]

Notes

Primary significance is the key. A mark is generic if the primary significance of the term is as a product category rather than a mark. The Trademark Office asks not whether the public *uses* the term as a category identifier, but rather if the public would *understand* the term as such. *Trademark Manual of Examination Procedures* ("TMEP") § 1209.01(c)(i) ("It is not necessary to show that the relevant public *uses* the term to refer to the genus. The correct inquiry is whether the relevant public would understand the term to be generic." (citing In re 1800Mattress.com IP LLC, 586 F.3d 1359 (Fed. Cir. 2009)).

One consequence of the primary significance test is that a mark may be generic if a court determines that 60% of the relevant public views the mark as generic *even if* a substantial minority views the term as a source-identifier. In such cases, the interests of differing consumer classes may be at odds. While the term in question may lower search costs for some consumers, others may need it as an identifier of a product category. It may be that when push comes to shove the interests of one consumer class outweighs the other's, but it is worth noting that trademark law cannot avoid the choice. That said, sometimes courts will try to mediate the conflict between the two consumer classes. *See* the note on "*de facto secondary meaning*" below.

Non-word marks. What about non-word marks? How should a court treat a picture of a product that is claimed as a trademark? According to the McCarthy treatise (§ 7:37), most courts would treat such a picture as descriptive, but, depending on the circumstances, generic treatment is also possible.

Can product color be generic? There are certainly circumstances in which it may be functional (e.g., black clothing worn by stage hands during a theater production to avoid being seen) or descriptive (e.g., when the color in question is the color of the product itself, like banana yellow—or is that just another way of saying that it is not distinctive and performs no trademark function?). Some cases suggest that color may be generic, as, for example, when a particular color is commonplace in an industry. The same may be said for product packaging. Think

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Yellow Pages" is a generic or very weak descriptive term. For the reasons discussed infra, FYP's failure to show secondary meaning renders the term unprotectible in either case.

about wine. If you browse a liquor store, you'll notice certain recurring themes on wine bottles (e.g., references to ridges, hills, moons, and valleys). The Ninth Circuit has held that the use of leafs in vineyard logos is so commonplace as to be a generic practice. Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery, 150 F.3d 1042, 1048 (9th Cir. 1998) ("Grape-leaf designs have become generic emblems for wine. Thus, they are not protectable as trademarks.").

Think about whether treating color trademarks as generic may lower consumer search costs. Consider packets for sugar substitutes. You may find that those using the chemical equivalent of sucralose are yellow even if they are not SPLENDA, the brand name of the product that first used sucralose. Does use of yellow packaging in this way benefit consumers who prefer sucralose to, say, saccharine for their artificial sweetening? Or is this an impermissible free ride on the efforts of the maker and popularizer of SPLENDA? For litigation raising, but not resolving, this point, *see, e.g.*, McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC, 511 F.3d 350 (3d Cir. 2007). Similarly, a popular maker of fiberglass insulation uses the color pink for its fiberglass. What if the pink is so popular that consumers have come to associate the pink color with fiberglass insulation generally. Can you think of ways in which this association might mean that granting a trademark in the pink color could harm consumers?

Anti-dissection again. Note the reappearance of the anti-dissection principle. Is it any clearer in the generic context than in the descriptive? The Trademark Office understands its marching orders as follows (from TMEP § 1209.01(c)(i) (Oct. 2018) (some citations omitted)):

> When a term is a compound word, the examining attorney may establish that a term is generic by producing evidence that each of the constituent words is generic, and that the separate words retain their generic significance when joined to form a compound that has "a meaning identical to the meaning common usage would ascribe to those words as a compound." *In re Gould Paper Corp.*, 834 F.2d 1017, 1018, 5 USPQ2d 1110, 1111–1112 (Fed. Cir. 1987) (SCREENWIPE held generic as applied to premoistened antistatic cloths for cleaning computer and television screens).
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> However, the Court of Appeals for the Federal Circuit has expressly limited the holding in *Gould* to "compound terms formed by the union of words" where the public understands the individual terms to be generic for a genus of goods or services, and the joining of the individual terms into one compound word lends "no additional meaning to the term." *In re Dial-A-Mattress Operating Corp.*, 240 F.3d 1341, 57 USPQ2d 1807, 1810 (Fed. Cir.

2001) (citing *In re Am. Fertility Soc'y*, 188 F.3d 1341, 51 USPQ2d 1832, 1837 (Fed. Cir. 1999)). Where the mark is a phrase, the examining attorney cannot simply cite definitions and generic uses of the individual components of the mark, but must provide evidence of the meaning of the composite mark as a whole. In *Coleman*, however, the Board stated that *Am. Fertility Soc'y* cannot be read to suggest that an applicant can create a trademark by adding a clearly generic term to a non-source-identifying word, even in the absence of proof that others have used the composite. 93 USPQ2d 2019 at 2025.

In *Am. Fertility Soc'y*, the court held that evidence that the components "Society" and "Reproductive Medicine" were generic was not enough to establish that the composite phrase SOCIETY FOR REPRODUCTIVE MEDICINE was generic for association services in the field of reproductive medicine. The court held that the examining attorney must show: (1) the genus of services that the applicant provides; and (2) that the relevant public understands the proposed composite mark to primarily refer to that genus of services. 51 USPQ2d at 1836–37.

The Supreme Court took up a dissection issue in the domain name context in 2020.

United States Patent and Trademark Office v. Booking.com B.V.
140 S. Ct. 2298 (2020)

Justice GINSBURG delivered the opinion of the Court.

This case concerns eligibility for federal trademark registration. Respondent Booking.com, an enterprise that maintains a travel-reservation website by the same name, sought to register the mark "Booking.com." Concluding that "Booking.com" is a generic name for online hotel-reservation services, the U. S. Patent and Trademark Office (PTO) refused registration.

A generic name—the name of a class of products or services—is ineligible for federal trademark registration. The word "booking," the parties do not dispute, is generic for hotel-reservation services. "Booking.com" must also be generic, the PTO maintains, under an encompassing rule the PTO currently urges us to adopt: The combination of a generic word and ".com" is generic.

In accord with the first- and second-instance judgments in this case, we reject the PTO's sweeping rule. A term styled "generic.com" is a generic name for a class of goods or services only if the term has that meaning to consumers. Consumers, according to lower court determinations uncontested here by the PTO, do not perceive the term "Booking.com" to signify online hotel-reservation services as a class. In circumstances like those this case presents, a "generic.com" term is not generic and can be eligible for federal trademark registration. . . .

Booking.com is a digital travel company that provides hotel reservations and other services under the brand "Booking.com," which is also the domain name of its website. Booking.com filed applications to register four marks in connection with travel-related services, each with different visual features but all containing the term "Booking.com."

Both a PTO examining attorney and the PTO's Trademark Trial and Appeal Board concluded that the term "Booking.com" is generic for the services at issue and is therefore unregistrable. "Booking," the Board observed, means making travel reservations, and ".com" signifies a commercial website. The Board then ruled that "customers would understand the term BOOKING.COM primarily to refer to an online reservation service for travel, tours, and lodgings." Alternatively, the Board held that even if "Booking.com" is descriptive, not generic, it is unregistrable because it lacks secondary meaning.

Booking.com sought review in the U. S. District Court for the Eastern District of Virginia, invoking a mode of review that allows Booking.com to introduce evidence not presented to the agency. See § 1071(b). Relying in significant part on Booking.com's new evidence of consumer perception, the District Court concluded that "Booking.com"—unlike "booking"—is not generic. The "consuming public," the court found, "primarily understands that BOOKING.COM does not refer to a genus, rather it is descriptive of services involving 'booking' available at that domain name." Having determined that "Booking.com" is descriptive, the District Court additionally found that the term has acquired secondary meaning as to hotel-reservation services. For those services, the District Court therefore concluded, Booking.com's marks meet the distinctiveness requirement for registration. [The Fourth Circuit affirmed.]

Although the parties here disagree about the circumstances in which terms like "Booking.com" rank as generic, several guiding principles are common ground. First, a "generic" term names a "class" of goods or services, rather than any particular feature or exemplification of the class. Second, for a compound term, the distinctiveness inquiry trains on the term's meaning as a whole, not its parts in isolation. Third, the relevant meaning of a term is its meaning to consumers. Eligibility for registration, all agree, turns on the mark's capacity to "distinguis[h]" goods "in commerce." § 1052. Evidencing the Lanham Act's focus on consumer perception, the section governing cancellation of registration provides that "[t]he primary significance of the registered mark to the relevant public ... shall be the test for determining whether the registered mark has become the generic name of goods or services." § 1064(3).

Under these principles, whether "Booking.com" is generic turns on whether that term, taken as a whole, signifies to consumers the class of online hotel-reservation services. Thus, if "Booking.com" were generic, we might expect consumers to understand Travelocity—another such service—to be a "Booking.com." We might similarly expect that a consumer, searching for a trusted source of online hotel-reservation services, could ask a frequent traveler to name her favorite "Booking.com" provider.

Consumers do not in fact perceive the term "Booking.com" that way, the courts below determined. The PTO no longer disputes that determination. See Pet. for Cert. I; Brief for Petitioners 17–18 (contending only that a consumer-perception inquiry was unnecessary, not that the lower courts' consumer-perception determination was wrong). That should resolve this case: Because "Booking.com" is not a generic name to consumers, it is not generic.

Opposing that conclusion, the PTO urges a nearly *per se* rule that would render "Booking.com" ineligible for registration regardless of specific evidence of consumer perception. In the PTO's view, which the dissent embraces, when a generic term is combined with a generic top-level domain like ".com," the resulting combination is generic. In other words, every "generic.com" term is generic according to the PTO, absent exceptional circumstances.

The PTO's own past practice appears to reflect no such comprehensive rule. . . . We decline to adopt a rule essentially excluding registration of "generic.com" marks. . . .

The PTO urges that the exclusionary rule it advocates follows from a common-law principle, applied in *Goodyear's India Rubber Glove Mfg. Co.* v. *Goodyear Rubber Co.*, 128 U.S. 598 (1888), that a generic corporate designation added to a generic term does not confer trademark eligibility. In *Goodyear*, a decision predating the Lanham Act, this Court held that "Goodyear Rubber Company" was not "capable of exclusive appropriation." Standing alone, the term "Goodyear Rubber" could not serve as a trademark because it referred, in those days, to "well-known classes of goods produced by the process known as Goodyear's invention." "[A]ddition of the word 'Company' " supplied no protectable meaning, the Court concluded, because adding "Company" "only indicates that parties have formed an association or partnership to deal in such goods." Permitting exclusive rights in "Goodyear Rubber Company" (or "Wine Company, Cotton Company, or Grain Company"), the Court explained, would tread on the right of all persons "to deal in such articles, and to publish the fact to the world."

"Generic.com," the PTO maintains, is like "Generic Company" and is therefore ineligible for trademark protection, let alone federal registration. According to the PTO, adding ".com" to a generic term—like adding "Company"—"conveys no additional meaning that would distinguish [one provider's] services from those of other providers." The dissent endorses that proposition: "Generic.com" conveys that the generic good or service is offered online "and nothing more."

That premise is faulty. A "generic.com" term might also convey to consumers a source-identifying characteristic: an association with a particular website. As the PTO and the dissent elsewhere acknowledge, only one entity can occupy a particular Internet domain name at a time, so "[a] consumer who is familiar with that aspect of the domain-name system can infer that BOOKING.COM refers to *some* specific entity." Thus, consumers could understand a given "generic.com" term to describe the corresponding website or to identify the website's proprietor. We therefore resist the PTO's position that "generic.com" terms are capable of signifying only an entire class of online goods or services and, hence, are categorically incapable of identifying a source.

The PTO's reliance on *Goodyear* is flawed in another respect. The PTO understands *Goodyear* to hold that "Generic Company" terms "are ineligible for trademark protection *as a matter of law*"—regardless of how "consumers would understand" the term. But, as noted, whether a term is generic depends on its meaning to consumers. That bedrock principle of the Lanham Act is incompatible with an unyielding legal rule that entirely disregards consumer perception. Instead, *Goodyear* reflects a more modest principle harmonious with Congress' subsequent enactment: A compound of generic elements is generic if the combination yields no additional meaning *to consumers* capable of distinguishing the goods or services. . . .

While we reject the rule proffered by the PTO that "generic.com" terms are generic names, we do not embrace a rule automatically classifying such terms as nongeneric. Whether any given "generic.com" term is generic, we hold, depends on whether consumers in fact perceive that term as the name of a class or, instead, as a term capable of distinguishing among members of the class. . . .

The PTO, echoed by the dissent objects that protecting "generic.com" terms as trademarks would disserve trademark law's animating policies. We disagree.

The PTO's principal concern is that trademark protection for a term like "Booking.com" would hinder competitors. But the PTO does not assert that others seeking to offer online hotel-reservation services need to call their services "Booking.com." Rather, the PTO fears that trademark protection for "Booking.com" could exclude or inhibit competitors from using the term "booking" or adopting domain names like "ebooking.com" or "hotel-booking.com." The PTO's objection, therefore, is not to exclusive use of "Booking.com" as a mark, but to undue control over similar language, *i.e.*, "booking," that others should remain free to use.

That concern attends any descriptive mark. Responsive to it, trademark law hems in the scope of such marks short of denying trademark protection altogether.

Notably, a competitor's use does not infringe a mark unless it is likely to confuse consumers. In assessing the likelihood of confusion, courts consider the mark's distinctiveness: "The weaker a mark, the fewer are the junior uses that will trigger a likelihood of consumer confusion." 2 [McCarthy], § 11:76. When a mark incorporates generic or highly descriptive components, consumers are less likely to think that other uses of the common element emanate from the mark's owner. Similarly, "[i]n a 'crowded' field of look-alike marks" (*e.g.*, hotel names including the word "grand"), consumers "may have learned to carefully pick out" one mark from another. *Id.*, § 11:85. And even where some consumer confusion exists, the doctrine known as classic fair use, protects from liability anyone who uses a descriptive term, "fairly and in good faith" and "otherwise than as a mark," merely to describe her own goods. 15 U.S.C. § 1115(b)(4).

These doctrines guard against the anticompetitive effects the PTO identifies, ensuring that registration of "Booking.com" would not yield its holder a monopoly on the term "booking." Booking.com concedes that "Booking.com" would be a "weak" mark. The mark is descriptive, Booking.com recognizes, making it "harder ... to show a likelihood of confusion." Furthermore, because its mark is one of many "similarly worded marks," Booking.com accepts that close variations are unlikely to infringe. And Booking.com acknowledges that federal registration of "Booking.com" would not prevent competitors from using the word "booking" to describe their own services.

The PTO also doubts that owners of "generic.com" brands need trademark protection in addition to existing competitive advantages. Booking.com, the PTO argues, has already seized a domain name that no other website can use and is easy for consumers to find. Consumers might enter "the word 'booking' in a search engine," the PTO observes, or "proceed directly to 'booking.com' in the expectation that [online hotel-booking] services will be offered at that address." Those competitive advantages, however, do not inevitably disqualify a mark from federal registration. All descriptive marks are intuitively linked to the product or service and thus might be easy for consumers to find using a search engine or telephone directory. The Lanham Act permits registration nonetheless. And the PTO fails to explain how the exclusive connection between a domain name and its owner makes the domain name a generic term all should be free to use. That connection makes trademark protection more appropriate, not less.

Finally, even if "Booking.com" is generic, the PTO urges, unfair-competition law could prevent others from passing off their services as Booking.com's. But federal trademark registration would offer Booking.com greater protection. . . .

Justice SOTOMAYOR, concurring.

The question before the Court here is simple: whether there is a nearly *per se* rule against trademark protection for a "generic.com" term. I agree with the Court that there is no such rule . . . . I add two observations.

First, the dissent wisely observes that consumer-survey evidence "may be an unreliable indicator of genericness." Flaws in a specific survey design, or weaknesses inherent in consumer surveys generally, may limit the probative value of surveys in determining whether a particular mark is descriptive or generic in this context. But I do not read the Court's opinion to suggest that surveys are the be-all and end-all. . . .

Second, the PTO may well have properly concluded, based on such dictionary and usage evidence, that Booking.com is in fact generic for the class of services at issue here, and the District Court may have erred in concluding to the contrary. But that question is not before the Court. With these understandings, I concur in the Court's opinion.

Justice BREYER, dissenting.

What is Booking.com? To answer this question, one need only consult the term itself. Respondent provides an online booking service. The company's name informs the consumer of the basic nature of its business and nothing more. Therein lies the root of my disagreement with the majority.

Trademark law does not protect generic terms, meaning terms that do no more than name the product or service itself. This principle preserves the linguistic commons by preventing one producer from appropriating to its own exclusive use a term needed by others to describe their goods or services. Today, the Court holds that the addition of ".com" to an otherwise generic term, such as "booking," can yield a protectable trademark. Because I believe this result is inconsistent with trademark principles and sound trademark policy, I respectfully dissent. . . .

Courts have recognized that it is not always easy to distinguish generic from descriptive terms. It is particularly difficult to do so when a firm wishes to string together two or more generic terms to create a compound term. Despite the generic nature of its component parts, the term as a whole is not necessarily generic. In such cases, courts must determine whether the combination of generic terms conveys some distinctive, source-identifying meaning that each term, individually, lacks. . . .

In *Goodyear,* we held that appending the word " 'Company' " to the generic name for a class of goods does not yield a protectable compound term. . . .

. . . . It is true that the Lanham Act altered the common law in certain important respects. Most significantly, it extended trademark protection to descriptive marks that have acquired secondary meaning. But it did not disturb the basic principle that *generic* terms are ineligible for trademark protection, and nothing in the Act suggests that Congress intended to overturn *Goodyear*. We normally assume that Congress did not overturn a common-law principle absent some indication to the contrary. I can find no such indication here. . . .

More fundamentally, the *Goodyear* principle is sound as a matter of law and logic. . . . [W]here a compound term consists simply of a generic term plus a corporate designation, the whole is *necessarily* no greater than the sum of its parts. . . .

Like the corporate designations at issue in *Goodyear*, a top-level domain such as ".com" has no capacity to identify and distinguish the source of goods or services. It is merely a necessary component of any web address. When combined with the generic name of a class of goods or services, ".com" conveys only that the owner operates a website related to such items. Just as "Wine Company" expresses the generic concept of a company that deals in wine, "wine.com" connotes only a website that does the same. The same is true of "Booking.com.". . .

When a website uses an inherently distinctive second-level domain, it is obvious that adding ".com" merely denotes a website associated with that term. Any reasonably well-informed consumer would understand that "post-it.com" is the website associated with Post-its. Recognizing this feature of domain names, courts generally ignore the top-level domain when analyzing likelihood of confusion.

Generic second-level domains are no different. The meaning conveyed by "Booking.com" is no more and no less than a website associated with its generic second-level domain, "booking." This will ordinarily be true of any generic term plus ".com" combination. The term as a whole is just as generic as its constituent parts. . . .

The majority believes that *Goodyear* is inapposite because of the nature of the domain name system. Because only one entity can hold the contractual rights to a particular domain name at a time, it contends, consumers may infer that a "generic.com" domain name refers to some specific entity.

That fact does not distinguish *Goodyear*. A generic term may suggest that it is associated with a specific entity. That does not render it nongeneric. For example, "Wine, Inc." implies the existence of a specific legal entity incorporated under the laws of some State. Likewise, consumers may perceive "The Wine Company" to refer to some specific company rather than a genus of companies. But the addition of the definite article "the" obviously does not transform the generic nature of that term. True, these terms do not carry the exclusivity of a domain name. But that functional exclusivity does not negate the principle animating *Goodyear*: Terms that merely convey the nature of the producer's business should remain free for all to use.

This case illustrates the difficulties inherent in the majority's fact-specific approach. The lower courts determined (as the majority highlights), that consumers do not use the term "Booking.com" to refer to the class of hotel reservation websites in ordinary speech. True, few would call Travelocity a "Booking.com." But literal use is not dispositive. Consumers do not use the term "Wine, Incs." to refer to purveyors of wine. Still, the term "Wine, Inc." is generic because it signifies only a company incorporated for that purpose. Similarly, "Booking, Inc." may not be trademarked because it signifies only a booking company. The result should be no different for "Booking.com," which signifies only a booking website.

More than that, many of the facts that the Court supposes may distinguish some "generic.com" marks as descriptive and some as generic are unlikely to vary from case to case. There will never be evidence that consumers literally refer to the relevant class of online merchants as "generic.coms." Nor are "generic.com" terms likely to appear in dictionaries. And the key fact that, in the majority's view, distinguishes this case from *Goodyear*—that only one entity can own the rights to a particular domain name at a time—is present in every "generic.com" case.

What, then, stands in the way of automatic trademark eligibility for every "generic.com" domain? Much of the time, that determination will turn primarily on survey evidence, just as it did in this case.

However, survey evidence has limited probative value in this context. Consumer surveys often test whether consumers associate a term with a single source. But it is possible for a generic term to achieve such an association—either because that producer has enjoyed a period of exclusivity in the marketplace, or because it has invested money and effort in securing the public's identification. Evidence of such an association, no matter how strong, does not negate the generic nature of the term. For that reason, some courts and the TTAB have concluded that survey evidence is generally of little value in separating generic from descriptive terms. Although this is the minority viewpoint, I nonetheless find it to be the more persuasive one.

Consider the survey evidence that respondent introduced below. Respondent's survey showed that 74.8% of participants thought that "Booking.com" is a brand name, whereas 23.8% believed it was a generic name. At the same time, 33% believed that "Washingmachine.com"—which does not correspond to any company—is a brand, and thought it was generic.

What could possibly account for that difference? "Booking.com" is not *inherently* more descriptive than "Washingmachine.com" or any other "generic.com." The survey participants who identified "Booking.com" as a brand likely did so because they had heard of it, through advertising or otherwise. If someone were to start a company called "Washingmachine.com," it could likely secure a similar level of consumer identification by investing heavily in advertising. Would that somehow transform the nature of the term itself? Surely not. This hypothetical shows that respondent's survey tested consumers' association of "Booking.com" with a particular company, not anything about the term itself. But such association does not establish that a term is nongeneric.

Under the majority's approach, a "generic.com" mark's eligibility for trademark protection turns primarily on survey data, which, as I have explained, may be an unreliable indicator of genericness. As the leading treatise writer in this field has observed, this approach "[d]iscard[s] the predictable and clear line rule of the [PTO] and the Federal Circuit" in favor of "a nebulous and unpredictable zone of generic name and top level domain combinations that somehow become protectable marks when accompanied by favorable survey results." 1 McCarthy § 7:17.50. I would heed this criticism. . . .

In addition to the doctrinal concerns discussed above, granting trademark protection to "generic.com" marks threatens serious anticompetitive consequences in the online marketplace.

The owners of short, generic domain names enjoy all the advantages of doing business under a generic name. These advantages exist irrespective of the trademark laws. Generic names are easy to remember. Because they immediately convey the nature of the business, the owner needs to expend less effort and expense educating consumers. And a generic business name may create the impression that it is the most authoritative and trustworthy source of the particular good or service. These advantages make it harder for distinctively named businesses to compete. . . .

Generic domains are also easier for consumers to find. A consumer who wants to buy wine online may perform a keyword search and be directed to "wine.com." Or he may simply type "wine.com" into his browser's address bar, expecting to find a website selling wine. The owner of a generic domain name enjoys these benefits not because of the quality of her products or the goodwill of her business, but because she was fortunate (or savvy) enough to be the first to appropriate a particularly valuable piece of online real estate.

Granting trademark protection to "generic.com" marks confers additional competitive benefits on their owners by allowing them to exclude others from using *similar* domain names. Federal registration would allow respondent to threaten trademark lawsuits against competitors using domains such as "Bookings.com," "eBooking.com," "Booker.com," or "Bookit.com." Respondent says that it would not do so. But other firms may prove less restrained.

Indeed, why would a firm want to register its domain name as a trademark unless it wished to extend its area of exclusivity beyond the domain name itself? The domain name system, after all, already ensures that competitors cannot appropriate a business's actual domain name . . . .

Under the majority's reasoning, many businesses could obtain a trademark by adding ".com" to the generic name of their product (*e.g.*, pizza.com, flowers.com, and so forth). As the internet grows larger, as more and more firms use it to sell their products, the risk of anticompetitive consequences grows. Those consequences can nudge the economy in an anticompetitive direction. At the extreme, that direction points towards one firm per product, the opposite of the competitive multifirm marketplace that our basic economic laws seek to achieve.

Not to worry, the Court responds, infringement doctrines such as likelihood of confusion and fair use will restrict the scope of protection afforded to "generic.com" marks. This response will be cold comfort to competitors of "generic.com" brands. Owners of such marks may seek to extend the boundaries of their marks through litigation, and may, at times succeed. See, *e.g.*, *Advertise.com v. AOL, LLC*, 2010 WL 11507594 (CD Cal.) (owner of "Advertising.com" obtained preliminary injunction against competitor's use of "Advertise.com"), vacated in part, 616 F.3d 974 (CA9 2010). Even if ultimately unsuccessful, the threat of costly litigation will no doubt chill others from using variants on the registered mark and privilege established firms over new entrants to the market. . . .

Notes

Administrative asymmetries. Note that registration creates a presumption that a mark is not generic. But one may obtain that presumption *without* proving that the mark is not generic. In *Booking.com*, the Fourth Circuit joined the Federal Circuit in holding that PTO bears the burden of establishing that a mark is generic if it wishes to refuse registration on those grounds (rather than requiring an applicant to establish that the mark is not generic). *Booking.com*, 915 F.3d at 179-80. Is that a sensible policy? What incentives does it create for would-be trademark holders?

Note further that the survey evidence supporting trademark protection for Booking.com was submitted after the PTO proceedings. Absent an opposition, would we ever expect a counter-survey to be available? Given the concentrated benefits of a trademark registration and the diffuse costs, will this mean an increased number of low-quality marks?

Doctrinal pressure. In *Booking.com* the Court assumes—and Justice Breyer contests—that other trademark doctrines will prevent the holder of a generic.com mark from asserting it too broadly. But given the relative weakness of a mark like Booking.com, is it worth the risk? Note also, as Justice Breyer does, that "the threat of costly litigation will no doubt chill others from using variants on the registered mark and privilege established firms over new entrants to the market." This is a recurring issue in trademark law that we will see again.

Purchaser motivation. 15 U.S.C. § 1127 explains that in determining whether a mark has become abandoned as a result of becoming generic "purchaser motivation" is not a factor. The qualification stems from Ninth Circuit precedent that suggested that a mark could be generic if consumers did not care about the source of the product. Anti-Monopoly, Inc. v. General Mills Fun Group, 611 F.2d 296, 305-06 (9th Cir. 1979). Traditional trademark doctrine only requires that a mark identify a single source even if the precise identity of that source is unknown. Congress added the purchaser motivation language to the statute to nullify the Ninth Circuit's suggestion to the contrary.

"De facto secondary meaning." If a mark is generic, it is generic, and competitors are free to use the term in question even if consumers also see the mark as designating product source. That said, courts sometimes issue orders to ensure that competitors clearly label their products to avoid potential confusion with the generic term's creator. For example, the Supreme Court held that the term "shredded wheat" was generic, but declared that it was nonetheless necessary for junior users to use their own distinctive mark on their shredded wheat products. Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 118-19 (1938) ("The showing which [the plaintiff] has made does not entitle it to the exclusive use of the term shredded wheat but merely entitles it to require that the defendant use reasonable care to inform the public of the source of its product.").

Similarly, Blinded Veterans Ass'n v. Blinded American Veterans Foundation, 872 F.2d 1035 (D.C. Cir. 1989), in an opinion by then-Judge (now Justice) Ginsburg, concluded that the term "blinded veterans" was generic, but that a passing off action remained possible:

> [T]he subsequent competitor cannot be prevented from using the generic term to denote itself or its product, but it may be enjoined from passing itself or its product off as the first organization or its product. Thus, a court may require the competitor to take whatever steps are necessary to distinguish itself or its product from the first organization or its product. In the paradigm case, Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938), for example, the Supreme Court held that the term "shredded wheat" is generic; the National Biscuit Company therefore was not entitled to exclusive use of the term. Because National Biscuit had been the only manufacturer of shredded wheat for many years, however, the public had come to associate the product and the term "shredded wheat" with that company. The Court therefore stated that the Kellogg Company, which also produced a shredded wheat cereal, could be required to "use reasonable care to inform the public of the source of its product." Id. at 119; see also, e.g., . . . Metric & Multistandard Components Corp. v. Metric's, Inc., 635 F.2d 710, 714 (8th Cir.1980) (finding "metric" generic designation of metric industrial supplies, but nevertheless concluding that section 43(a) of Lanham Act had been violated because mark had become so associated with plaintiff that defendant's use of it created likelihood of confusion); King-Seeley Thermos Co. v. Aladdin Indus., Inc., 321 F.2d 577, 581 (2d Cir.1963) (finding

> "thermos" generic denotation of vacuum-insulated container, but affirming requirement that defendant distinguish its product from plaintiff's by preceding "thermos" with "Aladdin's," by using only the lower case "t", and by never using the words "original" or "genuine" in describing its product); DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75, 80, 82 (2d Cir.) (finding "cellophane" generic denotation of cellulose transparent wrappings, but requiring defendant to identify itself as source of product in certain instances to avoid confusion with plaintiff's product); G. & C. Merriam Co. v. Saalfield, 198 F. 369, 373-76 (6th Cir.1912) (requiring defendant to accompany generic term "Webster's Dictionary" with sufficient explanation to avoid giving false impression that his book was plaintiff's) . . . .
>
> Under the approach set forth in these cases, a court will not act to remedy or prevent "confusion generated by a mere similarity of names." If a consumer confuses two manufacturers' shredded wheat cereal, for example, because both products share the same name and the consumer has a general appetite for crunchy, pillow-shaped wheat biscuits, there is no cause for judicial action. . . . If, however, the consumer associates "shredded wheat" with a particular manufacturer, perhaps because that manufacturer enjoyed a de facto (or de jure) monopoly for many years, there is a risk that the consumer may erroneously assume that any product entitled "shredded wheat" comes from that manufacturer. A second manufacturer may increase the risk of confusion by, for example, using a similar label, similar packaging, misleading advertisements, or simply by failing to state the product's source. Only when there is a likelihood that the newcomer might thus pass its product off as the original manufacturer's may a court require the newcomer to distinguish its product or to notify consumers explicitly that its product does not come from the original manufacturer.

Id. at 1043-45 (footnotes and some citations omitted).

Which category? As you can tell from the cases, much depends on how the product class is defined. The broader the category, the less likely the mark is to be seen as generic. Consider COKE ZERO. Is ZERO generic for zero-calorie sodas? Or is the product category soda in general? *See, e.g.*, Royal Crown Company, Inc. v. The Coca-Cola Company, 892 F.3d 1358, 1368 (Fed. Cir. 2018) ("[I]f the public understands ZERO when used in combination with a designated beverage name to refer to a sub-group or type of beverage that carries specific characteristics, that would be enough to render the term generic.").

When do we assess generic status? This question matters for surveys of consumer perception. Candidate dates include, the entry of the term into the marketplace; the entry of the defendant into the marketplace; and the current date. *See, e.g.*, Classic Foods Intern. Corp. v. Kettle Foods, Inc., 468 F. Supp. 2d 1181, 1188 n.10 (C.D. Cal. 2007) ("The crucial date for the determination of genericness in this case is 1999, the date [the junior user] first entered the market with the disputed mark."). A survey taken for litigation may be probative of the status of a mark at one of the earlier dates.

No adjective/noun shortcuts. Consider the following from a case considering whether "WAREHOUSE SHOES" is generic:

> At first glance, it appears that "warehouse" is functioning as an adjective in Mil-Mar's "Warehouse Shoes," which makes it seem more descriptive. An easy "noun versus adjective" test to signify a mark as either generic or descriptive, respectively, does not, however, adequately characterize the law of this circuit, nor would such a simplistic approach adequately embody fundamental principles of trademark law. The fact that "light" and "lite" were being used as adjectives to describe beer did not defeat our conclusion that "light beer" and "lite beer" were generic terms that could not garner trademark protection. . . . "Warehouse Shoes" and "Shoe Warehouse" both signify a particular type, category, or genus of retail stores: large stores that sell shoes in high volume at discount prices.

Mil-Mar Shoe Co. v. Shonac Corp., 75 F.3d 1153, 1160 (7th Cir. 1996) (footnote omitted). *Mil-Mar* also noted that secondary dictionary definitions may be evidence of genericness. *Id.* at 1158-159 ("However, no principle of trademark law mandates that only the primary definition of a word can qualify as generic. In fact, we have previously found that "light" and its phonetic equivalent "lite" are generic when used to describe a type of beer, even though the most common adjectival meaning of "light" has to do with weight.") (citation omitted).

Regional generic status and trademark registration. As we will discuss in later classes, one of the benefits of registering a trademark is nationwide priority (for example, a registered mark that at the time of registration is used only in the northeast United States will have priority over later-adopter in the southwest even if the later-adopter is first to use the term in the southwest region). Registration is impossible, however, if the term in question is generic in one part of the country. If only "common law," regional rights are at issue, however, it is possible for a mark to be generic in one part of the country and not another.

Highly descriptive marks. The line between generic and descriptive marks is unclear, *see, e.g.*, McCarthy § 12:20 (describing circuit splits as to whether particular marks are generic or descriptive) and depends in part on contested market definitions. Sometimes courts may balk at honoring the generic/descriptive line. Precedent from the Federal Circuit indicates that some marks, though not generic, may be so highly descriptive as to preclude trademark status. *In re Boston Beer Co. Ltd. Partnership*, 198 F.3d 1370 (Fed. Cir. 1999) (affirming rejected registration of "The Best Beer in America," noting that "a phrase or slogan can be so highly laudatory and descriptive as to be incapable of acquiring distinctiveness as a trademark"). Note, however, that there is precedent to the contrary.

Geographical Indications. Geographical indications of origin (GIs) indicate that a product has come from a particular area and (typically) has been made in a particular way. They are somewhat controversial. Should an American producer of sparkling wine be able to label it CHAMPAGNE? Or call a bottle of Pinot Noir a BURGUNDY? Or produce PROSCIUTTO DI PARMA? To turn the question around, should a European producer be permitted to sell NAPA VALLEY wine or IDAHO potatoes? Because this sort of trademark issue implicates regional interests, GIs are often the subject of international trademark negotiations.

Should GIs receive special protection? On the one hand, regional producers have an interest in developing, and then controlling, the reputation for products from a given area. On the other hand, those names may become generic in the minds of the consuming public, creating a potential barrier to entry for producers outside the region in question. Suppose the term "parmesan cheese" were off limits to domestic producers. Similarly, what better way to communicate that your wine is made in the Champagne style than to call it Champagne, even if you are not located in the Champagne region of France?

The World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) contains several provisions on GIs. Article 22 requires signatories to provide means to prevent the false suggestions of geographic origin, and Article 23 calls for similar protections for GIs concerning wines and spirits to apply even when the public is not misled as to the beverage's true origin. Article 24 cuts back on the breadth of Article 23 by allowing use of such terms in those nations in which they have become generic.

Some of the Lanham Act's accommodations to GIs include certification marks and registration exclusions that we will discuss in a later class. But what do you make of the underlying policy question? When push comes to shove, would you give the wine-makers of Champagne exclusive rights to CHAMPAGNE? Why or why not? Would it change your answer if—for reasons of soil and climate—sparkling wine from Champagne, France tastes differently than sparkling wine made elsewhere? What if taste tests reveal that consumers prefer the taste of "authentic" champagne? What if that preference disappears if the taste tests are blind?

Genericide. Some generic marks are not "born generic" but lose their source identifying function over time. Examples include ASPIRIN and CELLOPHANE. Are any current famous marks fated to lose protection? Can their owners avoid this fate?

Elliott v. Google, Inc.
860 F.3d 1151 (9th Cir. 2017)

TALLMAN, Circuit Judge:

[Elliott and another party attempted to acquire various domain names that included the word "google." Google, Inc. objected based on its trademark rights in the term. In response, Elliott filed an action petitioning for cancellation of the GOOGLE trademark, arguing that the word "'google' is primarily understood as 'a generic term universally used to describe the act[ ] of internet searching.'" The district court ruled in Google's favor.]

. . . . Genericide occurs when the public appropriates a trademark and uses it as a generic name for particular types of goods or services irrespective of its source. For example, ASPIRIN, CELLOPHANE, and ESCALATOR were once protectable as arbitrary or fanciful marks because they were primarily understood as identifying the source of certain goods. But the public appropriated those marks and now primarily understands aspirin, cellophane, and escalator as generic names for those same goods. . . .

. . . . The mere fact that the public sometimes uses a trademark as the name for a unique product does not immediately render the mark generic. *See* 15 U.S.C. § 1064(3). Instead, a trademark only becomes generic when the "primary significance of the registered mark to the relevant public" is as the name for a particular type of good or service irrespective of its source. . . .

On appeal, Elliott claims that he has presented sufficient evidence to create a triable issue of fact as to whether the GOOGLE trademark is generic, and that the district court erred when it granted summary judgment for Google. First, he argues that the district court erred because it misapplied the primary significance test and failed to recognize the importance of verb use. Specifically, he argues that the district court erroneously framed the inquiry as whether the primary significance of the word "google" to the relevant public is as a generic name for internet search engines, or as a mark identifying the Google search engine in particular. Instead, Elliott argues that the court should have framed the inquiry as whether the relevant public primarily uses the word "google" as a verb.

We conclude that Elliott's proposed inquiry is fundamentally flawed for two reasons. First, Elliott fails to recognize that a claim of genericide must always relate to a particular type of good or service. Second, he erroneously assumes that verb use automatically constitutes generic use. For similar reasons, we conclude that the district court did not err in its formulation of the relevant inquiry under the primary significance test.

First, we take this opportunity to clarify that a claim of genericide or genericness must be made with regard to a particular type of good or service. . . . Elliott claims that the word "google" has become a generic name for "the act" of searching the internet, and argues that the district court erred when it focused on internet search engines. We reject Elliott's criticism and conclude that the district court properly recognized the necessary and inherent link between a claim of genericide and a particular type of good or service.

This requirement is clear from the text of the Lanham Act, which allows a party to apply for cancellation of a trademark when it "becomes the generic name for the *goods or services* … for which it is registered." 15 U.S.C. § 1064(3) (emphasis added). The Lanham Act further provides that "[i]f the registered mark becomes the generic name for less than all of the *goods or services* for which it is registered, a petition to cancel the registration for only those *goods or services* may be filed." *Id.* (emphasis added). Finally, the Lanham Act specifies that the relevant question under the primary significance test is "whether the registered mark has become the generic name of [certain] *goods or services*." *Id.* (emphasis added). In this way, the Lanham Act plainly requires that a claim of genericide relate to a particular type of good or service.

We also note that such a requirement is necessary to maintain the viability of arbitrary marks as a protectable trademark category. By definition, an arbitrary mark is an existing word that is used to identify the source of a good with which the word otherwise has no logical connection. If there were no requirement that a claim of genericide relate to a particular type of good, then a mark like IVORY, which is "arbitrary as applied to soap," could be cancelled outright because it is "generic when used to describe a product made from the tusks of elephants." *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 n.6 (2d Cir. 1976). This is not how trademark law operates: Trademark law recognizes that a term may be unprotectable with regard to one type of good, and protectable with regard to another type of good. In this way, the very existence of arbitrary marks as a valid trademark category supports our conclusion that a claim of genericide must relate to a particular type of good or service.

Second, Elliott's alternative inquiry fails because verb use does not automatically constitute generic use. Elliott claims that a word can only be used in a trademark sense when it is used as an adjective. He supports this claim by comparing the definitions of adjectives and trademarks, noting that both adjectives and trademarks serve descriptive functions.

Once again, Elliott's semantic argument contradicts fundamental principles underlying the protectability of trademarks. When Congress amended the Lanham Act to specify that the primary significance test applies to claims of genericide, it specifically acknowledged that a speaker might use a trademark as the name for a product, i.e., as a noun, and yet use the mark with a particular source in mind, i.e., as a trademark. It further explained that:

> A trademark can serve a dual function—that of [naming] a product while at the same time indicating its source. Admittedly, if a product is unique, it is more likely that the trademark adopted and used to identify that product will be used as if it were the identifying name of that product. But this is not conclusive of whether the mark is generic.

S. Rep. No. 98–627, at 5 (1984). In this way, Congress has instructed us that a speaker might use a trademark as a noun and still use the term in a source-identifying trademark sense.

Moreover, we have already implicitly rejected Elliott's theory that only adjective use constitutes trademark use. In *Coca–Cola Co. v. Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982), the Coca–Cola Company sued a local restaurant for trademark infringement because its servers regularly and surreptitiously replaced customer orders for "a coke" with a non-Coca-Cola beverage. The restaurant defended on the basis of genericide, arguing that the COKE trademark had become a generic name for all cola beverages. To support its claim, the restaurant presented employee affidavits stating that the employees believed that customers who ordered "a coke" were using the term in a generic sense. We rejected these affidavits because they were not based on personal knowledge. More significant to the issue at hand, we also noted that the mere fact that customers ordered "a coke," i.e., used the mark as a noun, failed to show "what ... customers [were] thinking," or whether they had a particular source in mind.

If Elliott were correct that a trademark can only perform its source-identifying function when it is used as an adjective, then we would not have cited a need for evidence regarding the customers' inner thought processes. Instead, the fact that the customers used the trademark as a noun and asked for "a coke" would prove that they had no particular source in mind. In this way, we have implicitly rejected Elliott's theory that a trademark can only serve a source-identifying function when it is used as an adjective.

For these reasons, the district court correctly rejected Elliott's theory that verb use automatically constitutes generic use.[3] Moreover, the district court aptly coined the terms "discriminate verb" and "indiscriminate verb" in order to evaluate Elliott's proffered examples of verb use and determine whether they were also examples of generic use. Although novel, these terms properly frame the relevant inquiry as whether a speaker has a particular source in mind. We have already acknowledged that a customer might use the noun "coke" in an indiscriminate sense, with no particular cola beverage in mind; or in a discriminate sense, with a Coca–Cola beverage in mind. In the same way, we now recognize that an internet user might use the verb "google" in an indiscriminate sense, with no particular search engine in mind; or in a discriminate sense, with the Google search engine in mind.

Because a claim of genericide must relate to a particular type of good or service and because verb use does not necessarily constitute generic use, the district court did not err when it refused to frame its inquiry as whether the relevant public primarily uses the word "google" as a verb. Moreover, the district court correctly framed its inquiry as whether the primary significance of the word "google" to the relevant public is as a generic name for internet search engines or as a mark identifying the Google search engine in particular. We therefore evaluate Elliott's claim of genericide and the sufficiency of his proffered evidence under the proper inquiry. . . .

At summary judgment, the district court assumed that a majority of the public uses the verb "google" to refer to the act of "searching on the internet without regard to [the] search engine used." In other words, it assumed that a majority of the public uses the verb "google" in a generic and indiscriminate sense. The district court then concluded that this fact, on its own, cannot support a jury finding of genericide under the primary significance test. We agree.

[A] claim of genericide must relate to a particular type of good. Even if we assume that the public uses the verb "google" in a generic and indiscriminate sense, this tells us nothing about how the public primarily understands the word itself, irrespective of its grammatical function, with regard to internet search engines. [The

[3] We acknowledge that if a trademark is used as an adjective, it will typically be easier to prove that the trademark is performing a source-identifying function. If a speaker asks for "a Kleenex tissue," it is quite clear that the speaker has a particular brand in mind. But we will not assume that a speaker has no brand in mind simply because he or she uses the trademark as a noun and asks for "a Kleenex." Instead, the party bearing the burden of proof must offer evidence to support a finding of generic use. See McCarthy § 12:8 ("The fact that buyers or users often call for or order a product by a [trademark] term does not necessarily prove that that term is being used as a 'generic name.' ").

court concluded that Elliott's survey evidence "only supports the favorable but insufficient inference already drawn by the district court—that a majority of the public uses the verb "google" in a generic sense. Standing in isolation, this fact is insufficient to support a jury finding of genericide." Although such use is not irrelevant, "evidence that a mark is used in a generic sense in one particular setting cannot support a finding of genericide when it is unaccompanied by evidence regarding the primary significance of the mark as a whole."]

We next consider Elliott's examples of alleged generic use by the media and by consumers. Documented examples of generic use might support a claim of genericide if they reveal a prevailing public consensus regarding the primary significance of a registered trademark. However, if the parties offer competing examples of both generic and trademark use, this source of evidence is typically insufficient to prove genericide.

Initially, we note that Elliott's admissible examples are only examples of verb use. To repeat, verb use does not automatically constitute generic use. For instance, Elliott purports to offer an example of generic use by T–Pain, a popular rap music artist. But we will not assume that T–Pain is using the word "google" in a generic sense simply because he tells listeners to "google [his] name." T–Pain, *Bottlez*, *on* rEVOLVEr (RCA Records 2011). Without further evidence regarding T–Pain's inner thought process, we cannot tell whether he is using "google" in a discriminate or indiscriminate sense. In this way, many of Elliott's admissible examples do not even support the favorable inference that a majority of the relevant public uses the verb "google" in a generic sense. . . .

We agree that Elliott has failed to present sufficient evidence to support a jury finding that the relevant public primarily understands the word "google" as a generic name for internet search engines and not as a mark identifying the Google search engine in particular. We therefore affirm the district court's grant of summary judgment.

Problems

1. The whiskey producer Bison Outline wowed the spirits world by introducing a bourbon blended with a proprietary chocolate flavoring, which it markets as CHOCOLATE CAKE whiskey. *Whiskey Journal & Spirit News* gave it a rave review, saying "it's like biting into the best chocolate cake you ever had." Making the product even more appealing is the fact that the flavoring mimics the taste of cake without the ingredients. The fact that Bison Copy's flavorings are non-caloric is part of the product's appeal.

Success breeds imitation, and before long Cardbeg distillers has entered the market with its own cake-flavored offering, CARDBEG's CHOCOLATE CAKE. Bison Outline wants to sue. What kind of mark does it have? You may assume that consumer surveys would indicate that a plurality of respondents would see the term CHOCOLATE CAKE on whiskey as referring to Bison Outline's product.

2. Is there any advice you could have given to Bison Outline *before* it entered the market that would increase the chance that its mark would be deemed protectable?

3. Consider PRETZEL CRISPS

Generic?

4. Non-Word Marks, Colors, and Trade Dress

Our focus now turns to non-word marks. We will begin by considering logos and colors before moving to a discussion of the problems presented by protection of trade dress.

Lanham Act § 45 (15 U.S.C. § 1127)

> The term "trademark" includes any word, name, symbol, or device, or any combination thereof–
>
> (1)
>
> used by a person, or
>
> (2)
>
> which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

Distinctive and non-distinctive non-word marks

As you can tell from the statutory provision, the text of the Lanham Act is open as to trademark subject matter, extending potential protection to *any* "symbol" or "device". Trademarks must still be distinctive to secure protection. We previously discussed trademark law's development of assumptions about the distinctiveness of different kinds of word marks. Matters are more complicated when we ask whether a non-word mark is inherently distinctive. Consider a circle. Is it inherently distinctive for, say, a car? On the one hand, it is not in any sense descriptive of the car, but may so common a shape be a trademark without secondary meaning?

The Trademark Manual of Examining Procedure directs examiners to address the issue as follows:

1202.03(a) Commercial Impression

> The examining attorney must determine whether the overall commercial impression of the proposed mark is that of a trademark. Matter that is purely

ornamental or decorative does not function as a trademark and is unregistrable on either the Principal Register or the Supplemental Register.

The significance of the proposed mark is a factor to consider when determining whether ornamental matter serves a trademark function. Common expressions and symbols (e.g., the peace symbol, "smiley face," or the phrase "Have a Nice Day") are normally not perceived as marks.

The examining attorney must also consider the size, location, and dominance of the proposed mark, as applied to the goods, to determine whether ornamental matter serves a trademark function. In re Dimitri's Inc., 9 USPQ2d 1666, 1667 (TTAB 1988); In re Astro-Gods Inc., 223 USPQ 621, 623 (TTAB 1984). A small, neat, and discrete word or design feature (e.g., small design of animal over pocket or breast portion of shirt) may be likely to create the commercial impression of a trademark, whereas a larger rendition of the same matter emblazoned across the front of a garment (or a tote bag, or the like) may be likely to be perceived merely as a decorative or ornamental feature of the goods. However, a small, neat, and discrete word or design feature will not necessarily be perceived as a mark in all cases.

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Can the law do any better than this subjective standard? Does it lead to asking whether there is secondary meaning? Would that be a good thing? Consider your intuitions on this point as you read how the Supreme Court resolved the question whether color may be trademarked.

Qualitex Co. v. Jacobson Products Co., Inc.
514 U.S. 159 (1995)

BREYER, J., delivered the opinion for a unanimous Court.

The question in this case is whether the Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051-1127 (1988 ed. and Supp. V), permits the registration of a trademark that consists, purely and simply, of a color. We conclude that, sometimes, a color will meet ordinary legal trademark requirements. And, when it does so, no special legal rule prevents color alone from serving as a trademark.

I

The case before us grows out of petitioner Qualitex Company's use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells to dry cleaning firms for use on dry cleaning presses. In 1989, respondent Jacobson Products (a Qualitex rival) began to sell its own press pads to dry cleaning firms; and it colored those pads a similar green gold. In 1991, Qualitex registered the special green-gold color on press pads with the Patent and Trademark Office as a trademark. Registration No. 1,633,711 (Feb. 5, 1991). Qualitex subsequently added a trademark infringement count, 15 U.S.C. § 1114(1), to an unfair competition claim, § 1125(a), in a lawsuit it had already filed challenging Jacobson's use of the green-gold color.

Qualitex won the lawsuit in the District Court. But, the Court of Appeals for the Ninth Circuit set aside the judgment in Qualitex's favor on the trademark infringement claim because, in that Circuit's view, the Lanham Act does not permit Qualitex, or anyone else, to register "color alone" as a trademark.

The Courts of Appeals have differed as to whether or not the law recognizes the use of color alone as a trademark. . . . We now hold that there is no rule absolutely barring the use of color alone, and we reverse the judgment of the Ninth Circuit.

II

The Lanham Act gives a seller or producer the exclusive right to "register" a trademark, 15 U.S.C. § 1052 (1988 ed. and Supp. V), and to prevent his or her competitors from using that trademark, § 1114(1). Both the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark. The language of the Lanham Act describes that universe in the broadest of terms. It says that trademarks "includ[e] any word, name, symbol, or device, or any combination thereof." § 1127. Since human beings might use as a "symbol" or "device" almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive. The courts and the Patent and Trademark Office have authorized for use as a mark a particular shape (of a Coca-Cola bottle), a particular sound (of NBC's three chimes), and even a particular scent (of plumeria blossoms on sewing thread). See, *e.g.*, Registration No. 696,147 (Apr. 12, 1960); Registration Nos. 523,616 (Apr. 4, 1950) and 916,522 (July 13, 1971); *In re Clarke*, 17 U.S.P.Q.2d 1238, 1240 (TTAB 1990). If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?

A color is also capable of satisfying the more important part of the statutory definition of a trademark, which requires that a person "us[e]" or "inten[d] to use" the mark

> "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127.

True, a product's color is unlike "fanciful," "arbitrary," or "suggestive" words or designs, which almost *automatically* tell a customer that they refer to a brand. The imaginary word "Suntost," or the words "Suntost Marmalade," on a jar of orange jam immediately would signal a brand or a product "source"; the jam's orange color does not do so. But, over time, customers may come to treat a particular color on a product or its packaging (say, a color that in context seems unusual, such as pink on a firm's insulating material or red on the head of a large industrial bolt) as signifying a brand. And, if so, that color would have come to identify and distinguish the goods-*i.e.*, "to indicate" their "source"-much in the way that descriptive words on a product (say, "Trim" on nail clippers or "Car-Freshner" on deodorizer) can come to indicate a product's origin. In this circumstance, trademark law says that the word (*e.g.*, "Trim"), although not inherently distinctive, has developed "secondary meaning." See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982) ("[S]econdary meaning" is acquired when "in the minds of the public, the primary significance of a product feature ... is to identify the source of the product rather than the product itself"). Again, one might ask, if trademark law permits a descriptive word with secondary meaning to act as a mark, why would it not permit a color, under similar circumstances, to do the same?

We cannot find in the basic objectives of trademark law any obvious theoretical objection to the use of color alone as a trademark, where that color has attained "secondary meaning" and therefore identifies and distinguishes a particular brand (and thus indicates its "source"). In principle, trademark law, by preventing others from copying a source-identifying mark, "reduce[s] the customer's costs of shopping and making purchasing decisions," 1 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 2.01[2], p. 2-3 (3d ed. 1994) (hereinafter McCarthy), for it quickly and easily assures a potential customer that *this* item-the item with this mark-is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby "encourage[s] the production of quality products," *ibid.*, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale. It is the source-distinguishing ability of a mark-not its ontological status as color, shape, fragrance, word, or sign-that permits it to serve these basic purposes. See Landes & Posner, Trademark Law: An Economic Perspective, 30 J.Law & Econ. 265, 290 (1987). And, for that reason, it is difficult to find, in basic trademark objectives, a reason to disqualify absolutely the use of a color as a mark.

Neither can we find a principled objection to the use of color as a mark in the important "functionality" doctrine of trademark law. The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition-not by protecting the reputation of the original bulb maker, but by frustrating competitors' legitimate efforts to produce an equivalent illumination-enhancing bulb. See, *e.g.,* (*Kellogg Co., supra,* 305 U.S., at 119-120, trademark law cannot be used to extend monopoly over "pillow" shape of shredded wheat biscuit after the patent for that shape had expired). This Court consequently has explained that, "[i]n general terms, a product feature is functional," and cannot serve as a trademark, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. *Inwood Laboratories, Inc., supra,* 456 U.S., at 850, n. 10. Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact-the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality-indicates that the doctrine of "functionality" does not create an absolute bar to the use of color alone as a mark. See *Owens-Corning,* 774 F.2d, at 1123 (pink color of insulation in wall "performs no nontrademark function").

It would seem, then, that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm's goods and identifies their source, without serving any other significant function. See U.S. Dept. of Commerce, Patent and Trademark Office, Trademark Manual of Examining Procedure § 1202.04(e), p. 1202-13 (2d ed. May, 1993) (hereinafter PTO Manual) (approving trademark registration of color alone where it "has become distinctive of the applicant's goods in commerce," provided that "there is [no] competitive need for colors to remain available in the industry" and the color is not "functional") . . . . Indeed, the District Court, in this case, entered findings (accepted by the Ninth Circuit) that show Qualitex's green-gold press pad color has met these requirements. The green-gold color acts as a symbol. Having developed secondary meaning (for customers identified the green-gold color as Qualitex's), it identifies the press pads' source. And, the green-gold color serves no other function. (Although it is important to use *some* color on press pads to avoid noticeable stains, the court found "no competitive need in the press pad industry for the green-gold color, since other colors are equally usable." 21 U.S.P.Q.2d, at 1460, 1991 WL 318798.) Accordingly, unless there is some special reason that convincingly militates against the use of color alone as a trademark, trademark law would protect Qualitex's use of the green-gold color on its press pads.

III

Respondent Jacobson Products says that there are four special reasons why the law should forbid the use of color alone as a trademark. We shall explain, in turn, why we, ultimately, find them unpersuasive.

First, Jacobson says that, if the law permits the use of color as a trademark, it will produce uncertainty and unresolvable court disputes about what shades of a color a competitor may lawfully use. Because lighting (morning sun, twilight mist) will affect perceptions of protected color, competitors and courts will suffer from "shade confusion" as they try to decide whether use of a similar color on a similar product does, or does not, confuse customers and thereby infringe a trademark. Jacobson adds that the "shade confusion" problem is "more difficult" and "far different from" the "determination of the similarity of words or symbols."

We do not believe, however, that color, in this respect, is special. Courts traditionally decide quite difficult questions about whether two words or phrases or symbols are sufficiently similar, in context, to confuse buyers. They have had to compare, for example, such words as "Bonamine" and "Dramamine" (motion-sickness remedies); "Huggies" and "Dougies" (diapers); "Cheracol" and "Syrocol" (cough syrup); "Cyclone" and "Tornado" (wire fences); and "Mattres" and "1-800-Mattres" (mattress franchisor telephone numbers). Legal standards exist to guide courts in making such comparisons. See, *e.g.,* 2 McCarthy § 15.08; 1 McCarthy §§ 11.24-11.25 ("[S]trong" marks, with greater secondary meaning, receive broader protection than "weak" marks). We do not see why courts could not apply those standards to a color, replicating, if necessary, lighting conditions under which a colored product is normally sold. Indeed, courts already have done so in cases where a trademark consists of a color plus a design, *i.e.,* a colored symbol such as a gold stripe (around a sewer pipe), a yellow strand of wire rope, or a "brilliant yellow" band (on ampules).

Second, Jacobson argues, as have others, that colors are in limited supply. Jacobson claims that, if one of many competitors can appropriate a particular color for use as a trademark, and each competitor then tries to do the same, the supply of colors will soon be depleted. Put in its strongest form, this argument would concede that "[h]undreds of color pigments are manufactured and thousands of colors can be obtained by mixing." L. Cheskin, Colors: What They Can Do For You 47 (1947). But, it would add that, in the context of a particular product, only some colors are usable. By the time one discards colors that, say, for reasons of customer appeal, are not usable, and adds the shades that competitors cannot use lest they risk infringing a similar, registered shade, then one is left with only a handful of possible colors. And, under these circumstances, to permit one, or a few, producers to use colors as trademarks will "deplete" the supply of usable colors to the point where a competitor's inability to find a suitable color will put that competitor at a significant disadvantage.

This argument is unpersuasive, however, largely because it relies on an occasional problem to justify a blanket prohibition. When a color serves as a mark, normally alternative colors will likely be available for similar use by others. See, *e.g.*, *Owens-Corning*, 774 F.2d, at 1121 (pink insulation). Moreover, if that is not so-if a "color depletion" or "color scarcity" problem does arise-the trademark doctrine of "functionality" normally would seem available to prevent the anticompetitive consequences that Jacobson's argument posits, thereby minimizing that argument's practical force.

The functionality doctrine, as we have said, forbids the use of a product's feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is "essential to the use or purpose of the article" or "affects [its] cost or quality." *Inwood Laboratories, Inc.*, 456 U.S., at 850, n. 10. The functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely, their inability reasonably to replicate important non-reputation-related product features. For example, this Court has written that competitors might be free to copy the color of a medical pill where that color serves to identify the kind of medication (*e.g.*, a type of blood medicine) in addition to its source. See *id.*, at 853, 858, n. 20 ("[S]ome patients commingle medications in a container and rely on color to differentiate one from another"); see also J. Ginsburg, D. Goldberg, & A. Greenbaum, Trademark and Unfair Competition Law 194-195 (1991) (noting that drug color cases "have more to do with public health policy" regarding generic drug substitution "than with trademark law"). And, the federal courts have demonstrated that they can apply this doctrine in a careful and reasoned manner, with sensitivity to the effect on competition. Although we need not comment on the merits of specific cases, we note that lower courts have permitted competitors to copy the green color of farm machinery (because customers wanted their farm equipment to match) and have barred the use of black as a trademark on outboard boat motors (because black has the special functional attributes of decreasing the apparent size of the motor and ensuring compatibility with many different boat colors). See *Deere & Co. v. Farmhand, Inc.*, 560 F.Supp. 85, 98 (SD Iowa 1982), aff'd, 721 F.2d 253 (CA8 1983); *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1532 (CA Fed.1994), cert. pending, No. 94-1075; see also *Nor-Am Chemical v. O.M. Scott & Sons Co.*, 4 U.S.P.Q.2d 1316, 1320, 1987 WL 13742 (ED Pa.1987) (blue color of fertilizer held functional because it indicated the presence of nitrogen). The Restatement (Third) of Unfair Competition adds that, if a design's "aesthetic value" lies in its ability to "confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs," then the design is "functional." Restatement (Third) of Unfair Competition § 17, Comment *c*, pp. 175-176 (1993). The "ultimate test of aesthetic functionality," it explains, "is whether the recognition of trademark rights would significantly hinder competition." *Id.*, at 176.

The upshot is that, where a color serves a significant nontrademark function-whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things," G. Chesterton, Simplicity and Tolstoy 61 (1912)-courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating esthetically pleasing mark designs, for it is open to their competitors to do the same. But, ordinarily, it should prevent the anticompetitive consequences of Jacobson's hypothetical "color depletion" argument, when, and if, the circumstances of a particular case threaten "color depletion."

Third, Jacobson points to many older cases-including Supreme Court cases-in support of its position. In 1878, this Court described the common-law definition of trademark rather broadly to "consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from those manufactured or sold by another." *McLean v. Fleming,* 96 U.S. 245, 254, 24 L.Ed. 828. Yet, in interpreting the Trademark Acts of 1881 and 1905, 21 Stat. 502, 33 Stat. 724, which retained that common-law definition, the Court questioned "[w]hether mere color can constitute a valid trade-mark," *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.,* 201 U.S. 166, 171 (1906), and suggested that the "product including the coloring matter is free to all who make it," *Coca-Cola Co. v. Koke Co. of America,* 254 U.S. 143, 147 (1920). Even though these statements amounted to dicta, lower courts interpreted them as forbidding protection for color alone. See, *e.g., Campbell Soup Co.,* 175 F.2d, at 798, and n. 9; *Life Savers Corp. v. Curtiss Candy Co.,* 182 F.2d 4, 9 (CA7 1950) (quoting *Campbell Soup, supra,* at 798).

These Supreme Court cases, however, interpreted trademark law as it existed *before* 1946, when Congress enacted the Lanham Act. The Lanham Act significantly changed and liberalized the common law to "dispense with mere technical prohibitions," S.Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946), most notably, by permitting trademark registration of descriptive words (say, "U-Build-It" model airplanes) where they had acquired "secondary meaning." See *Abercrombie & Fitch Co.,* 537 F.2d, at 9 (Friendly, J.). The Lanham Act extended protection to descriptive marks by making clear that (with certain explicit exceptions not relevant here)

> "nothing ... shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce." 15 U.S.C. § 1052(f) (1988 ed., Supp. V).

This language permits an ordinary word, normally used for a nontrademark purpose (*e.g.*, description), to act as a trademark where it has gained "secondary meaning." Its logic would appear to apply to color as well. Indeed, in 1985, the Federal Circuit considered the significance of the Lanham Act's changes as they related to color and held that trademark protection for color was consistent with the

> "jurisprudence under the Lanham Act developed in accordance with the statutory principle that if a mark is capable of being or becoming distinctive of [the] applicant's goods in commerce, then it is capable of serving as a trademark." *Owens-Corning*, 774 F.2d, at 1120.

In 1988, Congress amended the Lanham Act, revising portions of the definitional language, but left unchanged the language here relevant. § 134, 102 Stat. 3946, 15 U.S.C. § 1127. It enacted these amendments against the following background: (1) the Federal Circuit had decided *Owens-Corning*; (2) the Patent and Trademark Office had adopted a clear policy (which it still maintains) permitting registration of color as a trademark, see PTO Manual § 1202.04(e) (at p. 1200-12 of the January 1986 edition and p. 1202-13 of the May 1993 edition); and (3) the Trademark Commission had written a report, which recommended that "the terms 'symbol, or device' ... not be deleted or narrowed to preclude registration of such things as a color, shape, smell, sound, or configuration which functions as a mark," The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 T.M.Rep. 375, 421 (1987); see also 133 Cong.Rec. 32812 (1987) (statement of Sen. DeConcini) ("The bill I am introducing today is based on the Commission's report and recommendations"). This background strongly suggests that the language "any word, name, symbol, or device," 15 U.S.C. § 1127, had come to include color. And, when it amended the statute, Congress retained these terms. Indeed, the Senate Report accompanying the Lanham Act revision explicitly referred to this background understanding, in saying that the "revised definition intentionally retains ... the words 'symbol or device' so as not to preclude the registration of colors, shapes, sounds or configurations where they function as trademarks." S.Rep. No. 100-515, at 44 U.S.Code Cong. & Admin.News, 1988, p. 5607. (In addition, the statute retained language providing that "[n]o trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration ... on account of its nature" (except for certain specified reasons not relevant here). 15 U.S.C. § 1052 (1988 ed., Supp. V).)

This history undercuts the authority of the precedent on which Jacobson relies. Much of the pre-1985 case law rested on statements in Supreme Court opinions that interpreted pre-Lanham Act trademark law and were not directly related to the holdings in those cases. Moreover, we believe the Federal Circuit was right in 1985 when it found that the 1946 Lanham Act embodied crucial legal changes that liberalized the law to permit the use of color alone as a trademark (under appropriate circumstances). At a minimum, the Lanham Act's changes left the courts free to reevaluate the preexisting legal precedent which had absolutely forbidden the use of color alone as a trademark. Finally, when Congress reenacted the terms "word, name, symbol, or device" in 1988, it did so against a legal background in which those terms had come to include color, and its statutory revision embraced that understanding.

Fourth, Jacobson argues that there is no need to permit color alone to function as a trademark because a firm already may use color as part of a trademark, say, as a colored circle or colored letter or colored word, and may rely upon "trade dress" protection, under § 43(a) of the Lanham Act, if a competitor copies its color and thereby causes consumer confusion regarding the overall appearance of the competing products or their packaging, see 15 U.S.C. § 1125(a) (1988 ed., Supp. V). The first part of this argument begs the question. One can understand why a firm might find it difficult to place a usable symbol or word on a product (say, a large industrial bolt that customers normally see from a distance); and, in such instances, a firm might want to use color, pure and simple, instead of color as part of a design. Neither is the second portion of the argument convincing. Trademark law helps the holder of a mark in many ways that "trade dress" protection does not. See 15 U.S.C. § 1124 (ability to prevent importation of confusingly similar goods); § 1072 (constructive notice of ownership); § 1065 (incontestible status); § 1057(b) (prima facie evidence of validity and ownership). Thus, one can easily find reasons why the law might provide trademark protection in addition to trade dress protection.

IV

Having determined that a color may sometimes meet the basic legal requirements for use as a trademark and that respondent Jacobson's arguments do not justify a special legal rule preventing color alone from serving as a trademark (and, in light of the District Court's here undisputed findings that Qualitex's use of the green-gold color on its press pads meets the basic trademark requirements), we conclude that the Ninth Circuit erred in barring Qualitex's use of color as a trademark....

Notes

Secondary meaning. Did the Court hold that secondary meaning is required or was that statement dicta? In a later case, the Court characterized its observations vis-à-vis secondary meaning as a holding.

Question begging? "If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?" Might one ask instead whether shapes, sounds, and fragrances should be trademarks?

Trade Dress

Matters become more difficult still when we venture into questions of the protection of trade dress. But first, what is "trade dress"? In a footnote (omitted in your copy) to the *Two Pesos* opinion that you are about to read, the Supreme Court noted:

> The District Court instructed the jury: " '[T]rade dress' is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant." The Court of Appeals accepted this definition and quoted from Blue Bell Bio-Medical v. Cin-Bad, Inc., 864 F.2d 1253, 1256 (CA5 1989): "The 'trade dress' of a product is essentially its total image and overall appearance." It "involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 980 (CA11 1983).

See also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 16 cmt. a (1995) ("The term 'trade dress' is often used to describe the overall appearance or image of goods or services as offered for sale in the marketplace."). When is a trade dress eligible for protection? *Two Pesos* was the first of two major Supreme Court cases to address the issue.

Two Pesos, Inc. v. Taco Cabana, Inc.

505 U.S. 763 (1992)

Justice WHITE delivered the opinion of the Court.

The issue in this case is whether the trade dress of a restaurant may be protected under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, 15 U.S.C. § 1125(a) 1982 ed.), based on a finding of inherent distinctiveness, without proof that the trade dress has secondary meaning.

I

Respondent Taco Cabana, Inc., operates a chain of fast-food restaurants in Texas. The restaurants serve Mexican food. The first Taco Cabana restaurant was opened in San Antonio in September 1978, and five more restaurants had been opened in San Antonio by 1985. Taco Cabana describes its Mexican trade dress as

> "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme."

In December 1985, a Two Pesos, Inc., restaurant was opened in Houston. Two Pesos adopted a motif very similar to the foregoing description of Taco Cabana's trade dress. Two Pesos restaurants expanded rapidly in Houston and other markets, but did not enter San Antonio. In 1986, Taco Cabana entered the Houston and Austin markets and expanded into other Texas cities, including Dallas and El Paso where Two Pesos was also doing business.

In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.),[17] and for theft of trade secrets under

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[17]Section 43(a) provides: "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 60 Stat. 441.

This provision has been superseded by § 132 of the Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

Texas common law. The case was tried to a jury, which was instructed to return its verdict in the form of answers to five questions propounded by the trial judge. The jury's answers were: Taco Cabana has a trade dress; taken as a whole, the trade dress is nonfunctional; the trade dress is inherently distinctive; the trade dress has not acquired a secondary meaning in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. Because, as the jury was told, Taco Cabana's trade dress was protected if it either was inherently distinctive or had acquired a secondary meaning, judgment was entered awarding damages to Taco Cabana. In the course of calculating damages, the trial court held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress.

The Court of Appeals ruled that the instructions adequately stated the applicable law and that the evidence supported the jury's findings. In particular, the Court of Appeals rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness . . . . We granted certiorari to resolve the conflict among the Courts of Appeals on the question whether trade dress that is inherently distinctive is protectible under § 43(a) without a showing that it has acquired secondary meaning. We find that it is, and we therefore affirm.

II

The Lanham Act[7] was intended to make "actionable the deceptive and misleading use of marks" and "to protect persons engaged in ... commerce against unfair competition." § 45, 15 U.S.C. § 1127. Section 43(a) "prohibits a broader range of practices than does § 32," which applies to registered marks, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 858 (1982), but it is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a).

A trademark is defined in 15 U.S.C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." In order to be registered, a mark must be capable of distinguishing the applicant's goods from those of others. § 1052. Marks are often classified in categories of generally increasing distinctiveness; following the classic formulation

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[7] The Lanham Act, including the provisions at issue here, has been substantially amended since the present suit was brought. See Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

set out by Judge Friendly, they may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. See Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (CA2 1976). The Court of Appeals followed this classification and petitioner accepts it. The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection. . . .

Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act. Section 2 of the Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it "has become distinctive of the applicant's goods in commerce." This acquired distinctiveness is generally called "secondary meaning." The concept of secondary meaning has been applied to actions under § 43(a).

The general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning. It is also clear that eligibility for protection under § 43(a) depends on nonfunctionality. It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion.

The Court of Appeals determined that the District Court's instructions were consistent with the foregoing principles and that the evidence supported the jury's verdict. Both courts thus ruled that Taco Cabana's trade dress was not descriptive but rather inherently distinctive, and that it was not functional. None of these rulings is before us in this case, and for present purposes we assume, without deciding, that each of them is correct. In going on to affirm the judgment for respondent, the Court of Appeals . . . held that Taco Cabana's inherently distinctive trade dress was entitled to protection despite the lack of proof of secondary meaning. It is this issue that is before us for decision, and we agree with its resolution by the Court of Appeals. There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under § 43(a). . . .

Petitioner argues that the jury's finding that the trade dress has not acquired a secondary meaning shows conclusively that the trade dress is not inherently distinctive. The Court of Appeals' disposition of this issue was sound:

> "Two Pesos' argument-that the jury finding of inherent distinctiveness contradicts its finding of no secondary meaning in the Texas market-ignores the law in this circuit. While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the

empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning."

Although petitioner makes the above argument, it appears to concede elsewhere in its brief that it is possible for a trade dress, even a restaurant trade dress, to be inherently distinctive and thus eligible for protection under § 43(a). Recognizing that a general requirement of secondary meaning imposes "an unfair prospect of theft [or] financial loss" on the developer of fanciful or arbitrary trade dress at the outset of its use, petitioner suggests that such trade dress should receive limited protection without proof of secondary meaning. Petitioner argues that such protection should be only temporary and subject to defeasance when over time the dress has failed to acquire a secondary meaning. This approach is also vulnerable for the reasons given by the Court of Appeals. If temporary protection is available from the earliest use of the trade dress, it must be because it is neither functional nor descriptive, but an inherently distinctive dress that is capable of identifying a particular source of the product. Such a trade dress, or mark, is not subject to copying by concerns that have an equal opportunity to choose their own inherently distinctive trade dress. To terminate protection for failure to gain secondary meaning over some unspecified time could not be based on the failure of the dress to retain its fanciful, arbitrary, or suggestive nature, but on the failure of the user of the dress to be successful enough in the marketplace. This is not a valid basis to find a dress or mark ineligible for protection. The user of such a trade dress should be able to maintain what competitive position it has and continue to seek wider identification among potential customers.

This brings us to the line of decisions by the Court of Appeals for the Second Circuit that would find protection for trade dress unavailable absent proof of secondary meaning, a position that petitioner concedes would have to be modified if the temporary protection that it suggests is to be recognized. Brief for Petitioner 10-14. In *Vibrant Sales, Inc. v. New Body Boutique, Inc.*, 652 F.2d 299 (1981), the plaintiff claimed protection under § 43(a) for a product whose features the defendant had allegedly copied. The Court of Appeals held that unregistered marks did not enjoy the "presumptive source association" enjoyed by registered marks and hence could not qualify for protection under § 43(a) without proof of secondary meaning. The court's rationale seemingly denied protection for unregistered, but inherently distinctive, marks of all kinds, whether the claimed mark used distinctive words or symbols or distinctive product design. The court thus did not accept the arguments that an unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of a false statement or representation under § 43(a).

This holding is in considerable tension with the provisions of the Lanham Act. If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark "by which the goods of the applicant may be distinguished from the goods of others," 60 Stat. 428, and must be registered unless otherwise disqualified. Since § 2 requires secondary meaning only as a condition to registering descriptive marks, there are plainly marks that are registrable without showing secondary meaning. These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks. Furthermore, the copier of such a mark may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff. . . .

The Fifth Circuit was quite right in *Chevron*, and in this case, to follow the *Abercrombie* classifications consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive. If it is, it is capable of identifying products or services as coming from a specific source and secondary meaning is not required. This is the rule generally applicable to trademarks, and the protection of trademarks and trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two. [The Court noted the agreement of the Seventh, Ninth, and Eleventh Circuits.]

It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of § 43(a). Where secondary meaning does appear in the statute, 15 U.S.C. § 1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

Engrafting onto § 43(a) a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks, serves the Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly*, 469 U.S., at 198, citing S.Rep. No. 1333, 79th Cong., 2d Sess., 3-5 (1946) (citations omitted). By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.

Suggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from products of like design and shape are not persuasive. Only nonfunctional, distinctive trade dress is protected under § 43(a). . . .

On the other hand, adding a secondary meaning requirement could have anticompetitive effects, creating particular burdens on the startup of small companies. It would present special difficulties for a business, such as respondent, that seeks to start a new product in a limited area and then expand into new markets. Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator's dress in other markets and to deter the originator from expanding into and competing in these areas.

As noted above, petitioner concedes that protecting an inherently distinctive trade dress from its inception may be critical to new entrants to the market and that withholding protection until secondary meaning has been established would be contrary to the goals of the Lanham Act. Petitioner specifically suggests, however, that the solution is to dispense with the requirement of secondary meaning for a reasonable, but brief, period at the outset of the use of a trade dress. If § 43(a) does not require secondary meaning at the outset of a business' adoption of trade dress, there is no basis in the statute to support the suggestion that such a requirement comes into being after some unspecified time.

III

We agree with the Court of Appeals that proof of secondary meaning is not required to prevail on a claim under § 43(a) of the Lanham Act where the trade dress at issue is inherently distinctive, and accordingly the judgment of that court is affirmed....

Justice SCALIA, concurring.

I write separately to note my complete agreement with Justice THOMAS's explanation as to how the language of § 43(a) and its common-law derivation are broad enough to embrace inherently distinctive trade dress. Nevertheless, because I find that analysis to be complementary to (and not inconsistent with) the Court's opinion, I concur in the latter.

Justice STEVENS, concurring in the judgment.

As the Court notes in its opinion, the text of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.), "does not mention trademarks or trade dress." Nevertheless, the Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress and concludes that such a mark or dress should receive essentially the same protection as those that are registered. Although I agree with the Court's conclusion, I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute and has recently been endorsed by Congress.

I

It is appropriate to begin with the relevant text of § 43(a).[1] Section 43(a)[2] provides a federal remedy for using either "a false designation of origin" or a "false description or representation" in connection with any goods or services. The full text of the section makes it clear that the word "origin" refers to the geographic location in which the goods originated, and in fact, the phrase "false designation of origin" was understood to be limited to false advertising of geographic origin. For

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[1] The text that we consider today is § 43(a) of the Lanham Act prior to the 1988 amendments; it provides:

> "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 15 U.S.C. § 1125(a) (1982 ed.).

[2] Section 43(a) replaced and extended the coverage of § 3 of the Trademark Act of 1920, 41 Stat. 534, as amended. Section 3 was destined for oblivion largely because it referred only to false designation of origin, was limited to articles of merchandise, thus excluding services, and required a showing that the use of the false designation of origin occurred "willfully and with intent to deceive." Ibid. As a result, "[a]lmost no reported decision can be found in which relief was granted to either a United States or foreign party based on this newly created remedy." Derenberg, Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?, 32 N.Y.U.L.Rev. 1029, 1034 (1957).

example, the "false designation of origin" language contained in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa.[3]

For a number of years after the 1946 enactment of the Lanham Act, a "false description or representation," like "a false designation of origin," was construed narrowly. The phrase encompassed two kinds of wrongs: false advertising[4] and the common-law tort of "passing off."[5] False advertising meant representing that goods or services possessed characteristics that they did not actually have and passing off meant representing one's goods as those of another. Neither "secondary meaning" nor "inherent distinctiveness" had anything to do with false advertising, but proof of secondary meaning was an element of the common-law passing-off cause of action. See, *e.g.*, *G. & C. Merriam Co. v. Saalfield*, 198 F. 369, 372 (CA6 1912) ("The ultimate offense always is that defendant has passed off his goods as and for those of the complainant").

II

Over time, the Circuits have expanded the categories of "false designation of origin" and "false description or representation." One treatise identified the Court

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[3] This is clear from the fact that the cause of action created by this section is available only to a person doing business in the locality falsely indicated as that of origin. See n. 1, *supra.*

[4] The deleterious effects of false advertising were described by one commentator as follows: "[A] campaign of false advertising may completely discredit the product of an industry, destroy the confidence of consumers and impair a communal or trade good will. Less tangible but nevertheless real is the injury suffered by the honest dealer who finds it necessary to meet the price competition of inferior goods, glamorously misdescribed by the unscrupulous merchant. The competition of a liar is always dangerous even though the exact injury may not be susceptible of precise proof." Handler, Unfair Competition, 21 Iowa L.Rev. 175, 193 (1936).

[5] The common-law tort of passing off has been described as follows:

"Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it 'passing off' or 'palming off.' Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842 Lord Langdale wrote:

" 'I think that the principle on which both the courts of law and equity proceed is very well understood. A man is not to sell his own goods under the pretence that they are the goods of another man….'

"In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion." 1 J. McCarthy, Trademarks and Unfair Competition § 5.2, p. 133 (2d ed. 1984) (McCarthy) (footnotes omitted).

of Appeals for the Sixth Circuit as the first to broaden the meaning of "origin" to include "origin of source or manufacture" in addition to geographic origin. Another early case, described as unique among the Circuit cases because it was so "forward-looking," interpreted the "false description or representation" language to mean more than mere "palming off." L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649 (CA3 1954). The court explained: "We find nothing in the legislative history of the Lanham Act to justify the view that [§ 43(a)] is merely declarative of existing law.... It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts." *Id.*, at 651. Judge Clark, writing a concurrence in 1956, presciently observed: "Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision [§ 43(a)]." *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546(CA2). Although some have criticized the expansion as unwise,[9] it is now "a firmly embedded reality."[10] The United States Trade Association Trademark Review Commission noted this transformation with approval: "Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition.... It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age."[11]

Today, it is less significant whether the infringement falls under "false designation of origin" or "false description or representation" because in either case § 43(a) may be invoked. The federal courts are in agreement that § 43(a) creates a federal cause of action for trademark and trade dress infringement claims. They are also in agreement that the test for liability is likelihood of confusion: "[U]nder the Lanham Act [§ 43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks.... Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical-is there a 'likelihood of confusion?' " *New West Corp. v. NYM Co. of California, Inc.*,

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[9] See, *e.g.*, Germain, Unfair Trade Practices Under § 43(a) of the Lanham Act: You've Come a Long Way Baby-Too Far, Maybe?, 64 Trademark Rep. 193, 194 (1974) ("It is submitted that the cases have applied Section 43(a) to situations it was not intended to cover and have used it in ways that it was not designed to function").

[10] 2 McCarthy § 27:3, p. 345.

[11] The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Rep. 375, 426 (1987).

595 F.2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in general agreement with perhaps the exception of the Second Circuit,[14] that secondary meaning need not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under § 43(a).

III

Even though the lower courts' expansion of the categories contained in § 43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act. For example, Congressman Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate business and the consumers of the country." One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been "entirely a State matter," the result of such a piecemeal approach was that there were almost "as many different varieties of common law as there are States" so that a person's right to a trademark "in one State may differ widely from the rights which [that person] enjoys in another." H.R.Rep. No. 944, 76th Cong., 1st Sess., 4 (1939). The House Committee on Trademarks and Patents, recognizing that "trade is no longer local, but ...national," saw the need for "national legislation along national lines [to] secur[e] to the owners of trademarks in interstate commerce definite rights." *Ibid.*[16]

Congress has revisited this statute from time to time, and has accepted the "judicial legislation" that has created this federal cause of action. Recently, for example, in the Trademark Law Revision Act of 1988, 102 Stat. 3935, Congress codified the judicial interpretation of § 43(a), giving its *imprimatur* to a growing body of case law from the Circuits that had expanded the section beyond its original language.

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[14] Consistent with the common-law background of § 43(a), the Second Circuit has said that proof of secondary meaning is required to establish a claim that the defendant has traded on the plaintiff's good will by falsely representing that his goods are those of the plaintiff. See, *e.g.*, *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299 (1917). To my knowledge, however, the Second Circuit has not explained why "inherent distinctiveness" is not an appropriate substitute for proof of secondary meaning in a trade dress case. Most of the cases in which the Second Circuit has said that secondary meaning is required did not involve findings of inherent distinctiveness. . . .

[16] Forty years later, the USTA Trademark Review Commission assessed the state of trademark law. The conclusion that it reached serves as a testimonial to the success of the Act in achieving its goal of uniformity: "The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts." Trademark Review Commission, 77 Trademark Rep., at 377.

Although Congress has not specifically addressed the question whether secondary meaning is required under § 43(a), the steps it has taken in this subsequent legislation suggest that secondary meaning is not required if inherent distinctiveness has been established. First, Congress broadened the language of § 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that is "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a). That language makes clear that a confusingly similar trade dress is actionable under § 43(a), without necessary reference to "falsity." Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply.[18] Third, the legislative history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act. And fourth, Congress explicitly extended to any violation of § 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks. The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. See S.Rep. No. 100-515, p. 40 (1988). These steps buttress the conclusion that § 43(a) is properly understood to provide protection in accordance with the standards for registration in § 2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under § 43(a) without proof of secondary meaning.

IV

In light of the consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, stare decisis concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation under § 43(a) once inherent distinctiveness has been established. Accordingly, I concur in the

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[18] As the Senate Report explained, revision of § 43(a) is designed "to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.

> "As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims." S.Rep. No. 100-515, p. 40 (1988) U.S.Code Cong. & Admin.News 1988, pp. 5577, 5605.

judgment, but not in the opinion, of the Court.

Justice THOMAS, concurring in the judgment.

Both the Court and Justice STEVENS decide today that the principles that qualify a mark for registration under § 2 of the Lanham Act apply as well to determining whether an unregistered mark is entitled to protection under § 43(a). The Court terms that view "common ground," though it fails to explain why that might be so, and Justice STEVENS decides that the view among the Courts of Appeals is textually insupportable, but worthy nonetheless of adherence. I see no need in answering the question presented either to move back and forth among the different sections of the Lanham Act or to adopt what may or may not be a misconstruction of the statute for reasons akin to *stare decisis.* I would rely, instead, on the language of § 43(a).

Section 43(a) made actionable (before being amended) "any false description or representation, including words or other symbols tending falsely to describe or represent," when "use[d] in connection with any goods or services." 15 U.S.C. § 1125(a) (1982 ed.). This language codified, among other things, the related common-law torts of technical trademark infringement and passing off, which were causes of action for false descriptions or representations concerning a good's or service's source of production, see, *e.g., Yale Electric Corp. v. Robertson,* 26 F.2d 972, 973 (CA2 1928); *American Washboard Co. v. Saginaw Mfg. Co.,* 103 F. 281, 284-286 (CA6 1900).

At common law, words or symbols that were arbitrary, fanciful, or suggestive (called "inherently distinctive" words or symbols, or "trademarks") were presumed to represent the source of a product, and the first user of a trademark could sue to protect it without having to show that the word or symbol represented the product's source in fact. That presumption did not attach to personal or geographic names or to words or symbols that only described a product (called "trade names"), and the user of a personal or geographic name or of a descriptive word or symbol could obtain relief only if he first showed that his trade name did in fact represent not just the product, but a producer (that the good or service had developed "secondary meaning"). Trade dress, which consists not of words or symbols, but of a product's packaging (or "image," more broadly), seems at common law to have been thought incapable ever of being inherently distinctive, perhaps on the theory that the number of ways to package a product is finite. Thus, a user of trade dress would always have had to show secondary meaning in order to obtain protection.

Over time, judges have come to conclude that packages or images may be as arbitrary, fanciful, or suggestive as words or symbols, their numbers limited only by the human imagination. A particular trade dress, then, is now considered as fully capable as a particular trademark of serving as a "representation or designation" of source under § 43(a). As a result, the first user of an arbitrary package, like the first user of an arbitrary word, should be entitled to the presumption that his package represents him without having to show that it does so in fact. This rule follows, in my view, from the language of § 43(a), and this rule applies under that section without regard to the rules that apply under the sections of the Lanham Act that deal with registration.

Because the Court reaches the same conclusion for different reasons, I join its judgment.

Notes

Judicial activism? Do you understand the precise point of textual disagreement between Justices Thomas and Stevens? It might be helpful to look again at the relevant text of the statutes. Section 43(a)'s original (and since amended) text provided a cause of action against those who "affix, apply, or annex, or use" a "false designation of *origin*." The text suggested that that "origin" meant *geographic* origin because the cause of action was for "any person doing business *in the locality falsely indicated as that of origin* or the region in which said locality is situated." Section 43(a) also prohibited "any false description or representation," which had debatable applicability to trade dress in light of common law understandings (see next note).

By the time *Two Pesos* reached the Court, however, Congress had amended section 43(a) to more clearly apply to trade dress. The statute now provides liability when the use of "any word, term, name, symbol, or device, or any combination thereof . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." The cause of action in *Two Pesos* arose, however, under the older text, provoking the debate between the Justices on the rationale for their holding.

Regardless of who you think has the better of the textual debate, the view that the courts first expanded the Lanham Act's scope and Congress amended the statute to catch up is a common one. The legislative history even says so.

> [The bill] revises Section 43(a) of the Act (15 U.S.C. 1125(a)) to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.
>
> As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in

> essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims.

S. Rep. No. 100-515, at 40 (1988), as reprinted in 1988 U.S.C.C.A.N. 5577, 5603.

Is this kind of judicial development of trademark law appropriate?

Common law consistency. The Court's embrace of easy protection for trade dress is in tension with trademark's common law roots. Traditional trademark law excluded trade dress, 1 WILLIAM D. SHOEMAKER, TRADE-MARKS: A TREATISE ON THE SUBJECT OF TRADE-MARKS WITH PARTICULAR REFERENCE TO THE LAWS RELATING TO REGISTRATION THEREOF 236 (1931) ("Physical characteristics of an article, its appearance, style or dress-up or features of containers or wrappers cannot be subject of exclusive appropriation . . . ."), while the law of unfair competition did allow claims based on trade dress so long as it had acquired secondary meaning. Norman F. Hesseltine, A DIGEST OF THE LAW OF TRADEMARKS & UNFAIR TRADE 79, 83, 171, 173 (1906); *id.* at 185 ("A sign, to be protected on the ground of unfair trade, must have first acquired a reputation, and have been imitated with fraudulent intent."); 1 MCCARTHY, § 7:53 n.4 ("Under the older, traditional rule at common law, secondary meaning was a condition precedent to trade dress protection."); § 8:8 (same); § 8:1 (explaining that law of unfair competition reached trade dress and "[a]s with archaic 'trade names,' trade dress protected under the law of 'unfair competition' always required proof of secondary meaning").

Functionality. Lurking in the opinion is the concern that protection of trade dress might place functional material under control of the trademark holder. The majority ultimately is unconcerned. Should it have been? Think about the protected dress in *Two Pesos*. Can you think of an argument that it was functional? Is food the only thing the restaurants were selling? Or did they also offer an atmosphere? Was trade dress part of that atmosphere?

Do you understand why trademark law denies protection for functional matter? How does one know when something is functional? We will explore these topics in future classes.

How do we determine distinctiveness? Note that *Two Pesos* treated the spectrum of distinctiveness as relevant to determining whether trade dress is inherently distinctive (though it did not require its use in future cases). Does it seem like a sensible test? Some courts continue to apply the *Abercrombie* spectrum to trade dress cases, but others have noted that it is ill-equipped for the task.

Seabrook Foods, Inc. v. Bar-Well Foods, Ltd., 568 F.2d 1342, 1344 (C.C.P.A. 1977), announced another common test for evaluating trade dress distinctiveness. *Seabrook* asks if the mark is:

(1) a "common" basic shape or design;

(2) unique or unusual in the field in which it is used;

(3) a mere refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods;

(4) capable of creating a commercial impression distinct from the accompanying words.

Does this help? Is factor #4 simply a restatement of the question that the test is trying to answer? The Trademark Office uses *Seabrook* to evaluate the inherent distinctiveness of trade dress.[1] TMEP § 1202.02(b)(ii).

How might lay juries approach the question of distinctiveness? If they look at a restaurant décor and call it distinctive, do they necessarily mean distinctive in a trademark sense? Could they mean distinctive as in striking? Evocative of a particular cuisine (e.g., distinct from, say, a pizza restaurant)? Something else?

Color and Packaging. If product packaging can be inherently distinctive, but color alone requires secondary meaning, how do we treat the use of color in product packaging? *See* Forney Indus., Inc. v. Daco of Missouri, Inc., 835 F.3d 1238, 1248 (10th Cir. 2016) (holding that "the use of color in product packaging can be inherently distinctive . . . only if specific colors are used in combination with a well-defined shape, pattern, or other distinctive design"). In *In re Forney Industries, Inc.*, 955 F.3d 940 (Fed. Cir. 2020), the Federal Circuit held that color marks on product packaging may be inherently distinctive, at least where the claimed mark is in a multi-color mark. The claimed mark looked like this:

[1] More precisely, trade dress based on *product packaging*. As we will see in our next reading, the Supreme Court has announced that *product design* is protectable trade dress only if it has secondary meaning.

In the Federal Circuit tradition of always trying to maximize the scope of intellectual property rights, the court rejected a potential limitation of requiring such marks to be in conjunction with a distinctive peripheral shape or border. *Id.* at 947.

Functional or not distinctive? Think about the kinds of trade dress to which you would *deny* protection. What drives your impulse? Is your hypothesized trade dress functional? Not distinctive? Both? Does the problem correspond with the spectrum of distinctiveness (i.e., the dress is generic or descriptive)? How should trademark law formalize these exclusions? Should it?

5. Trade Dress and Product Design

Section 43(a)(3) of the Lanham Act (15 U.S.C. § 1125(a)(3))

> In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

The Supreme Court's approval of inherently distinctive trade dress raised serious issues regarding the use of trademark law to reach functional product designs. The Court revisited these issues in *Wal-Mart*.

Wal-Mart Stores, Inc. v. Samara Bros., Inc.
529 U.S. 205 (2000)

Justice SCALIA delivered the opinion of the Court.

In this case, we decide under what circumstances a product's design is distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, as amended, 15 U.S.C. § 1125(a).

I

Respondent Samara Brothers, Inc., designs and manufactures children's clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. A number of chain stores, including JCPenney, sell this line of clothing under contract with Samara.

Petitioner Wal-Mart Stores, Inc., is one of the Nation's best known retailers, selling among other things children's clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children's outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara's line, on which Judy-Philippine's garments were to be based; Judy-Philippine duly copied, with only minor modifications, 16 of Samara's garments, many of which contained copyrighted elements. In 1996, Wal-Mart briskly sold the so-called knockoffs, generating more than $1.15 million in gross profits.

In June 1996, a buyer for JCPenney called a representative at Samara to complain that she had seen Samara garments on sale at Wal-Mart for a lower price than JCPenney was allowed to charge under its contract with Samara. The Samara representative told the buyer that Samara did not supply its clothing to Wal-Mart.

Their suspicions aroused, however, Samara officials launched an investigation, which disclosed that Wal-Mart and several other major retailers-Kmart, Caldor, Hills, and Goody's-were selling the knockoffs of Samara's outfits produced by Judy-Philippine.

After sending cease-and-desist letters, Samara brought this action in the United States District Court for the Southern District of New York against Wal-Mart, Judy-Philippine, Kmart, Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law, and-most relevant for our purposes-infringement of unregistered trade dress under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). All of the defendants except Wal-Mart settled before trial.

After a weeklong trial, the jury found in favor of Samara on all of its claims. Wal-Mart then renewed a motion for judgment as a matter of law, claiming, *inter alia,* that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion, and awarded Samara damages, interest, costs, and fees totaling almost $1.6 million, together with injunctive relief. The Second Circuit affirmed the denial of the motion for judgment as a matter of law, and we granted certiorari.

II

The Lanham Act provides for the registration of trademarks, which it defines in § 45 to include "any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer's] goods ... from those manufactured or sold by others and to indicate the source of the goods...." 15 U.S.C. § 1127. Registration of a mark under § 2 of the Lanham Act, 15 U.S.C. § 1052, enables the owner to sue an infringer under § 32, 15 U.S.C. § 1114; it also entitles the owner to a presumption that its mark is valid, see § 7(b), 15 U.S.C. § 1057(b), and ordinarily renders the registered mark incontestable after five years of continuous use, see § 15, 15 U.S.C. § 1065. In addition to protecting registered marks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of "any word, term, name, symbol, or device, or any combination thereof ... which ... is likely to cause confusion ... as to the origin, sponsorship, or approval of his or her goods...." 15 U.S.C. § 1125(a). It is the latter provision that is at issue in this case.

The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43(a), has been held to embrace not just word marks, such as "Nike," and symbol marks, such as Nike's "swoosh" symbol, but also "trade dress"-a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many Courts of Appeals to encompass the design of a product. See, *e.g., Ashley*

Furniture Industries, Inc. v. Sangiacomo N. A., Ltd., 187 F.3d 363 (C.A.4 1999) (bedroom furniture); Knitwaves, Inc. v. Lollytogs, Ltd., 71 F.3d 996 (C.A.2 1995) (sweaters); Stuart Hall Co., Inc. v. Ampad Corp., 51 F.3d 780 (C.A.8 1995) (notebooks). These courts have assumed, often without discussion, that trade dress constitutes a "symbol" or "device" for purposes of the relevant sections, and we conclude likewise. "Since human beings might use as a 'symbol' or 'device' almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive." Qualitex Co. v. Jacobson Products Co., 514 U.S. 159, 162 (1995). This reading of § 2 and § 43(a) is buttressed by a recently added subsection of § 43(a), § 43(a)(3), which refers specifically to "civil action[s] for trade dress infringement under this chapter for trade dress not registered on the principal register." 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V).

The text of § 43(a) provides little guidance as to the circumstances under which unregistered trade dress may be protected. It does require that a producer show that the allegedly infringing feature is not "functional," see § 43(a)(3), and is likely to cause confusion with the product for which protection is sought, see § 43(a)(1)(A), 15 U.S.C. § 1125(a)(1)(A). Nothing in § 43(a) explicitly requires a producer to show that its trade dress is distinctive, but courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion ... as to the origin, sponsorship, or approval of [the] goods," as the section requires. Distinctiveness is, moreover, an explicit prerequisite for registration of trade dress under § 2, and "the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992) (citations omitted).

In evaluating the distinctiveness of a mark under § 2 (and therefore, by analogy, under § 43(a)), courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if "[its] intrinsic nature serves to identify a particular source." Ibid. In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are "arbitrary" ("Camel" cigarettes), "fanciful" ("Kodak" film), or "suggestive" ("Tide" laundry detergent) are held to be inherently distinctive. See Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10-11 (C.A.2 1976). Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, "in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself." Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 851, n. 11 (1982).*

The judicial differentiation between marks that are inherently distinctive and those that have developed secondary meaning has solid foundation in the statute itself. Section 2 requires that registration be granted to any trademark "by which the goods of the applicant may be distinguished from the goods of others"-subject to various limited exceptions. 15 U.S.C. § 1052. It also provides, again with limited exceptions, that "nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce"-that is, which is not inherently distinctive but has become so only through secondary meaning. § 2(f), 15 U.S.C. § 1052(f). Nothing in § 2, however, demands the conclusion that *every* category of mark necessarily includes some marks "by which the goods of the applicant may be distinguished from the goods of others" *without* secondary meaning- that in every category some marks are inherently distinctive.

Indeed, with respect to at least one category of mark-colors-we have held that no mark can ever be inherently distinctive. In *Qualitex,* petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under § 43(a), then added a claim under § 32 after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a customer that [it] refer[s] to a brand," and does not "immediately ... signal a brand or a product 'source,'". However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging ... as signifying a brand." Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning.*

It seems to us that design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a

* The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts- but in this opinion we follow what has become the conventional terminology.

particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions-a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf-their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost *automatically* tell a customer that they refer to a brand," and "immediately ... signal a brand or a product 'source.' " And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source-where, for example, the affixed word is descriptive of the product ("Tasty" bread) or of a geographic origin ("Georgia" peaches)-inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are "merely descriptive" of the goods, § 2(e)(1), 15 U.S.C. § 1052(e)(1), or "primarily geographically descriptive of them," see § 2(e)(2), 15 U.S.C. § 1052(e)(2). In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs-such as a cocktail shaker shaped like a penguin-is intended not to identify the source, but to render the product itself more useful or more appealing.

The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness. How easy it is to mount a plausible suit depends, of course, upon the clarity of the test for inherent distinctiveness, and where product design is concerned we have little confidence that a reasonably clear test can be devised. Respondent and the United States as *amicus curiae* urge us to adopt for product design relevant portions of the test formulated by the Court of Customs and Patent Appeals for product packaging in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.,* 568 F.2d 1342 (1977). That opinion, in determining the inherent distinctiveness of a product's packaging, considered, among other things, "whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." *Id.,* at 1344 (footnotes omitted). Such a test would rarely provide the basis for summary disposition of an anticompetitive strike suit. Indeed, at oral argument, counsel for the United States quite understandably would not give a definitive answer as to whether the test was met in this very case, saying only that "[t]his is a very difficult case for that purpose."

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)-a showing that may involve consideration of its esthetic appeal, see *Qualitex, supra,* at 170. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design-as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.

Respondent contends that our decision in *Two Pesos* forecloses a conclusion that product-design trade dress can never be inherently distinctive. In that case, we held that the trade dress of a chain of Mexican restaurants, which the plaintiff described as "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals," 505 U.S., at 765 (internal quotation marks and citation omitted), could be protected under § 43(a) without a showing of secondary meaning. *Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, but it does not establish that *product-design* trade dress can be. *Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a restaurant, seems to us not to constitute product *design.* It was either product packaging-which, as we have discussed, normally *is* taken by the consumer to indicate origin-or else some *tertium quid* that is akin to product packaging and has no bearing on the present case.

Respondent replies that this manner of distinguishing *Two Pesos* will force courts to draw difficult lines between product-design and product-packaging trade dress. There will indeed be some hard cases at the margin: a classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more stylish to drink from the former. We believe, however, that the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning.

* * *

We hold that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. The judgment of the Second Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Notes

A policy case? How would you characterize the judicial reasoning on display in *Wal-Mart*? Justice Scalia was known for his advocacy of textualist statutory interpretation, but here he seems to be making a number of pragmatic moves. Or might consideration of the larger context, including the common law backdrop of trademark law, make the opinion more formalist than it initially appears? For debate on this point, *compare* Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 BERKELEY TECH. L.J. 897 (2009), *with* Graeme B. Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99 (2009). If policy concerns are driving the opinion, which ones? Is the Court most concerned with substantive trademark policy, procedural trademark policy (i.e., the efficient administration of trademark claims), or perhaps the operation of the legal system as a whole?

Empirical observations. Regardless of how we describe *Wal-Mart*'s statutory interpretation methodology, there is no doubt that Scalia indulges in casual empiricism in his observation that consumers are less likely to see product design as indicating source. Is he right? Does it matter that the Court offers no empirical backing for its conclusion? What about the opinion's observations about the need to screen out anti-competitive suits at an early stage? Are judges better qualified to draw these sorts of conclusions?

Restoration of common law understandings? Recall from the last reading that *Two Pesos* was in arguable tension with traditional understandings that withheld protection from trade dress absent secondary meaning. What *Two Pesos* gave trademark claimants, *Wal-Mart* took back in large part.

Tertium quids. What do you make of the discussion of tertium quids in conjunction with the Court's dictate that close product design/product packaging calls are to be resolved in favor of finding product design? Is this just a way of not admitting that *Two Pesos* was, at least in part, a mistake?

Best Cellars, Inc. v. Wine Made Simple, Inc.
320 F.Supp.2d 60 (S.D.N.Y. 2003)

LYNCH, District Judge.

Plaintiff Best Cellars, Inc., owns and operates retail wine stores, as do the defendants. Best Cellars claims in this action that its stores use a distinctive trade dress protected by law, and that the wine shops operated by defendants are so similar to plaintiff's that they infringe upon the protections provided to Best Cellars (1) against trademark infringement, trade dress infringement and false designation of origin pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (2) against trademark dilution under the Trademark Dilution Act, 15 U.S.C. § 1125(c); and (3) against unfair competition under the laws of the States of New York, California, Arizona, Colorado and Idaho.

Best Cellars seeks injunctive relief, as well as compensatory and punitive damages, against defendants Wine Made Simple, Inc., its principals Brigitte Baker and William Baker, its New York licensee LJG Wines, Inc., and LJG's principal Lisa Grossman (collectively "defendants"). The parties have cross-moved for summary judgment . . .

BACKGROUND

. . .

Development of Best Cellars

Plaintiff Best Cellars owns and operates four wine stores, including its flagship store on the Upper East Side of Manhattan, which pursue the novel marketing strategy of organizing wines by taste category rather than by grape type or country of origin. The flagship store has a clean, crisp, modern decor that demonstrates that the owners invested energy and capital in the design of the store as well as in the development of the marketing theme. . . . . After developing the concept of a store that retails wine by taste (such as light, medium or heavy-bodied white or red wines, sparkling and dessert wines), the three men selected an architectural firm and graphic design firm to create the interior decor for the store.

The interior design included wine racks built into a wall, which consist of tubes to hold bottles of wine horizontally, creating the appearance of a grid of steel rimmed holes in a light wood-paneled wall. The graphic design elements include computer-generated icons and brightly colored signs associated with each taste category.

Development of the prototype design for the store took twelve months. The end result was dubbed "Best Cellars," and consisted of a store that stocks a limited selection of wines, retailing for under 20 dollars a bottle, sorted by taste and displayed in a what has been called a "wall of wine." Specialty wine and architectural magazines described the store as "a different kind of wine store" and "radically new", and the store has been described in more general-subject publications as "revolutioniz[ing] wine shopping" and as offering "the most original approach to selling wine". Plaintiff now also has stores in Brookline and Boston, Massachusetts, Washington, D.C., and Seattle, Washington, and licenses its trade dress to a store in Great Barrington, Massachusetts.

. . . .

Advent of Bacchus

In December 1998, defendants Brigitte and William Baker opened a wine store in Manhattan Beach, California, called "Bacchus." Subsequently, their company, Wine Made Simple, licensed additional Bacchus stores in Scottsdale, Arizona, Boulder, Colorado, and Ketchum, Idaho. In November 2001, their licensee LJG Wines and its owner, Lisa Grossman, opened a Bacchus store on the Upper West Side of Manhattan, less than two miles (but in a distinctly different neighborhood, on the other side of Central Park) from the flagship Best Cellars store. Like Best Cellars, Bacchus aims to sell wine to novice wine consumers by organizing the store's inventory by taste category, and by retailing modestly-priced wines in an imaginatively-decorated store. The Bacchus stores have a Mediterranean-themed decor consisting of white stucco and dark wood beams, and display wine bottles horizontally in racks which are constructed to resemble a grid of holes in a white stucco wall.

. . . .

Best Cellars Claims that Bacchus Violates its Trade Dress

Plaintiff claims that the Bacchus stores are confusingly similar to the Best Cellars stores, and that defendants are infringing plaintiff's legitimate intellectual property rights in the trade dress of the Best Cellars stores. Plaintiff additionally claims that defendants copied Best Cellars' trade dress, asserting that "[t]he similarity in the look and feel of the Bacchus stores to Best Cellars is such that it cannot be an accident." Defendants respond that they did not copy the Best Cellars store, that they were unaware of the Best Cellars stores when they developed the marketing strategy and interior design for Bacchus, and that plaintiff has not presented evidence demonstrating that "defendants had ever seen or heard of Best

Cellars or copied any aspect of Best Cellar's purported trade dress." Plaintiff claims, in essence, that fundamental elements of the marketing idea and trade dress that took wine industry professionals over a year to develop could not possibly have been independently devised by wine neophytes in less than half that time.

DISCUSSION

. . . . *II. Trade Dress Infringement*

The principal claim in the complaint charges trade dress infringement under the Lanham Act. Trade dress "encompasses the design and appearance of the product together with all the elements making up the overall image that serves to identify the product presented to the consumer." *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999 (2d Cir.1997), citing *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 31 (2d Cir.1995). *See also* *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000) (trade dress "constitutes a 'symbol' or 'device' for purposes of' Lanham Act § 43(a)"). The legal principles governing the protection of unregistered trade dress are very similar to the principles governing other registered and unregistered marks. . . .

. . . .[T]he Lanham Act is not intended to enable monopolistic use of a commercial idea, but rather aims to guard against confusion in the marketplace that would harm both buyers and sellers. Indeed, this Circuit has advised district courts that "[w]hen evaluating [trade dress] claims, courts must not lose sight of the underlying purpose of the Lanham Act, which is protecting consumers and manufacturers from deceptive representations of affiliation and origin." *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 375 (2d Cir.1997). Furthermore, "the Lanham Act must be construed in the light of a strong federal policy in favor of vigorously competitive markets." *Id.* at 379.

While the Lanham Act protects the "overall image or appearance" created by a product's design or packaging, the plaintiff must precisely articulate the specific elements that comprise its distinct trade dress, so that courts can evaluate claims of infringement and fashion relief that is appropriately tailored to the distinctive combination of elements that merit protection. *See* *Landscape Forms*, 113 F.3d at 381 (plaintiffs must provide "a precise expression of the character and scope of the claimed trade dress"). This articulation requirement also helps to ensure that claims of trade dress infringement are pitched at an appropriate level of generality, for "just as copyright law does not protect ideas but only their concrete expression, neither does trade dress law protect an idea, a concept, or a generalized type of appearance." *Jeffrey Milstein*, 58 F.3d at 32.

A. Distinctiveness of Best Cellars' Trade Dress

The standard for assessing the "distinctiveness" of a product's trade dress depends on the type of trade dress for which protection is sought. The trade dress category has grown to include not simply the literal "dressing" or "packaging" of a product, but also in some instances the design or configuration of the product itself. To establish a claim for product packaging trade dress infringement under Lanham Act § 43(a), the plaintiff must demonstrate (1) "that its trade dress is *either* inherently distinctive *or* that it has acquired distinctiveness through a secondary meaning, [although] an otherwise inherently distinctive trade dress is entitled to protection only if it is also nonfunctional" and (2) "that there is a likelihood of confusion between defendant's trade dress and plaintiff's." *Fun-Damental Too*, 111 F.3d at 999, citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769-70 (1992). *See* 15 U.S.C. § 1125(a)(3). In contrast, trade dress based on product design "is not inherently distinctive," since "almost invariably even the most unusual of product designs ... is intended not to identify the source, but to render the product itself more useful or more appealing," or in sum, for "purposes other than source identification." In product design trade dress cases, therefore, the plaintiff must show (1) that its trade dress has "acquired" distinctiveness in the form of "secondary meaning" and (2) the likelihood of confusion. *See id.*

Unlike more traditional trade dress cases that concern product packaging (like water bottles, *see* *Nora Beverages, Inc. v. Perrier Group of America, Inc.*, 269 F.3d 114 (2d Cir.2001)) or product designs (like children's clothing, *see* *Samara Bros.*, 529 U.S. at 213), this case concerns the interior decor of a retail establishment where customers purchase other products. In this, the case is similar to *Two Pesos,* which concerned the interior decor of Mexican-themed restaurants. *See* *Two Pesos*, 505 U.S. at 764-65 n. 1 (noting that trade dress "may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques" (citations and internal quotation marks omitted)). As the Supreme Court explained, the interior decor category fits awkwardly into the classifications of trade dress law, constituting either product packaging or a "*tertium quid*" akin to product packaging. *Samara Bros.*, 529 U.S. at 215. Interior decor is thus clearly *not* product design. Accordingly, it is appropriate to analyze the Best Cellars' interior decor trade dress under the product packaging standard for inherent distinctiveness set forth in this Circuit by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir.1976). Indeed, in a case similar to this one, Judge Sweet found on a motion for a preliminary injunction that Best Cellars' trade dress is inherently distinctive under the *Abercrombie* test and thus protectable. *See* *Best Cellars, Inc. v. Grape Finds at Dupont, Inc.*, 90 F.Supp.2d 431, 451-52 (S.D.N.Y.2000). For the reasons set forth below, this Court agrees with that conclusion based on the facts presented in this case.

The trade dress for which Best Cellars claims protection is the total effect of the interior design of its store, which it describes as: (1) eight words differentiating taste categories; (2) eight colors differentiating taste categories; (3) eight computer manipulated images differentiating taste categories; (4) taste categories set above display fixtures by order of weight; (5) single display bottles set on stainless-steel wire pedestals; (6) square 4"x4" cards with verbal descriptions of each wine ("shelf talkers") with text arranged by template; (7) shelf talkers positioned at eye level, below each display bottle; (8) bottles vertically aligned in rows of nine; (9) storage cabinets located beneath vertically aligned bottled; (10) materials palette consisting of light wood and stainless steel; (11) mixture of vertical racks and open shelving display fixtures; (12) no fixed aisles; (13) bottles down and back-lit; and (14) limited selection (approximately 100) of relatively inexpensive wine. Defendants contend that certain of these elements are functional (such as arranging wines by taste category, color coding categories, presenting categories under a sign, posting index-card descriptions of each wine, stocking a limited number of wines, storing wine in cabinets beneath wine racks and the absence of fixed aisles), and that other elements are of such widespread use in wine stores that they are generic (such as storing wine bottles horizontally in racks, using a single bottle on display, and placing informational point-of-sale cards at a uniform height). In sum, the defendants claim that the plaintiff's trade dress is not entitled to trade dress protection as a matter of law.

Under the *Abercrombie* test,

> trade dress is classified on a spectrum of increasing distinctiveness as generic, descriptive, suggestive, or arbitrary/ fanciful. Suggestive and arbitrary or fanciful trade dress are deemed inherently distinctive and thus always satisfy the first prong of the test for protection. A descriptive trade dress may be found inherently distinctive if the plaintiff establishes that its mark has acquired secondary meaning giving it distinctiveness to the consumer. A generic trade dress receives no Lanham Act protection.

Fun-Damental Too, 111 F.3d at 1000 (*citing* *Two Pesos*, 505 U.S. at 768-69). While it is important that the party claiming protection articulate with specificity the elements comprising its trade dress for purposes of the distinctiveness inquiry, as Best Cellars has done here, it would be analytically unsound to parse each individual element to determine where it falls on the *Abercrombie* spectrum. Rather, "although each element of a trade dress individually might not be inherently distinctive, it is the combination of elements that should be the focus of the distinctiveness inquiry. Thus, if the overall dress is arbitrary, fanciful, or suggestive, it is distinctive despite its incorporation of generic [or functional] elements." *Jeffrey Milstein*, 58 F.3d at 32. Because in the context of trade dress the whole can be greater than, or at least different from, the sum of its parts, it is necessary to consider the combined articulated elements of Best Cellars' trade dress to determine whether as an ensemble they form a distinctive presentation to consumers.

Based on the evidence presented to the Court on the cross-motions for summary judgment, and resolving any factual ambiguities in favor of defendants, it is clear that plaintiff has a protectable interior decor trade dress. While certain articulated elements are well-designed and thus "functional" for the purpose of retail wine sales, such as posting point-of-sale cards at a height where they can be easily read by the average height shopper, or storing wines in a cabinet positioned so low on a wall that using that space for display would be impractical, that does not mean that those elements are to be excluded from a specifically articulated trade dress. By the same logic, simply because certain elements are used in other wine shops, such as storing wine horizontally in racks or presenting one display bottle per wine does not mean that those elements must be removed from the overall impression because they are "generic."

While there may be a certain ergonomic or marketing logic to certain elements of the decor, defendants have not met their burden of showing that those elements are "functional" in that they are "essential to effective competition in a particular market," *Landscape Forms,* 70 F.3d at 253, or "essential to the use or purpose of the article" (in this case, the store), *Qualitex Co. v. Jacobson Prods. Co., Inc.,* 514 U.S. 159, 165 (1995) (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 850 (1982)).

Best Cellars, on the other hand, has met its burden of establishing the inherent distinctiveness of its trade dress taken as a whole because the elements, as combined, make up a distinct and arbitrary total visual image to consumers. Defendants in fact do not seriously dispute that there is a distinctive look to Best Cellars. They do not describe Best Cellars as a generic, unremarkable retail shop; rather, they echo some of plaintiff's descriptions of the decor as quite specific, for example, by describing the Best Cellars stores as exhibiting a clean, crisp modern design characterized by wood and steel. It is thus essentially undisputed that certain elements of the Best Cellars trade dress are arbitrary and/or uncommon for wine shops, such as the use of wood and steel, and the law does not require that every element of trade dress be arbitrary. *See Jeffrey Milstein,* 58 F.3d at 32.

The *Grape Finds* decision intentionally does not comment on precisely which of the 14 factors enumerated by plaintiff comprise the Best Cellars trade dress, and instead describes what the court found to be

> the essence of the look [consisting of] color-coded, iconographic wall signs identifying eight taste categories above the single display bottles on stainless-steel wire pedestals which run along the store perimeter, above identical color-coded textually formatted square shelf-talkers, above vertical arrays of nine glowing bottles stacked horizontally, above a strip of cabinets or drawers which extend to the floor.

90 F.Supp.2d at 452. It is the combination of elements that defines the protectable trade dress, because it is the combination that a customer would perceive upon entering the store. This emphasis on the ensemble effect cuts both ways for the plaintiff in this case, as indeed it does for any plaintiff in a trade dress infringement case. Because of the vast array of permutations of elements available to sellers to create their specific trade dress, "a product's trade dress typically will be arbitrary or fanciful and meet the inherently distinctive requirement for § 43(a) protection." *Fun-Damental Too,* 111 F.3d at 1000. However, as the *Grape Finds* court noted, while the emphasis on specific combinations and total visual impact makes it relatively easy for a plaintiff to meet the inherent distinctiveness aspect of the trade dress infringement test, the same emphasis makes it correspondingly difficult for a plaintiff to prove likelihood of confusion. That is because defendant-competitors who have some similar elements as well as noteworthy dissimilar elements in their trade dress may be able to show that the specific combination of elements that *they* use also constitutes protectable trade dress, and that consumers are unlikely to confuse the two products, or in this case, the two stores.

In describing its own distinctive trade dress, Best Cellars frequently slides between different theories, perhaps attempting (consciously or otherwise) to evade this dilemma. Thus, plaintiff's strongest (and controlling) argument for distinctiveness incorporates all fourteen of the features discussed above in describing the total overall look of the wine shop, and Best Cellars adopts this approach in arguing that its trade dress is distinctive. But when emphasizing the publicity and praise it has received for its design, or arguing that defendants have infringed their trade dress, plaintiff frequently speaks as if the "wall of wine" alone, or even the general "revolutionary" concept of selling wines by taste, constitutes the trade dress it claims was appropriated by defendants. This will not do; the trade dress is the overall look of the store, consisting of a cumulation of interacting elements, and defendants do not infringe by appropriating the marketing concept, or any particular element of plaintiff's design, unless the overall dress is sufficiently similar to generate likely consumer confusion. *See Sports Traveler, Inc. v. Advance Magazine Publishers, Inc.,* 25 F.Supp.2d 154, 163 (S.D.N.Y.1998) (citing *Jeffrey Milstein,* 58 F.3d at 32-33, for the proposition that uniqueness of a concept is not protected trade dress).

It is thus worth noting that while some elements of Best Cellars' trade dress are related to the marketing theme of selling wine by taste, those elements are not dispositive. While categorization of wine by taste is relevant to plaintiff's trade dress to the extent it impacts the store's interior design, that element standing alone is not protected, and plaintiff cannot prevent other sellers from categorizing wine by taste either in their general marketing scheme or in their interior design. For this reason, when Judge Sweet granted the preliminary injunction against the defendant in *Grape Finds,* he nevertheless permitted the defendant in that case to continue organizing wine into eight taste categories in its store. *See* 90 F.Supp.2d at 458.

Under the *Two Pesos* rule, if a trade dress is found to be inherently distinctive, it is not necessary to prove secondary meaning. Because Best Cellars' interior decor is inherently distinctive and thus protectable trade dress, it is not necessary to consider the question of secondary meaning. Therefore, the next stage of the analysis is to determine whether reasonable minds could disagree about whether there is a probability of consumer confusion. . . .

Notes

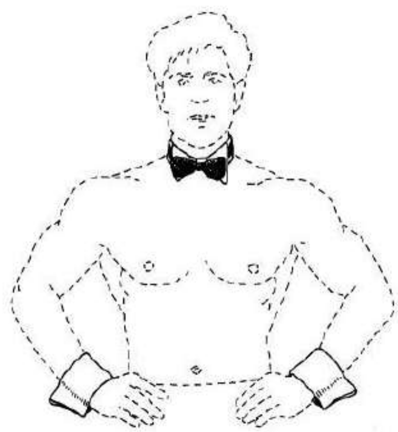
Product lines. Did the court get it right in *Best Cellars*? What did you make of its observation that the kind of dress claimed meant that the plaintiff's demonstration of likelihood of confusion would be more difficult? Is this consistent with the Supreme Court's concerns in *Wal-Mart*? Would your conclusion be different if you knew how the court resolved the likelihood of confusion claim on summary judgment? (Here, the court held that there were genuine issues of material fact, precluding summary judgment on confusion.).

Trademark claims over a product line's "look and feel" raise concerns of overreach, and courts have consistently stated that plaintiffs cannot be so general in their claims. Some cases find product design even where the dress is claimed over mechanisms of product presentation. Yankee Candle Co., Inc. v. Bridgewater Candle Co., LLC, 259 F.3d 25 (1st Cir. 2001) (finding that a product line of decorative candles and its related catalog layout is product design).

Ornamentation or design? May a claimed feature be both ornamental and part of the product's design? Yes. *See, e.g.*, In re Slokevage, 441 F.3d 957 (Fed. Cir. 2006) (treating foldable flaps at pants pocket as product design).

Problem

Chippendales provides "adult entertainment services." Chippendales performers perform without shirts but wear tuxedo-wrist cuffs and a bowtie collar. They feature these outfits, such as they are, in advertising and refer to them as the "Cuffs & Collar." They would like to protect the clothing as trade dress as shown below (dashed lines indicate unclaimed matter). Will they succeed?



6. Functionality

We have been discussing functionality—the principle that trademark law cannot protect product features from copying—for some time now. It is a recurring policy concern in determining what matter is eligible for trademark. The traditional rationale for the functionality bar is utilitarian. The doctrine protects competition by allowing competitors in the market to copy useful product designs/features and therefore drive down prices and increase consumer options.

The doctrine also serves a boundary policing role between IP regimes. Federal law provides the option for inventors to seek patents for their inventions. But while the patent term is limited (20 years from the date the patent is filed), there is no trademark term—a trademark may be valid indefinitely. Forbidding trademarks over functional matter prevents trademark from serving as a backdoor patent. Note that this means that even if a functional feature has acquired secondary meaning, a court should still not permit its protection as a trademark

The Lanham Act contains multiple provisions driving home this basic point. Section 2(e)(5) (15 U.S.C. § 1052(e)(5)) provides that an otherwise distinctive mark will be refused registration if it "comprises any matter that, as a whole, is functional." Later in the class we will study "incontestable" trademark registrations. These registrations are immune from challenge on certain grounds. Section 33(b) (15 U.S.C. § 1115(b)) declares that incontestable marks remain subject to the "defense or defect" that the mark is functional. And section 43(a) (15 U.S.C. § 1125(a)(3)) states:

> In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

Although the functionality principle has a long pedigree, *see, e.g.*, Pope Automatic Merchandising Co. v. McCrum-Howell Co., 191 F. 979 (7th Cir. 1911), these statutory provisions are only a recent addition to the Lanham Act. Until Congress added them in the late 1990s, courts still applied the doctrine, notwithstanding its absence from the statute. They did so partly on the assumption that Congress would not upend so traditional a principle without explicit mention. *See, e.g.*, Wilhelm Pudenz GmbH v. Littlefuse, Inc., 177 F.3d 1204 (11th Cir. 1999). What does this tell you about statutory interpretation? Is this judicial activism? Or would it have been judicial activism not to continue applying the doctrine? Or is the term meaningless here?

Defining functionality. The functionality principle seems easy to state, but it is challenging to apply. As we have seen in discussing *Two Pesos*, identifying the "product" is not always simple. Moreover, even seemingly functional product features are not necessarily covered by the doctrine.

For example, consider a spray bottle. Is the liquid reservoir functional by definition? After all, without it, the bottle would not function. But suppose the reservoir is in the shape of, say, a duck. That modification of the basic bottle design does nothing to enhance the device's utilitarian functionality (what about its aesthetic value?). Indeed, it seems to hamper it. That is not the kind of design flourish that the functionality doctrine seems intended to target. And what about features that are wholly aesthetic? Should they be eligible for trademark or do the principles behind the functionality doctrine argue in favor of their exclusion? Or would so broad a view make obtaining an attractive trademark impossible? We will return to the question of "aesthetic" functionality in the next reading and focus on "utilitarian" functionality for now.

TrafFix Devices, Inc. v. Marketing Displays, Inc.
532 U.S. 23 (2001)

Justice KENNEDY delivered the opinion of the Court.

Temporary road signs with warnings like "Road Work Ahead" or "Left Shoulder Closed" must withstand strong gusts of wind. An inventor named Robert Sarkisian obtained two utility patents for a mechanism built upon two springs (the dual-spring design) to keep these and other outdoor signs upright despite adverse wind conditions. The holder of the now-expired Sarkisian patents, respondent Marketing Displays, Inc. (MDI), established a successful business in the manufacture and sale of sign stands incorporating the patented feature. MDI's stands for road signs were recognizable to buyers and users (it says) because the dual-spring design was visible near the base of the sign.

This litigation followed after the patents expired and a competitor, TrafFix Devices, Inc., sold sign stands with a visible spring mechanism that looked like MDI's. MDI and TrafFix products looked alike because they were. When TrafFix started in business, it sent an MDI product abroad to have it reverse engineered, that is to say copied. Complicating matters, TrafFix marketed its sign stands under a name similar to MDI's. MDI used the name "WindMaster," while TrafFix, its new competitor, used "WindBuster."

MDI brought suit . . . against TrafFix for trademark infringement (based on the similar names), trade dress infringement (based on the copied dual-spring design), and unfair competition. TrafFix counterclaimed on antitrust theories. After the United States District Court for the Eastern District of Michigan considered cross-motions for summary judgment, MDI prevailed on its trademark claim for the confusing similarity of names and was held not liable on the antitrust counterclaim; and those two rulings, affirmed by the Court of Appeals, are not before us.

I

We are concerned with the trade dress question. The District Court ruled against MDI on its trade dress claim. After determining that the one element of MDI's trade dress at issue was the dual-spring design, it held that "no reasonable trier of fact could determine that MDI has established secondary meaning" in its alleged trade dress. In other words, consumers did not associate the look of the dual-spring design with MDI. As a second, independent reason to grant summary judgment in favor of TrafFix, the District Court determined the dual-spring design was functional. On this rationale secondary meaning is irrelevant because there can be no trade dress protection in any event. In ruling on the functional aspect of the design, the District Court noted that Sixth Circuit precedent indicated that the burden was on MDI to prove that its trade dress was nonfunctional, and not on TrafFix to show that it was functional (a rule since adopted by Congress, see 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)), and then went on to consider MDI's arguments that the dual-spring design was subject to trade dress protection. Finding none of MDI's contentions persuasive, the District Court concluded MDI had not "proffered sufficient evidence which would enable a reasonable trier of fact to find that MDI's vertical dual-spring design is *non*-functional." Summary judgment was entered against MDI on its trade dress claims.

The Court of Appeals for the Sixth Circuit reversed the trade dress ruling. The Court of Appeals held the District Court had erred in ruling MDI failed to show a genuine issue of material fact regarding whether it had secondary meaning in its alleged trade dress and had erred further in determining that MDI could not prevail in any event because the alleged trade dress was in fact a functional product configuration. The Court of Appeals suggested the District Court committed legal error by looking only to the dual-spring design when evaluating MDI's trade dress. Basic to its reasoning was the Court of Appeals' observation that it took "little imagination to conceive of a hidden dual-spring mechanism or a tri or quad-spring mechanism that might avoid infringing [MDI's] trade dress." The Court of Appeals explained that "[i]f TrafFix or another competitor chooses to use [MDI's] dual-spring design, then it will have to find *some other way* to set its sign apart to avoid infringing [MDI's] trade dress." It was not sufficient, according to the Court of Appeals, that allowing exclusive use of a particular feature such as the dual-spring design in the guise of trade dress would "hinde[r] competition somewhat." Rather, "[e]xclusive use of a feature must 'put competitors at a *significant* non-reputation-related disadvantage' before trade dress protection is denied on functionality grounds." In its criticism of the District Court's ruling on the trade dress question, the Court of Appeals took note of a split among Courts of Appeals in various other Circuits on the issue whether the existence of an expired utility patent forecloses the possibility of the patentee's claiming trade dress protection in the product's design. . . .

II

It is well established that trade dress can be protected under federal law. The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods. In these respects protection for trade dress exists to promote competition. As we explained just last Term, see *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000), various Courts of Appeals have allowed claims of trade dress infringement relying on the general provision of the Lanham Act which provides a cause of action to one who is injured when a person uses "any word, term name, symbol, or device, or any combination thereof ... which is likely to cause confusion ... as to the origin, sponsorship, or approval of his or her goods." 15 U.S.C. § 1125(a)(1)(A). Congress confirmed this statutory protection for trade dress by amending the Lanham Act to recognize the concept. Title 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V) provides: "In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional." This burden of proof gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. And in *Wal-Mart,* we were careful to caution against misuse or overextension of trade dress. We noted that "product design almost invariably serves purposes other than source identification."

Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160 (1989). Allowing competitors to copy will have salutary effects in many instances. "Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology." *Ibid.*

The principal question in this case is the effect of an expired patent on a claim of trade dress infringement. A prior patent, we conclude, has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

In the case before us, the central advance claimed in the expired utility patents (the Sarkisian patents) is the dual-spring design; and the dual-spring design is the essential feature of the trade dress MDI now seeks to establish and to protect. The rule we have explained bars the trade dress claim, for MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual-spring design in the claims of the expired patents.

The dual springs shown in the Sarkisian patents were well apart (at either end of a frame for holding a rectangular sign when one full side is the base) while the dual springs at issue here are close together (in a frame designed to hold a sign by one of its corners). As the District Court recognized, this makes little difference. The point is that the springs are necessary to the operation of the device. The fact that the springs in this very different-looking device fall within the claims of the patents is illustrated by MDI's own position in earlier litigation. In the late 1970's, MDI engaged in a long-running intellectual property battle with a company known as Winn-Proof. Although the precise claims of the Sarkisian patents cover sign stands with springs "spaced apart," U.S. Patent No. 3,646,696, col. 4; U.S. Patent No. 3,662,482, col. 4, the Winn-Proof sign stands (with springs much like the sign stands at issue here) were found to infringe the patents by the United States District Court for the District of Oregon, and the Court of Appeals for the Ninth Circuit affirmed the judgment. *Sarkisian v. Winn-Proof Corp.*, 697 F.2d 1313 (1983). Although the Winn-Proof traffic sign stand (with dual springs close together) did not appear, then, to infringe the literal terms of the patent claims (which called for "spaced apart" springs), the Winn-Proof sign stand was found to infringe the patents under the doctrine of equivalents, which allows a finding of patent infringement even when the accused product does not fall within the literal terms of the claims. *Id.*, at 1321-1322; see generally *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997). In light of this past ruling-a ruling procured at MDI's own insistence-it must be concluded the products here at issue would have been covered by the claims of the expired patents.

The rationale for the rule that the disclosure of a feature in the claims of a utility patent constitutes strong evidence of functionality is well illustrated in this case. The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner. As the specification of one of the patents recites, prior art "devices, in practice, will topple under the force of a strong wind." U.S. Patent No. 3,662,482, col. 1. The dual-spring design allows sign stands to resist toppling in strong winds. Using a dual-spring design rather than a single spring achieves important operational advantages. For example, the specifications of the patents note that the "use of a pair of springs ... as opposed to the use of a single spring to support the frame structure prevents canting or twisting of the sign around a vertical axis," and that, if not prevented, twisting "may cause damage to the spring structure and may result in tipping of the device." U.S. Patent No. 3,646,696, col. 3. In the course of patent prosecution, it was said that "[t]he use of a pair of spring connections as opposed to a single spring connection ... forms an important part of this combination" because it "forc[es] the sign frame to tip along the longitudinal axis of the elongated ground-engaging members." The dual-spring design affects the cost of the device as well; it was acknowledged that the device "could use three springs but this would unnecessarily increase the cost of the device." These statements made in the patent applications and in the course of procuring the patents demonstrate the functionality of the design. MDI does not assert that any of these representations are mistaken or inaccurate, and this is further strong evidence of the functionality of the dual-spring design.

III

In finding for MDI on the trade dress issue the Court of Appeals gave insufficient recognition to the importance of the expired utility patents, and their evidentiary significance, in establishing the functionality of the device. The error likely was caused by its misinterpretation of trade dress principles in other respects. As we have noted, even if there has been no previous utility patent the party asserting trade dress has the burden to establish the nonfunctionality of alleged trade dress features. MDI could not meet this burden. Discussing trademarks, we have said " '[i]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.' " *Qualitex*, 514 U.S., at 165 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850, n. 10 (1982)). Expanding upon the meaning of this phrase, we have observed that a functional feature is one the "exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage." 514 U.S., at 165. The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is "whether the particular product configuration is a competitive necessity." 200 F.3d, at 940. See also *Vornado*, 58 F.3d, at 1507 ("Functionality, by contrast, has been defined both by our circuit, and more recently by the Supreme Court, in terms of competitive need"). This was incorrect as a comprehensive definition. As explained in Qualitex, supra, and Inwood, supra, a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The Qualitex decision did not purport to displace this traditional rule. Instead, it quoted the rule as Inwood had set it forth. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of esthetic functionality, the question involved in Qualitex. Where the design is functional under the Inwood formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In Qualitex, by contrast, esthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

The Court has allowed trade dress protection to certain product features that are inherently distinctive. Two Pesos, 505 U.S., at 774. In Two Pesos, however, the Court at the outset made the explicit analytic assumption that the trade dress features in question (decorations and other features to evoke a Mexican theme in a restaurant) were not functional. Id., at 767, n. 6. The trade dress in those cases did not bar competitors from copying functional product design features. In the instant case, beyond serving the purpose of informing consumers that the sign stands are made by MDI (assuming it does so), the dual-spring design provides a unique and useful mechanism to resist the force of the wind. Functionality having been established, whether MDI's dual-spring design has acquired secondary meaning need not be considered.

There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose. Here, the functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.

Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say, by using a box or framework to cover them, as suggested by the Court of Appeals. The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.

In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different result might obtain. There the manufacturer could perhaps prove that those aspects do not serve a purpose within the terms of the utility patent. The inquiry into whether such features, asserted to be trade dress, are functional by reason of their inclusion in the claims of an expired utility patent could be aided by going beyond the claims and examining the patent and its prosecution history to see if the feature in question is shown as a useful part of the invention. No such claim is made here, however. MDI in essence seeks protection for the dual-spring design alone. The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign. MDI has pointed to nothing arbitrary about the components of its device or the way they are assembled. The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity. The Lanham Act, furthermore, does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller. The Court of Appeals erred in viewing MDI as possessing the right to exclude competitors from using a design identical to MDI's and to require those competitors to adopt a different design simply to avoid copying it. MDI cannot gain the exclusive right to produce sign stands using the dual-spring design by asserting that consumers associate it with the look of the invention itself. Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is "essential to the use or purpose of the article" or "affects the cost or quality of the article." *Inwood*, 456 U.S., at 850, n. 10.

TrafFix and some of its *amici* argue that the Patent Clause of the Constitution, Art. I, § 8, cl. 8, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection. We need not resolve this question. If, despite the rule that functional features may not be the subject of trade dress protection, a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to consider the matter. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Notes

Bigger and better things. The prevailing party's counsel in *TrafFix* was none other than Chief Justice John Roberts, then in private practice.

Design patents. *TrafFix* focuses on the separation between utility patents and trademarks. What about design patents? They are supposed to be awarded only to ornamental designs. 35 U.S.C. § 171. Does that mean that they negate a functionality challenge? No. 1 MCCARTHY § 7:93 ("[W]hile a design patent is some evidence of nonfunctionality, alone it is not sufficient without other evidence.").

Two functionality tests. The Court gives us two functionality tests, one described as suited for questions of aesthetic functionality. Do they help? Does the "traditional" rule solve the problem of the duck-shaped spray bottle? Would we say that the liquid reservoir, though duck-shaped, is still "essential to the use" of the product? Or is the unusual shape "an arbitrary flourish in the configuration of" the bottle?

If that sounds like a simple problem, consider these two competing grease pumps, used for the lubricating system of trucks:

The one on the right copied the design of the one on the left, which has been in the business for quite a long time. In an infringement suit, do you think the trade dress would be unprotected as functional?

Groeneveld Transport Efficiency, Inc. v. Lubecore Intern., Inc.
730 F.3d 494 (6th Cir. 2013)

RONALD LEE GILMAN, Circuit Judge.

The key issue in this case is whether a company can use trade-dress law to protect its functional product design from competition with a "copycat" design made by another company where there is no reasonable likelihood that consumers would confuse the two companies' products as emanating from a single source. We hold that it cannot. In so holding, we reaffirm that trademark law is designed to promote brand recognition, not to insulate product manufacturers from lawful competition. . . .

This case, like many trademark cases before it, is a contest between an oldtimer and a newcomer. Their battle is over a relatively obscure product—the grease pump used in an automated lubrication system (ALS) for commercial trucks. An ALS, as the name implies, is a system for delivering a controlled amount of lubricant to different parts of a machine (in this case a commercial truck) while the machine is in operation. Automated lubrication saves time, increases operational efficiency, and minimizes corrosion by obviating the need for frequent manual lubrication. The primary component of an ALS is a grease pump that forces grease through injectors and hoses to targeted areas at timed intervals.

Groeneveld is the American branch of a Dutch company that has been in the ALS business for over 40 years. It began marketing the grease pump at issue in the present case—designated by Groeneveld as its EP0 pump—in the 1980s. The Groeneveld family of companies employs thousands of people and has a well-established international presence.

Lubecore, by contrast, is the new kid on the block. . . . [Groeneveld alleged that Lubecore marketed its pump with the intent to confuse consumers. Its trade dress claim went to the jury, which ruled in Groenveld's favor, awarding $1,225,000 in damages.]

Groeneveld does not dispute that its grease pump is a functional device designed to automatically lubricate commercial trucks. Nor does Groeneveld attempt to protect the individual component parts of its pump. Rather, the question is whether the "overall shape" of the grease pump (such shape being the trade dress claimed by Groeneveld) "is essential to the use or purpose of the article or ... affects the cost or quality of the article." *See Inwood Labs.*, 456 U.S. at 850 n. 10.

Groeneveld's pump, in its overall shape, consists of a black base topped by a clear reservoir. The base is made of cast aluminum and contains the pump mechanism, which is connected by wires and hoses to the rest of the ALS; the reservoir is made of plastic and holds the grease. Both components clearly serve a function essential to the product's operation.

Trial testimony by two Groeneveld witnesses, Willem van der Hulst and Cornelius Wapenaar, makes clear that not only the basic manufacture of the grease pump's components, but also their size and shape, are closely linked to the grease-pumping function. The shape of the base is functionally determined because it minimizes the amount of material needed in construction. And the volume of the reservoir is functionally dictated by the amount of grease that the vehicle needs during each servicing interval. The use of clear material in the reservoir is also functional because it allows one to easily see how much grease is left in the pump.

Because the volume of the reservoir (like that of any cylinder) is the algebraic product of its surface area times its height, and because the surface area and the volume of the reservoir are both functionally determined (the former by the necessity of fitting into the base and the latter by the necessity of holding a predetermined amount of grease), the height is also functionally determined. The overall design of the grease pump is therefore functional. As the magistrate judge found when denying Groeneveld's motion for a preliminary injunction, "all the elements of Groeneveld's pump are there for some practical benefit or reason.... Groeneveld has not presented its pump as in any way the equivalent of an automotive tail fin—a purely ornamental feature that contributes no demonstrable benefit to the operation or efficiency of the designed product."

Because Groeneveld presented no evidence showing that the individual components of its grease pump or their overall configuration are nonfunctional, it failed to carry its burden of creating a triable issue of fact with respect to nonfunctionality.

Groeneveld nonetheless argues that the design of its pump is nonfunctional because the particular design is not necessary for effective competition in the ALS business. This is shown, according to Groeneveld's opening brief, by the fact that none of Groeneveld's competitors other than Lubecore makes a similar-looking pump . . . .

We reject Groeneveld's argument because adopting it would result in a reversion to the very standard that the Supreme Court unanimously rejected in *TrafFix Devices, Inc. v. Marketing Displays, Inc.* . . .

TrafFix Devices makes clear that Groeneveld's argument about the availability of alternative grease-pump designs is misguided. The issue is not whether Lubecore could have designed a grease pump with a different appearance; the issue is whether Groeneveld's design "is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs.,* 456 U.S. at 850 n. 10. In other words, the question is whether the overall shape of Groeneveld's grease pump was substantially influenced by functional imperatives or preferences. We accordingly reject Groeneveld's invitation to drift back into the error of inquiring about possible alternative designs.

Groeneveld next points to the testimony of Willem van der Hulst, its Vice President of Design and Production, who was involved in designing the EP0 grease pump. Van der Hulst testified that Groeneveld did not "have to make its pump look this way on the inside because of the way it works on the outside." For the reasons stated above, this testimony is insufficient to create a triable issue of fact under *TrafFix Devices* because it improperly focuses on the possibility of alternative designs.

Moreover, van der Hulst's testimony was entirely conclusory—he simply asserted that Groeneveld was not limited to any particular design, but he did not explain *why* the chosen design was nonfunctional, and certainly did not speak with any particularity about the functional considerations that, as outlined above, apparently dictated the pump's design. The same goes for van der Hulst's bald assertion that the pump's design did not "affect the way the thing performs.". . .

Finally, Groeneveld points to van der Hulst's testimony that the other grease pumps on the market look "terrible," and that Groeneveld's founder was "different from the really old-fashioned mechanical people" in that "he had very good choice" and "like[d] nice things," such as "a nice office, nice cars, nice people." Van der Hulst also testified that Groeneveld has not switched to alternative grease-pump designs, even though they might be cheaper, because the current pump is "a very nice pump" and "[e]verybody knows this pump."

But these statements fail to meaningfully address the issue of nonfunctionality. The fact that Mr. Groeneveld has good taste does nothing to prove that the grease pump's design is nonfunctional. And to the extent that van der Hulst's testimony was intended to show that less attractive or cheaper grease-pump designs were also possible, such a showing plainly falls short under *TrafFix Devices* because courts should not inquire into alternative designs when the design at issue is substantially influenced by functional considerations. . . .

This result is consonant with the public policy underlying the functionality doctrine, which is to channel the legal protection of useful designs from the realm of trademark to that of patent. Such channeling ensures that the high public costs of monopoly are not imposed without an assurance that the design satisfies the rigorous requirements of patentability, including novelty and nonobviousness, and is protected for only a limited period of time. . . .

HELENE N. WHITE, Circuit Judge, dissenting.

. . . . Whether a product feature is functional is a question of fact reviewed for clear error. . . .

Under *TrafFix,* the possibility of alternative designs cannot render a trade dress non-functional where it is otherwise functional under *Inwood.* The majority has morphed this simple principle into a holding that evidence regarding the possibility of alternative designs is irrelevant to the determination whether a design is functional. *TrafFix* does not so hold. . . .

Applying the *Inwood* formulation, I disagree with the majority's conclusion that Groeneveld presented "no evidence" that its pump's overall design is non-functional. Groeneveld's vice president of design and production, Willem van der Hulst, agreed that the base optimized the amount of material in the pump for its internal workings. However, he did not say (as the majority infers) that the irregular shape of the base was necessitated based on the pump's internal components. Rather, he testified that the base was not "form fitted" around the internal parts, and he clarified that it is the weight of aluminum in the base that affects the cost. Van der Hulst added that the same amount of aluminum, if molded to a different shape, probably would not affect the cost of the aluminum but could affect "the cost of production to work the body," i.e., the "machine part" of the device. The appropriate inference to be drawn from this testimony is that the volume of aluminum or arrangement of the internal parts could impact the pump's function, but the irregular shape of the base is not essential to the pump's functioning and does not affect the cost of the device. As van der Hulst made clear, the pump would cost the same even with a different shape. Further, although the "inside volume" of the upper cylinder reservoir is determined by "something other than human design" because the reservoir volume affects the amount of grease the pump can hold, it is not apparent that the cylinder's shape is the reason the device works.

In any event, the non-functional configuration of otherwise functional components does not compel a finding that a product's overall trade dress is functional as matter of law, and the majority's equation of such components adding up to an overall functional design is not the law. Rather, "in order to receive trade dress protection for the overall combination of functional features, those features must be configured in an arbitrary, fanciful, *or* distinctive way." *Antioch Co.,* 347 F.3d at 158 (emphasis added). The evidence supports a finding that the pump's overall configuration was designed to look distinctive in the industry rather than due to functional concerns.

First, evidence that the pump's outer appearance was not dictated by its internal functioning is sufficient. Whether a product's design is "essential to the use or purpose of the article" or "affects the cost or quality of the article," *TrafFix,* 532 U.S. at 32–33, is the appropriate inquiry. In *TrafFix,* the Court emphasized that "[t]he point is that the springs are necessary to the operation of the device," "the dual-spring design provides a unique and useful mechanism to resist the force of the wind," and "[t]he dual-spring design is not an arbitrary flourish in the configuration of [the] product; it is the reason the device works." *Id.* at 30, 33, 34. . . .

. . . . Here . . . the Groeneveld pump's external appearance—the round and cylindrical shape of the clear reservoir, the grooves on the top and bottom of the reservoir, the particular placement of the product label and other features, and the irregular shape of the base—perform no *inherently* functional purpose. That its individual components (or inside volume of those components) have functional qualities does not compel a finding that the trade dress is functional.

Second, van der Hulst's testimony—asserting that Groeneveld did not have to design its pump in the unique way it did—was not a bare denial as characterized by the majority:

Q. Did Groeneveld have to make its pump look this way on the outside because of the way it works on the inside?

A. No, no, of course not. No, no.

Q. Well, again, you say of course not—

A. You can't—the pump wasn't made in this way but you can put the valves inside. You can make out of the pistons horizontal or vertical, make it horizontal. You can change the shape of the reservoir round you can make also reservoirs which are square. So you can change very easily the same pump [would] function[ ] the same way.

PID 7920.

A. You see the reservoir on top? This is a reservoir on top, yeah. That is the container of the [grease]. The reservoir you can make in several dimensions, yeah. You can make them in two kilos, three. We're speaking kilos, okay. This one which you see on the table [is a] six kilo grease container, and this has to do with the time you want to [ ]come for the next … filling….

Q. So the sizes of reservoir of ALS pumps vary then?

A. Yes, vary a lot, yeah.

PID 7922.

Q. Does the shape or outline of the pump affect the way the thing performs, the way it delivers grease throughout the system?

A. No.

Q. Explain this to the jury. It might be obvious, but I'm sorry. I'll ask you to explain.

A. It's like a car. No? The car go from A to B and they're all different. **The shape has nothing to do with the function of the [car] moving from A to B, and it's the same as the lubrication system. The only thing we have to do is create energy and that there is an outlet w[h]ere grease is coming out, how you do that, you can do it in many, many, many ways.**

PID 7947 (emphasis added).

. . . .

Fourth, van der Hulst explained in detail why the pump design is based on branding considerations and that the pump has a unique look in the marketplace:

A. … [W]e were sure that this was the only possibility to make a pump which looks completely different than the other pumps at that time which were available because a lot of pumps were made with mechanical parts with bolts and screws and piece of steel, so on, and plastic. We wanted to make it different. One piece worked and finished.

Q. Why did you want to make your pump different looking than everybody else's that was on the market?

A. Yeah. It's just a challenge. It's a challenge of designer and each-let's say you want to make something different than everybody else.…

So we want to give it a groove look. So this has to be our pump for many, many years and has to be good and nice.

Q. And was the Groeneveld EP–0 pump different looking than everybody else's on the market?

A. At that time, yes. Yes, of course.

Q. And what about over the last 30 years?

A. We had a lot of success with this pump. Groeneveld went all over the world with this pump. We created a lot of distributors everywhere, and we were very successful with this pneumatic system, and we still are.

Q. Over the last 30 years, did anybody else's ALS pump look like Groeneveld's, other than what we have here on the table now?

…

[A.] No, no.

Q. Did new products come on the market, ALS pumps over the last 30 years?

A. Yes, there is a lot of produce of lubrication pumps, lubrication system, Japanese, Chinese, also Europe, different producers, smaller ones, but they all have their own systems in a way, and they look all different, all different.

PID 7909–11

Q. You said that the Echo or the Sterk pump we were just looking at is a terrible pump. What's terrible about it?

A. Yeah, only the look. I have nothing to say about the quality because probably is a perfect pump, and so it's only the look which I mention, yeah.

> Q. Was that—was that important to you or a factor in the way you chose to engineer the Groeneveld pump way back in the way it looked, and not looking terrible and all those things you just described?
>
> [A.] Yeah, I think so because the Groeneveld was—at that time, a very young company with young managers. Mr. Groeneveld, especially, he had very good choice. He like nice things. We had a nice office, nice cost, nice people. So we were different than the really old mechanical people. Let's say it in this way. We were a sales company, we did a lot of promotion, and there's a reason why we wanted to do something else[.]
>
> PID 7923–24. . . .

Although the pump's trade dress is not an ornamental feature per se like certain components of luxury cars, an ALS pump can be a visible component of a truck. And for the consumer, its unique look causes immediate brand recognition. Van der Hulst testified that, although it costs more to manufacture nowadays, the pump's overall appearance has remained the same since it was first produced in the 1980s because the industry associates it with Groeneveld. . . .

In sum, although the jury might have decided otherwise, there was sufficient evidence to support a finding that the Groeneveld pump's trade dress is not based on engineering or cost concerns, but was "selected for [its] distinctiveness." *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1247 (6th Cir.1991). . . .

Notes

Who do you think has the better of the argument in *Groeneveld*? *Compare, e.g.*, Blumenthal Dist. Inc. v. Herman Miller, Inc., 963 F.3d 859, 867 (9th Cir. 2020) ("a product's overall appearance is necessarily functional if *everything* about it is functional, not merely if *anything* about it is functional."). Functionality aside, what do you think of the claim in *Groeneveld*? Does the design have trademark significance beyond its label? Is the defendant's shape likely to confuse? In an omitted part of the *Groeneveld* opinion the majority also concluded that given the "stark visual difference in branding, no reasonable consumer would think that the two grease pumps belong to the same company," especially when considering the high price of the products.

De facto *and* de jure *functionality*. One phrase that you may see cropping up in functionality cases is "de facto" and "de jure" functionality. The phrase comes from the Federal Circuit and its predecessor court to distinguish between an item that is functional as a whole ("de facto" functionality, e.g., a roadside sign), and a feature that has utilitarian value such that trademark protection is unavailable ("de jure" functionality, e.g., the sign's spring mechanism that keeps it from blowing down in the wind).

The Trademark Office has moved away from this distinction as unsupported by larger trademark jurisprudence. That said, the distinction between the utility of the object as a whole and the feature that is the basis of the trademark claim remains an issue, as seen in *Groeneveld*. The de facto/de jure phraseology, moreover, persists in the courts. *See, e.g.*, Secalt S.A. v. Wuxi Shenxi Const. Machinery Co., Ltd., 668 F.3d 677, 683 (9th Cir. 2012).

The Morton-Norwich *factors. In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (C.C.P.A. 1982), suggests four factors for determining functionality that courts continue to refer to post-*TrafFix*.[1] They are:

> "the existence of an expired utility patent which disclosed the utilitarian advantage of the design sought to be registered as a trademark"
>
> "It may also be significant that the originator of the design touts its utilitarian advantages through advertising."
>
> "Since the effect upon competition 'is really the crux of the matter,' it is, of course, significant that there are other alternatives available."
>
> "It is also significant that a particular design results from a comparatively simple or cheap method of manufacturing the article."

Is the third factor consistent with *TrafFix*? Recall the debate between the majority and dissent in *Groeneveld*. A number of courts have ruled that the availability of alternatives remains relevant in assessing the functionality of a claimed feature. *See, e.g.*, Valu Engineering, Inc. v. Rexnord Corp., 278 F.3d 1268, 1276 (Fed. Cir. 2002) (though there is no need to consider alternative designs if a feature is functional, "that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place"); Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc., 457 F.3d 1062, 1072 n.8 (9th Cir. 2006); McAirlaids, Inc. v. Kimberly-Clark Corp., 756 F.3d 307, 312 (4th Cir. 2014) ("*TrafFix* did not alter our precedents that look to the availability of alternative designs when considering, as an initial matter, whether a design affects product quality or is merely ornamental.").

Standard of review. Functionality is a fact question, and is therefore reviewed under a clearly erroneous standard.

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[1] Incidentally, *Morton-Norwich* involved a spray bottle design.

Functional packaging. Can a product's packaging be functional? Consider transparent plastic wrap. Wouldn't competitors find it useful to market their wares in a way that would allow consumers to see a product before they buy it? The courts agree. *See, e.g.*, Price Food Co. v. Good Foods, Inc., 400 F.2d 662, 665 (6th Cir. 1968). But is that really a functionality question? Or something else?

What about color? Is green functional for showing that an ice cream is, say, mint flavored? *See, e.g.*, Dippin' Dots, Inc. v. Frosty Bites Distribution, LLC369 F.3d 1197, 1205-06 (11th Cir. 2004) (because ice cream color indicates flavor "we conclude that color is functional in this case because it is essential to the purpose of the product and affects its quality."). Similar precedent exists for pill color. *See, e.g.*, Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 853 (1982) ("The District Court . . . found that the blue and blue-red [medication] colors were functional to patients as well as to doctors and hospitals: many elderly patients associate color with therapeutic effect; some patients commingle medications in a container and rely on color to differentiate one from another . . . ."). Research indicates that changing pill color makes it less likely to be taken, suggesting that generic drugs should be allowed to copy the color of brand names. Nicholas Bakalar, "The Confusion of Pill Coloring," The New York Times (December 31, 2012), available at http://well.blogs.nytimes.com/2012/12/31/the-confusion-of-pill-coloring/.

Jay Franco & Sons, Inc. v. Franek
615 F.3d 855 (7th Cir. 2010)

EASTERBROOK, Chief Judge.

The same year Huey Lewis and the News informed America that it's "Hip To Be Square", Clemens Franek sought to trademark the circular beach towel. His company, CLM Design, Inc., pitched the towel as a fashion statement-"the most radical beach fashion item since the bikini," declared one advertisement. "Bound to be round! Don't be square!" proclaimed another. CLM also targeted lazy sunbathers: "The round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead merely reposition yourself."

The product enjoyed some initial success. Buoyed by an investment and promotional help from the actor Woody Harrelson (then a bartender on the TV show *Cheers*), CLM had sold more than 30,000 round beach towels in 32 states by the end of 1987. To secure its status as the premier circular-towel maker, the company in 1986 applied for a trademark on the towel's round design. The Patent and Trademark Office registered the "configuration of a round beach towel" as trademark No. 1,502,261 in 1988. But this was not enough to save CLM: Six years later it dissolved. The mark was assigned to Franek, who continues to sell circular towels.

In 2006 Franek discovered that Jay Franco & Sons, a distributor of bath, bedding, and beach accessories, was selling round beach towels. After settlement negotiations failed, Franek sued two of Jay Franco's customers, Target and Walmart, for unauthorized use of his registered trademark in violation of § 32 of the Lanham Act. Jay Franco had agreed to indemnify and defend its customers in such suits, so it sued Franek to invalidate his mark. (The pending suits against Target and Walmart made the claim ripe, just as insurers can bring declaratory-judgment suits to resolve disputes about a policy's scope once an insured has been sued and asserts that the policy applies.) The district judge consolidated the two cases, granted summary judgment in Jay Franco's favor, and dismissed the remaining claims and counterclaims. Franek appeals from that judgment; Target and Walmart are not part of the appeal.

One way to void a trademark is to challenge its distinctiveness. A valid trademark identifies the source of the good it marks. Designs do not inherently communicate that information, so to be valid a product-design mark must have acquired a "secondary meaning"-a link in the minds of consumers between the marked item and its source. But this type of invalidation is unavailable to Jay Franco. Franek (and before him CLM) has continuously used the round-towel mark since its 1988 registration. That makes the mark "incontestable," 15 U.S.C. § 1065, a status that eliminates the need for a mark's owner in an infringement suit to show that his mark is distinctive. See 15 U.S.C. § 1115(b).

Unfortunately for Franek, incontestable marks are not invincible. The Lanham Act lists a number of affirmative defenses an alleged infringer can parry with; one is a showing that the mark is "functional." See § 1115(b)(8); *Specialized Seating, Inc. v. Greenwich Industries, L.P.*, 616 F.3d 722, 724, 2010 WL 3155922, *1 (7th Cir.2010) (discussing functionality and other ways to defeat incontestable marks). As our companion opinion in *Specialized Seating* explains, patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs. This was the route Jay Franco pursued. The district judge agreed, finding Franek's mark "functional" under the definition the Supreme Court gave that concept in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32-35, (2001). The judge got it right.

TrafFix says that a design is functional when it is "essential to the use or purpose of the device or when it affects the cost or quality of the device," 532 U.S. at 33, a definition cribbed from *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n. 10 (1982). So if a design enables a product to operate, or improves on a substitute design in some way (such as by making the product cheaper, faster, lighter, or stronger), then the design cannot be trademarked; it is functional because consumers would pay to have it rather than be indifferent toward or pay to avoid it. A qualification is that any pleasure a customer derives from the design's identification of the product's source-the joy of buying a marked good over an identical generic version because the consumer prefers the status conferred by the mark-doesn't count. That broad a theory of functionality would penalize companies for developing brands with cachet to distinguish themselves from competitors, which is the very purpose of trademark law. In short, a design that produces a benefit other than source identification is functional.

Figuring out which designs meet this criterion can be tricky. Utility patents serve as excellent cheat sheets because any design claimed in a patent is supposed to be useful. See 35 U.S.C. § 101; *Brenner v. Manson*, 383 U.S. 519, 528-36 (1966). For this reason, *TrafFix* held that expired utility patents provide "strong evidence that the features therein claimed are functional." The parties in this case wrangle over the relevance of a handful of utility patents that claim circular towels. We need discuss only one (No. 4,794,029), which describes a round beach towel laced with drawstrings that can be pulled to turn the towel into a satchel. This patent's first two claims are:

> 1. A towel-bag construction comprising: a non-rectangular towel;
>
> a casing formed at the perimeter of said towel;
>
> a cord threaded through said casing; and
>
> a section of relatively non-stretchable fabric of a shape geometrically similar to that of said towel attached with its edges equidistant from the edges of said towel.
>
> 2. A towel-bag construction as set forth in claim 1 wherein said towel is circular in shape, whereby a user while sunbathing may reposition his or her body towards the changing angle of the sun while the towel remains stationary.

Claim 2 sounds like Franek's advertisements, which we quoted above. The patent's specification also reiterates, in both the summary and the detailed description, that a circular towel is central to the invention because of its benefit to lazy sunbathers.

Franek argues that claim 2 does not trigger the *TrafFix* presumption of functionality because his towel does not infringe the '029 patent. He notes that claim 2 incorporates claim 1 (in patent parlance, claim 1 is "independent" and claim 2 "dependent," see 35 U.S.C. § 112) with the added condition that the towel be circular. An item can infringe a dependent claim only if it also violates the independent claim incorporated by the dependent claim. Franek reasons that because his towel lacks a perimeter casing, drawstring, and non-stretchable section of fabric, it does not infringe claim 1, and thus cannot infringe claim 2. Even if his towel could infringe claim 2, Franek maintains that the claim is invalid because the towel-to-bag patent was sought in 1987, two years after Franek started selling a round beach towel, and thus too late to claim its invention. See 35 U.S.C. § 102(b).

Proving patent infringement can be *sufficient* to show that a trademarked design is useful, as it means that the infringing design is quite similar to a useful invention. But such proof is unnecessary. Functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent. *TrafFix's* ruling that an expired patent (which by definition can no longer be infringed) may evince a design's functionality demonstrates that proof of infringement is unnecessary. If an invention is too useless to be patentable, or too dissimilar to a design to shed light on its functions, then the lack of proof of patent infringement is meaningful. Otherwise it is irrelevant. A design may not infringe a patented invention because the invention is obvious or taught by prior art, see 35 U.S.C. §§ 102(a), 103(a), but those and other disqualifers do not mean that the design is not useful. Just so here: Franek's towel may lack some of the components in claim 1 necessary to infringe claim 2, but claim 2's coverage of a circular beach towel for sunbathing is enough to signal that a round-towel design is useful for sunbathers. Each claim in a patent is evaluated individually, see *Altoona Publix Theatres, Inc. v. American Tri-Ergon Corp.*, 294 U.S. 477, 487 (1935), each must be substantially different, see 37 C.F.R. § 1.75(b); Manual of Patent Examining Procedure § 2173.05(n)(b) (8th ed., July 2010 rev.), and each is presumed valid, 35 U.S.C. § 282. We must therefore presume that the unique component in claim 2-the round shape of the towel-is useful.

Nor does it matter that the '029 patent application was filed two years after Franek began selling round towels. As we've explained, a patent's invalidity for a reason other than uselessness says nothing about the claimed design's functionality. And a design patented yesterday can be as good evidence of a mark's functionality as a design patented 50 years ago. Indeed, more recent patents are often *better* evidence because technological change can render designs that were functional years ago no longer so. The Court in *TrafFix* may have dealt only with *expired* utility patents, but the logic it employed is not limited to them.

To put things another way, a trademark holder cannot block innovation by appropriating designs that under-gird further improvements. Patent holders can do this, but a patent's life is short; trademarks can last forever, so granting trademark holders this power could permanently stifle product development. If we found Franek's trademark nonfunctional, then inventors seeking to build an improved round beach towel would be out of luck. They'd have to license Franek's mark or quell their inventiveness. That result does not jibe with the purposes of patent or trademark law.

This "strong evidence" of the round towel's functionality is bolstered by Franek's own advertisements, which highlight two functional aspects of the round beach towel's design. One, also discussed in the '029 patent, is that roundness enables heliotropic sunbathers-tanners who swivel their bodies in unison with the sun's apparent motion in order to maintain an even tan-to remain on their towels as they rotate rather than exert the energy to stand up and reposition their towels every so often, as conventional rectangular towels require.

Franek responds that whatever its shape (golden-ratio rectangle, square, nonagon) any towel can satisfy a heliotropic tanner if it has enough surface area-the issue is size, not shape. That's true, and it is enough to keep the roundness of his towel from being functional under the first prong of *TrafFix's* definition ("essential to the use or purpose of the device") but not the second. For heliotropic sunbathers, a circle surpasses other shapes because it provides the most rotational space without waste. Any non-circle polygon will either limit full rotations (spinning on a normal beach towel leads to sandy hair and feet) or not use all the surface area (a 6' tall person swiveling on a 6' by 6' square towel won't touch the corners). Compared to other shapes that permit full rotations, the round towel requires less material, which makes it easier to fold and carry. That's evidence that the towel's circularity "affects the ... quality of the device." (The reduction in needed material also suggests that round towels are cheaper to produce than other-shaped towels, though Franek contends that cutting and hemming expenses make them costlier. We express no view on the matter.)

But let us suppose with Franek-who opposed summary judgment and who is thus entitled to all reasonable inferences-that round towels are not measurably better for spinning with the sun. After all, other shapes (squircles, regular icosagons) are similar enough to circles that any qualitative difference may be lost on tanners. Plus, the ability to rotate 180 degrees may be an undesired luxury. Few lie out from dawn 'til dusk (if only to avoid skin cancer) and the daily change in the sun's declination means it will rise due east and set due west just twice a year, during the vernal and autumnal equinoxes. A towel shaped like a curved hourglass that allows only 150 or 120 degrees of rotation (or even fewer) may be all a heliotropic tanner wants. No matter. Franek's mark still is functional.

Franek's advertisements declare that the round towel is a fashion statement. Fashion is a form of function. A design's aesthetic appeal can be as functional as its tangible characteristics. See *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 169-70 (1995); *Wal-Mart*, 529 U.S. at 214; *TrafFix*, 532 U.S. at 33; *W.T. Rogers Co. v. Keene*, 778 F.2d 334 (7th Cir.1985); *Publications International, Ltd. v. Landoll, Inc.*, 164 F.3d 337 (7th Cir.1998); *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619 (6th Cir.2002). And many cases say that fashionable designs can be freely copied unless protected by patent law.

The chief difficulty is distinguishing between designs that are fashionable enough to be functional and those that are merely pleasing. Only the latter group can be protected, because trademark law would be a cruel joke if it limited companies to tepid or repugnant brands that discourage customers from buying the marked wares. We discussed this problem at length in *Keene.* The Supreme Court broached the subject in *Qualitex* when it discussed the functionality of the green-gold color of a dry cleaning pad. Unwilling to say that the pad required a green-gold hue or was improved by it, the Court still thought that the color would be functional if its exclusive use by a single designer "would put competitors at a significant non-reputation-related disadvantage." 514 U.S. at 165. This is a problem for Franek's round-towel mark.

Franek wants a trademark on the circle. Granting a producer the exclusive use of a basic element of design (shape, material, color, and so forth) impoverishes other designers' palettes. See, e.g., *Brunswick Corp., v. British Seagull Ltd.*, 35 F.3d 1527 (Fed.Cir.1994) (black color of boat engines is functional because it is compatible with boats of many different colors). *Qualitex's* determination that "color alone, at least sometimes, can meet the basic legal requirements for use as a trademark" (514 U.S. at 166), means that there is no per se rule against this practice. The composition of the relevant market matters. But the more rudimentary and general the element-all six-sided shapes rather than an irregular, perforated hexagon; all labels made from tin rather than a specific tin label; all shades of the color purple rather than a single shade-the more likely it is that restricting its use will significantly impair competition. Franek's towel is of this ilk. He has trademarked the "configuration of a round beach towel." Every other beach towel manufacturer is barred from using the entire shape as well as any other design similar enough that consumers are likely to confuse it with Franek's circle (most regular polygons, for example).

Contrast Franek's mark with the irregular hexagon at issue in *Keene* or the green-gold hue in *Qualitex.* Those marks restrict few design options for competitors. Indeed, they are so distinctive that competitors' only reason to copy them would be to trade on the goodwill of the original designer. Cf. *Service Ideas, Inc. v. Traex Corp.*, 846 F.2d 1118, 1123-24 (7th Cir.1988) (purposeful copying of a beverage server's arbitrary design indicated a lack of aesthetic functionality). That's not so here. A circle is the kind of basic design that a producer like Jay Franco adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it. There are only so many geometric shapes; few are both attractive and simple enough to fabricate cheaply. Cf. *Qualitex*, 514 U.S. at 168-69 (functionality doctrine invalidates marks that would create color scarcity in a particular market). And some consumers crave round towels-beachgoers who prefer curved edges to sharp corners, those who don't want to be "square," and those who relish the circle's simplicity. A producer barred from selling such towels loses a profitable portion of the market. The record does not divulge much on these matters, but any holes in the evidence are filled by the *TrafFix* presumption that Franek's mark is functional, a presumption he has failed to rebut.

Franek chose to pursue a trademark, not a design patent, to protect the stylish circularity of his beach towel. Cf. *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 647 (7th Cir.1993) (Cudahy, J., dissenting) (calling Franek's mark a "horrible example[ ]" of a registered trademark that should have been a design patent). He must live with that choice. We cannot permit him to keep the indefinite competitive advantage in producing beach towels this trademark creates.

If Franek is worried that consumers will confuse Jay Franco's round beach towels with his, he can imprint a distinctive verbal or pictorial mark on his towels. That will enable him to reap the benefits of his brand while still permitting healthy competition in the beach towel market.

Note

Two kinds of channeling. As the cases discuss, functionality helps police the boundary between trademark and patent law, directing claims of IP rights in useful inventions into the patent regime. Note also, however, the interplay between trademark law's subdoctrines. A strong functionality bar becomes much more important *if* product design is eligible for trademark protection in the first instance. Do you see why? Thus *Two Pesos* increased the importance of functionality, while *Wal-Mart* may have reduced it somewhat. Perhaps, however, we can turn that around. Did the functionality doctrine make the *Two Pesos* holding possible?

In a similar vein, did Judge Easterbrook think the towel was distinctive subject matter in the first instance? We have not studied the concept of incontestable marks yet, but the case gives a good overview of one of its consequences. Once a mark has been registered long enough, it becomes "incontestable" and therefore immune to certain kinds of challenges, among them, a lack of distinctiveness. Fair enough, but that makes the remaining bases of challenge, among them functionality, all the more important.

Think about these sorts of intra-doctrinal spillovers when reading the next materials, which cover aesthetic functionality.

Problem

Our client, Blue Sky HVAC, plans to bring a new thermostat onto the market. It looks like this:

Unfortunately, that looks like this:

Until now, Honeywell was the only thermostat maker on the market with a round thermostat. It may be able to show that consumers associate the round shape with the company. Blue Sky wants to know whether it may raise a functionality defense against prospective litigation by Honeywell.

7. Aesthetic Functionality

Problems

1. American football is a game about territory. The team with the ball must advance downfield or turn the ball over if it fails. To make the game easier to follow for viewers at home, broadcasters began in the late 1990s to provide a digitally created line (the "first-down line") indicating how far the team with the ball needed to advance in order to retain possession. Sportvision, Inc. was an early provider of the technology. After the color yellow emerged as the choice of its clients, Sportvision applied for a trademark registration in the color, which was granted by the Trademark Office.

Our client, Silvermine technologies, also provides effects services for television broadcasters. It has a contract to provide first-down marker technology for an upcoming football game. May it use the same color yellow as Sportvision?

2. Maker's Mark makes whiskey. Its bottles look like this:

May it claim a trademark on its red wax seal? Or is the seal functional?

Wallace Intern. Silversmiths, Inc. v. Godinger Silver Art Co., Inc.
916 F.2d 76 (2d Cir. 1990)

WINTER, Circuit Judge:

Wallace International Silversmiths ("Wallace") appeals from Judge Haight's denial of its motion for a preliminary injunction under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), prohibiting Godinger Silver Art Co., Inc. ("Godinger") from marketing a line of silverware with ornamentation that is substantially similar to Wallace's GRANDE BAROQUE line. Judge Haight held that the GRANDE BAROQUE design is "a functional feature of 'Baroque' style silverware" and thus not subject to protection as a trademark. We affirm.

BACKGROUND

Wallace, a Delaware corporation, has sold sterling silver products for over one hundred years. Its GRANDE BAROQUE pattern was introduced in 1941 and is still one of the best-selling silverware lines in America. Made of fine sterling silver, a complete place setting costs several thousand dollars. Total sales of GRANDE BAROQUE silverware have exceeded fifty million dollars. The GRANDE BAROQUE pattern is fairly described as "ornate, massive and flowery [with] indented, flowery roots and scrolls and curls along the side of the shaft, and flower arrangements along the front of the shaft." Wallace owns a trademark registration for the GRANDE BAROQUE name as applied to sterling silver flatware and hollowware. The GRANDE BAROQUE design is not patented, but on December 11, 1989, Wallace filed an application for trademark registration for the GRANDE BAROQUE pattern. This application is still pending.

Godinger, a New York corporation, is a manufacturer of silver-plated products. The company has recently begun to market a line of baroque-style silver-plated serving pieces. The suggested retail price of the set of four serving pieces is approximately twenty dollars. Godinger advertised its new line under the name 20TH CENTURY BAROQUE and planned to introduce it at the Annual New York Tabletop and Accessories Show, the principal industry trade show at which orders for the coming year are taken. Like Wallace's silverware, Godinger's pattern contains typical baroque elements including an indented root, scrolls, curls, and flowers. The arrangement of these elements approximates Wallace's design in many ways, although their dimensions are noticeably different. The most obvious difference between the two designs is that the Godinger pattern extends further down the handle than the Wallace pattern does. The Wallace pattern also tapers from the top of the handle to the stem while the Godinger pattern appears bulkier overall and maintains its bulk throughout the decorated portion of the handle. Although the record does not disclose the exact circumstances under which Godinger's serving pieces were created, Godinger admits that its designers were "certainly inspired by and aware of [the Wallace] design . . ."

On the afternoon of April 23, 1990, Leonard Florence of Wallace learned from a wholesale customer, Michael C. Fina Company, that Godinger had placed an advertisement for its 20TH CENTURY BAROQUE serving pieces in an industry trade magazine. George Fina, the company's president, said that he was "confused" when he saw what he believed to be a pattern identical to GRANDE BAROQUE being advertised by another company. He asked Mr. Florence whether Wallace had licensed the design to Godinger or whether "the Godinger product was simply a 'knock-off.' " Two days after this conversation, Wallace filed the complaint in the instant matter stating various federal trademark and state unfair competition claims . . . [and] sought a preliminary injunction . . . .

. . . . It is a first principle of trademark law that an owner may not use the mark as a means of excluding competitors from a substantial market. Where a mark becomes the generic term to describe an article, for example, trademark protection ceases. 15 U.S.C. § 1064(3) (1988); *see* *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir.1976). Where granting trademark protection to the use of certain colors would tend to exclude competitors, such protection is also limited. *See* *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378 (9th Cir.1987); J. McCarthy, *Trademarks and Unfair Competition*, § 7:16 *et seq.* Finally, as discussed *supra*, design features of products that are necessary to the product's utility may be copied by competitors under the functionality doctrine.

In the instant matter, Wallace seeks trademark protection, not for a precise expression of a decorative style, but for basic elements of a style that is part of the public domain. As found by the district court, these elements are important to competition in the silverware market. We perceive no distinction between a claim to exclude all others from use on silverware of basic elements of a decorative style and claims to generic names, basic colors or designs important to a product's utility. In each case, trademark protection is sought, not just to protect an owner of a mark in informing the public of the source of its products, but also to exclude competitors from producing similar products. We therefore . . . adopt the Draft Restatement's view that, where an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection. *See* Third Restatement of the Law, Unfair Competition (Preliminary Draft No. 3), Ch. 3, § 17(c) at 213-14. This rule requir[es] a finding of foreclosure of alternatives[2] while still ensuring that trademark protection does not exclude competitors from substantial markets.[3]

[2] . . . .Illustration 6 reads as follows:

Of course, if Wallace were able to show secondary meaning in a precise expression of baroque style, competitors might be excluded from using an identical or virtually identical design. In such a case, numerous alternative baroque designs would still be available to competitors. Although the Godinger design at issue here was found by Judge Haight to be "substantially similar," it is not identical or virtually identical, and the similarity involves design elements necessary to compete in the market for baroque silverware. Because according trademark protection to those elements would significantly hinder competitors by limiting the range of adequate alternative designs, we agree with Judge Haight's denial of a preliminary injunction.

Notes

The Qualitex *test*. Recall that *TrafFix* refers to two functionality tests. Its outcome turned on the first, sometimes referred to as the *Inwood* test. The second is the one typically raised in aesthetic functionality cases. In *Qualitex*, Justice Breyer observed:

A manufactures china. Among the products marketed by A is a set of china bearing a particular "overall" pattern covering the entire upper surface of each dish. Evidence indicates that aesthetic factors play an important role in the purchase of china, that A's design is attractive to a significant number of consumers, and that the number of alternative patterns is virtually unlimited. In the absence of evidence indicating that similarly attractive "overall" patterns are unavailable to competing manufacturers, A's pattern design is not functional under the rule stated in this Section.

[3] Draft Restatement Illustrations 7 and 8 reflect this aspect of the rule. They read as follows:

7. The facts being otherwise as stated in Illustration 6, A's design consists solely of a thin gold band placed around the rim of each dish. Evidence indicates that a significant number of consumers prefer china decorated with only a gold rim band. Because the number of alternative designs available to satisfy the aesthetic desires of these prospective purchasers is extremely limited, the rim design is functional under the rule stated in this Section.

8. A is the first seller to market candy intended for Valentine's Day in heart-shaped boxes. Evidence indicates that the shape of the box is an important factor in the appeal of the product to a significant number of consumers. Because there are no alternative designs capable of satisfying the aesthetic desires of these prospective purchasers, the design of the box is functional under the rule stated in this Section.

> The upshot is that, where a color serves a significant nontrademark function—whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things," G.K. Chesterton, Simplicity and Tolstoy 61 (1912)—courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating aesthetically pleasing mark designs, for it is open to their competitors to do the same.

In *TrafFix* Justice Kennedy elaborated:

> It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of esthetic functionality, the question involved in *Qualitex*. Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In *Qualitex*, by contrast, esthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

Of course, the central question in *Qualitex* was whether color could be trademarked, but oh well.

A dangerous doctrine? Does extending functionality beyond the utilitarian context create problems? Some commentators think so. *See, e.g.*, WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 199–200 (2003) (arguing that using aesthetic features used as marks does not disadvantage other firms so long as feature does not become "an attribute of the product" in consumer mind). The Second Circuit grappled with this problem in *Wallace*, rejecting an earlier precedent that suggested any attractive design could be copied without regard to competitive need. 916 F.2d at 80.

Limited acceptance. McCarthy's treatise reports that most circuits resist aesthetic functionality claims. 1 MCCARTHY § 7:80 (surveying federal circuit courts and observing that most have either explicitly rejected aesthetic functionality or expressed doubts as to its validity). Similarly, many cases that may look like candidates for application of the principle of aesthetic functionality are shoe-horned into the utilitarian functionality box. *See, e.g.*, Brunswick Corp. v. British Seagull Ltd., 35 F.3d 1527, 1533 (Fed. Cir. 1994) (pre-*TrafFix* case affirming denial of registration for black color for outboard motors, explaining "the Board did not improperly deny registration to Mercury merely because black served purely aesthetic functions. Color compatibility and ability to decrease apparent motor size are not in this case mere aesthetic features. Rather these non-trademark functions supply a competitive advantage").

The Trademark Office view. The TMEP discusses aesthetic functionality as follows:

1202.02(a)(vi) Aesthetic Functionality

"Aesthetic functionality" refers to situations where the feature may not provide a truly utilitarian advantage in terms of product performance, but provides other competitive advantages. For example, in *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1531, 1533, 32 USPQ2d 1120, 1122, 1124 (Fed. Cir. 1994), *cert. denied*, 514 U.S. 1050 (1995), the Federal Circuit affirmed the Board's determination that the color black for outboard motors was functional because, while it had no utilitarian effect on the mechanical working of the engines, it nevertheless provided other identifiable competitive advantages, i.e., ease of coordination with a variety of boat colors and reduction in the apparent size of the engines.

The concept of "aesthetic functionality" (as opposed to "utilitarian functionality") has for many years been the subject of much confusion. While the Court of Customs and Patent Appeals (the predecessor to the Court of Appeals for the Federal Circuit) appeared to reject the doctrine of aesthetic functionality in *In re DC Comics, Inc.*, 689 F.2d 1042, 1047-1050, 215 USPQ 394, 399-401 (C.C.P.A. 1982) , the Supreme Court later referred to aesthetic functionality as a valid legal concept in *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33, 58 USPQ2d 1001, 1006 (2001). The confusion regarding aesthetic functionality stems in part from widespread misuse of the term "aesthetic functionality" in cases involving ornamentation issues, with some courts having mistakenly expanded the category of "functional" marks to include matter that is solely ornamental, essentially on the theory that such matter serves an "aesthetic function" or "ornamentation function." It is this incorrect use of the term "aesthetic functionality" in connection with ornamentation cases that was rejected by the Court of Customs and Patent Appeals. *See In re DC Comics, Inc.*, 689 F.2d 1042, 1047-1050, 215 USPQ 394, 397, 399-401 (C.C.P.A. 1982) (majority opinion and Rich, J., concurring) (holding, in a case involving features of toy dolls, that the Board had improperly "intermingled the concepts of utilitarian functionality and what has been termed 'aesthetic functionality;'" and rejecting the concept of aesthetic functionality where it is used as a substitute for "the more traditional source identification principles of trademark law," such as the ornamentation and functionality doctrines).

Where the issue presented is whether the proposed mark is ornamental in nature, it is improper to refer to "aesthetic functionality," because the doctrine of "functionality" is inapplicable to such cases. The proper refusal is that the matter is ornamental and, thus, does not function as a mark under §§1, 2, and 45 of the Trademark Act, 15 U.S.C. §§1051, 1052, and 1127. See TMEP §§1202.03-1202.03(g) regarding ornamentation.

The Supreme Court's use of the term "aesthetic functionality" in the *TrafFix* case appears limited to cases where the issue is one of actual functionality, but where the nature of the proposed mark makes it difficult to evaluate the functionality issue from a purely utilitarian standpoint. This is the case with color marks and product features that enhance the attractiveness of the product. The color or feature does not normally give the product a truly utilitarian advantage (in terms of making the product actually perform better), but may still be found to be functional because it provides other real and significant competitive advantages and, thus, should remain in the public domain. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165, 34 USPQ2d 1161, 1163-1164 (1995) (stating that a product color might be considered functional if its exclusive use "would put competitors at a significant non-reputation-related disadvantage," even where the color was not functional in the utilitarian sense).

In *M-5 Steel Mfg., Inc. v. O'Hagin's Inc.*, 61 USPQ2d 1086, 1096 (TTAB 2001), the Board considered the proper use of the aesthetic functionality doctrine in connection with product designs for metal ventilating ducts and vents for tile or concrete roofs:

> This case seems to involve elements of both utilitarian and aesthetic functionality. Here, for example, there is evidence of utility in applicant's patent application, as well as statements touting the superiority of applicant's design in applicant's promotional literature, and statements that applicant's design results in reduced costs of installation. On the other hand, there is no question that applicant's roof designs which match the appearance of surrounding roof tiles are more pleasing in appearance because the venting tiles in each case are unobtrusive.

Citing extensively from the *TrafFix, Qualitex, and Brunswick* cases, the Board concluded that the product designs were functional for a combination of utilitarian and aesthetic reasons. *Id.* at 1097.

Note that this type of functionality determination – while employed in connection with a normally "aesthetic" feature such as color – is a proper use of the functionality doctrine, necessitating a §2(e)(5) refusal where the evidence establishes that a color or other matter at issue provides identifiable competitive advantages and, thus, should remain in the public domain. In *In re Florists' Transworld Delivery*

Inc., 106 USPQ2d 1784 (TTAB 2013) , for example, the record included evidence reflecting that, in the floral industry, color has significance and communicates particular messages (e.g., elegance, bereavement, Halloween), which extend to floral packaging. The Board found, therefore, that the examining attorney had demonstrated a competitive need for others in the industry to use black in connection with floral arrangements and packaging therefor and concluded that the proposed mark was functional under §2(e)(5). This is the opposite of an ornamentation refusal, where the matter at issue serves no identifiable purpose other than that of pure decoration.

Generally speaking, examining attorneys should exercise caution in the use of the term "aesthetic functionality," in light of the confusion that historically has surrounded this issue. In most situations, reference to aesthetic functionality will be unnecessary, since a determination that the matter sought to be registered is purely ornamental in nature will result in an ornamentation refusal under §§1, 2, and 45 of the Trademark Act, and a determination that the matter sought to be registered is functional will result in a functionality refusal under §2(e)(5). Use of the term "aesthetic functionality" may be appropriate in limited circumstances where the proposed mark presents issues similar to those involved in the *Florists' Transworld Delivery*, *M-5 Steel*, and *Brunswick* cases discussed above – i.e., where the issue is one of true functionality under §2(e)(5), but where the nature of the mark makes the functionality determination turn on evidence of particular competitive advantages that are not necessarily categorized as "utilitarian" in nature. Any such use of the term "aesthetic functionality" should be closely tied to a discussion of specific competitive advantages resulting from use of the proposed mark at issue, so that it is clear that the refusal is properly based on the functionality doctrine and not on an incorrect use of "aesthetic functionality" to mean ornamentation.

* * *

Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.
696 F.3d 206 (2d Cir. 2012)

CABRANES, Circuit Judge

This appeal arises out of an action for injunctive relief and enforcement of a trademark brought by Louboutin, together with the corporate entities that constitute his eponymous French fashion house, against YSL, a venerable French fashion institution. Louboutin is best known for his emphasis upon the otherwise-largely-ignored outsole of the shoe. Since their development in 1992, Louboutin's shoes have been characterized by their most striking feature: a bright, lacquered red outsole, which nearly always contrasts sharply with the color of the rest of the shoe. . . .

In 2011, YSL prepared to market a line of "monochrome" shoes in purple, green, yellow, and red. YSL shoes in the monochrome style feature the same color on the entire shoe, so that the red version is all red, including a red insole, heel, upper, and outsole. . . . [Louboutin sued.]

. . . . As the District Court saw it, the "narrow question" presented by the case was "whether the Lanham Act extends protection to a trademark composed of a single color used as an expressive and defining quality of an article of wear produced in the fashion industry"—that is, "whether there is something unique about the fashion world that militates against extending trademark protection to a single color."

Interpreting the Supreme Court's holding in *Qualitex,* the District Court explained that color is protectable as a trademark only if it " 'acts as a symbol that distinguishes a firm's goods and identifies their source, *without serving any other significant function.*' " (quoting *Qualitex,* 514 U.S. at 166) (alteration omitted). The District Court further observed, albeit without citation to authority, that "whatever commercial purposes may support extending trademark protection to a single color for industrial goods do not easily fit the unique characteristics and needs—the creativity, aesthetics, taste, and seasonal change—that define production of articles of fashion." For that reason, the District Court held that, in the fashion industry, single-color marks are inherently "functional" and that any such registered trademark would likely be held invalid. The Court therefore held that Louboutin was unlikely to be able to prove that the Red Sole Mark was eligible for trademark protection, and denied Louboutin's motion for a preliminary injunction. This appeal followed. . . .

. . . . [T]he test for aesthetic functionality is threefold: At the start, we address the two prongs of the *Inwood* test, asking whether the design feature is either "essential to the use or purpose" or "affects the cost or quality" of the product at issue. Next, if necessary, we turn to a third prong, which is the competition inquiry set forth in *Qualitex.* In other words, if a design feature would, from a traditional utilitarian perspective, be considered "essential to the use or purpose" of the article, or to affect its cost or quality, then the design feature is functional under *Inwood* and our inquiry ends. But if the design feature is not "functional" from a traditional perspective, it must still pass the fact-intensive *Qualitex* test and be shown not to have a significant effect on competition in order to receive trademark protection. . . .

On the one hand, " '[w]here an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection.' " *Forschner Grp., Inc. v. Arrow Trading Co.,* 124 F.3d 402, 409–10 (2d Cir.1997) (quoting *Wallace Int'l Silversmiths, Inc.,* 916 F.2d at 81).

But on the other hand, " 'distinctive and arbitrary arrangements of predominantly ornamental features that do *not* hinder potential competitors from entering the same market with differently dressed versions of the product are non-functional[,] and [are] hence eligible for [trademark protection].' " *Fabrication Enters., Inc.,* 64 F.3d at 59 (quoting *Stormy Clime,* 809 F.2d at 977) (emphasis added).

In short, a mark is aesthetically functional, and therefore ineligible for protection under the Lanham Act, where protection of the mark *significantly* undermines competitors' ability to compete in the relevant market. In making this determination, courts must carefully weigh "the competitive benefits of protecting the source-identifying aspects" of a mark against the "competitive costs of precluding competitors from using the feature." *Fabrication Enters., Inc.,* 64 F.3d at 59.

Finally, we note that a product feature's successful source indication can sometimes be difficult to distinguish from the feature's aesthetic function, if any. *See, e.g., Jay Franco & Sons, Inc. v. Franek,* 615 F.3d 855, 857 (7th Cir.2010) (noting that "[f]iguring out which designs [produce a benefit other than source identification] can be tricky"). Therefore, in determining whether a mark has an aesthetic function so as to preclude trademark protection, we take care to ensure that the mark's very success in denoting (and promoting) its source does not itself defeat the markholder's right to protect that mark. . . .

We now turn to the *per se* rule of functionality for color marks in the fashion industry adopted by the District Court—a rule that would effectively deny trademark protection to any deployment of a single color in an item of apparel. As noted above, the *Qualitex* Court expressly held that "sometimes [ ] a color will meet ordinary legal trademark requirements[, a]nd, when it does so, no special legal rule prevents color alone from serving as a trademark." *Qualitex,* 514 U.S. at 161. In other words, the Supreme Court specifically forbade the implementation of a *per se* rule that would deny protection for the use of a single color as a trademark in a particular industrial context. *Qualitex* requires an individualized, fact-based inquiry into the nature of the trademark, and cannot be read to sanction an industry-based *per se* rule. The District Court created just such a rule, on the theory that "there is something unique about the fashion world that militates against extending trademark protection to a single color."

Even if *Qualitex* could be read to permit an industry-specific *per se* rule of functionality (a reading we think doubtful), such a rule would be neither necessary nor appropriate here. We readily acknowledge that the fashion industry, like other industries, has special concerns in the operation of trademark law; it has been argued forcefully that United States law does not protect fashion design adequately. Indeed, the case on appeal is particularly difficult precisely because, as the District

Court well noted, in the fashion industry, color can serve as a tool in the palette of a designer, rather than as mere ornamentation.

Nevertheless, the functionality defense does not guarantee a competitor "the greatest range for [his] creative outlet," but only the ability to fairly compete within a given market. . . .

[The court still ruled against Louboutin on other grounds.]

Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.
457 F.3d 1062 (9th Cir. 2006)

McKEOWN, Circuit Judge.

This case centers on the trademarks of two well-known automobile manufacturers-Volkswagen and Audi. The question is whether the Lanham Act prevents a maker of automobile accessories from selling, without a license or other authorization, products bearing exact replicas of the trademarks of these famous car companies. Au-Tomotive Gold, Inc. ("Auto Gold") argues that, as used on its key chains and license plate covers, the logos and marks of Volkswagen and Audi are aesthetic functional elements of the product-that is, they are "the actual benefit that the consumer wishes to purchase"-and are thus unprotected by the trademark laws.

Accepting Auto Gold's position would be the death knell for trademark protection. It would mean that simply because a consumer likes a trademark, or finds it aesthetically pleasing, a competitor could adopt and use the mark on its own products. Thus, a competitor could adopt the distinctive Mercedes circle and tri-point star or the well-known golden arches of McDonald's, all under the rubric of aesthetic functionality.

The doctrine of aesthetic functionality has a somewhat checkered history. In broad strokes, purely aesthetic product features may be protected as a trademark where they are source identifying and are not functional. On the other hand, where an aesthetic product feature serves a "significant non trademark function," the doctrine may preclude protection as a trademark where doing so would stifle legitimate competition. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 170 (1995). Taken to its limits, as Auto Gold advocates, this doctrine would permit a competitor to trade on any mark simply because there is some "aesthetic" value to the mark that consumers desire. This approach distorts both basic principles of trademark law and the doctrine of functionality in particular.

Auto Gold's incorporation of Volkswagen and Audi marks in its key chains and license plates appears to be nothing more than naked appropriation of the marks. The doctrine of aesthetic functionality does not provide a defense against actions to enforce the trademarks against such poaching. Consequently, we reverse the district court's grant of summary judgment in favor of Auto Gold on the basis of aesthetic functionality. We also reverse the denial of Volkswagen and Audi's motion for summary judgment with respect to infringement and dilution and remand for further proceedings.

BACKGROUND

Volkswagen and Audi are manufacturers of automobiles, parts and accessories that bear well-known trademarks, including the names Volkswagen and Audi, the encircled VW logo, the interlocking circles of the Audi logo, and the names of individual car models. The marks are registered in the United States and have been in use since the 1950s.

Auto Gold produces and sells automobile accessories to complement specific makes of cars, including Cadillac, Ford, Honda, Lexus, Jeep, Toyota, and others. In 1994, Auto Gold began selling license plates, license plate frames and key chains bearing Volkswagen's distinctive trademarks and, in 1997, began selling similar products bearing Audi's distinctive trademarks. The marks used are exact replicas of the registered trademarks or, in at least some cases, genuine trademark medallions purchased from Volkswagen dealers; Auto Gold states that it "applies authentic [Volkswagen and Audi] logos to its marquee license plates."

According to Auto Gold, its goods serve a unique market. Consumers want these accessories "to match the chrome on their cars; to put something on the empty space where the front license tag would otherwise go; or because the car is a [Volkswagen or Audi], they want a [Volkswagen or Audi]-logo plate." Both Auto Gold and Volkswagen and Audi serve this market. Auto Gold sells its license plates, license plate covers, and key rings with Volkswagen and Audi trademarks to the wholesale market, including car dealers, auto accessory dealers and other merchants. Volkswagen and Audi, for their operations in the United States, license an independent marketing firm to sell license plates, covers, and key chains directly to consumers.

Auto Gold has license and marketing agreements with several car manufacturers, authorizing sales of auto accessories bearing those companies' trademarks. Despite several attempts to secure similar arrangements with Volkswagen and Audi, Auto Gold is not authorized to sell products with their trademarks. Instead, Auto Gold products are accompanied by disclaimers that deny any connection to Volkswagen or Audi. The disclaimers are not visible once the product is removed from the packaging and in use, nor are the disclaimers always clear. For example, some labels state that the product "may or may not" be dealer approved, and Auto Gold's website identifies its goods as "Factory authorized licensed products."

In the mid-1990s, another car maker aggrieved by unauthorized sales of trademarked accessories sued Auto Gold for trademark infringement and obtained an injunction prohibiting Auto Gold from selling any products that incorporate replicas of its registered marks. *See* _BMW of North America, Inc. v. Au-Tomotive Gold,_ *Inc.*, 1996 WL 1609124 (M.D.Fla., June 19, 1996). Fearful that the decision would invite further trademark claims, Auto Gold filed suit against Volkswagen and Audi . . . . [It] sought a declaratory judgment that its activities did not constitute trademark infringement or trademark counterfeiting under 15 U.S.C. § 1114, unfair competition under 15 U.S.C. § 1125(a) . . .

Volkswagen and Audi filed counterclaims for trademark infringement under 15 U.S.C. § 1114(1)(a); false designation of origin under 15 U.S.C. § 1125(a) . . . . In ruling for Auto Gold, the district court found that "[t]he VW and Audi logos are used not because they signify that the license plate or key ring was manufactured or sold (i.e., as a designation of origin) by Volkswagen or Audi, but because there is a[n] aesthetic quality to the marks that purchasers are interested in having.". . . .

A trademark is a "word, name, symbol, or device" that is intended "to identify and distinguish [the mark holder's] goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods." 15 U.S.C. § 1127. A valid, registered trademark entitles the holder to prevent others from using the mark where (1) "such use is likely to cause confusion, or to cause mistake or deceive," 15 U.S.C. § 1114(1)(a) (so-called "trademark infringement") . . . .

The principal role of trademark law is to ensure that consumers are able to identify the source of goods. *Qualitex*, 514 U.S. at 164. Protecting the source-identifying role of trademarks serves two goals. First, it quickly and easily assures a potential customer that *this* item-the item with the mark-is made by the same producer as other similarly marked products. At the same time, the law helps "assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Id.*

A functional product feature does not, however, enjoy protection under trademark law. The Supreme Court has instructed that a feature is functional if it is "essential to the use or purpose of the article [or] affects [its] cost or quality." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 10 (1982). The *Inwood Laboratories* definition is often referred to as "utilitarian" functionality, as it relates to the performance of the product in its intended purpose. Thus, "[t]he functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature." *Qualitex*, 514 U.S. at 164.

Extending the functionality doctrine, which aims to protect "useful" product features, to encompass unique logos and insignia is not an easy transition. Famous trademarks have assumed an exalted status of their own in today's consumer culture that cannot neatly be reduced to the historic function of trademark to designate source. Consumers sometimes buy products bearing marks such as the Nike Swoosh, the Playboy bunny ears, the Mercedes tri-point star, the Ferrari stallion, and countless sports franchise logos, for the appeal of the mark itself, without regard to whether it signifies the origin or sponsorship of the product. As demand for these marks has risen, so has litigation over the rights to their use as claimed "functional" aspects of products. *See, e.g.,* *Vuitton et Fils S.A. v. J. Young Enters., Inc.*, 644 F.2d 769 (9th Cir.1981) (reversing and remanding for trial a district court determination that the Louis Vuitton logo and trademarked purse material were functional); *Boston Prof. Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.1975) (holding that reproductions of professional hockey franchise's logo sold alone are not "functional" and can be protected); *Ford Motor Co. v. Lloyd Design Corp.*, 184 F.Supp.2d 665 (E.D.Mich.2002) (holding that a car maker's trademarks are not functional aspects of defendant's car accessories).

The results reached in these various aesthetic functionality cases do not easily weave together to produce a coherent jurisprudence, although as a general matter courts have been loathe to declare unique, identifying logos and names as functional. To understand how the concept of functionality applies to the case before us, broad invocations of principle are not particularly helpful. Instead, we find it useful to follow the chronological development and refinement of the doctrine.

The doctrine of aesthetic functionality is often traced to a comment in the 1938 Restatement of Torts:

> When goods are bought largely for their aesthetic value, their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended.

Restatement of Torts § 742, comment a (1938) (*see* Restatement 3d of Unfair Competition, § 17 (1995)). Two examples of products with aesthetic functional features were offered, with very little comment-a heart-shaped candy box and a distinctive printing typeface.

Nearly fifteen years later, the doctrine blossomed in *Pagliero v. Wallace China Co.*, an action by Wallace China, a manufacturer of vitrified china, to prohibit a competitor from using a series of decorative patterns and a corresponding list of names. *See* 198 F.2d 339 (9th Cir.1952). Neither the patterns nor the names were covered by registered trademarks or patents; instead, Wallace claimed secondary meaning, primarily that customers associated the patterns with Wallace, due to extensive advertising and a reputation for quality. In ruling on Wallace's claim, we loosely echoed the 1938 Restatement in articulating the line between aesthetic appeal and functionality:

> [W]here the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark

> purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

Id. at 343 (internal citations omitted).

Applying that test, the china patterns were deemed "functional" because the "attractiveness and eye-appeal" of the design is the primary benefit that consumers seek in purchasing china. Thus, Wallace's designs were not "mere arbitrary embellishment," but were at the heart of basic consumer demand for the product and could not be protected as trademarks.

Almost thirty years later, *Pagliero* was revived in a Ninth Circuit case involving an effort by the International Order of Job's Daughters to preclude a jewelry maker from selling jewelry bearing the Job's Daughters insignia. *See* *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir.1980). Because the defendant's products bearing the Job's Daughters mark were sold "on the basis of their intrinsic value, not as a designation of origin or sponsorship," the defendant argued that they were functional under *Pagliero.*

The court acknowledged that a "name or emblem" could, in some cases, "serve simultaneously as a functional component of a product and a trademark," and accordingly called for a "close analysis of the way in which [the defendant] is using the Job's Daughters insignia." The court observed that Job's Daughters had submitted no evidence that the defendant's use of the mark either caused confusion as to source or was likely to do so and suggested that the emblem did not designate a source at all.[4] Accordingly, the Job's Daughters insignia, as used by the defendant, was unprotected.

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[4] The marks at issue in Job's Daughters were "collective marks," which are trademarks "used by the members of a cooperative, an association, or other collective group or organization, … and include [ ] marks indicating membership in a union, an association, or other organization." 15 U.S.C. § 1127. This explains, in part, why there was no likelihood of confusion. Because the Job's Daughters insignia was sold by numerous unlicensed jewelers, the possibility that consumers might think that it denoted source was insubstantial.

Job's Daughters, with its collective mark, was a somewhat unique case and its broad language was soon clarified and narrowed. In *Vuitton,* we confronted bare counterfeiting of Louis Vuitton handbags with minor alterations to the familiar LV logo and fleur-de-lis insignia. 644 F.2d at 774. Not unlike Auto Gold here, the defendant argued that, under *Pagliero* and *Job's Daughters,* its use of the Vuitton marks was functional because the marks were "related to the reasons consumers purchase [the] product" and that without using the marks, it could not compete with Vuitton in selling Louis Vuitton-marked purses. We rejected these arguments. First, the defendant's use of the Vuitton marks was not functional in a utilitarian sense. *Id.* at 776-77 ("Vuitton luggage without the distinctive trademark would still be the same luggage. It would carry the same number of items, last just as long, and be just as serviceable."). Significantly, in *Vuitton,* we emphatically rejected the notion that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product." Indeed, "a trademark which identifies the source of goods and incidentally services another function may still be entitled to protection." Under *Vuitton,* the mere fact that the mark is the "benefit that the consumer wishes to purchase" will not override trademark protection if the mark is source-identifying. With *Vuitton,* aesthetic functionality was dealt a limiting but not fatal blow; the case was remanded for trial.

Since *Vuitton,* the Ninth Circuit has not directly revisited aesthetic functionality in the context of unique source-identifying trademarks. . . . [T]he doctrine, albeit restricted over the years, retains some limited vitality.

The Supreme Court has yet to address aesthetic functionality as it applies to logos and insignia, in contrast to product features. The Court has, however, outlined the general contours of functionality and aesthetic functionality. As noted earlier, in *Inwood Laboratories,* the Court offered a simple definition of functionality: "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." 456 U.S. at 850 n. 10.

More recently, in *Qualitex,* the Court considered whether a color (a distinctive green-gold used on dry cleaning press pads) could be protected as a trademark. Observing that color alone can meet the basic legal requirement for a trademark, namely that it acts "as a symbol that distinguishes a firm's goods and identifies their source," the Court concluded that the use of color as a trademark is not *per se* barred by the functionality doctrine. *Qualitex,* 514 U.S. at 165-66 ("And, this latter fact-the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality-indicates that the doctrine of 'functionality' does not create an absolute bar to the use of color alone as a mark"). The green-gold color of the dry cleaner pads served a trademark (i.e., source-identifying) function. Additionally, the use of *some* color on the pads served a nontrademark function-namely, to "avoid noticeable stains." The Court underscored, however, that functionality protects against a competitive disadvantage "unrelated to recognition or reputation." Accordingly, because "the [district] court found 'no competitive need in the press pad industry for the green-gold color, since other colors are equally usable,' " functionality did not defeat protection.[6]

The Court's most recent explication of aesthetic functionality is found in a case surprisingly not cited by the parties-*TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23 (2001). In *TrafFix,* a company that held an expired patent for a dual-spring road sign design argued that the visible appearance of the design constituted protectable trade dress. In considering whether the dual spring mechanism was a functional aspect of the product, the Court clarified *Qualitex's* emphasis on competitive necessity and the overall test for functionality. Rather than paraphrase the decision, and to be absolutely clear, we quote extensively from the passages that set out the appropriate inquiry for functionality.

The Supreme Court emphasized that *Qualitex* did not displace the traditional *Inwood Laboratories* utilitarian definition of functionality. " '[I]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.' " *TrafFix,* 532 U.S. at 32, (*quoting* *Qualitex,* 514 U.S. at 165); *see also* *Inwood Labs.,* 456 U.S. at 850 n. 10. The Court noted that *Qualitex* "expand[ed] upon" the *Inwood Laboratories* definition, by observing that "a functional feature is one the 'exclusive use of[which] would put competitors at a significant non-reputation-related disadvantage.' " *TrafFix,* 532 U.S. at 32 (*quoting* *Qualitex,* 514 U.S. at 165) (alteration in original).

The Court explained the interplay between these two statements of functionality. If a feature is functional under *Inwood Laboratories,* the inquiry ends and the feature cannot be protected under trademark law. As the Court elaborated, "there is no need to proceed further to consider if there is a competitive necessity for the feature." Thus, in *TrafFix,* once the dual-spring mechanism met the traditional functionality test by making the signs more wind resistant, "there [was] no need to proceed further to consider if there is competitive necessity for the feature" and likewise no need "to engage ... in speculation about other design possibilities."

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[6] In contrast, an example of an aesthetic product feature the protection of which *would* hinder legitimate competition is the use of color to signify the type of medication in pills-the question addressed in *Inwood Laboratories. See* 456 U.S. at 853 (noting that "[s]ome patients commingle medications in a container and rely on color to differentiate one from another").

By contrast, the Court went on to suggest that "[i]t is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of aesthetic functionality, the question involved in *Qualitex.*" The Court described aesthetic functionality as "the central question [in *Qualitex*], there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality."[7]

As to functionality, we read the Court's decision to mean that consideration of competitive necessity may be an appropriate but not necessary element of the functionality analysis. If a design is determined to be functional under the traditional test of *Inwood Laboratories* there is no need to go further to consider indicia of competitive necessity, such as the availability of alternative designs. However, in the context of aesthetic functionality, such considerations may come into play because a "functional feature is one the 'exclusive use of [which] would put competitors at a significant non-reputation related disadvantage.' " *TrafFix,* 532 U.S. at 32 (quoting *Qualitex,* 514 U.S. at 165).

B. AESTHETIC FUNCTIONALITY AND AUTO GOLD'S USE OF VOLKSWAGEN AND AUDI'S PRODUCTS

So where do we stand in the wake of forty years of trademark law scattered with references to aesthetic functionality? After *Qualitex* and *TrafFix,* the test for functionality proceeds in two steps. In the first step, courts inquire whether the alleged "significant non-trademark function" satisfies the *Inwood Laboratories* definition of functionality-"essential to the use or purpose of the article [or] affects[its] cost or quality." *TrafFix,* 532 U.S. at 32-33 (*citing* *Inwood Laboratories,* 456 U.S. at 850, n. 10). If this is the case, the inquiry is over-the feature is functional and not protected.[8] In the case of a claim of aesthetic functionality, an alternative

[7] The Court's treatment of *Qualitex* in *TrafFix* has caused some consternation among commentators. *See, e.g.,* 1 *McCarthy on Trademark and Unfair Competition* § 7.80 (4th ed.) (describing as "amazing and incomprehensible" the statement in *TrafFix* "that in the 1995 *Qualitex* case, 'aesthetic functionality was the central question.' "); Jerome Gilson, *Trademark Protection and Practice* § 2A.04[5][b] (2006) ("The Supreme Court was incorrect in *TrafFix* to declare that aesthetic functionality was the 'central question' in the *Qualitex* case. The central question in *Qualitex* was whether color alone could serve as a valid trademark.").

[8] Our long-standing test for functionality largely excluded aesthetic considerations, instead asking: (1) whether the feature delivers any utilitarian advantage, (2) whether alternative designs are possible, (3) whether advertising touts utilitarian benefits of the feature, and (4) whether the feature results in economies in manufacture or use. Following *TrafFix,* we reiterated the[m . . .] as legitimate considerations in determining whether a product feature is functional. *Talking Rain Beverage Co. v. South Beach Beverage Co.,* 349 F.3d 601, 603-04 (9th Cir.2003) (applying the four factors to conclude that a bottle design was utilitarian). We noted that "the existence of alternative designs cannot negate a trademark's functionality," but "may indicate whether the trademark itself embodies functional or merely ornamental aspects of the product." *Id.* at 603.

test inquires whether protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage.

We now address the marks at issue in this case. Volkswagen and Audi's trademarks are registered and incontestable, and are thus presumed to be valid, distinctive and non-functional. Auto Gold, thus, must show that the marks are functional under the test set forth above. To satisfy this requirement, Auto Gold argues that Volkswagen and Audi trademarks are functional features of its products because "the trademark is the feature of the product which constitutes the actual benefit the consumer wishes to purchase." While that may be so, the fact that a trademark is desirable does not, and should not, render it unprotectable. Auto Gold has not shown that Volkswagen and Audi's marks are functional features of Auto Gold's products. The marks are thus entitled to trademark protection.

At the first step, there is no evidence on the record, and Auto Gold does not argue, that Volkswagen and Audi's trademarks are functional under the utilitarian definition in *Inwood Laboratories* as applied in the Ninth Circuit in *Talking Rain. See* 349 F.3d at 603-04. That is to say, Auto Gold's products would still frame license plates and hold keys just as well without the famed marks. Similarly, use of the marks does not alter the cost structure or add to the quality of the products.

We next ask whether Volkswagen and Audi's marks, as they appear on Auto Gold's products, perform some function such that the " 'exclusive use of [the marks] would put competitors at a significant non-reputation-related disadvantage.' " *TrafFix*, 532 U.S. at 32 (*quoting* *Qualitex*, 514 U.S. at 165). As an initial matter, Auto Gold's proffered rational-that the trademarks "constitute[ ] the actual benefit the consumer wishes to purchase"-flies in the face of existing caselaw. We have squarely rejected the notion that "any feature of a product which contributes to the consumer appeal and saleability of the product is, as a matter of law, a functional element of that product." *Vuitton*, 644 F.2d at 773. Such a rule would eviscerate the very competitive policies that functionality seeks to protect. This approach is consistent with the view of our sister circuits. *See e.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 539 (5th Cir.1998) ("To define functionality based upon commercial success ... does not promote innovation, nor does it promote competition.") *superceded on other grounds as recognized in* *Eppendorf-Netheler-Hinz*, 289 F.3d at 356; *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 341-43 (7th Cir.1985); *Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir.1981) ("The difficulty with accepting such a broad view of aesthetic functionality, which relates the doctrine to the commercial desirability of the feature at issue without consideration of its utilitarian function, is that it provides a disincentive for development of imaginative and attractive design. The more appealing the design, the less protection it would receive.”).

Even viewing Auto Gold’s position generously, the rule it advocates injects unwarranted breadth into our caselaw. *Pagliero, Job’s Daughters,* and their progeny were careful to prevent “the use of a trademark to monopolize a design feature which, *in itself and apart from its identification of source,* improves the usefulness or appeal of the object it adorns.” *Vuitton,* 644 F.2d at 774 (*discussing Pagliero,* 198 F.2d 339) (emphasis added). The concept of an “aesthetic” function that is non-trademark-related has enjoyed only limited application. In practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function. *See Qualitex,* 514 U.S. at 166 (coloring dry cleaning pads served nontrademark purpose by avoiding visible stains); *Publications Int’l, Ltd. v. Landoll, Inc.,* 164 F.3d 337, 342 (7th Cir.1998) (coloring edges of cookbook pages served nontrademark purpose by avoiding color “bleeding” between pages); *Brunswick Corp. v. British Seagull Ltd.,* 35 F.3d 1527, 1532 (Fed.Cir.1994) (color black served nontrademark purpose by reducing the apparent size of outboard boat engine); *Pagliero,* 198 F.2d at 343 (china patterns at issue were attractive and served nontrademark purpose because “one of the essential selling features of hotel china, if, indeed, not the primary, is the design”).

It is difficult to extrapolate from cases involving a true aesthetically functional feature, like a box shape or certain uses of color, to cases involving well-known registered logos and company names, which generally have no function apart from their association with the trademark holder. The present case illustrates the point well, as the use of Volkswagen and Audi’s marks is neither aesthetic nor independent of source identification. That is to say, there is no evidence that consumers buy Auto Gold’s products solely because of their “intrinsic” aesthetic appeal. Instead, the alleged aesthetic function is indistinguishable from and tied to the mark’s source-identifying nature.

By Auto Gold’s strident admission, consumers want “Audi” and “Volkswagen” accessories, not beautiful accessories. This consumer demand is difficult to quarantine from the source identification and reputation-enhancing value of the trademarks themselves. *See Playboy Enters., Inc. v. Netscape Commc’ns Corp.,* 354 F.3d 1020, 1030-31 (9th Cir.2004) (“Nothing about the marks used to identify [the trademark holder’s] products is a functional part of the design of those products.... The fact that the marks make [the junior user’s product] more functional is irrelevant.”). The demand for Auto Gold’s products is inextricably tied to the trademarks themselves. *See Qualitex,* 514 U.S. at 170, 115 S.Ct. 1300 (identifying “legitimate (*nontrademark-related*) competition” as the relevant focus in determining functionality) (emphasis added).[9] Any disadvantage Auto Gold claims in not being able to sell Volkswagen or Audi marked goods is tied to the reputation and association with Volkswagen and Audi.

In the end, we take comfort that the doctrine of aesthetic functionality, as we apply it in this case, has simply returned from whence it came. The 1938 Restatement of Torts includes this reminder of the difference between an aesthetic function and a trademark function:

> A feature which merely associates goods with a particular source may be, like a trade-mark or trade name, a substantial factor in increasing the marketability of the goods. But if that is the entire significance of the feature, it is non-functional; for its value then lies only in the demand for goods associated with a particular source rather than for goods of a particular design.

Restatement of Torts § 742, comment a (1938). Volkswagen and Audi's trademarks undoubtedly increase the marketability of Auto Gold's products. But their "entire significance" lies in the demand for goods bearing those non-functional marks. Today, as in 1938, such poaching is not countenanced by the trademark laws.

We hold that Volkswagen and Audi's marks are not functional aspects of Auto Gold's products. These marks, which are registered and have achieved incontestable status, are properly protected under the Lanham Act against infringement, dilution, false designation of source and other misappropriations.

[The court "reverse[d] the district court's denial of summary judgment in favor of Volkswagen and Audi on the issue of infringement" but remanded for consideration of other defenses. The court also reversed the dismissal of plaintiffs' dilution claim.]

Notes

The "the death knell for trademark protection." Do you agree with the court that allowing an aesthetic functionality defense would have destroyed the trademarks at

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[9] Auto Gold complains that if precluded from using the famous marks, it would be unable to compete in the market for auto accessories bearing Volkswagen and Audi's marks. This argument is just another way of saying "If I can't trade on your trademark, I can't compete." But this argument has no traction here because the mark is not a functional feature that places a competitor at a "significant non-reputation-related advantage." *TrafFix*, 532 U.S. at 33.

issue? Is that a necessary consequence? Or could the holding have been more limited? In that light, consider the following:*

> [While the trademark infringement claim was based on an expansion of the traditional trademark cause of action, which the court accepted uncritically, n]o similar flexibility accompanied the court's analysis and rejection of the aesthetic functionality defense. Part of the problem stemmed from the fact that in the typical case, the functionality defense is strong medicine. The defendant's contention normally is that the mark in question does not merit protection. But the defendant could have made a different conceptual claim in *Au-Tomotive Gold*. That the carmaker logos were functional *in context* need not have undermined their distinctiveness as marks. For the panel, however, the broad strokes of the functionality doctrine suggested an extreme outcome—the loss of trademark protection for Volkswagen's and Audi's logos—which would have meant the "death knell for trademark protection."
>
> What is telling is that the court showed no inclination to adjust trademark defenses to accommodate a practice that arguably offers consumers the benefits of enhanced price competition. The court never considered the prospect that the functionality doctrine could be malleable enough to recognize functionality in the limited context of an adjacent market *without endangering* the protectability of the plaintiffs' marks in their core markets—where the marks *do* perform a source-identifying function—because to do so would render the "aesthetic function . . . indistinguishable from and tied to the mark's source-identifying nature." While the court welcomed a trademark claim that reached well beyond confusion as to source, the perceived threat to source identification of an adjusted functionality defense proved too much to contemplate.

Is *Au-tomotive Gold* fundamentally just an anti-free riding opinion? Is that so bad?

A problem of functionality or distinctiveness? Query whether the problem in aesthetic functionality cases is not so much that an attractive feature is functional (as in it might threaten competition) rather than non-distinctive? The TMEP excerpt quoted above reflects this concern. In this vein, consider Professor McCarthy's attack on the notion of aesthetic functionality:

* From Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 Berkeley Tech. L.J. 897 (2009) (footnotes omitted).

> Advocates of the theory of aesthetic functionality will often use the 1938 Restatement's example of a Valentine's Day candy box in the shape of a heart to help prove their theory. The assumption is that no one candy purveyor should have the legal right to exclusive use of a heart-shaped candy box and that only the theory of aesthetic functionality can accomplish the job of preventing such an unfair result. My response is that there is no need to invent a theory of "aesthetic functionality" to achieve the desired result. One way to bar a heart-shaped candy box from trade dress status is to invoke the traditional utilitarian functionality rule. The heart shape is just as "utilitarian" from a marketing viewpoint as any engineering analysis of rectangular versus circular box sizes and shipping stability and cost of manufacture. Or, to forego the whole functionality view, a heart-shaped candy box is such a standard, oft-used shape as to be a "generic" shape, incapable of trade dress status. Or, as suggested above, no one candy seller could ever prove that it had achieved trademark status and not just decorative appeal, in such a hackneyed design as candy box in the shape of a heart. A heart-shaped candy box is no more capable of trade dress protection under any of these alternatives to "aesthetic functionality" than would be Christmas wrapping paper in red and green showing images of Santa Claus.
>
> Trademark law and policy does not need the theory of "aesthetic functionality." The policy it purports to serve can be more fairly and accurately performed by the tried and true rule of "merely ornamental," where customer perception is the guide, not a court's notion of what is "an important ingredient in the commercial success of the product."

1 McCarthy § 7:81; *cf. id.* § 7:82 (arguing against a notion of "defensive" aesthetic functionality as properly handled under likelihood-of-confusion analysis).

But what if the bar on mere ornamental features is not observed (or is insufficiently robust—do we know what is ornamental?)? Could underenforcement of one doctrine necessitate the creation of another? And what does it mean to be " 'utilitarian' from a marketing viewpoint"? Aesthetically pleasing? Ornamental?

Fair competition? Leaving aside your opinion of the Ninth Circuit's analysis in *Au-Tomotive Gold*, do you think the defendant's conduct should have been enjoined? What are the consequences of doing so? If you agree with the plaintiffs, what underlying theories of trademark are you employing? Same question if you support the defendant.

What kind of marks? Do your views of aesthetic functionality depend on the kind of mark at issue? Should logos, for example, be easier to protect than trade dress?

8. Non-Traditional Marks

May the following be trademarked?

A perfume scent

The quacking sound of a city tours given in "duck" boats (amphibious tour vehicles that can travel on both roads and water).

A movie scene

The interior design of a building; the exterior design of a building

A book's title

A book's content

As you read on, think about what you think the answers should be and why. Recall from our earlier readings that the Lanham Act excludes little from trademark as a categorical matter.

Section 2 of the Lanham Act (15 U.S.C. § 1052)

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless [statutory exclusions omitted]

Section 43(a) of the Lanham Act (15 U.S.C. § 1125) (emphasis added)

[Liability for use in commerce of] *any word, term, name, symbol, or device, or any combination thereof*, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities . . .

Section 45 of the Lanham Act (15 U.S.C. § 1127)

The term "trademark" includes any word, name, symbol, or device, or any combination thereof . . . [used] to identify and distinguish . . . goods . . . from those manufactured or sold by others and to indicate the source of the goods[.]"

The Intersection of Trademark and Copyright Law

To this point, our reading has indicated few per se limits on trademark subject matter. But are some matters simply incapable of identifying and distinguishing a product in the marketplace? In addition, might some trademark claims run afoul of other IP regimes?

On this latter question, consider copyright law, which protects original works of authorship fixed in a tangible medium of expression. Although it gives authors powerful rights, copyright law also contains important limits. It denies protection to ideas and permits some copying under the "fair use" doctrine. (The boundaries of fair use are difficult to define, but some paradigmatic fair uses are copying as part of a book review or commentary. The Supreme Court has held that home recording television programming on a VCR in order to view it at a later time is fair use.) Copyright law once required authors to take certain steps in order to obtain and preserve a copyright. Failure to comply would place the work in the public domain. Can an author circumvent these limitations by invoking trademark law?*

Dastar Corp. v. Twentieth Century Fox Film Corp.
539 U.S. 23 (2003)

Justice SCALIA delivered the opinion of the Court.

In this case, we are asked to decide whether § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), prevents the unaccredited copying of a work, and if so, whether a court may double a profit award under § 1117(a), in order to deter future infringing conduct.

I

In 1948, three and a half years after the German surrender at Reims, General Dwight D. Eisenhower completed Crusade in Europe, his written account of the allied campaign in Europe during World War II. Doubleday published the book, registered it with the Copyright Office in 1948, and granted exclusive television rights to an affiliate of respondent Twentieth Century Fox Film Corporation (Fox). Fox, in turn, arranged for Time, Inc., to produce a television

* To the extent the discussion below implicates design, it is worth noting that design patents are another avenue of protection. 35 U.S.C. § 171 provides that "[w]hoever invents any new, original, and ornamental design for an article of manufacture may obtain a patent therefor." The term is fifteen years.

series, also called Crusade in Europe, based on the book, and Time assigned its copyright in the series to Fox. The television series, consisting of 26 episodes, was first broadcast in 1949. It combined a soundtrack based on a narration of the book with film footage from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." In 1975, Doubleday renewed the copyright on the book as the " 'proprietor of copyright in a work made for hire.' " Fox, however, did not renew the copyright on the Crusade television series, which expired in 1977, leaving the television series in the public domain.

In 1988, Fox reacquired the television rights in General Eisenhower's book, including the exclusive right to distribute the Crusade television series on video and to sublicense others to do so. Respondents SFM Entertainment and New Line Home Video, Inc., in turn, acquired from Fox the exclusive rights to distribute Crusade on video. SFM obtained the negatives of the original television series, restored them, and repackaged the series on videotape; New Line distributed the videotapes.

Enter petitioner Dastar. In 1995, Dastar decided to expand its product line from music compact discs to videos. Anticipating renewed interest in World War II on the 50th anniversary of the war's end, Dastar released a video set entitled World War II Campaigns in Europe. To make Campaigns, Dastar purchased eight beta cam tapes of the *original* version of the Crusade television series, which is in the public domain, copied them, and then edited the series. Dastar's Campaigns series is slightly more than half as long as the original Crusade television series. Dastar substituted a new opening sequence, credit page, and final closing for those of the Crusade television series; inserted new chapter-title sequences and narrated chapter introductions; moved the "recap" in the Crusade television series to the beginning and retitled it as a "preview"; and removed references to and images of the book. Dastar created new packaging for its Campaigns series and (as already noted) a new title.

Dastar manufactured and sold the Campaigns video set as its own product. The advertising states: "Produced and Distributed by: *Entertainment Distributing* " (which is owned by Dastar), and makes no reference to the Crusade television series. Similarly, the screen credits state "DASTAR CORP presents" and "an ENTERTAINMENT DISTRIBUTING Production," and list as executive producer, producer, and associate producer employees of Dastar. The Campaigns videos themselves also make no reference to the Crusade television series, New Line's Crusade videotapes, or the book. Dastar sells its Campaigns videos to Sam's Club, Costco, Best Buy, and other retailers and mail-order companies for $25 per set, substantially less than New Line's video set.

In 1998, respondents Fox, SFM, and New Line brought this action alleging that Dastar's sale of its Campaigns video set infringes Doubleday's copyright in General Eisenhower's book and, thus, their exclusive television rights in the book. Respondents later amended their complaint to add claims that Dastar's sale of Campaigns "without proper credit" to the Crusade television series constitutes "reverse passing off"[1] in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and in violation of state unfair-competition law. App. to Pet. for Cert. 31a. On cross-motions for summary judgment, the District Court found for respondents on all three counts, treating its resolution of the Lanham Act claim as controlling on the state-law unfair-competition claim because "the ultimate test under both is whether the public is likely to be deceived or confused." The court awarded Dastar's profits to respondents and doubled them pursuant to § 35 of the Lanham Act, 15 U.S.C. § 1117(a), to deter future infringing conduct by petitioner.

The Court of Appeals for the Ninth Circuit affirmed the judgment for respondents on the Lanham Act claim, but reversed as to the copyright claim and remanded. (It said nothing with regard to the state-law claim.) With respect to the Lanham Act claim, the Court of Appeals reasoned that "Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox[, and] therefore committed a 'bodily appropriation' of Fox's series." It concluded that "Dastar's 'bodily appropriation' of Fox's original [television] series is sufficient to establish the reverse passing off."[2] The court also affirmed the District Court's award under the Lanham Act of twice Dastar's profits. We granted certiorari.

II

The Lanham Act was intended to make "actionable the deceptive and misleading use of marks," and "to protect persons engaged in ... commerce against unfair competition." 15 U.S.C. § 1127. While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a), 15

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[1] Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else's. See, *e.g.*, *O. & W. Thum Co. v. Dickinson*, 245 F. 609, 621 (C.A.6 1917). "Reverse passing off," as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own. See, *e.g.*, *Williams v. Curtiss-Wright Corp.*, 691 F.2d 168, 172 (C.A.3 1982).

[2] As for the copyright claim, the Ninth Circuit held that the tax treatment General Eisenhower sought for his manuscript of the book created a triable issue as to whether he intended the book to be a work for hire, and thus as to whether Doubleday properly renewed the copyright in 1976. See 34 Fed.Appx., at 314. The copyright issue is still the subject of litigation, but is not before us. We express no opinion as to whether petitioner's product would infringe a valid copyright in General Eisenhower's book.

U.S.C. § 1125(a) is one of the few provisions that goes beyond trademark protection. As originally enacted, § 43(a) created a federal remedy against a person who used in commerce either "a false designation of origin, or any false description or representation" in connection with "any goods or services." As the Second Circuit accurately observed with regard to the original enactment, however-and as remains true after the 1988 revision-§ 43(a) "does not have boundless application as a remedy for unfair trade practices," *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (C.A.2 1974). "[B]ecause of its inherently limited wording, § 43(a) can never be a federal 'codification' of the overall law of 'unfair competition,' " 4 J. McCarthy, Trademarks and Unfair Competition § 27:7, p. 27-14 (4th ed. 2002) (McCarthy), but can apply only to certain unfair trade practices prohibited by its text.

Although a case can be made that a proper reading of § 43(a), as originally enacted, would treat the word "origin" as referring only "to the geographic location in which the goods originated," *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 777 (1992) (STEVENS, J., concurring in judgment),[3] the Courts of Appeals considering the issue, beginning with the Sixth Circuit, unanimously concluded that it "does not merely refer to geographical origin, but also to origin of source or manufacture," *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (C.A.6 1963), thereby creating a federal cause of action for traditional trademark infringement of unregistered marks. See 4 McCarthy § 27:14; *Two Pesos, supra*, at 768. Moreover, every Circuit to consider the issue found § 43(a) broad enough to encompass reverse passing off. The Trademark Law Revision Act of 1988 made clear that § 43(a) covers origin of production as well as geographic origin.[4] Its

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[3] In the original provision, the cause of action for false designation of origin was arguably "available only to a person doing business in the locality falsely indicated as that of origin," 505 U.S., at 778, n. 3. As adopted in 1946, § 43(a) provided in full:

> "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 60 Stat. 441.

[4] Section 43(a) of the Lanham Act now provides:

language is amply inclusive, moreover, of reverse passing off-if indeed it does not implicitly adopt the unanimous court-of-appeals jurisprudence on that subject. See, *e.g.,* *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 963-964, n. 6 (C.A.D.C.1990) (Thomas, J.).

Thus, as it comes to us, the gravamen of respondents' claim is that, in marketing and selling Campaigns as its own product without acknowledging its nearly wholesale reliance on the Crusade television series, Dastar has made a "false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which ... is likely to cause confusion ... as to the origin ... of his or her goods." § 43(a). That claim would undoubtedly be sustained if Dastar had bought some of New Line's Crusade videotapes and merely repackaged them as its own. Dastar's alleged wrongdoing, however, is vastly different: It took a creative work in the public domain-the Crusade television series-copied it, made modifications (arguably minor), and produced its very own series of videotapes. If "origin" refers only to the manufacturer or producer of the physical "goods" that are made available to the public (in this case the videotapes), Dastar was the origin. If, however, "origin" includes the creator of the underlying work that Dastar copied, then someone else (perhaps Fox) was the origin of Dastar's product. At bottom, we must decide what § 43(a)(1)(A) of the Lanham Act means by the "origin" of "goods."

III

The dictionary definition of "origin" is "[t]he fact or process of coming into being from a source," and "[t]hat from which anything primarily proceeds; source." Webster's New International Dictionary 1720-1721 (2d ed.1949). And the

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"Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-

"(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

"(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act." 15 U.S.C. § 1125(a)(1).

dictionary definition of "goods" (as relevant here) is "[w]ares; merchandise." *Id.*, at 1079. We think the most natural understanding of the "origin" of "goods"-the source of wares-is the producer of the tangible product sold in the marketplace, in this case the physical Campaigns videotape sold by Dastar. The concept might be stretched (as it was under the original version of § 43(a))[5] to include not only the actual producer, but also the trademark owner who commissioned or assumed responsibility for ("stood behind") production of the physical product. But as used in the Lanham Act, the phrase "origin of goods" is in our view incapable of connoting the person or entity that originated the ideas or communications that "goods" embody or contain. Such an extension would not only stretch the text, but it would be out of accord with the history and purpose of the Lanham Act and inconsistent with precedent.

Section 43(a) of the Lanham Act prohibits actions like trademark infringement that deceive consumers and impair a producer's goodwill. It forbids, for example, the Coca-Cola Company's passing off its product as Pepsi-Cola or reverse passing off Pepsi-Cola as its product. But the brand-loyal consumer who prefers the drink that the Coca-Cola Company or PepsiCo sells, while he believes that that company produced (or at least stands behind the production of) that product, surely does not necessarily believe that that company was the "origin" of the drink in the sense that it was the very first to devise the formula. The consumer who buys a branded product does not automatically assume that the brand-name company is the same entity that came up with the idea for the product, or designed the product-and typically does not care whether it is. The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers.

It could be argued, perhaps, that the reality of purchaser concern is different for what might be called a communicative product-one that is valued not primarily for its physical qualities, such as a hammer, but for the intellectual content that it conveys, such as a book or, as here, a video. The purchaser of a novel is interested not merely, if at all, in the identity of the producer of the physical tome (the publisher), but also, and indeed primarily, in the identity of the creator of the story

[5] Under the 1946 version of the Act, § 43(a) was read as providing a cause of action for trademark infringement even where the trademark owner had not itself produced the goods sold under its mark, but had licensed others to sell under its name goods produced by them-the typical franchise arrangement. This stretching of the concept "origin of goods" is seemingly no longer needed: The 1988 amendments to § 43(a) now expressly prohibit the use of any "word, term, name, symbol, or device," or "false or misleading description of fact" that is likely to cause confusion as to "affiliation, connection, or association ... with another person," or as to "sponsorship, or approval" of goods. 15 U.S.C. § 1125(a).

it conveys (the author). And the author, of course, has at least as much interest in avoiding passing off (or reverse passing off) of his creation as does the publisher. For such a communicative product (the argument goes) "origin of goods" in § 43(a) must be deemed to include not merely the producer of the physical item (the publishing house Farrar, Straus and Giroux, or the video producer Dastar) but also the creator of the content that the physical item conveys (the author Tom Wolfe, or-assertedly-respondents).

The problem with this argument according special treatment to communicative products is that it causes the Lanham Act to conflict with the law of copyright, which addresses that subject specifically. The right to copy, and to copy without attribution, once a copyright has expired, like "the right to make [an article whose patent has expired]-including the right to make it in precisely the shape it carried when patented-passes to the public." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964); see also *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121-122 (1938). "In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying." *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001). The rights of a patentee or copyright holder are part of a "carefully crafted bargain," *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151 (1989), under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been "careful to caution against misuse or over-extension" of trademark and related protections into areas traditionally occupied by patent or copyright. *TrafFix*, 532 U.S., at 29. "The Lanham Act," we have said, "does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity." *Id.*, at 34. Federal trademark law "has no necessary relation to invention or discovery," *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879), but rather, by preventing competitors from copying "a source-identifying mark," "reduce[s] the customer's costs of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product," *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-164 (1995) (internal quotation marks and citation omitted). Assuming for the sake of argument that Dastar's representation of itself as the "Producer" of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under § 43(a) for that representation would create a species of mutant copyright law that limits the public's "federal right to 'copy and to use' " expired copyrights, *Bonito Boats*, *supra*, at 165.

When Congress has wished to create such an addition to the law of copyright, it has done so with much more specificity than the Lanham Act's ambiguous use of "origin." The Visual Artists Rights Act of 1990, § 603(a), 104 Stat. 5128, provides that the author of an artistic work "shall have the right ... to claim authorship of that work." 17 U.S.C. § 106A(a)(1)(A). That express right of attribution is carefully limited and focused: It attaches only to specified "work[s] of visual art," § 101, is personal to the artist, §§ 106A(b) and (e), and endures only for "the life of the author," § 106A(d)(1). Recognizing in § 43(a) a cause of action for misrepresentation of authorship of noncopyrighted works (visual or otherwise) would render these limitations superfluous. A statutory interpretation that renders another statute superfluous is of course to be avoided.

Reading "origin" in § 43(a) to require attribution of uncopyrighted materials would pose serious practical problems. Without a copyrighted work as the basepoint, the word "origin" has no discernable limits. A video of the MGM film Carmen Jones, after its copyright has expired, would presumably require attribution not just to MGM, but to Oscar Hammerstein II (who wrote the musical on which the film was based), to Georges Bizet (who wrote the opera on which the musical was based), and to Prosper Merimee (who wrote the novel on which the opera was based). In many cases, figuring out who is in the line of "origin" would be no simple task. Indeed, in the present case it is far from clear that respondents have that status. Neither SFM nor New Line had anything to do with the production of the Crusade television series-they merely were licensed to distribute the video version. While Fox might have a claim to being in the line of origin, its involvement with the creation of the television series was limited at best. Time, Inc., was the principal, if not the exclusive, creator, albeit under arrangement with Fox. And of course it was neither Fox nor Time, Inc., that shot the film used in the Crusade television series. Rather, that footage came from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." If anyone has a claim to being the *original* creator of the material used in both the Crusade television series and the Campaigns videotapes, it would be those groups, rather than Fox. We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.

Another practical difficulty of adopting a special definition of "origin" for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for *failing* to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for *crediting* the creator if that should be regarded as implying the creator's "sponsorship or approval" of the copy, 15 U.S.C. § 1125(a)(1)(A). In this case, for example, if Dastar had simply "copied [the television series] as Crusade in Europe and sold it as Crusade in Europe," without changing the title or packaging (including the original credits to Fox), it is hard to have confidence in respondents' assurance that they "would not be here on a Lanham Act cause of action," Tr. of Oral Arg. 35.

Finally, reading § 43(a) of the Lanham Act as creating a cause of action for, in effect, plagiarism-the use of otherwise unprotected works and inventions without attribution-would be hard to reconcile with our previous decisions. For example, in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000), we considered whether product-design trade dress can ever be inherently distinctive. Wal-Mart produced "knockoffs" of children's clothes designed and manufactured by Samara Brothers, containing only "minor modifications" of the original designs. *Id.*, at 208. We concluded that the designs could not be protected under § 43(a) without a showing that they had acquired "secondary meaning," *id.*, at 214, so that they " 'identify the source of the product rather than the product itself,' " *id.*, at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982)). This carefully considered limitation would be entirely pointless if the "original" producer could turn around and pursue a reverse-passing-off claim under exactly the same provision of the Lanham Act. Samara would merely have had to argue that it was the "origin" of the designs that Wal-Mart was selling as its own line. It was not, because "origin of goods" in the Lanham Act referred to the producer of the clothes, and not the producer of the (potentially) copyrightable or patentable designs that the clothes embodied.

Similarly under respondents' theory, the "origin of goods" provision of § 43(a) would have supported the suit that we rejected in *Bonito Boats*, 489 U.S. 141, where the defendants had used molds to duplicate the plaintiff's unpatented boat hulls (apparently without crediting the plaintiff). And it would have supported the suit we rejected in *TrafFix*, 532 U.S. 23: The plaintiff, whose patents on flexible road signs had expired, and who could not prevail on a trade-dress claim under § 43(a) because the features of the signs were functional, would have had a reverse-passing-off claim for unattributed copying of his design.

In sum, reading the phrase "origin of goods" in the Lanham Act in accordance with the Act's common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*), we conclude that the phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods. Cf. 17 U.S.C. § 202 (distinguishing between a copyrighted work and "any material object in which the work is embodied"). To hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do. See *Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003).

The creative talent of the sort that lay behind the Campaigns videos is not left without protection. The original film footage used in the Crusade television series could have been copyrighted, see 17 U.S.C. § 102(a)(6), as was copyrighted (as a compilation) the Crusade television series, even though it included material from the public domain, see § 103(a). Had Fox renewed the copyright in the Crusade television series, it would have had an easy claim of copyright infringement. And respondents' contention that Campaigns infringes Doubleday's copyright in General Eisenhower's book is still a live question on remand. If, moreover, the producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action-not for reverse passing off under the "confusion ... as to the origin" provision of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B). For merely saying it is the producer of the video, however, no Lanham Act liability attaches to Dastar.

* * *

Because we conclude that Dastar was the "origin" of the products it sold as its own, respondents cannot prevail on their Lanham Act claim. We thus have no occasion to consider whether the Lanham Act permitted an award of double petitioner's profits. The judgment of the Court of Appeals for the Ninth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice BREYER took no part in the consideration or decision of this case.

Notes

Jurisprudence. How would you characterize the reasoning in *Dastar*? Do you think the drafters of the Lanham Act contemplated its issue? If not, how should that affect the outcome of the case?

Fair to authors? Leaving aside your feelings about whether a reverse passing off claim should have been available, what do you make of the Court's giving short shrift to concerns of authorial integrity?

This is an area where U.S. and European law are at odds. Continental Europe has a strong tradition of "moral rights" law. Moral rights law allows an author to claim authorship of his/her works, demand attribution, prevent misattribution, and protect the integrity of the work (e.g., by preventing its destruction in the case of a painting). These rights exist in addition to the copyright, so a moral right may be asserted even if the author has assigned the copyright. By contrast, United States law has traditionally not provided for moral rights beyond the ability of copyright rights to vindicate them. The Visual Artists Rights Act, 17

U.S.C. § 106A, which extends rights of attribution and integrity to the creators of certain works of visual art, is an exception.

Note that *Dastar* uses the existence of § 106A to buttress its conclusion that no similar rights exist for authors of other works. Was *Dastar* a good case to raise the concern? How would you tweak the case's facts to bring the issue of authorial integrity to the fore? Can you think of ways to reconcile the Court's concerns in *Dastar* with authorial interests? Are such efforts worth it? What about the consumer interest in purchasing from particular authors. Isn't trademark law supposed to be about getting the product you want? Can another consumer information doctrine fill the gap?

Overreading Dastar? Refer back to the cause of action in § 43(a). Notice that it contains a distinct provision that reaches false advertising. What if the plaintiffs in *Dastar* had claimed that the defendants falsely suggested that their work was affiliated with the plaintiffs? The reasoning of *Dastar* (resting on a statutory construction of the term "origin") does not appear to preclude analogous false advertising claims (assuming they otherwise meet the requirements of false advertising law). That said, *see* 5 McCarthy on Trademarks and Unfair Competition § 27:78 (5th ed.). *But cf.* Gensler v. Strabala, 764 F.3d 735 (7th Cir. 2014).

Other Non-traditional Marks

Look at the text of § 2 of the Act. It (and the definition of a trademark in § 45) seems to welcome anything as a mark. So why would we ever withhold trademark protection? One possible reason should be familiar by now. A trademark claim might actually be an effort to prevent competition in functional subject matter.

Another objection is perhaps more fundamental. Trademarks identify and distinguish products. Since we need them to do so (or at least we think we do) should we then be skeptical of non-obviously distinguishing marks (assuming we know them when we see them)? Similarly, might some exotic marks describe product attributes rather than identify the product?

Titles. In this vein, think of titles. Does *Romeo and Juliet* identify the work as distinct from others? Sure, but it also describes the play directly (i.e., it is about Romeo and Juliet). What does this imply? That's right, titles are treated as descriptive marks and are not protectable absent secondary meaning. Note that this is true even when the title is not directly descriptive of the work. Could one say that any title is by definition descriptive (*i.e.*, "the name of this work is . . .")? Or at that level of generality are all trademarks in some sense descriptive (i.e., "the source of this product is the owner of this mark")? Is the distinction that each literary title refers to a work that is in some ways unique? Note that the Trademark Office goes even further than traditional trademark law and rejects efforts to register titles. TMEP § 1202.08; *see also* Herbko Intern., Inc. v. Kappa Books, Inc., 308 F.3d 1156, 1163 n.2 (Fed. Cir. 2002) ("While titles of single works are not registrable, they may be protected under section 43(a) of the Lanham Act upon a showing of secondary meaning.").

Series titles may, however, be registered. TMEP § 1202.08(c) also explains:

> The name of a series of books or other creative works may be registrable if it serves to identify and distinguish the source of the goods. An applicant must submit evidence that the title is used on at least two different creative works. A series is not established when only the format of the work is changed, that is, the same title used on a printed version of a book and a recorded version does not establish a series. *See Mattel Inc. v. Brainy Baby Co.*, 101 USPQ2d 1140, 1143 (TTAB 2011) (finding that a program recorded on both a VHS tape and a DVD were the same creative work, and that the addition of minor enhancements in the DVD did not transform this single work into a series). Likewise, use of the title on unabridged and abridged versions of the same work, or on collateral goods such as posters, mugs, bags, or t-shirts does not establish a series.
>
> For example, if an application for the mark HOW TO RETIRE EARLY for "books" is refused because the specimen shows the mark used on a single creative work, the applicant may submit copies of other book covers showing use of the mark HOW TO RETIRE EARLY and any additional evidence to establish that the book is published each year with different content. It is not necessary to show that the mark was used on the other works in the series prior to the filing date of the application or the allegation of use. However, evidence that the applicant intends to use the mark on a series is insufficient.

Slogans. Some of the issues arising with marks based on titles also crop up with respect to slogans. *See, e.g.*, TMEP § 1213.05(b)(i) ("[I]if a mark consists entirely of a slogan that is generic, merely descriptive, merely informational, or that is otherwise not being used as a mark, registration must be refused."); *id.* § 1213(b)(iv) ("when an entire unitary phrase or slogan is generic, descriptive, or merely informational, it remains unregistrable. To illustrate, 'common laudatory phrases or statements that would ordinarily be used in business or in the particular trade or industry' are unregistrable despite the fact that they may be unitary phrases or slogans. *See In re Boston Beer Co. L.P.*, 198 F.3d 1370, 53 USPQ2d 1056 (Fed. Cir.

1999) (THE BEST BEER IN AMERICA for beer and ale).”); Damn I’m Good Inc. v. Sakowitz, Inc., 514 F. Supp. 1357 (S.D.N.Y. 1981) (concluding that “DAMN I’M GOOD” when inscribed on bracelets lacked significance as a source-identifier absent secondary meaning).

Scents. Would you allow the protection of a scent? The Trademark Office would.

> TMEP 1202.13 Scent, Fragrance, or Flavor
>
> The scent of a product may be registrable if it is used in a nonfunctional manner. *See In re Clarke*, 17 USPQ2d 1238, 1239-40 (TTAB 1990) (holding that the scent of plumeria blossoms functioned as a mark for “sewing thread and embroidery yarn”). Scents that serve a utilitarian purpose, such as the scent of perfume or an air freshener, are functional and not registrable. . . . The amount of evidence required to establish that a scent or fragrance functions as a mark is substantial.

Note, however, that both concerns about registration of non-traditional marks crop up. In particular, note the evidentiary hurdle that the office places on registering a scent mark. Is the game worth the candle? The same section of the TEMP also alludes to the unlikely possibility of a flavor mark.

> *Flavor*. Just as with a scent or fragrance, a flavor can never be inherently distinctive because it is generally seen as a characteristic of the goods. *In re Pohl-Boskamp GmbH & Co.*, 106 USPQ2d at 1048 (finding that peppermint flavor mark for “pharmaceutical formulations of nitroglycerin” failed to function as a mark); *In re N.V. Organon*, 79 USPQ2d 1639 (TTAB 2006) (affirming refusal to register “an orange flavor” for “pharmaceuticals for human use, namely, antidepressants in quick-dissolving tablets and pills,” on the grounds that the proposed mark was functional under §2(e)(5) and failed to function as a mark within the meaning of §§1, 2, and 45 of the Trademark Act). The Board has observed that it is unclear how a flavor could function as a source indicator because flavor or taste generally performs a utilitarian function and consumers generally have no access to a product’s flavor or taste prior to purchase. *Id*. at 1650-51. Thus, an application to register a flavor “requires a substantial showing of acquired distinctiveness.” *In re Pohl-Boskamp GmbH & Co*., 106 USPQ2d at 1051-52 (noting the insufficiency of applicant’s evidence of acquired distinctiveness in light of evidence that the use of peppermint flavor by others in the relevant

marketplace tends to show that such flavors are more likely to be perceived as attributes of ingestible products than as indicators of source); *In re N.V. Organon*, 79 USPQ2d at 1650.

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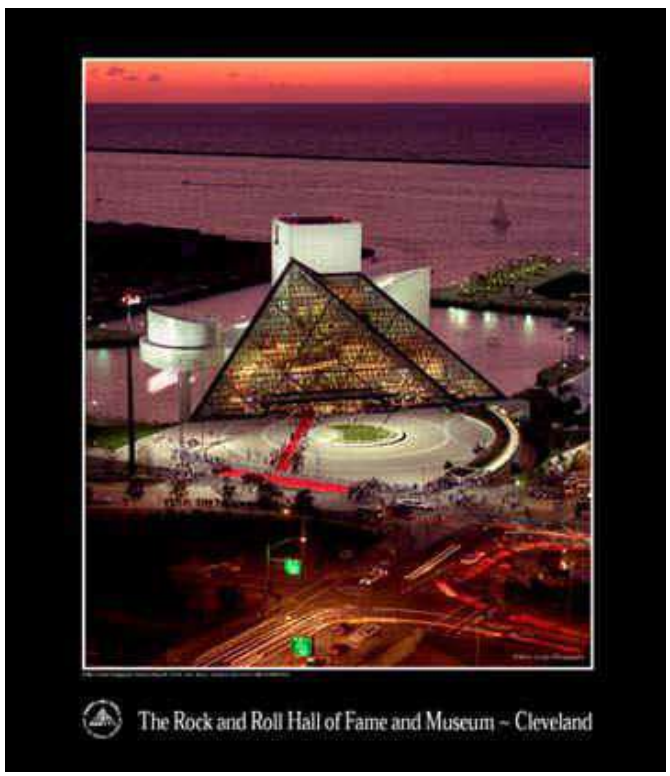
No such marks appear to have been successfully registered.

Sounds. The Trademark Office has registered several sound marks, including the NBC three-tone chimes and the MGM Lion's roar. How would you draw the line between protectable and non-protectable sound marks? Should the duck boat quack mentioned above be protectable?

Problems

1. Behold the Rock and Roll Hall of Fame:



You might notice that a representation of the building is being used as a logo at the bottom left-hand of the poster. Assume that to whatever extent the building can be used as a trademark that the museum owns the mark. Do the museum's rights let it sue a photographer who sells a poster (created by and from a picture taken by the photographer) of the museum? What if the museum has evidence that consumers believe that the museum is the source of such posters?

2. Stargazer entertainment distributes karaoke video tracks that provide music, words, and visual images to accompany participants at karaoke bars to sing along to favorite songs. When displayed, the videos contain a Stargazer logo visible at the bottom left-hand of the screen. Stargazer distributes the tracks via DVD. The Enterprise bar (which also offers karaoke) gets a hold of a Stargazer disc and copies it onto a hard drive. It then uses the hard drive to display the tracks to Enterprise patrons. Does Stargazer have a *trademark* claim against Enterprise or does *Dastar* control?

9. Obtaining Trademark Rights Through Use of the Mark

Problem

Strisk Technologies markets a tablet computer under the UNIVERSITY mark. Because the tablet had a particularly bright light that indicated when its Wi-Fi function was activated, its users started calling it the "firefly" tablet. Strisk now wants to claim a trademark in FIREFLY. Before it can act, however, Boomer Computer (a competitor) filed an intent-to-use application for the FIREFLY mark under section 1(b) of the Lanham Act (reprinted below). Another competitor, Sooner Computer also would like to market a "firefly" tablet. It has yet to make any sales, but it has begun a "buzz" marketing campaign built around ads in which people sit down to coffee and are joined by an animated illuminated firefly that buzzes around the room leaving a train of light. As the screen fades out, the coffee drinkers exchange meaningful glances, smile, and whisper intensely, "Firefly!" As the screen fades to black, the title appears, "Changing Everything . . . coming soon."

The reading should let you figure out the basis of claims of priority of the three companies. As a matter of trademark *policy* (not doctrine) who do you think *should* (not will) prevail and be awarded the registration?

Statutory Provisions

Lanham Act § 45 (15 U.S.C. § 1127)

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce--

(1) on goods when--

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Lanham Act § 1 (15 U.S.C. § 1051)

(a)(1) The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director, and such number of specimens or facsimiles of the mark as used as may be required by the Director.

(2) The application shall include . . . the date of the applicant's first use of the mark, the date of the applicant's first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark . . . .

(b)(1) A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director. . . .

(d) Verified statement that trademark is used in commerce.

(1)Within six months after the date on which the notice of allowance with respect to a mark is issued under section 13(b)(2) [15 USC 1063(b)(2)] to an applicant under subsection (b) of this section, the applicant shall file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Director and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant's first use of the mark in commerce and those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce. Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued for those goods or services recited in the statement of use for which the mark is entitled to registration, and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office. Such examination may include an examination of the factors set forth in subsections (a) through (e) of section 2 [15 USC 1052]. The notice of registration shall specify the goods or services for which the mark is registered.

(2)The Director shall extend, for one additional 6-month period, the time for filing the statement of use under paragraph (1), upon written request of the applicant before the expiration of the 6-month period provided in paragraph (1). In addition to an extension under the preceding sentence, the Director may, upon a showing of good cause by the applicant, further extend the time for filing the statement of use under paragraph (1) for periods aggregating not more than 24 months, pursuant to written request of the applicant made before the expiration of the last extension granted under this paragraph. Any request for an extension under this paragraph shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the notice of allowance on or in connection with which the applicant has a continued bona fide intention to use the mark in commerce. Any request for an extension under this paragraph shall be accompanied by payment of the prescribed fee. The Director shall issue regulations setting forth guidelines for determining what constitutes good cause for purposes of this paragraph. . . .

Lanham Act § 7(c) (15 U.S.C. § 1057(c)):

Application to register mark considered constructive use. Contingent on the registration of a mark on the principal register provided by this Act, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing--

(1) has used the mark;

(2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or

(3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 44(d) [15 USC 1126(d)] to register the mark which is pending or has resulted in registration of the mark.

Establishing Trademark Rights Through Use

FN Herstal SA v. Clyde Armory Inc.

838 F.3d 1071 (11th Cir. 2016)

COOGLER:

This trademark infringement action arises out of the parties' use of the marks "SCAR" and "SCAR–Stock" in the firearms industry. . . .

I. BACKGROUND

A. Facts

1. FN's SCAR Mark

In January 2004, the United States Special Operations Command ("USSOCOM") issued a solicitation requesting bids from firearms manufacturers to design and manufacture a new fully automatic assault-rifle system for various units of the United States military, including Navy SEALs, Army Rangers, and Green Berets. The solicitation and other documents referred to the rifle as the "Special Operations Forces Combat Assault Rifle," abbreviated with the acronym SCAR. However, the U.S. military did not use SCAR as a trademark or otherwise claim any rights in the name SCAR. The solicitation generated significant publicity and media coverage in the firearms community, as it was the first open competition for a new military rifle since the M16 trials held in the 1960s.

FN is a firearms and weapons manufacturer headquartered in Belgium. In 2004, FN and other firearm manufacturers, including Colt Defense LLC and Cobb Manufacturing, Inc., submitted prototypes in response to USSOCOM's solicitation. While not required to do so, FN chose to label its submission with the SCAR mark, placing the mark above the firearm's trigger. FN branded its rifles as such to draw on the double entendre from the military's use of the term and the everyday meaning of "scar" as a mark left by the healing of injured tissue. For instance, FN's brochures and other promotional materials drew on the ordinary meaning of "scar" through slogans like "BATTLE SCARS."

On November 5, 2004, FN won the competition, and USSOCOM awarded it a ten-year contract, placing a large initial order for SCAR firearms totaling over $634,000. From that point forward, FN regularly shipped SCAR-branded rifles to the U.S. military for use by special forces. By November 2007, FN had sold over $11 million in SCAR rifles and accessories to the military pursuant to the USSOCOM contract.

The media, law enforcement, and civilian firearms consumers closely followed the USSOCOM competition and FN's development of the SCAR rifle. In the years 2004 to 2006, journalists regularly sought to examine FN's SCAR rifles, and at least one article per month covered FN's development and distribution of the SCAR rifle in publications such as *Small Arms Review*, *National Defense*, *Army Times*, and *Guns and Ammo*. As the district court found, an expectation exists in the firearms market that guns developed for the military will subsequently be offered to law enforcement and civilians. As a result, FN received many inquiries concerning when FN's SCAR rifles would be available for general consumption.

On February 22, 2005, FN began promoting its SCAR rifle to law enforcement and civilians, though it did not yet have a semi-automatic version of the weapon available for purchase by civilian consumers. Indeed, FN dedicated one-fourth of its advertising budget to promote the SCAR rifle to the firearms market. Throughout 2005 and 2006, FN showcased its military SCAR rifle at hundreds of trade shows, including one of the largest firearms shows in the world, the Shooting, Hunting, and Outdoor Trade Show ("SHOT Show"), as well as National Rifle Association shows, the National Defense Industrial Association Small Arms forum, the Association of the United States Army show, International Chiefs of Police shows, the National Sheriff Show, the Mock Prison Riot, the SWAT Round Up, the Police and Security Expo, and others. At these shows, FN routinely told attendees that it intended to introduce a semi-automatic version within two years. FN also distributed hats, T-shirts, key chains, brochures, flyers, and other promotional materials with the SCAR mark. Public interest in the rifle was high; for example, at the February 2006 SHOT Show held in Las Vegas, Nevada, hundreds of people lined up at FN's booth to see FN's SCAR rifle, and FN had to dedicate three employees to answering attendees' nonstop questions about its weapon. According to Bucky Mills, the Senior Director of Law Enforcement Sales and Training at FN, FN's SCAR rifle was "big news" and was "the number one talked about firearm at the whole SHOT Show in 2006." The fact that ninety percent of SHOT Show attendees are not affiliated with the U.S. military but are instead comprised of law enforcement personnel, distributors and retailers of firearms, and civilian consumers, speaks to the excitement among civilians about the prospect that FN would be introducing a semi-automatic SCAR rifle. In March 2006, FN issued a press release entitled, "The Making of the 21st Century Assault Rifle: SCAR SOF Combat Assault Rifle," which detailed the ongoing development of its SCAR rifle for USSOCOM. The press release also announced that the semi-automatic version of the SCAR "[would] potentially be available in the next two years."

FN was not able to release the civilian version of the SCAR rifle until November 2008 because, according to the testimony of Frank Spaniel ("Spaniel"), the Assistant Vice President of Research and Development at FN, it took several years to test the prototypes in various environments, make modifications that would prevent a civilian from converting it into a fully automatic weapon, and ensure that its factories could produce increasing quantities of the weapons while maintaining quality. FN also had to seek government approval from the Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF") to sell the semi-automatic SCAR to the wider commercial market, which took months. Finally, FN was contractually obligated to fill military orders before satisfying civilian demand for the weapon. However, the pent-up demand from 2004 to 2008 resulted in FN selling over $100 million worth of SCAR firearms after receiving ATF approval.

To enforce its rights in the SCAR mark, FN filed three trademark applications with the United States Patent and Trademark Office ("USPTO"). The first was for the use of SCAR on firearms and related items, which at the point of the district court proceedings was still pending before the USPTO. The second was for SCAR (and Design) for use in connection with firearms and related items, which indicated a date of first use of November 1, 2008. The USPTO registered the SCAR and Design mark in June 2010. The third was for SCAR for use in connection with games, toy replicas of weapons, and other related items, which was registered by the USPTO in February 2012.

2. Clyde Armory's SCAR–Stock Mark

Clyde Armory is a firearms retailer located in Georgia owned by Andrew Clyde ("Clyde"). Clyde has been in the firearms business since 1991. He has long been familiar with FN, having sold FN products since 2002. He was also an FN distributor from approximately 2006 to 2011.

In 2005, Clyde contacted Sage International, Ltd. ("Sage") President John Klein ("Klein") about manufacturing a replacement stock for certain rifles made by Sturm Ruger & Co., including the Mini–14, Mini–30, and AC–556. At the February 2006 SHOT Show, the same show in which long lines of attendees waited to see FN's SCAR rifle, the two met and planned the specific configuration for this replacement stock.

In April 2006, Clyde Armory selected the name SCAR–Stock or SCAR–CQB–Stock in connection with its replacement stocks. Clyde Armory claims that its use of the term SCAR is an acronym for "Sage Clyde Armory Rifle" stock. However, Klein had no recollection of this. At the time Clyde Armory adopted the SCAR–Stock mark, Clyde knew about the USSOCOM solicitation to create a combat rifle system. Clyde further knew that the rifle was abbreviated as the SCAR, and that USSOCOM had awarded FN the development contract to produce it, as he had seen an article in *Small Arms Review* announcing that FN won the bid to create the SCAR for USSOCOM.

Joshua Smith ("Smith"), Clyde Armory's former Chief Operations Officer, testified that FN's SCAR rifle was well known in the firearms world. He stated that when Clyde disclosed his plan to use SCAR–Stock in association with its stocks, Smith expressed concern that the SCAR "name was already taken … [b]y FN." Smith testified that Clyde Armory's intent was to "take advantage of marketing of the SCAR being a popular name already" and to "take advantage of the SCAR product name being on the market." Although Clyde testified that such a discussion never occurred, and although Smith left Clyde Armory in 2009 under bad circumstances, the district court found Smith's testimony credible in light of Clyde's admitted knowledge about FN's SCAR rifles.

Throughout the spring and summer of 2006, Clyde Armory worked with Sage to finalize its replacement stock system, and it shipped its first SCAR–Stock product to a consumer on September 18, 2006. The stocks were engraved with the mark SCAR–CQB–Stock in the same font, color, and size as the SCAR mark on FN's rifles, using a laser just as FN used. Clyde Armory began promoting SCAR–Stock stocks through its website www.clydearmory.com, online advertising, print ads, and trade show displays. In early 2007, it began using the domain name www.scarstock.com, which channels Internet traffic to www.clydearmory.com. Through April 2015, Clyde Armory had sold 913 SCAR–Stock units, for a total gross revenue of approximately $450,000.

B. Procedural History

. . . .

[FN brought infringement and related claims against Clyde Armory. Clyde Armory defended by claiming priority of its use of the SCAR–Stock mark. After a bench trial, the district court held that FN had priority to the SCAR mark and ruled in FN's favor on the merits. Clyde Armory appealed on a number of issues, including the question of priority.]

II. DISCUSSION

. . .

1. The District Court's Finding that FN Used the SCAR Mark in Commerce before Clyde Armory Used the SCAR–Stock Mark

A trademark on goods is used in commerce when "it is placed in any manner on the goods or their containers or the displays associated therewith [and] the goods are sold or transported in commerce." 15 U.S.C. § 1127. "Rights in a trademark are determined by the date of the mark's first use in commerce. The party who first uses a mark in commerce is said to have priority over other users." *Hana Fin., Inc. v. Hana Bank*, ––– U.S. ––––, 135 S.Ct. 907, 909 (2015). We review the district court's factual findings underlying its priority determination for clear error. . . .

This Court uses a two-part test to determine whether a party has demonstrated prior use of a mark in commerce:

> [E]vidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales.

Planetary Motion[*, Inc. v. Techsplosion, Inc.*,], 261 F.3d [1188,] 1195 [(11th Cir. 2001)] (quoting *New Eng. Duplicating Co. v. Mendes*, 190 F.2d 415, 418 (1st Cir. 1951)) (footnotes omitted). The typical evidence of use in commerce is the sale of goods bearing the mark. However, in the absence of actual sales, advertising, publicity, and solicitation can sufficiently meet the public identification prong of the test. The district court and the parties use the term "analogous use" to describe these promotional efforts, which is derived from other courts' analysis of this issue. *See, e.g.*, *Am. Express Co. v. Goetz*, 515 F.3d 156, 161 (2d Cir. 2008) ("[T]he analogous use doctrine, where it applies, eases the technical requirements for trademarks and services marks in favor of a competing claimant who asserts priority on the basis of earlier analogous use of the mark."); *T.A.B. Sys. v. Pactel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996) (analogous use refers to pre-sale promotional efforts such as "advertising brochures, catalogs, newspaper ads, and articles in newspapers and trade publications"). However, "activities claimed to constitute analogous use must have substantial impact on the purchasing public." *T.A.B. Sys.*, 77 F.3d at 1376. "At the very least analogous use must be use that is open and notorious [or] of such a nature and extent that the mark has become popularized in the public mind so that the relevant segment of the public identifies the marked goods with the mark's adopter." *Goetz*, 515 F.3d at 161–62 (internal quotation marks and citations omitted). The promotional activities must also occur within a commercially reasonable period of time prior to actual use of the mark to be considered analogous use of the mark. *See id*. at 162.

Considerable evidence supports the district court's factual finding that FN used the SCAR mark in commerce prior to Clyde Armory's first sale of a replacement stock bearing the SCAR–Stock mark September 2006. On November 5, 2004, USSOCOM entered into a ten-year contract with FN and ordered SCAR brand rifles in an amount totaling over $634,000. Thereafter, FN continuously sold and transported firearms bearing its SCAR mark from Belgium to USSOCOM in the United States for use by military special forces. By November 5, 2007, FN had sold over $11 million worth of SCAR firearms and accessories to the military pursuant to the USSOCOM contract. All the while, FN received extensive media attention, which credited FN with winning the USSOCOM bid and tracked the development of FN's SCAR weapon system for the military. Clyde Armory asserts that FN's sales solely to one governmental entity should not constitute "use in commerce," but these facts support the district court's conclusion that FN's sales to the military were nonetheless "sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of [FN,] the adopter of the mark." *Planetary Motion*, 261 F.3d at 1195.

Nor does the fact that FN did not have a semi-automatic SCAR weapon available for law enforcement and civilian purchase until late 2008 change our analysis because, in addition to military sales, FN established prior use through analogous use: that is, extensive pre-sale advertising and promotional activities for its semi-automatic SCAR rifle dating back to 2005. Almost immediately after it began shipping and selling to USSOCOM, FN started marketing SCAR brand rifles to law enforcement and civilians, dedicating one-fourth of its advertising budget to showcase its SCAR rifles at hundreds of trade shows and events in 2005 and 2006, including the February 2006 SHOT Show where its SCAR rifle was "the number one talked about firearm," further promoting the SCAR rifles with accompanying hats, T-shirts, keychains, brochures, and other promotional materials all bearing the SCAR mark, and issuing a press release in March 2006 detailing its intent to develop the semi-automatic version within two years. Although actual sales were not made until late 2008, these "open and notorious" promotional activities in 2005 and 2006 sufficiently created an association in the relevant portion of the public's mind so that they identified the SCAR rifles with FN.

We also note that although Clyde Armory states that it is relevant that FN listed a first use date of November 1, 2008, on one of its trademark applications, its USPTO applications and registrations are not relevant to the foregoing analysis.

Neither federal nor Georgia law requires that a party assert a trademark registration before bringing Lanham Act or state law claims. FN thus appropriately relied on its common law rights in the SCAR mark derived through actual use dating back to 2004. Nor is Clyde Armory's suggestion well-taken that because USSOCOM invented the term SCAR, FN could not develop trademark rights. A leading treatise on trademarks states, "Unlike patent law, rights in trademarks are not gained through discovery or invention of the mark, but only through actual usage." J. Thomas McCarthy, 2 McCarthy on Trademarks & Unfair Competition § 16:11 (4th ed. 2015) (hereinafter, "McCarthy"); *see Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) ("conception of the mark" does not establish trademark rights at common law).

In sum, FN's sales of SCAR rifles to USSOCOM alone are sufficient to establish FN's priority of use as early as 2004. In addition to this use, FN's marketing efforts establish priority in 2005 and 2006 because they constitute "use analogous to trademark use" and were followed by sales to law enforcement and civilians within a commercially reasonable period of time.

Notes

Intent-to-use registrations. Section 1(b) refers to "Intent to Use" (ITU) registrations. Prior to the amendment of the Lanham Act in 1988 to allow such registrations, the United States had a wholly use-based registration system. It was impossible to register one's mark until that mark was actually used in commerce. One consequence was that those who wanted to claim a trademark, but were not ready for full-scale commercial activities, had an incentive to engage in "token" uses—transactions that only existed to claim trademark rights. Note that the statute now excludes such uses from the kind of use that secures priority in a mark.

What are the advantages and drawbacks of a pure first-to-use registration system? Of a first-to-register? Is the ITU system the best of both worlds? Or not?

For a discussion of what constitutes a *bona fide* intent to use, *see* Kelly Services, Inc. v. Creative Harbor, LLC, 846 F.3d 857, 865 (6th Cir. 2017). In that case, the court held that where genuine intent is established for some, but not all, goods and services in the application, the remedy is to limit the application, rather than voiding it in its entirety. *Id.* at 875.

How much use? Decisions vary on just how much use creates trademark rights. *Compare* Lucent Information Management, Inc. v. Lucent Technologies, Inc., 186 F.3d 311 (3d Cir. 1999) (single sale insufficient to confer priority), *with* Blue Bell, Inc. v. Farah Mfg. Co., 508 F.2d 1260, 1265 (5th Cir. 1975) ("[E]ven a single use in trade may sustain trademark rights if followed by continuous commercial utilization.").

Courts often employ a contextual analysis "to determine whether the market penetration of a trademark in an area is sufficient to warrant protection." *Lucent*, 186 F.3d at 317 (considering "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area") (quoting Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1398-99 (3d Cir. 1985) (citations omitted)); *see also* TMEP § 901.02 ("[S]ome factors to consider when determining compliance with the statutory requirement for a 'bona fide use of a mark in the ordinary course of trade' are: (1) the amount of use; (2) the nature or quality of the transaction; and (3) what is typical use within a particular industry.").

Can a product distribution without sales establish priority? If your gut tells you no, what would that do to the business model of companies that initially rely on the distribution of free product as a means of brand building? *See, e.g.*, Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188 (11th Cir. 2001) (free distribution of trademarked software created priority in the mark).

"Analogous" use. Section 2(d) of the Lanham Act (15 U.S.C. § 1052(d)) bars registration if the mark in question "so resembles a mark registered in the Patent and Trademark Office, *or a mark or trade name previously used* in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion." In practice, the Trademark Office will bar registrations when the opposer's prior use in question is merely "analogous" to a trademark use. Stated another way, even a non-trademark use may be enough to prevent a third-party registration. Herbko Intern., Inc. v. Kappa Books, Inc., 308 F.3d 1156 (Fed. Cir. 2002) ("Before a prior use becomes an analogous use sufficient to create proprietary rights, the petitioner must show prior use sufficient to create an association in the minds of the purchasing public between the mark and the petitioner's goods. A showing of analogous use does not require direct proof of an association in the public mind. Nevertheless, the activities claimed to create such an association must reasonably be expected to have a substantial impact on the purchasing public before a later user acquires proprietary rights in a mark." (citations omitted)); T.A.B. Systems v. Pactel Teletrac, 77 F.3d 1372, 1375 (Fed. Cir. 1996) ("It is well settled that one may ground one's opposition to an application on the prior use of a term in a manner analogous to service mark or trademark use. Such an 'analogous use' opposition can succeed, however, only where the analogous use is of such a nature and extent as to create public identification of the target term with the opposer's product or service." (citations omitted)).

Note that analogous use capable of giving priority is still not the same as use that supports registration. As the TTAB explained:

> Use analogous to trademark use … is non-technical use of a trademark in connection with the promotion or sale of a product under circumstances which do not provide a basis for an application to register, usually because the statutory requirement for use on or in connection with the sale of goods in commerce has not been met. *Although never considered an appropriate basis for an application to register*, such use has consistently been held sufficient use to establish priority rights as against subsequent users of the same or similar marks.

Shalom Children's Wear Inc. v. In-Wear A/S, 26 U.S.P.Q.2d 1516, 1519 (T.T.A.B. 1993) (emphasis added).

Abandonment. The question of what kind of use is necessary to obtain mark rights carries with it the issue of how much use is needed to maintain them. We will discuss trademark abandonment in a later class.

Which market? Suppose priority is established in one market, will it lead to priority in similar, but not identical, markets? In other words, suppose a company establishes the EAGLE mark for fast-food hamburgers in 2000. In 2005 another company begins using EAGLE for fast-food burritos. In 2007, may the hamburger company enter the burrito market and claim priority to the EAGLE mark? Perhaps. Its success will depend on the facts. According to McCarthy, "[w]hat is or is not a 'natural expansion' in fact is determined by the perception of customers at the time of the junior user's first use of mark A on product line Z." McCarthy § 24:20. This means that sometimes it will be the junior user who has priority to the market in question. *Id.* (collecting examples of senior and junior users prevailing). Delay on the part of the senior user will affect outcomes here as well.

Excelled Sheepskin & Leather Coat Corp. v. Oregon Brewing Co., 897 F.3d 413 (2d Cir. 2018), raised this issue for merchandising markets. The case adjudicated mark priority between a clothes maker (Excelled) and a brewing company (OBC). OBC sold beer under the ROGUE mark, and used the mark on promotional merchandise, including clothing. Did the promotional uses give it priority in the clothing market generally? Reversing the district court, the Second Circuit said yes.

> . . . . Excelled contends and the district court found that OBC's rights to the ROGUE mark were inferior to those of Excelled "with respect to sales in department and clothing stores," and that any trademark rights that OBC

might have with respect to use of ROGUE on clothing are limited to "sales as complements to and in promotion of its beer business." The court explained that the first use of a mark does not give the user exclusive rights over the mark "as to all goods or services and across all markets." Prior to 2000 (the date of Excelled's first PTO application), there was no evidence of OBC sales of ROGUE clothing unrelated to the promotion of its beer, and the evidence showed OBC did not begin selling ROGUE clothing in department or clothing-only stores until 2011.

We disagree with the district court's conclusion. Common law trademark rights derive from "initial appropriation and use [ ] accompanied by an intention to continue exploiting the mark commercially." *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d at 1271. . . . The district court found that OBC deliberately and continuously sold ROGUE-branded clothing throughout the United States since 1989. Even if those uses were intended primarily to support OBC's ROGUE trademark for beer, they were nonetheless bona fide continuous nationwide sales in significant quantities and were sufficient to establish a protectable priority in use of the mark for the sale of such goods. While it is correct, as the district court reasoned, that first use of a mark does not give the owner exclusive rights over the mark "as to all goods or services and across all markets," it does not follow that the owner's rights are limited to the types of stores in which the owner has previously exploited the mark. The law does not limit the owner's trademark rights to the types of stores in which it has sold, leaving the mark up for grabs in any other type of store. The fact that, prior to 2011, OBC did not sell in department stores and clothing-only stores does not mean that a new user was free to usurp OBC's priority in such stores.

To be sure, the senior user of a mark does not preserve its priority as to expansion into other unrelated goods or services. *See, e.g.*, *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 216-17 (2d Cir. 2003) (leaving open whether "the sauce market [was] sufficiently related to the restaurant market such that the proprietor of a mark for a restaurant can prevent another's use of a similar mark in the sauce market"). But expanding into new product lines in which someone else has priority is different from beginning to sell the goods on which one has nationwide priority in a new category of stores (where a junior user is making infringing sales under the senior user's mark). This dispute does not involve OBC newly undertaking to use ROGUE on goods for which Excelled had established priority. OBC maintained its senior common law rights against Excelled's intervening junior use of the mark for

> the same items of ROGUE-branded clothing that OBC has sold continuously since 1989. . . .
>
> . . . . OBC was the senior user of ROGUE on several categories of apparel nationwide and established a protectible priority in the mark's use for such goods. The fact that it had not sold in department or clothing-only stores did not mean that Excelled, as a junior user, was free to usurp OBC's mark in those stores. As a result, Excelled cannot show that it holds a protectible priority in the mark for the same categories of apparel and, thus, as a matter of law cannot prevail on its trademark infringement claims.

Use as a trademark? Another concern is whether a claimed mark is being used in a way that consumers would perceive as performing a trademark function. Courts and the PTO sometimes refuse to protect claimed marks that fail this test (considering questions like placement of the mark, whether it is set off from other elements, whether the matter is informational, etc.). For an argument that this trademark use question should be more prominent and integrate considerations of distinctiveness, *see* Alexandra J. Roberts, *Trademark Failure to Function*, 104 Iowa L. Rev. 1977 (2019).

In addressing these concerns the question of the proper scope of trademark protection is never far behind. For example, the Trademark Office will sometimes refuse to register a mark that is merely used as a slogan on a t-shirt.

> An ornamental refusal is when the USPTO refuses registration of your mark because the sample of how you actually use the applied-for mark (the "specimen") or other information in the record shows use of your mark merely as an ornamental or decorative feature on the goods and not as a trademark to indicate the source of the goods. For example, a slogan prominently displayed on the front of a t-shirt may be considered merely ornamental use and not trademark use. That is, most purchasers of the t-shirts would not automatically think the slogan identified the source of the goods but would view the slogan only as a decoration on the goods.

USPTO, "'Ornamental' Refusal and How to Overcome This Refusal," https://www.uspto.gov/trademark/laws-regulations/ornamental-refusal-and-how-overcome-refusal-0. Fair enough. So suppose the t-shirt entrepreneur uses the slogan on the front of the shirt *and* the collar tag (where trademarks on clothing are often found). That seems enough for trademark protection. Suppose then that a competitor comes along who uses the same slogan on the front of the t-shirt, but has an entirely different (non-infringing) trademark inside the collar? Should an infringement claim based on the front be possible?

Whose use? If a new product comes on the market, and multiple sellers distribute it to the public, it is clear enough that the use of the mark gives rights to the maker of the product. But what if the manufacturer and the distributor are in an exclusive relationship? Of course parties can bargain over the matter ex ante, but what if they fail to do so? A common approach is a test proposed by Professor McCarthy:

> where initial ownership between a manufacturer and its exclusive distributor is at issue and no contract exists, the manufacturer is the presumptive trademark owner unless the distributor rebuts that presumption using a multi-factor balancing test designed to examine the distribution agreement in effect between the parties. The six factors that should be considered are: (1) "[w]hich party invented or created the mark"; (2) "[w]hich party first affixed the mark to goods sold"; (3) "[w]hich party's name appeared on packaging and promotional materials in conjunction with the mark"; (4) "[w]hich party exercised control over the nature and quality of goods on which the mark appeared"; (5) "[t]o which party did customers look as standing behind the goods, e.g., which party received complaints for defects and made appropriate replacement or refund"; and (6) "[w]hich party paid for advertising and promotion of the trademarked product." [Doeblers' Pa. Hybrids, Inc. v.] Doebler, 442 F.3d [812,] 826 [(3d Cir. 2006)] (quoting 2 McCarthy on Trademarks § 16:48).
>
> The presumption and rebuttal factors of the McCarthy test place a thumb on the ownership scale in favor of the manufacturer, but invite courts to consider various indicia of ownership designed to elicit the roles and responsibilities of the parties and the expectations of consumers in order to gauge whether, in a given case, the distributor and not the manufacturer operated as the rightful owner of the contested mark. Thus, unlike the first use test, this approach allows courts to undertake a thorough, individualized analysis of each case that accounts for the unique attributes of the manufacturer-distributor relationship.

Covertech Fabricating, Inc. v. TVM Bldg. Prod., Inc., 855 F.3d 163, 171 (3d Cir. 2017).

Purchasing priority. The valid assignment of rights may enable one to acquire priority to a mark. RXD Media, LLC v. IP Application Dev. LLC, 986 F.3d 361, 370 (4th Cir. 2021) ("When Fujitsu assigned to Apple its rights to the "ipad" mark in March 2010, that assignment included Fujitsu's "first use" date of January 2002 and its “priority use” date of March 2003. Apple acquired Fujitsu's then-pending trademark application, which had been filed on March 7, 2003.” (footnote omitted)).

Fictional use. What about fictional trademarks? Should they confer priority on the originator in the real world? Should the makers of *the Simpsons* be able to control the mark for the fictional in-universe DUFF beer? *See* Viacom Int’l v. IJR Capital Investments, L.L.C., 891 F.3d 178 (5th Cir. 2018) (permitting Viacom to claim a trademark in the KRUSTY KRAB because it is “integral” to *SpongeBob Square Pants*).

Tacking. What happens when a mark changes its image over time? Today, for example, the PEPSI logo looks like this:

But in 1902, it looked like this:

When marks change, there is a risk of losing priority if the mark evolves into something that is already on the market. In such cases, there is room for the owner of the evolving mark to nonetheless claim priority by tacking use of the modified mark onto use of the original. The key question is whether the mark maintains continuity in overall commercial impression. For many large shifts in a mark, e.g. a sports team that changes its logo, there is no issue because the markholder is careful to adopt a new mark that it is the first to use. Complications arise when priority *is* an issue. Consider the following facts:

1900: A bank begins using AMERICAN SECURITY as a mark
1935: Another bank begins use of the name AMERICAN SECURITY BANK
1973: The first bank begins using AMERICAN SECURITY BANK

Should the first bank be allowed to obtain registration for AMERICAN SECURITY BANK?

Hana Financial, Inc. v. Hana Bank
135 S. Ct. 907 (2015)

Justice SOTOMAYOR delivered the opinion of the Court.

Rights in a trademark are determined by the date of the mark's first use in commerce. The party who first uses a mark in commerce is said to have priority over other users. Recognizing that trademark users ought to be permitted to make certain modifications to their marks over time without losing priority, lower courts have provided that, in limited circumstances, a party may clothe a new mark with the priority position of an older mark. This doctrine is called "tacking," and lower courts have found tacking to be available when the original and revised marks are "legal equivalents" in that they create the same, continuing commercial impression. The question presented here is whether a judge or a jury should determine whether tacking is available in a given case. Because the tacking inquiry operates from the perspective of an ordinary purchaser or consumer, we hold that a jury should make this determination.

I

Petitioner, Hana Financial, and respondent Hana Bank, a subsidiary of respondent Hana Financial Group, both provide financial services to individuals in the United States. Hana Bank (hereinafter respondent) was established in 1971 as a Korean entity called Korea Investment Finance Corporation. In 1991, that entity changed its name to "Hana Bank" and began using this name in Korea. In 1994, it established a service called Hana Overseas Korean Club to provide financial services to Korean expatriates, and specifically advertised that service in the United States. Those advertisements used the name "Hana Overseas Korean Club" in both English and Korean, and included the name "Hana Bank" in Korean and respondent's "dancing man" logo. In 2000, respondent changed the name of the Hana Overseas Korean Club to "Hana World Center." In 2002, respondent began operating a bank in the United States under the name "Hana Bank." This enterprise amounted to respondent's first physical presence in the United States.

Petitioner was established in 1994 as a California corporation called Hana Financial. It began using that name and an associated trademark in commerce in 1995. In 1996, it obtained a federal trademark registration for a pyramid logo with the name "Hana Financial" for use in connection with financial services.

In 2007, petitioner sued respondent, alleging infringement of its "Hana Financial" mark. As relevant here, respondent denied infringement by invoking the tacking doctrine and claiming that it had priority. The District Court initially granted summary judgment to respondent on the infringement claim, but the Court of Appeals for the Ninth Circuit reversed, holding that there were genuine issues of material fact as to priority. On remand, the infringement claim was tried before a jury. The District Court adopted in substantial part the jury instruction proposed by petitioner, and, without objection from petitioner, instructed the jury as follows:

> "A party may claim priority in a mark based on the first use date of a similar but technically distinct mark where the previously used mark is the legal equivalent of the mark in question or indistinguishable therefrom such that consumers consider both as the same mark. This is called 'tacking.' The marks must create the same, continuing commercial impression, and the later mark should not materially differ from or alter the character of the mark attempted to be tacked."

The jury returned a verdict in favor of respondent, and the District Court denied petitioner's motion for judgment as a matter of law.

The Court of Appeals for the Ninth Circuit affirmed. The court explained that, although tacking applies only in "exceptionally narrow circumstances," it " 'requires a highly fact-sensitive inquiry' " that is "reserved for the jury". The court acknowledged, however, that whether tacking should be decided by juries or judges "is the subject of a circuit split." 735 F.3d, at 1164, n. 5 (noting that the Federal and Sixth Circuits "evaluate tacking as a question of law"); see *Van Dyne–Crotty, Inc. v. Wear–Guard Corp.*, 926 F.2d 1156, 1159 (C.A.Fed.1991); *Data Concepts, Inc. v. Digital Consulting, Inc.*, 150 F.3d 620, 623 (C.A.6 1998)....

II

As discussed above, the general rule adopted by lower courts has been that two marks may be tacked when the original and revised marks are "legal equivalents." This term refers to two marks that "create the same, continuing commercial impression" so that consumers "consider both as the same mark." *Van Dyne–Crotty, Inc.*, 926 F.2d, at 1159 (internal quotation marks omitted); see, *e.g., George & Co., LLC v. Imagination Entertainment Ltd.*, 575 F.3d 383, 402 (C.A.4 2009); *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1047–1048 (C.A.9 1999); *Data Concepts, Inc.*, 150 F.3d, at 623. "The commercial impression that a mark conveys must be viewed through the eyes of a consumer." *DuoProSS Meditech Corp. v. Inviro Medical Devices, Ltd.*, 695 F.3d 1247, 1253 (C.A.Fed.2012); see 3 J. McCarthy, Trademarks and Unfair Competition § 17:26, p. 17–71 (4th ed. 2014) (" 'Commercial impression,' like most issues in trademark law, should be determined from the perspective of the ordinary purchaser of these kinds of goods or services").

Application of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury. Indeed, we have long recognized across a variety of doctrinal contexts that, when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer. See, *e.g., United States v. Gaudin,* 515 U.S. 506, 512 (1995) (recognizing that " 'delicate assessments of the inferences a "reasonable [decisionmaker]" would draw … [are] peculiarly one[s] for the trier of fact' " (quoting *TSC Industries, Inc. v. Northway, Inc.,* 426 U.S. 438, 450 (1976); first alteration in original)); *id.,* at 450, n. 12 (observing that the jury has a "unique competence in applying the 'reasonable man' standard"); *Hamling v. United States,* 418 U.S. 87, 104–105 (1974) (emphasizing "the ability of the juror to ascertain the sense of the 'average person' " by drawing upon "his own knowledge of the views of the average person in the community or vicinage from which he comes" and his "knowledge of the propensities of a 'reasonable' person"); *Railroad Co. v. Stout,* 17 Wall. 657, 664 (1874) ("It is assumed that twelve men know more of the common affairs of life than does one man, [and] that they can draw wiser and safer conclusions from admitted facts thus occurring than can a single judge").

This is certainly not to say that a judge may never determine whether two marks may be tacked. If the facts warrant it, a judge may decide a tacking question on a motion for summary judgment or for judgment as a matter of law. See Fed. Rules Civ. Proc. 50, 56(a). And if the parties have opted to try their case before a judge, the judge may of course decide a tacking question in his or her factfinding capacity. We hold only that, when a jury trial has been requested and when the facts do not warrant entry of summary judgment or judgment as a matter of law, the question whether tacking is warranted must be decided by a jury.

III

Attempting to overcome our conclusion, petitioner offers four reasons why, in its view, tacking is a question of law that should be resolved by a judge. None persuades us.

Petitioner first observes that the "legal equivalents" test involves the application of a legal standard. True enough, but "the application-of-legal-standard-to-fact sort of question …, commonly called a 'mixed question of law and fact,' has typically been resolved by juries." *Gaudin,* 515 U.S., at 512; see *id.,* at 514 ("[T]he jury's constitutional responsibility is not merely to determine the facts, but to apply the law to those facts and draw the ultimate conclusion …"); *Miller v. Fenton,* 474 U.S. 104, 113 (1985) ("[A]n issue does not lose its factual character merely because its resolution is dispositive of the ultimate … question"). The "mixed" analysis that takes place during the tacking inquiry is no different. And insofar as petitioner is concerned that a jury may improperly apply the relevant legal standard, the solution is to craft careful jury instructions that make that standard clear. Here, however, petitioner can hardly criticize the instruction the District Court gave the jury, as it was essentially the instruction petitioner proposed.

Second, petitioner argues that tacking determinations will "create new law that will guide future tacking disputes"—a task reserved for judges. It is not at all clear, however, why a tacking determination in a particular case will "create new law" any more than will a jury verdict in a tort case, a contract dispute, or a criminal proceeding. Petitioner insists that tacking questions "have to be" resolved by comparing two marks in a given case "against those addressed in other tacking cases," but we do not agree. Of course, in deciding summary judgment motions, or in making rulings in bench trials, judges may look to past cases holding that trademark owners either were or were not entitled to tacking as a matter of law. But petitioner offers no support for the claim that tacking cases "have to be" resolved by reliance on precedent....

Third, and related, petitioner worries that the predictability required for a functioning trademark system will be absent if tacking questions are assigned to juries. But, again, the same could be said about the tort, contract, and criminal justice systems: In all of these areas, juries answer often-dispositive factual questions or make dispositive applications of legal standards to facts. The fact that another jury, hearing the same case, might reach a different conclusion may make the system "unpredictable," but it has never stopped us from employing juries in these analogous contexts. Petitioner has offered no reason why trademark tacking ought to be treated differently. Moreover, decisionmaking in fact-intensive disputes necessarily requires judgment calls. Regardless of whether those judgment calls are made by juries or judges, they necessarily involve some degree of uncertainty, particularly when they have to do with how reasonable persons would behave.

Finally, petitioner argues that, as a historical matter, judges have resolved tacking disputes. But petitioner relies on cases in which judges have resolved tacking disputes in bench trials, at summary judgment, or the like. As we have noted, it is undisputed that judges may resolve tacking disputes in those contexts. But recognizing as much does not gainsay our conclusion that, when a jury is to be empaneled and when the facts warrant neither summary judgment nor judgment as a matter of law, tacking is a question for the jury....

Surrogate Uses

Section 5 of the Lanham Act (15 U.S.C. § 1055) provides:

> Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public. If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.

The last sentence enables trademark priority based on use by a franchisee. So, for example, a new entrant into the fast food business may begin as a franchisor. It is not required to open a franchise owned by the corporation.

What happens when the public is the user of the term in question?

Illinois High School Ass'n v. GTE Vantage Inc.
99 F.3d 244 (7th Cir. 1996)

POSNER, Chief Judge.

This is an appeal from the denial of a preliminary injunction sought by the Illinois High School Association to protect its trademark "March Madness" against infringement by GTE Vantage Inc. Vantage holds a license for the mark from the National Collegiate Athletic Association. The appeal presents a novel issue of trademark law.

Since the early 1940s, the Illinois High School Association, sponsor of the Illinois high school basketball tournament-the premier high school basketball tournament in the United States, we are told-has used the trademark "March Madness" to designate the tournament, held every year in March and sometimes broadcast nationally. IHSA has licensed the use of the trademark on merchandise associated with the tournament. Another basketball tournament-NCAA's "Final Four" championship-is also played in March, spilling over into the early part of April. In 1982, when CBS began televising the "Final Four" championship games, broadcaster Brent Musburger used the term "March Madness" to designate them. The term caught on and is now widely used by the media and the public to denote this basketball tournament as well as IHSA's.

In 1993 or 1994, NCAA began licensing the use of the term "March Madness" to producers of goods and services related to its tournament. Earlier this year one of the licensees, Vantage, began using "March Madness" to promote a CD-ROM game that it calls "NCAA Championship Basketball." The term "March Madness" appears in a circle on the box in which the game is to be sold and in some of the game's computer graphics. Vantage's use of the term precipitated this suit, which seeks injunctive relief for unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

IHSA argues that the use by NCAA licensees of the term "March Madness" is likely to confuse consumers. A few will think that Vantage's game is sponsored by IHSA or otherwise connected with the Illinois high school basketball tournament, but more will think that the IHSA tournament is sponsored by NCAA or that the trademark "March Madness" affixed to merchandise licensed by IHSA actually refers to the NCAA tournament. The latter effect-what the cases call "reverse confusion," where a powerful junior user of the trademark (NCAA dwarfs IHSA) swamps the senior's use of it with advertising and other publicity that extinguishes consumer demand for the senior user's product is likely to impair IHSA's ability to make money by licensing its trademark on merchandise and other incidentals.

The issue of likelihood of confusion does not arise, however, until it is determined that the plaintiff has a trademark that the law will protect; and the district judge thought that IHSA does not, so far as the use of the term "March Madness" in connection with the NCAA tournament is concerned. It has been many years since the media first appropriated the term to describe the NCAA tournament (if "appropriation" is the right word-it may be a case of independent discovery). Most people know what they know about college basketball from the media. If the media call the NCAA tournament "March Madness," that is what the public will call it, or know it as.

IHSA argues that it is unfair to make its rights depend on the whims of the media. Because a court could not, without violating the free-speech clause of the First Amendment, have enjoined (or used other legal remedies to prevent or deter) the media from calling the NCAA tournament "March Madness," IHSA was helpless to prevent its trademark from being transformed into the name of another product. Its property right should not, it argues, depend on events over which it has no control.

It is true that IHSA could not have sued Musburger or CBS for referring to "March Madness" in a news program (including a program of sports news), or even in advertising if the term were used merely for identification. But it could have sued them (with what success we need not speculate-a suit at this late date would surely be barred by laches) for using its trademark to promote CBS's broadcast of the NCAA championship. And it could have supplicated them not to spoil its trademark by using it to name something else. A serious trademark holder is assiduous in endeavoring to convince dictionary editors, magazine and newspaper editors, journalists and columnists, judges, and other lexicographically influential persons to avoid using his trademark to denote anything other than the trademarked good or service. These efforts sometimes succeed. IHSA was not assiduous. But that is a detail-is in fact irrelevant, for no defense of laches has been pleaded by Vantage or, so far as the record suggests, would succeed.

What matters is that a trademark is not nearly so secure an entitlement as a property right. It is mainly just a designation of source, 15 U.S.C. §§ 1114(1), 1125(a), and dies when it ceases to designate, for whatever reason other than the culpable conduct of the defendant. Were NCAA responsible for blotting out the exclusive association of "March Madness" with the Illinois high school basketball tournament, IHSA might have a remedy on a theory of reverse confusion, though probably not an injunctive remedy since that would promote confusion among consumers, most of whom now identify the term with the NCAA tournament. But

IHSA blames CBS, which is not a defendant, rather than NCAA, much less Vantage, for the blotting out.

. . . . When a trademark becomes generic, such as "aspirin" or "thermos," and so loses trademark protection, because the public, perhaps egged on by the omnipresent media, decides to use the trademark to designate not the particular manufacturer's brand but the entire product comprising all the competing brands, the trademark is dead no matter how vigorously the holder has tried to prevent this usage. . . .

IHSA acknowledges this point but seeks to deflect it by pointing out that "March Madness" has not become generic. It is not the name of basketball tournaments, or any other set of events, that occur in March. It is the name of two basketball tournaments, IHSA's and the NCAA's. (It has also been used to promote special discount sales of cars, Jennifer Cobb, "March Madness Not Confined to Hoops," *Tulsa World,* March 22, 1995, p. 2, but these uses are too remote to bear significantly on this case.) We cannot see what difference that makes. There is no magic in labels. Let "March Madness" be called not a quasi-generic term, or a term on its way to becoming generic, but a dual-use term. Whatever you call it, it's a name that the public has affixed to something other than, as well as, the Illinois high school basketball tournament. A trademark owner is not allowed to withdraw from the public domain a name that the public is using to denote someone else's good or service, leaving that someone and his customers speechless. No case so holds, other than the cases involving generic names, but no case holds the contrary, either. It is an issue of first impression, and we think that for the sake of protecting effective communication it should be resolved against trademark protection, thus assimilating dual-use or multiple-use terms to generic terms. . . .

We do not opine on the scope of the trademark rights that either IHSA or NCAA has, beyond ruling that IHSA's rights do not extend to the NCAA tournament and to merchandise such as Vantage's game that is sold in connection with that tournament.

AFFIRMED WITH REMAND.

10. Geographic protection

"Common Law" Trademark Rights

The traditional rule regarding the geographic scope of trademark rights was set by two Supreme Court cases in the 1910s, *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918), and *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916). Under the resulting "Tea Rose/Rectanus" doctrine, the user of a trademark has priority over junior users in the areas in which he/she actually operates or has established a reputation (plus a "zone of natural expansion"). For example, assume that Barrister's Ball coffee shop in Oklahoma City began operation in 2000 and has no website. It uses the mark, BARRISTER'S BALL, but does not register it. In 2005, an unrelated company opens BARRISTER'S BALL coffee in Boston, Massachusetts. Under the Tea Rose doctrine, the Oklahoma mark holder cannot enjoin the Boston use of the mark, *even though* the Oklahoma use was first. Things might be different, however, with respect to a competitor in Tulsa, as the city may be seen as being in the zone of natural expansion of the Oklahoma City shop.

United Drug Co. v. Theodore Rectanus Co.
248 U.S. 90 (1918)

Mr. Justice PITNEY delivered the opinion of the Court.

This was a suit in equity brought September 24, 1912, in the United States District Court for the Western District of Kentucky by the present petitioner, a Massachusetts corporation, against the respondent, a Kentucky corporation, together with certain individual citizens of the latter state, to restrain infringement of trade-mark and unfair competition. . . .

The essential facts are as follows: About the year 1877 Ellen M. Regis, a resident of Haverhill, Mass., began to compound and distribute in a small way a preparation for medicinal use in cases of dyspepsia and some other ailments, to which she applied as a distinguishing name the word 'Rex'-derived from her surname. The word was put upon the boxes and packages in which the medicine was placed upon the market, after the usual manner of a trade-mark. At first alone, and afterwards in partnership with her son under the firm name of 'E. M. Regis & Co.,' she continued the business on a modest scale; in 1898 she recorded the word 'Rex' as a trade-mark under the laws of Massachusetts; in 1900 the firm procured its registration in the United States Patent Office under the Act of March 3, 1881 (21 Stat. 502, c. 138); in 1904 the Supreme Judicial Court of Massachusetts sustained their trade-mark right under the state law as against a concern that was selling medicinal preparations of the present petitioner under the designation of 'Rexall

Remedies' (Regis v. Jaynes, 185 Mass. 458, 70 N. E. 480); afterwards the firm established priority in the mark as against petitioner in a contested proceeding in the Patent Office; and subsequently, in the year 1911, petitioner purchased the business with the trade-mark right, and has carried it on in connection with its other business, which consists in the manufacture of medicinal preparations, and their distribution and sale through retail drug stores, known as 'Rexall stores,' situate in the different states of the Union, four of them being in Louisville, Ky.

Meanwhile, about the year 1883, Theodore Rectanus, a druggist in Louisville, familiarly known as 'Rex,' employed this word as a trade-mark for a medicinal preparation known as a 'blood purifier.' He continued this use to a considerable extent in Louisville and vicinity, spending money in advertising and building up a trade, so that-except for whatever effect might flow from Mrs. Regis' prior adoption of the word in Massachusetts, of which he was entirely ignorant-he was entitled to use the word as his trade-mark. In the year 1906 he sold his business, including the right to the use of the word, to respondent; and the use of the mark by him and afterwards by respondent was continuous from about the year 1883 until the filing of the bill in the year 1912.

Petitioner's first use of the word 'Rex' in connection with the sale of drugs in Louisville or vicinity was in April, 1912, when two shipments of 'Rex Dyspepsia Tablets,' aggregating 150 boxes and valued at $22.50, were sent to one of the 'Rexall' stores in that city. Shortly after this the remedy was mentioned by name in local newspaper advertisements published by those stores. In the previous September, petitioner shipped a trifling amount-5 boxes-to a drug store in Franklin, Ky., approximately 120 miles distant from Louisville. There is nothing to show that before this any customer in or near Kentucky had heard of the Regis remedy, with or without the description 'Rex,' or that this word ever possessed any meaning to the purchasing public in that state, except as pointing to Rectanus and the Rectanus Company and their 'blood purifier.' That it did and does convey the latter meaning in Louisville and vicinity is proved without dispute. Months before petitioner's first shipment of its remedy to Kentucky, petitioner was distinctly notified (in June, 1911) by one of its Louisville distributors, that respondent was using the word 'Rex' to designate its medicinal preparations, and that such use had been commenced by Mr. Rectanus as much as 16 or 17 years before that time.

There was nothing to sustain the allegation of unfair competition, aside from the question of trade-mark infringement. As to this, both courts found, in substance, that the use of the same mark upon different but somewhat related preparations was carried on by the parties and their respective predecessors contemporaneously, but in widely separated localities, during the period in question-between 25 and 30 years-in perfect good faith; neither side having any knowledge or notice of what was being done by the other. The District Court held that, because the adoption of the mark by Mrs. Regis antedated its adoption by Rectanus, petitioner's right to the exclusive use of the word in connection with medicinal preparations intended for dyspepsia and kindred diseases of the stomach and digestive organs must be sustained, but without accounting for profits or assessment of damages for unfair trade. The Circuit Court of Appeals held that in view of the fact that Rectanus had used the mark for a long period of years in entire ignorance of Mrs. Regis' remedy or of her trade-mark, had expended money in making his mark well known, and had established a considerable though local business under it in Louisville and vicinity, while on the other hand during the same long period Mrs. Regis had done nothing, either by sales agencies or by advertising, to make her medicine or its mark known outside of the New England States, saving sporadic sales in territory adjacent to those states, and had made no effort whatever to extend the trade to Kentucky, she and her successors were bound to know that, misled by their silence and inaction, others might act, as Rectanus and his successors did act, upon the assumption that the field was open, and therefore were estopped to ask for an injunction against the continued use of the mark in Louisville and vicinity by the Rectanus Company.

The entire argument for the petitioner is summed up in the contention that whenever the first user of a trade-mark has been reasonably diligent in extending the territory of his trade, and as a result of such extension has in good faith come into competition with a later user of the same mark who in equal good faith has extended his trade locally before invasion of his field by the first user, so that finally it comes to pass that the rival traders are offering competitive merchandise in a common market under the same trade-mark, the later user should be enjoined at the suit of the prior adopter, even though the latter be the last to enter the competitive field and the former have already established a trade there. Its application to the case is based upon the hypothesis that the record shows that Mrs. Regis and her firm, during the entire period of limited and local trade in her medicine under the Rex mark, were making efforts to extend their trade so far as they were able to do with the means at their disposal. There is little in the record to support this hypothesis; but, waiving this, we will pass upon the principal contention.

The asserted doctrine is based upon the fundamental error of supposing that a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention, to either of which, in truth, it has little or no analogy. There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business. Hanover Milling Co. v. Metcalf, 240 U. S. 403, 412-414.

The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly.

In truth, a trade-mark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol-a commercial signature-upon the merchandise or the package in which it is sold.

It results that the adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade. And the expression, sometimes met with, that a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader to be protected against the sale by others of their wares in the place of his wares will be sustained.

Property in trade-marks and the right to their exclusive use rest upon the laws of the several states, and depend upon them for security and protection; the power of Congress to legislate on the subject being only such as arises from the authority to regulate commerce with foreign nations and among the several states and with the Indian tribes. Trade-Mark Cases, 100 U. S. 82, 93, 25 L. Ed. 550.

Conceding everything that is claimed in behalf of the petitioner, the entire business conducted by Mrs. Regis and her firm prior to April, 1911, when petitioner acquired it, was confined to the New England States, with inconsiderable sales in New York, New Jersey, Canada, and Nova Scotia. There was nothing in all of this to give her any rights in Kentucky, where the principles of the common law obtain. . . . There was nothing to prevent the state of Kentucky (saving, of course, what Congress might do within the range of its authority) from conferring affirmative rights upon Rectanus, exclusive in that commonwealth as against others whose use of the trade-mark there began at a later time than his; but whether he had such rights, or respondent now has them, is a question not presented by the record; there being no prayer for an injunction to restrain petitioner from using the mark in the competitive field.

It is not contended, nor is there ground for the contention, that registration of the Regis trade-mark under either the Massachusetts statute or the act of Congress, or both, had the effect of enlarging the rights of Mrs. Regis or of petitioner beyond what they would be under common-law principles. Manifestly the Massachusetts statute could have no extraterritorial effect. . . .

Undoubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question. But the reason is that purchasers have come to understand the mark as indicating the origin of the wares, so that its use by a second producer amounts to an attempt to sell his goods as those of his competitor. The reason for the rule does not extend to a case where the same trade-mark happens to be employed simultaneously by two manufacturers in different markets separate and remote from each other, so that the mark means one thing in one market, an entirely different thing in another. It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one state, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good will, at the instance of one who theretofore had employed the same mark, but only in other and remote jurisdictions, upon the ground that its first employment happened to antedate that of the first-mentioned trader.

In several cases federal courts have held that a prior use of a trade-mark in a foreign country did not entitle its owner to claim exclusive trade-mark rights in the United States as against one who in good faith had adopted a like trade-mark here prior to the entry of the foreigner into this market.

The same point was involved in Hanover Milling Co. v. Metcalf, 240 U. S. 403, 415, where we said:

> 'In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.'

In this case, as already remarked, there is no suggestion of a sinister purpose on the part of Rectanus or the Rectanus Company; hence the passage quoted correctly defines the status of the parties prior to the time when they came into competition in the Kentucky market. And it results, as a necessary inference from what we have said, that petitioner, being the newcomer in that market, must enter it subject to whatever rights had previously been acquired there in good faith by the Rectanus Company and its predecessor. To hold otherwise-to require Rectanus to retire from the field upon the entry of Mrs. Regis' successor-would be to establish the right of the latter as a right in gross, and to extend it to territory wholly remote from the furthest reach of the trade to which it was annexed, with the effect not merely of depriving Rectanus of the benefit of the good will resulting from his long-continued use of the mark in Louisville and vicinity, and his substantial expenditures in building up his trade, but of enabling petitioner to reap substantial benefit from the publicity that Rectanus has thus given to the mark in that locality, and of confusing if not misleading the public as to the origin of goods thereafter sold in Louisville under the Rex mark, for, in that market, until petitioner entered it, 'Rex' meant the Rectanus product, not that of Regis. . . .

. . . . Mrs. Regis and her firm, having during a long period of years confined their use of the 'Rex' mark to a limited territory wholly remote from that in controversy, must be held to have taken the risk that some innocent party might in the meantime hit upon the same mark, apply it to goods of similar character, and expend money and effort in building up a trade under it; and since it appears that Rectanus in good faith, and without notice of any prior use by others, selected and used the 'Rex' mark, and by the expenditure of money and effort succeeded in building up a local but valuable trade under it in Louisville and vicinity before petitioner entered that field, so that 'Rex' had come to be recognized there as the 'trade signature' of Rectanus and of respondent as his successor, petitioner is estopped to set up their continued use of the mark in that territory as an infringement of the Regis trade-mark. Whatever confusion may have arisen from conflicting use of the mark is attributable to petitioner's entry into the field with notice of the situation; and petitioner cannot complain of this. As already stated, respondent is not complaining of it.

Note

The Tea Rose doctrine had to accommodate the passage of the Lanham Act. One of the benefits of obtaining a federal trademark registration is nationwide priority of use. 15 U.S.C. § 1057(c) ("Contingent on the registration of a mark on the principal register provided by this chapter, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person [with prior use or registration rights]."). What does that mean for a junior user who commences post-registration use in an area where the registrant does not operate? This situation is covered by the *Dawn Donut* rule.

Dawn Donut Co. v. Hart's Food Stores, Inc.
267 F.2d 358 (2d Cir. 1959)

LUMBARD, Circuit Judge.

The principal question is whether the plaintiff, a wholesale distributor of doughnuts and other baked goods under its federally registered trademarks 'Dawn' and 'Dawn Donut,' is entitled under the provisions of the Lanham Trade-Mark Act to enjoin the defendant from using the mark 'Dawn' in connection with the retail sale of doughnuts and baked goods entirely within a six county area of New York State surrounding the city of Rochester. The primary difficulty arises from the fact that although plaintiff licenses purchasers of its mixes to use its trademarks in connection with the retail sales of food products made from the mixes, it has not licensed or otherwise exploited the mark at the retail level in defendant's market area for some thirty years.

We hold that because no likelihood of public confusion arises from the concurrent use of the mark in connection with retail sales of doughnuts and other baked goods in separate trading areas, and because there is no present likelihood that plaintiff will expand its retail use of the mark into defendant's market area, plaintiff is not now entitled to any relief under the Lanham Act, 15 U.S.C.A. § 1114. Accordingly, we affirm the district court's dismissal of plaintiff's complaint.

This is not to say that the defendant has acquired any permanent right to use the mark in its trading area. On the contrary, we hold that because of the effect of the constructive notice provision of the Lanham Act, should the plaintiff expand its retail activities into the six county area, upon a proper application and showing to the district court, it may enjoin defendant's use of the mark. . . .

Plaintiff, Dawn Donut Co., Inc., of Jackson, Michigan since June 1, 1922 has continuously used the trademark 'Dawn' upon 25 to 100 pound bags of doughnut mix which it sells to bakers in various states, including New York, and since 1935 it has similarly marketed a line of sweet dough mixes for use in the baking of coffee cakes, cinnamon rolls and oven goods in general under that mark. . . .

The district court found that with the exception of one Dawn Donut Shop operated in the city of Rochester, New York during 1926-27, plaintiff's licensing of its mark in connection with the retail sale of doughnuts in the state of New York has been confined to areas not less than 60 miles from defendant's trading area. . . .

The defendant, Hart Food Stores, Inc., owns and operates a retail grocery chain within [several] New York counties[. Its product distribution is confined] to an area within a 45 mile radius of Rochester. Its advertising of doughnuts and other baked products over television and radio and in newspapers is also limited to this area. Defendant's bakery corporation was formed on April 13, 1951 and first used the imprint 'Dawn' in packaging its products on August 30, 1951. The district court found that the defendant adopted the mark 'Dawn' without any actual knowledge of plaintiff's use or federal registration of the mark, selecting it largely because of a slogan 'Baked at midnight, delivered at Dawn' which was originated by defendant's president and used by defendant in its bakery operations from 1929 to 1935. Defendant's president testified, however, that no investigation was made prior to the adoption of the mark to see if anyone else was employing it. Plaintiff's marks were registered federally in 1927, and their registration was renewed in 1947. Therefore by virtue of the Lanham Act, the defendant had constructive notice of plaintiff's marks as of July 5, 1947, the effective date of the Act.

Defendant's principal contention is that because plaintiff has failed to exploit the mark 'Dawn' for some thirty years at the retail level in the Rochester trading area, plaintiff should not be accorded the exclusive right to use the mark in this area.

We reject this contention as inconsistent with the scope of protection afforded a federal registrant by the Lanham Act.

Prior to the passage of the Lanham Act courts generally held that the owner of a registered trademark could not sustain an action for infringement against another who, without knowledge of the registration, used the mark in a different trading area from that exploited by the registrant so that public confusion was unlikely. By being the first to adopt a mark in an area without knowledge of its prior registration, a junior user of a mark could gain the right to exploit the mark exclusively in that market.

But the Lanham Act, provides that registration of a trademark on the principal register is constructive notice of the registrant's claim of ownership. Thus, by eliminating the defense of good faith and lack of knowledge, § 1072 affords nationwide protection to registered marks, regardless of the areas in which the registrant actually uses the mark. . . .

That such is the purpose of Congress is further evidenced by 15 U.S.C.A. § 1115(a) and (b) which make the certificate of registration evidence of the registrant's 'exclusive right to use the * * * mark in commerce.' 'Commerce' is defined in 15 U.S.C.A. 1127 to include all the commerce which may lawfully be regulated by Congress. These two provisions of the Lanham Act make it plain that the fact that the defendant employed the mark 'Dawn,' without actual knowledge of plaintiff's registration, at the retail level in a limited geographical area of New York state before the plaintiff used the mark in that market, does not entitle it either to exclude the plaintiff from using the mark in that area or to use the mark concurrently once the plaintiff licenses the mark or otherwise exploits it in connection with retail sales in the area.

Plaintiff's failure to license its trademarks in defendant's trading area during the thirty odd years that have elapsed since it licensed them to a Rochester baker does not work an abandonment of the rights in that area. We hold that 15

U.S.C.A. § 1127, which provides for abandonment in certain cases of non-use, applies only when the registrant fails to use his mark, within the meaning of § 1127, anywhere in the nation. Since the Lanham Act affords a registrant nationwide protection, a contrary holding would create an insoluble problem of measuring the geographical extent of the abandonment. Even prior to the passage of the Lanham Act, when trademark protection flowed from state law and therefore depended on use within the state, no case, as far as we have been able to ascertain, held that a trademark owner abandoned his rights within only part of a state because of his failure to use the mark in that part of the state.

Accordingly, since plaintiff has used its trademark continuously at the retail level, it has not abandoned its federal registration rights even in defendant's trading area. . . .

Accordingly, we turn to the question of whether on this record plaintiff has made a sufficient showing to warrant the issuance of an injunction against defendant's use of the mark 'Dawn' in a trading area in which the plaintiff has for thirty years failed to employ its registered mark.

The Lanham Act, 15 U.S.C.A. § 1114, sets out the standard for awarding a registrant relief against the unauthorized use of his mark by another. It provides that the registrant may enjoin only that concurrent use which creates a likelihood of public confusion as to the origin of the products in connection with which the marks are used. Therefore if the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into defendant's market,[4] so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user's use of the mark.

As long as plaintiff and defendant confine their use of the mark 'Dawn' in connection with the retail sale of baked goods to their present separate trading areas it is clear that no public confusion is likely.

The district court took note of what it deemed common knowledge, that 'retail purchasers of baked goods, because of the perishable nature of such goods,

[4] To sustain a claim for injunctive relief, the plaintiff need not show that the marks are actually being used concurrently in the same trading area. Since the statutory standard for the invocation of injunctive relief is the likelihood of confusion, it is enough that expansion by the registrant into the defendant's market is likely in the normal course of its business. Even prior to the passage of the Lanham Act the courts held that the second user of a mark was not entitled to exclude the registered owner of the mark from using it in a territory which the latter would probably reach in the normal expansion of his business. Certainly, under the Lanham Act, evincing a congressional purpose to afford a registrant nationwide protection, the subsequent user is not entitled to any greater immunity.

usually make such purchases reasonably close to their homes, say within about 25 miles, and retail purchases of such goods beyond that distance are for all practical considerations negligible.' No objection is made to this finding and nothing appears in the record which contradicts it as applied to this case.

Moreover, we note that it took plaintiff three years to learn of defendant's use of the mark and bring this suit, even though the plaintiff was doing some wholesale business in the Rochester area. This is a strong indication that no confusion arose or is likely to arise either from concurrent use of the marks at the retail level in geographically separate trading areas or from its concurrent use at different market levels, viz. retail and wholesale in the same area.

The decisive question then is whether plaintiff's use of the mark 'Dawn' at the retail level is likely to be confined to its current area of use or whether in the normal course of its business, it is likely to expand the retail use of the mark into defendant's trading area. If such expansion were probable, then the concurrent use of the marks would give rise to the conclusion that there was a likelihood of confusion.

The district court found that in view of the plaintiff's inactivity for about thirty years in exploiting its trademarks in defendant's trading area at the retail level either by advertising directed at retail purchasers or by retail sales through authorized licensed users, there was no reasonable expectation that plaintiff would extend its retail operations into defendant's trading area. There is ample evidence in the record to support this conclusion and we cannot say that it is clearly erroneous.

We note not only that plaintiff has failed to license its mark at the retail level in defendant's trading area for a substantial period of time, but also that the trend of plaintiff's business manifests a striking decrease in the number of licensees employing its mark at the retail level in New York state and throughout the country. In the 1922-1930 period plaintiff had 75 to 80 licensees across the country with 11 located in New York. At the time of the trial plaintiff listed only 16 active licensees not one of which was located in New York.

The normal likelihood that plaintiff's wholesale operations in the Rochester area would expand to the retail level is fully rebutted and overcome by the decisive fact that plaintiff has in fact not licensed or otherwise exploited its mark at retail in the area for some thirty years.

Accordingly, because plaintiff and defendant use the mark in connection with retail sales in distinct and separate markets and because there is no present prospect that plaintiff will expand its use of the mark at the retail level into defendant's trading area, we conclude that there is no likelihood of public confusion arising from the concurrent use of the marks and therefore the issuance of an injunction is not warranted. A fortiori plaintiff is not entitled to any accounting or damages. However, because of the effect we have attributed to the constructive notice provision of the Lanham Act, the plaintiff may later, upon a proper showing of an intent to use the mark at the retail level in defendant's market area, be entitled to enjoin defendant's use of the mark.

Since we have held that upon a proper subsequent showing the plaintiff may be entitled to injunctive relief, it is appropriate that we answer here the defendant's argument that such relief is beyond the constitutional reach of Congress because the defendant uses the mark only in intrastate commerce. Clearly Congress has the power under the commerce clause to afford protection to marks used in interstate commerce. That being so, the only relevant question is whether the intrastate activity forbidden by the Act is 'sufficiently substantial and adverse to Congress' paramount policy declared in the Act. * * *' Mandeville Island Farms, Inc. v. American Crystal Sugar Co., 1948, 334 U.S. 219, 234, 68 S.Ct. 996, 1005, 92 L.Ed. 1328. The answer to such an inquiry seems plain in this case. If a registrant's right to employ its trademark were subject within every state's borders to preemption or concurrent use by local business, the protection afforded a registrant by the Lanham Act would be rendered virtually meaningless. Therefore we think it is within Congress' 'necessary and proper' power to preclude a local intrastate user from acquiring any right to use the same mark. . . . .

Notes

Zone of natural expansion. The principle is straightforward. It is natural for a business that is successful in Oklahoma City to potentially expand to Tulsa before setting sights on Boston, but defining the range is difficult. It depends on several variables (how long has the senior user been operating? Has it expanded at all? How long since it expanded? How long has the remote user been operating without conflict? Has the plaintiff's area of operations shrunk? Has the junior user's area of operations expanded?). McCarthy's treatise reports that in general, courts have taken a narrow view of the zone. 5 McCarthy § 26:20. The Restatement rejects the theory altogether. Restatement (Third) of Unfair Competition § 19, comment c (1995).

Good faith use. Note the mention in *Rectanus* of the junior user's good faith. Many cases hold that the adoption of the senior user's mark with knowledge of its existence suffices to destroy a defense based on geographically remote use. Some cases, however, do not view such knowledge as per se establishing bad faith. *See, e.g.*, Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 437 (9th Cir. 2017) (describing circuit split and taking the view "that there is no good faith if the junior user had knowledge of the senior user's mark"). Does the internet make such cases more likely? More local marks will be known outside of their region, but that does not necessarily mean that their copying is an attempt to free ride off of the markholder's goodwill. The Restatement view is that a junior user's knowledge of a senior user in a remote market raises an inference of bad faith. Restatement (Third) of Unfair Competition § 19, comment d (1995).

Reputation. Since trademarks embody the goodwill of the user, it is possible that that goodwill—and the reputation associated with the mark—may extend beyond the area in which the trademark owner engages in marketing activities. Champions Golf Club v. Champions Golf Club, 78 F.3d 1111, 1124 (6th Cir. 1996) ("If [the senior user] had achieved nationwide recognition, then, even though [the junior user] had not heard of it, [the junior user] could not become an innocent junior user."). Thus could Caesar's Palace Casino in Nevada enjoin a New Jersey beautician's use of Caesar's Palace hair salon. Caesars World, Inc. v. Caesar's Palace, 490 F. Supp. 818 (D.N.J. 1980).

The post-*Rectanus* advent of national markets, media, and the internet creates difficulties in applying the reputation rule, as it is much more likely now that marks may be known nationally without nationally directed activities. Similarly, jet travel and the national highway system increased the likelihood of consumers encountering a remote junior user in travels away from the senior user's market. Should that bother the courts?

Dawn Donut. To some extent, the *Dawn Donut* rule checks the effect of traveler mobility and national advertising by requiring a senior user to wait for a likelihood of confusion to arise before seeking an injunction to enjoin the junior user. That said, if the mark's fame has already reached the market in question, then the senior user's market has, in effect, already expanded into the junior user's, which warrants a remedy.

The ease with which mark fame may spread across the United States makes some courts leery of continuing to apply *Dawn Donut*. After all, if a mark's reputation reaches a remote market, it is possible that consumers in that market may be misled into purchasing the junior user's product. Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (Jones, J., concurring) ("The *Dawn Donut* Rule was enunciated in 1959. Entering the new millennium, our society is far more mobile than it was four decades ago. For this reason, and given that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes, it appears to me that a re-examination of precedents would be timely to determine whether the *Dawn Donut* Rule has outlived its usefulness.").

Concurrent use rights. What happens when two parties are using the same mark in good faith in remote locations and one seeks a federal registration? The Lanham Act allows for the possibility of concurrent use rights as a means of mediating between the parties. 15 U.S.C. § 1052(d) explains:

> [If] confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks . . . concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to [] the earliest of the filing dates of the applications pending or of any registration issued under this Act . . . . Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

Sounds good, but who gets priority to the parts of the country in which neither user currently operates? The traditional answer is the senior user. Application of Beatrice Foods Co., 429 F.2d 466, 474 (C.C.P.A. 1970) ("[The prior user's] rights and, therefore, his registration, should be limited only to the extent that any other subsequent user, who can establish the existence of rights earlier than the prior user's application for registration, can also prove a likelihood of confusion, mistake or deception."). The case noted three potential exceptions to this general presumption. First, the parties might agree to divide national territory. Second, the junior user may be a prior registrant (and the concurrent use proceeding is initiated after the junior user receives a registration). Third, the use patterns of the parties may require that no one receive rights to unclaimed national territory.

Another potential wrinkle concerns the "static" senior user and an expansionist junior user. The TTAB sometimes favors a more active junior user and restricts the registration of the senior user to its zone of activity, even though the senior user was the first to register. Nark, Inc. v. Noah's, Inc., 212 U.S.P.Q. 934 (T.T.A.B. 1981) (contending that the senior user "abandoned or relinquished its right to obtain nationwide protection for its mark as a result of its inactivity or failure to expand over a reasonable period of time"); *see generally* 3 McCarthy § 20:84.

Priority based on foreign use

To indulge a cliché, we live in a global economy. Borders tell us little about the corporations and trademarks we may encounter in our day-to-day lives. Yet trademark law retains a strict territoriality principle. Rights to a trademark are generally confined to the nation in which they are obtained. One uncomfortable result is that some famous marks—SCRABBLE is an example—are controlled by one entity in the United States and another elsewhere. This opens the door to some questionable conduct. What happens if a mark is used outside of the United States and an enterprising soul decides to copy it domestically and profit off of the goodwill? The issue was raised by Person's Co., Ltd. v. Christman, 900 F.2d 1565 (Fed. Cir. 1990). The facts:

> In 1977, Takaya Iwasaki first applied a stylized logo bearing the name "PERSON'S" to clothing in his native Japan. Two years later Iwasaki formed Person's Co., Ltd., a Japanese corporation, to market and distribute the clothing items in retail stores located in Japan.
>
> In 1981, Larry Christman, a U.S. citizen and employee of a sportswear wholesaler, visited a Person's Co. retail store while on a business trip to Japan. Christman purchased several clothing items bearing the "PERSON'S" logo and returned with them to the United States. After consulting with legal counsel and being advised that no one had yet established a claim to the logo in the United States, Christman developed designs for his own "PERSON'S" brand sportswear line based on appellant's products he had purchased in Japan. In February 1982, Christman contracted with a clothing manufacturer to produce clothing articles with the "PERSON'S" logo attached. These clothing items were sold, beginning in April 1982, to sportswear retailers in the northwestern United States. Christman formed Team Concepts, Ltd., a Washington corporation, in May 1983 to continue merchandising his sportswear line, which had expanded to include additional articles such as shoulder bags. All the sportswear marketed by Team Concepts bore either the mark "PERSON'S" or a copy of appellant's globe logo; many of the clothing styles were apparently copied directly from appellant's designs.

Christman registered the mark in 1984. In the meantime, the original Japanese company, which was very successful in its home market, had begun activities in the United States. The marks thus came into conflict, leading to litigation. In resolving it, the Federal Circuit relied on a strong territoriality rule for trademark protection.

> Section 1 of the Lanham Act states that "[t]he owner of a trademark *used in commerce* may register his trademark...." The term "commerce" is defined in Section 45 of the Act as ".... all commerce which may be lawfully regulated by Congress." No specific Constitutional language gives Congress power to regulate trademarks, so the power of the federal government to provide for trademark registration comes only under its commerce power. The term "used in commerce" in the Lanham Act refers to a sale or transportation of goods bearing the mark in or having an effect on: (1) United States interstate commerce; (2) United States commerce with foreign nations; or (3) United States commerce with the Indian Tribes.
>
> In the present case, appellant Person's Co. relies on its use of the mark in Japan in an attempt to support its claim for priority in the United States. Such foreign use has no effect on U.S. commerce and cannot form the basis for a holding that appellant has priority here. The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme. Christman was the first to use the mark in United States commerce and the first to obtain a federal registration thereon. Appellant has no basis upon which to claim priority and is the junior user under these facts.[16]

The court also rejected the claim that Christman's adoption of the mark with knowledge of the prior foreign use constituted bad faith.

> As the Board noted below, Christman's prior use in U.S. commerce cannot be discounted solely because he was aware of appellant's use of the mark in Japan. While adoption of a mark with knowledge of a prior actual *user* in U.S. commerce may give rise to cognizable equities as between the parties, no such equities may be based upon knowledge of a similar mark's existence or on a problematical intent to use such a similar mark in the future.

[16] Section 44 of the Lanham Act, 15 U.S.C. § 1126 (1982), permits qualified foreign applicants who own a registered mark in their country of origin to obtain a U.S. trademark registration without alleging actual use in U.S. commerce. If a U.S. application is filed within six months of the filing of the foreign application, such U.S. registration will be accorded the same force and effect as if filed in the United States on the same date on which the application was first filed in the foreign country. The statutory scheme set forth in § 44 is in place to lower barriers to entry and assist foreign applicants in establishing business goodwill in the United States. Person's Co. does not assert rights under § 44, which if properly applied, might have been used to secure priority over Christman.

> Knowledge of a foreign use does not preclude good faith adoption and use in the United States. While there is some case law supporting a finding of bad faith where (1) the foreign mark is famous here[23] or (2) the use is a nominal one made solely to block the prior foreign user's planned expansion into the United States,[24] as the Board correctly found, neither of these circumstances is present in this case.

Notes

But see International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco, 329 F.3d 359 (4th Cir. 2003). There, the Fourth Circuit held, over a dissent, that a casino's overseas sales to U.S. residents coupled with advertising in the United States sufficed to give domestic priority over its name. The opinion is one of the more painful pieces of judicial writing you'll ever see. You'd have to pay me to read it, which I was. Since no one is paying you, I'll just give you a taste.

> Indeed, the very fact that the Board in *Mother's Restaurant* would acknowledge that foreign trademarks deemed "famous" can, with neither a demonstrated connection to qualifying commerce nor a demonstrated use or display of the mark in order to advertise or sell services in such qualifying commerce, enjoy Lanham Act protection illustrates the very real interest that our trademark laws have in minimizing consumer confusion, so that our economy may enjoy the greatest possible of efficiencies and confirms that trademarks developed overseas can themselves lead to such undesirable and inefficient consumer confusion here at home.

And that's just a single sentence. Twenty-one more pages where that came from in the *Federal Reporter*. As for the holding, the TTAB does not follow it, and other cases reject the contention that U.S. advertising can create trademark priority for a mark solely used for sales outside of the U.S. *See* Buti v. Perosa, S.R.L., 139 F.3d 98 (2d Cir. 1998).

Registration of foreign marks. The Lanham Act provides an avenue for holders of foreign trademark registrations to register in the United States. 15 U.S.C. §

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[23] *See, e.g., Vaudable v. Montmartre, Inc.*, 20 Misc.2d 757, 193 N.Y.S.2d 332, 123 USPQ 357 (N.Y.Sup.Ct.1959); *Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc.*, 218 USPQ 1046 (TTAB 1983).

[24] *See Davidoff Extension, S.A. v. Davidoff Int'l.*, 221 USPQ 465 (S.D.Fla.1983).

1126. In addition, the Madrid Protocol, of which the United States is a member, offers a streamlined mechanism for obtaining foreign registrations. Under the protocol, trademark holders may first register in their home country and then have that registration sent to the International Bureau of the World Intellectual Property Organization in Geneva, Switzerland. The bureau then forwards requests for extensions of protection to participating nations selected by the registrant. These requests are reviewed by the trademark offices of the selected countries. The advantage for the registrant is that the protocol eliminates the need for filing individual applications in each individual nation. Foreign registrants proceeding under the protocol may obtain protection prior to engaging in use in the United States, but they must still perfect their rights by using the marks in U.S. commerce. *See* 15 U.S.C. §§ 1141-1141n.

Famous foreign marks. What happens to the territoriality principle if the foreign mark is famous in the United States notwithstanding the absence of U.S. operations? The issue is noted in note 23 of the *Person's* excerpt, and the Ninth and Second Circuits have split on this question. In *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, the Ninth Circuit relied on policy considerations to create an exception to the territoriality principle for famous foreign marks. 391 F.3d 1088, 1094 (9th Cir. 2004). The court stated:

> An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark is, at its core, about protecting against consumer confusion and "palming off." There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home.

The Second Circuit disagreed in *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 159 (2d Cir. 2007), arguing that the exception finds no basis in the Lanham Act.

And now for something completely different. Complicating all of the above (and potentially much more), the Fourth Circuit dropped this ruling in 2016.

Belmora LLC v. Bayer Consumer Care AG
819 F.3d 697 (4th Cir. 2016)

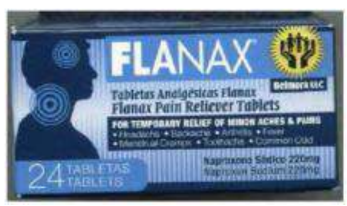
AGEE, Circuit Judge:

. . . .

BCC registered the trademark FLANAX in Mexico for pharmaceutical products, analgesics, and anti-inflammatories. It has sold naproxen sodium tablets under the FLANAX brand in Mexico since 1976. FLANAX sales by BCC have totaled hundreds of millions of dollars, with a portion of the sales occurring in Mexican cities near the United States border. BCC's FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican–Americans and other Hispanics in the United States, but BCC has never marketed or sold its FLANAX in the United States. Instead, BCC's sister company, BHC, sells naproxen sodium pain relievers under the brand ALEVE in the United States market.

Belmora LLC began selling naproxen sodium tablets in the United States as FLANAX in 2004. The following year, Belmora registered the FLANAX mark in the United States. Belmora's early FLANAX packaging (below, left) closely mimicked BCC's Mexican FLANAX packaging (right), displaying a similar color scheme, font size, and typeface.

Belmora later modified its packaging (below), but the color scheme, font size, and typeface remain similar to that of BCC's FLANAX packaging.



In addition to using similar packaging, Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by BCC in Mexico. For example, Belmora circulated a brochure to prospective distributors that stated,

> For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized topselling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold. Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer.

Belmora also employed telemarketers and provided them with a script containing similar statements. . . .

Bayer points to evidence that these and similar materials resulted in Belmora's distributors, vendors, and marketers believing that its FLANAX was the same as or affiliated with BCC's FLANAX. . . .

[BCC sought a cancellation of Belmora's registration for the FLANAX mark. The TTAB ordered the cancellation, concluding that Belmora had misrepresented the source of the FLANAX goods. Bayer then filed suit in the Southern District of California, bringing § 43(a) and other claims against Belmora. For its part, Belmora appealed the TTAB's cancellation order by bringing a civil action in the Eastern District of Virginia. The cases were consolidated in the Virginia action, and the district court ruled in favor of Belmora.]

The district court acknowledged that "Belmora's FLANAX … has a similar trade dress to Bayer's FLANAX and is marketed in such a way that capitalizes on the goodwill of Bayer's FLANAX." It nonetheless "distilled" the case "into one single question":

> Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?

The district court concluded that "[t]he answer is no" based on its reading of the Supreme Court's decision in *Lexmark International, Inc. v. Static Control Components, Inc.*, 134 S.Ct. 1377 (2014). . . .

The district court dismissed Bayer's false association and false advertising claims because, in its view, the claims failed to satisfy the standards set forth by the Supreme Court in *Lexmark*. At the core of the district court's decision was its conclusion that 1) Bayer's claims fell outside the Lanham Act's "zone of interests"—and are not cognizable—"because Bayer does not possess a protectable interest in the FLANAX mark in the United States," and 2) that a "cognizable economic loss under the Lanham Act" cannot exist as to a "mark that was not used in United States commerce."

On appeal, Bayer contends these conclusions are erroneous as a matter of law because they conflict with the plain language of § 43(a) and misread *Lexmark*.

1.

"While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a) … goes beyond trademark protection." *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28–29 (2003). Written in terms of the putative defendant's conduct, § 43(a) sets forth unfair competition causes of action for false association and false advertising:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

> (A) [False Association:] is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) [False Advertising:] in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). . . .

Significantly, the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses "infringement." 15 U.S.C. § 1114 (requiring for liability the "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation *of a registered mark* " (emphasis added)). Under § 43(a), it is the defendant's use in commerce—whether of an offending "word, term, name, symbol, or device" or of a "false or misleading description [or representation] of fact"—that creates the injury under the terms of the statute. And here the alleged offending "word, term, name, symbol, or device" is Belmora's FLANAX mark.

What § 43(a) does require is that Bayer was "likely to be damaged" by Belmora's "use[ ] in commerce" of its FLANAX mark and related advertisements. The Supreme Court recently considered the breadth of this "likely to be damaged" language in *Lexmark,* a false advertising case arising from a dispute in the used-printer-cartridge market. . . . The Supreme Court . . . observed that the real question in *Lexmark* was "whether Static Control has a cause of action under the statute." This query, in turn, hinged on "a straightforward question of statutory interpretation" to which it applied "traditional principles" of interpretation. . . .

The Court concluded that § 43(a)'s broad authorization—permitting suit by "any person who believes that he or she is or is likely to be damaged"—should not be taken "literally" to reach the limits of Article III standing, but is framed by two "background principles," which may overlap.

First, a plaintiff's claim must fall within the "zone of interests" protected by the statute. The scope of the zone of interests is not "especially demanding," and the plaintiff receives the "benefit of any doubt." Because the Lanham Act contains an "unusual, and extraordinarily helpful" purpose statement in § 45, identifying the statute's zone of interests "requires no guesswork." Section 45 provides:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Lanham Act § 45, 15 U.S.C. § 1127.

The Supreme Court observed that "[m]ost of the enumerated purposes are relevant to a false-association case," while "a typical false-advertising case will implicate only the Act's goal of 'protecting persons engaged in commerce within the control of Congress against unfair competition.' " *Lexmark*, 134 S.Ct. at 1389. . . .

The second *Lexmark* background principle is that "a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute." The injury must have a "sufficiently close connection to the conduct the statute prohibits." In the § 43(a) context, this means "show[ing] economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff.". . .

2.

a.

We first address the position, pressed by Belmora and adopted by the district court, that a plaintiff must have initially used its own mark in commerce within the United States as a condition precedent to a § 43(a) claim. In dismissing BCC's § 43(a) claims, the district court found dispositive that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States." Upon that ground, the district court held "that Bayer does not possess a protectable interest in the [FLANAX] mark."

As noted earlier, such a requirement is absent from § 43(a)'s plain language and its application in *Lexmark.* Under the statute, the *defendant* must have "use[d] in commerce" the offending "word, term, name, [or] symbol," but the *plaintiff* need only "believe[ ] that he or she is or is likely to be damaged by such act." Lanham Act § 43(a), 15 U.S.C. § 1125(a).

It is important to emphasize that this is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act's infringement provision in § 32 (which authorizes suit only "by the registrant," and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a).

Given that *Lexmark* advises courts to adhere to the statutory language, "apply[ing] traditional principles of statutory interpretation," *Lexmark,* 134 S.Ct. at 1388, we lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in *Lexmark* can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

The district court thus erred in requiring Bayer, as the plaintiff, to have pled its prior use of its own mark in U.S. commerce when it is the defendant's use of a mark or misrepresentation that underlies the § 43(a) unfair competition cause of action. Having made this foundational error, the district court's resolution of the issues requires reversal.

Admittedly, some of our prior cases appear to have treated a plaintiff's use of a mark in United States commerce as a prerequisite for a false association claim. *See Lamparello v. Falwell,* 420 F.3d 309, 313 (4th Cir.2005) ("Both infringement [under § 32] and false designation of origin [under § 43(a)] have [the same] five elements."); *People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001) (same); *Int'l Bancorp,* 329 F.3d at 361 n. 2 ("[T]he tests for trademark infringement and unfair competition ... are identical."); *Lone Star Steakhouse & Saloon v. Alpha of Va., Inc.,* 43 F.3d 922, 930 (4th Cir.1995) ("[T]o prevail under §§ 32(1) and 43(a) of the Lanham Act for trademark infringement and unfair competition, respectively, a complainant must demonstrate that it has a valid, protectible trademark[.]"). However, none of these cases made that consideration the *ratio decidendi* of its holding or analyzed whether the statute in fact contains such a requirement. *See, e.g.,* 5 J. Thomas McCarthy, Trademarks and Unfair Competition § 29:4 (4th ed.2002) (observing that *International Bancorp* merely "assumed that to trigger Lanham Act § 43(a), the plaintiff's mark must be 'used in commerce' "). Moreover, all of these cases predate *Lexmark,* which provides the applicable Supreme Court precedent interpreting § 43(a).

Although the plaintiffs' use of a mark in U.S. commerce was a fact in common in the foregoing cases, substantial precedent reflects that § 43(a) unfair competition claims come within the statute's protectable zone of interests without the preconditions adopted by the district court and advanced by Belmora. As the Supreme Court has pointed out, § 43(a) "goes beyond trademark protection." *Dastar Corp.,* 539 U.S. at 29. For example, a plaintiff whose mark has become generic—and therefore not protectable—may plead an unfair competition claim against a competitor that uses that generic name and "fail[s] adequately to identify itself as distinct from the first organization" such that the name causes "confusion or a likelihood of confusion." *Blinded Veterans Ass'n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1043 (D.C.Cir.1989); *see also Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 118–19 (1938) (requiring the defendant to "use reasonable care to inform the public of the source of its product" even though the plaintiff's "shredded wheat" mark was generic and therefore unprotectable); *Singer Mfg. Co. v. June Mfg. Co.,* 163 U.S. 169, 203–04 (1896) (same, for "Singer" sewing machines).

Likewise, in a "reverse passing off" case, the plaintiff need not have used a mark in commerce to bring a § 43(a) action. . . .

The generic mark and reverse passing off cases illustrate that § 43(a) actions do not require, implicitly or otherwise, that a plaintiff have first used its own mark in United States commerce. If such a use were a condition precedent to bringing a § 43(a) action, the generic mark and reverse passing off cases could not exist.

In sum, the Lanham Act's plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim. The Supreme Court's guidance in *Lexmark* does not allude to one, and our prior cases either only assumed or articulated as dicta that such a requirement existed. Thus, the district court erred in imposing such a condition precedent upon Bayer's claims.

As Bayer is not barred from making a § 43(a) claim, the proper *Lexmark* inquiry is twofold. Did the alleged acts of unfair competition fall within the Lanham Act's protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury?. . . .

[The court noted that one enumerated purpose of the Lanham Act is "making actionable the deceptive and misleading use of marks" in "commerce within the control of Congress." Lanham Act § 45, 15 U.S.C. § 1127. It held that BCC's false association claim "advances that purpose," given the allegation that "Belmora's misleading association with BCC's FLANAX has caused BCC customers to buy the Belmora FLANAX in the United States instead of purchasing BCC's FLANAX in Mexico." With respect to proximate causation, "[T]he complaint can fairly be read to allege 'economic or reputational injury flowing directly from the deception wrought by the defendant's' conduct."].

. . . .

We thus conclude that the Lanham Act permits Bayer to proceed with its claims under § 43(a) . . . .

In granting Bayer that chance, we are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark. But trademark rights do not include using the mark to deceive customers as a form of unfair competition, as is alleged here. Should Bayer prevail and prove its § 43(a) claims, an appropriate remedy might include directing Belmora to use the mark in a way that does not sow confusion. *See* Lanham Act § 34(a), 15 U.S.C. § 1116(a) (authorizing injunctions based on "principles of equity"). Of course, the precise remedy would be a determination to be made by the district court in the first instance upon proper evidence. We leave any potential remedy to the district court's discretion should this case reach that point. We only note that any remedy should take into account traditional trademark principles relating to Belmora's ownership of the mark.

11. Abandonment

Problems

1. For decades, the Seattle Supersonics, an NBA team, played basketball in Seattle. The Sonics, as they were known, had a strong fan base and won an NBA title in 1979. In 2006 the team was sold to an ownership group led by Oklahoma City businessman Clayton Bennett. Two years later, the team relocated to Oklahoma City, where it was renamed the Oklahoma City Thunder.

Since moving to Oklahoma City, the Thunder largely ceased activities under the Supersonics mark. It does, however, retain the domain name supersonics.com, which redirects to the Thunder's web page. It also plans to operate in the memorabilia market and sell throwback jerseys of famous Sonics players, but no such activities are ongoing.

Disappointed by the departure of his favorite team, Seattle resident Oscar Gamble operates a website called rememberthesonics.com. In addition, he operates a touring basketball team (which plays local teams from colleges, high schools, etc.) that he has named the Seattle Supersonics. The Thunder have sent him a cease and desist letter. He claims the Sonics trademark has been abandoned. You are an attorney in the Thunder's GC office. Advise the team.

2. A group of DePaul law students start a blog that lists their complaints about and suggestions for improvement of the school. It's called "The Ronin." The site becomes popular, spurring students to start similar blogs at other law schools. Some of these blogs coordinate closely with the DePaul students and place a banner on their site that reads "Part of the Ronin Network." As the blogs become more popular, the DePaul students receive requests for permission for other student blogs to use the banner. Some sites have used the banner without permission. Any advice?

Statutory provisions

Lanham Act § 45 (15 U.S.C. § 1127)

A mark shall be deemed to be "abandoned" . . . . When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark. [Or w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

Lanham Act § 5 (15 U.S.C. § 1055)

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public. If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.

Abandonment

The principles of abandonment fit nicely within the basic framework of trademark law. Trademark rights are use-based. No use, no rights. To generalize more broadly, a mark is supposed to embody the goodwill of the user and allow consumers to identify and distinguish the goods and services of the user in the marketplace. If the user is not using the mark, then the mark cannot perform a trademark function, leaving it open for others. Simple enough, but, as always, there are wrinkles galore.

Standards of proof. Because abandonment strips a trademark holder of any rights in the mark, courts are generally reluctant to find it. Most judges require clear and convincing evidence of abandonment. The Federal Circuit, however, accepts a simple preponderance of the evidence. *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021 (Fed. Cir. 1989).

The Lanham Act shifts the presumption with respect to marks that have not been used for three years, providing that "[n]onuse for 3 consecutive years shall be prima facie evidence of abandonment." 15 U.S.C. § 1127. Some courts declare that while three years of non-use shifts the burden of production to the trademark holder, the burden of persuasion remains with the party seeking a declaration of abandonment. Cumulus Media, Inc. v. Clear Channel Communications, Inc., 304 F.3d 1167 (11th Cir. 2002).

Brand maintenance programs. Courts generally reject efforts to preserve trademark rights with token uses. Exxon Corp. v. Humble Exploration Co., Inc., 695 F.2d 96, 101 (5th Cir. 1982) ("[A]rranged sales in which the mark was not allowed to play its basic role of identifying source [is] not 'use' in the sense of section 1127 of the Lanham Act"). The modern statute reflects this view by requiring bona fide sales.

Loss of goodwill through low sales/interrupted sales. If there are no sales, then the mark will cease to embody a seller's goodwill. But of course in the normal ebb and flow of trade and fortune, a company may cease sales of a product line only to resume them at a more opportune moment. As the D.C. Circuit put it, trademark law rejects the notion that "the slightest cessation of use causes a trademark to roll free, like a fumbled football, so that it may be pounced on by any alert opponent." Continental Distilling Corp. v. Old Charter Distillery Co., 188 F.2d 614, 619 (D.C. Cir. 1950). And sometimes the interruption in use stems from unusual circumstances. *See* Cash Processing Services v. Ambient Entertainment, Inc., 418 F. Supp. 2d 1227 (D. Nev. 2006).

Courts generally find that a mark will survive periods of low sales and occasional interruptions of use. Good faith efforts usually suffice to preserve a mark. Likewise, courts will enjoin potentially confusing uses by others during these down times. "[G]oodwill does not ordinarily disappear or completely lose its value overnight. Erosion from nonuse is a gradual process. As long as the mark has significant remaining value and the owner intends to use it in connection with substantially the same business or service, the public is not deceived." Defiance Button Machine Co. v. C & C Metal Products Corp., 759 F.2d 1053, 1060 (2d Cir. 1985) (no abandonment despite sale of assets because holder intended to resume activities and business retained goodwill). In a similar vein, *Perry v. H.J. Heinz Company Brands, L.L.C.*, 994 F.3d 466 (5th Cir. 2021), rejected an effort to ground abandonment on a failure to operate outside the trademark holder's home state. The court noted that the Lanham Act's "use in commerce" requirement can be met by intrastate commerce.

Failure to prosecute. If you follow trademark law, you'll see any number of suits/cease-and-desist letters that make the trademark holder look, well, stupid because the challenged conduct is so trivial. So why bother? One possibility is the belief that failing to protect trademark rights aggressively might lead a court to find abandonment. This fear is largely unjustified except in extreme cases (e.g., Coke tolerating the sales of a rival soda under the COKE name). As Professor McCarthy notes in his treatise, the key is whether a mark has lost its distinctiveness, not whether a trademark holder has tolerated the conduct of any particular potential defendant. "The owner of a mark is not required to constantly monitor every nook and cranny of the entire nation and to fire both barrels of his shotgun instantly upon spotting a possible infringer. Lawyers and lawsuits come high and a financial decision must be made in every case as to whether the gain of prosecution is worth the candle." Engineered Mechanical Services, Inc. v. Applied Mechanical Technology, Inc., 584 F. Supp. 1149, 1160 (M.D. La. 1984). And with respect to any particular defendant, delay in prosecution should pertain to a potential equitable defense of laches, not trademark abandonment. 3 McCarthy § 17:17.

What happens after abandonment? What should the fate of a mark be after it is abandoned? Should it be up for grabs? Or should residual consumer goodwill dissipate first? Does the answer depend on whether you think trademark law is about protecting sellers or consumers? The general approach is that an abandoned mark is available under traditional rules of first use. Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc., 841 F. Supp. 1339, 1355 (E.D.N.Y. 1994) ("Once abandoned, the mark reverts back to the public domain whereupon it may be appropriated by anyone who adopts the mark for his or her own use."). As seen with generic marks, however, sometimes courts will require those appropriating the abandoned marks to distinguish themselves from the prior user. Restatement Third, Unfair Competition § 30, comment a (1995) (noting that use of an abandoned mark is not trademark infringement but may, depending on the circumstances, create liability for misrepresentation of source; "Subsequent users, although free to use the abandoned designation, may thus be required to take precautions necessary to avoid a likelihood of confusion if the designation retains its association with the former user."); *In re Wielinski*, 49 U.S.P.Q.2d 1754 (T.T.A.B. 1998) ("It is well settled, however, that after a mark has become abandoned, if it is then adopted and used by an entity unrelated to the original owner, the rights to the mark vest with the first to adopt and use it, provided that the new user takes reasonable precautions to prevent confusion.").

Breaking up is hard to do. A somewhat related issue concerns mark ownership when the owning entity divides or otherwise ceases to be a single body. What then? *See* Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab., 859 F.3d 1023, 1029 (Fed. Cir. 2017) (agreeing that the "three main factors to be considered in ownership disputes surrounding service marks as between a departing member and the remnant group" are (1) the parties' objective intentions or expectations; (2) who the public associates with the mark; and (3) to whom the public looks to stand behind the quality of goods or services offered under the mark.)").

Assignments

Trademark law prohibits assignments in gross of a mark (the sale of a mark without its accompanying goodwill). "A trade name or mark is merely a symbol of goodwill; it has no independent significance apart from the goodwill it symbolizes. . . . [It therefore] cannot be sold or assigned apart from the goodwill it symbolizes." Marshak v. Green, 746 F.2d 927, 929 (2d Cir. 1984); *see also* 15 U.S.C. § 1060(a)(1) ("A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark."). The traditional view is that allowing a naked assignment could defraud the public. *Marshak*, 746 F.2d at 929 ("Use of the mark by the assignee in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another.").

Does that explanation sound plausible to you? If it does, then why doesn't trademark law punish a markholder for altering the quality of his/her product? What's the difference between allowing quality to drop and making an assignment in gross?

What must pass for "goodwill" to be part of the transaction? Things seem clear enough if the sale of a mark is accompanied by the sale of the entire underlying business. But what if we just have the sale of some (but not all) of a company's tangible assets? Or a purported assignment of a mark and its "goodwill" without anything more? Courts look to the substance of the transaction, not the form, in trying to decide these issues. Restatement (Third) of Unfair Competition § 34, comment b (1995) (noting that how the mark is used after the assignment matters in determining whether the sale "disrupt[s] the associational significance of the designation. The traditional rule requiring an accompanying transfer of "good will" can thus be seen as a requirement that the assignment preserve the significance of the mark to consumers.").

For commentary on how the anti-assignment in gross rule interacts with the creation of security interests, *see* 3 McCarthy § 18:7.

Licensing and Abandonment

Abandonment issues often accompany efforts to license a trademark. Consider the importance of trademarks to a franchising relationship. Most McDonald's franchises are not owned by the McDonald's corporation. Instead, local entrepreneurs receive a license to use the McDONALD'S mark. They, in turn, must follow certain rules set by the company, which ensure that the consumer experience is more or less the same from one franchise to the next. As you might expect, franchising relationships can be complex and are frequent litigation fodder.

Although franchising plays a major role in everyday life, it was not initially clear that the trademarks of a franchisor could be used by a franchisee. After all, they were not the same entity and therefore not the same source of a product as the franchisor. Justice Scalia noted the issue in passing in *Dastar*, where he admitted what he had denied in his *Two Pesos* concurrence: The early text of the Lanham Act did not fully encompass actual trademark practices.

> Under the 1946 version of the Act, § 43(a) was read as providing a cause of action for trademark infringement even where the trademark owner had not itself produced the goods sold under its mark, but had licensed others to sell under its name goods produced by them-the typical franchise arrangement. This stretching of the concept "origin of goods" is seemingly no longer needed: The 1988 amendments to § 43(a) now expressly prohibit the use of any "word, term, name, symbol, or device," or "false or misleading description of fact" that is likely to cause confusion as to "affiliation, connection, or association ... with another person," or as to "sponsorship, or approval" of goods. 15 U.S.C. § 1125(a).

Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 32 (2003). As indicated by the quote, judicial expansion of trademark law (as ratified by Congress) enabled trademarks to support franchising relationships.

FreecycleSunnyvale v. Freecycle Network
626 F.3d 509 (9th Cir. 2010)

CALLAHAN, Circuit Judge:

FreecycleSunnyvale ("FS") is a member group of The Freecycle Network ("TFN"), an organization devoted to facilitating the recycling of goods. FS filed a declaratory action against TFN arising from a trademark licensing dispute, alleging noninfringement of TFN's trademarks and tortious interference with FS's business relations. FS moved for partial summary judgment on the issue of whether its naked licensing defense to trademark infringement allowed it to avoid a finding of infringement as a matter of law.[1] TFN argued that it had established adequate

[1] Naked licensing occurs when a licensor does not exercise adequate quality control over its licensee's use of a licensed trademark such that the trademark may no longer represent the quality of the product or service the consumer has come to expect. See Barcamerica Int'l USA Trust v. Tyfield Importers, Inc., 289 F.3d 589, 595-96 (9th Cir.2002). By not enforcing the terms of the trademark's use, the licensor may forfeit his rights to enforce the exclusive nature of the trademark. . . .

quality control standards over its licensees' services and use of the trademarks to avoid a finding of naked licensing and abandonment of its trademarks. The district court granted summary judgment to FS. We hold that TFN (1) did not retain express contractual control over FS's quality control measures, (2) did not have actual controls over FS's quality control measures, and (3) was unreasonable in relying on FS's quality control measures. Because we find that TFN engaged in naked licensing and thereby abandoned its trademarks, we affirm.

I

A

In March 2003, Deron Beal ("Beal") founded TFN, an umbrella non-profit Arizona corporation dedicated to "freecycling." The term "freecycling" combines the words "free" and "recycling" and refers to the practice of giving an unwanted item to a stranger so that it can continue to be used for its intended purpose, rather than disposing of it. As practiced by TFN, freecycling is primarily a local activity conducted by means of internet groups, which are created by volunteers through online service providers like Yahoo! Groups and Google Groups. Although not required to do so, most TFN member groups use Yahoo! Groups as a forum for members to coordinate their freecycling activities. TFN also maintains its own website, www. freecycle. org, which provides a directory of member groups as well as resources for volunteers to create new groups. The website also includes a section devoted to etiquette guidelines.

TFN asserts that it maintains a "Freecycle Ethos"-a democratic leadership structure, in which decisions are made through a process of surveys and discussions among volunteer moderators. Local volunteer moderators are responsible for enforcing TFN's rules and policies, but the moderators have flexibility in enforcement depending on the moderators' assessment of their local communities.

Since May 2003, TFN has been using three trademarks, FREECYCLE, THE FREECYCLE NETWORK, and a logo (collectively "the trademarks") to identify TFN's services and to identify member groups' affiliation with TFN. Federal registration of the trademarks is currently pending in the United States, but the trademarks have been registered in other countries. TFN permits member groups to use the trademarks. When TFN first started, Beal personally regulated the use of the trademarks but, as TFN has grown, it has relied on local moderators to regulate member groups' use of the trademarks.

Lisanne Abraham ("Abraham") founded FS on October 7, 2003, in Sunnyvale, California, without TFN's knowledge or involvement. She established the group by entering into a service contract with Yahoo! Groups and becoming the group's moderator. Upon establishing FS, Abraham adapted etiquette guidelines and instructions for how to use FS from either TFN's or one of TFN's member group's website. On October 7, 2003, Abraham emailed Beal directly asking for a logo for FS, and they spoke over the phone within days of the email communication. After the phone conversation, Beal emailed Abraham on October 9, 2003, stating: "You can get the neutral logo from www. freecycle. org, just don't use it for commercial purposes or you [sic] maybe Mark or Albert can help you to do your own fancy schmancy logo!"[4] This email is the only record of a direct communication between FS and TFN regarding the use of any of the trademarks.

Between October 7, 2003, and October 9, 2003, FS was added to TFN's list of online freecycling groups displayed on TFN's website. Then, on October 9, 2003, Abraham received an email from Beal addressed to nineteen moderators of new freecycle Yahoo! Groups which, among other things, welcomed them to TFN. The email did not discuss or include any restrictions or guidance on the use of TFN's trademarks. On October 13, 2003, Abraham received another email from TFN, this time an invitation to join the "freecyclemodsquad" Yahoo! Group ("modsquad group"), an informal discussion forum exclusively for the moderators of freecycle Yahoo! Groups to share ideas.

Before 2004, TFN had only a few suggested guidelines in the etiquette section of its website, including a "Keep it Free" rule. Then, on January 4, 2004, Beal sent an email to the modsquad group, asking whether TFN should also limit listed items to those that were legal. Ultimately, Beal proposed the adoption of a "Keep it Free, Legal & Appropriate for All Ages" rule and asked "that all moderators vote on whether they feel this is the one rule that should apply to ALL local groups or not." Between January 4 and January 11, 2004, a majority of the modsquad group voted to require all local groups to adopt the rule and, on January 11, Beal informed the group that "I'm glad to say ... we now have one true guiding principle." Although the moderators adopted the "Keep it Free, Legal & Appropriate for All Ages" rule, following its adoption, they frequently discussed what the actual meaning of the rule was and, ultimately, its definition and enforcement varied from group to group.

Although the underlying reason is not evident from the record or the parties' briefs, on November 1 and November 14, 2005, TFN sent emails to FS ordering the group to cease and desist using the Freecycle name and logo and threatening to have Yahoo! terminate FS's Yahoo! Group if FS did not comply. On November 5, FS emailed Yahoo! and disputed TFN's ability to forbid the use of the trademarks by informing Yahoo! of the license that TFN allegedly had granted FS in October 2003 (i.e., Beal's October 9, 2003 email authorizing Abraham to use the logo). On

[4] Mark Messinger is the moderator for the Olympia, Washington, freecycle group. He helped Abraham fashion a unique freecycle logo for Sunnyvale. Albert Kaufman apparently introduced Abraham to freecycling.

November 21, Yahoo! terminated the FS Yahoo! Group at TFN's request, after receiving a claim from TFN that FS was infringing on TFN's trademark rights.

B

On January 18, 2006, FS filed a declaratory judgment action against TFN in the U.S. District Court for the Northern District of California, alleging noninfringement of TFN's trademarks and tortious interference with FS's business relations. TFN brought counterclaims for trademark infringement and unfair competition under the Lanham Act and California Business and Professions Code section 17200.

FS then moved for summary judgment on the issue of whether its naked licensing defense to trademark infringement allowed it to avoid a finding of infringement as a matter of law. FS argued that TFN had abandoned its trademarks because it engaged in naked licensing when it granted FS the right to use the trademarks without either (1) the right to control or (2) the exercise of actual control over FS's activities. On March 13, 2008, the district court granted summary judgment in favor of FS, holding that TFN engaged in naked licensing and therefore abandoned its rights to the trademarks. The parties stipulated to dismiss the remaining claims, and final judgment was entered on May 20, 2008. TFN thereafter timely filed its appeal.

II

. . . . In ruling on a motion for summary judgment, our inquiry "necessarily implicates the substantive evidentiary standard of proof that would apply at the trial on the merits." We have held that the proponent of a naked license theory of trademark abandonment must meet a "stringent standard of proof." *Barcamerica*, 289 F.3d at 596 (internal quotation marks omitted); *see also* *Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp. of Cal.*, 694 F.2d 1150, 1156 (9th Cir.1982) ("Abandonment of a trademark, being in the nature of forfeiture, must be strictly proved."); *Edwin K. Williams & Co. v. Edwin K. Williams & Co. E.*, 542 F.2d 1053, 1059 (9th. Cir.1976) ("[A] person who asserts insufficient control [of a trademark] must meet a high burden of proof.").

We have yet to determine, however, whether this high standard of proof requires "clear and convincing" evidence or a "preponderance of the evidence." Indeed, in *Grocery Outlet Inc. v. Albertson's Inc.*, 497 F.3d 949, 952-54 (9th Cir.2007) (per curiam), Judges Wallace and McKeown disagreed in separate concurrences as to which standard applies. Judge Wallace advocated the clear and convincing standard, while Judge McKeown argued that the preponderance of the evidence standard applied . . . .

Here, we need not decide which standard of proof applies because, even applying the higher standard of proof-clear and convincing-and viewing the evidence in the light most favorable to TFN as the non-moving party, FS has demonstrated that TFN engaged in naked licensing and consequently abandoned the trademarks.

III

An introduction to "naked licensing" of trademarks is in order, as this issue has seldom arisen in this circuit or in our sister circuits. Our only discussion of this subject is in *Barcamerica*, 289 F.3d at 598 (holding that Barcamerica, a vintner, engaged in naked licensing and abandoned its trademark by failing to retain or otherwise exercise adequate quality control over the trademark it had licensed to another company), and that decision informs and guides our discussion here.

As a general matter, trademark owners have a duty to control the quality of their trademarks. McCarthy § 18:48. "It is well-established that '[a] trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained.' " *Barcamerica*, 289 F.3d at 595-96 (quoting *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir.1992)).

"Naked licensing" occurs when the licensor "fails to exercise adequate quality control over the licensee." *Id.* at 596. Naked licensing may result in the trademark's ceasing to function as a symbol of quality and a controlled source. We have previously declared that naked licensing is "*inherently deceptive* and constitutes abandonment of any rights to the trademark by the licensor." *Id.* at 598. "Consequently, where the licensor fails to exercise adequate quality control over the licensee, 'a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark.' " *Id.* at 596 (quoting *Moore*, 960 F.2d at 489).

A

At issue here is whether there is clear and convincing evidence, viewed in the light most favorable to TFN, that TFN allowed FS to use the trademarks with so few restrictions as to compel a finding that TFN engaged in naked licensing and abandoned the trademarks. TFN contends that disputed issues of material fact remain as to whether TFN's quality control standards, during the relevant time period, were sufficient. Although TFN concedes that it did not have an express license agreement, it alleges that a reasonable jury could find that it had adequate quality control measures in place when FS was authorized to use the trademarks, making summary judgment inappropriate.

1

When deciding summary judgment on claims of naked licensing, we first determine whether the license contained an express contractual right to inspect and supervise the licensee's operations. The absence of an agreement with provisions restricting or monitoring the quality of goods or services produced under a trademark supports a finding of naked licensing.

TFN concedes that it did not have an express license agreement with FS regarding FS's use of the trademarks. Without an express license agreement, TFN necessarily lacks express contractual rights to inspect and supervise FS. However, TFN argues that the October 9, 2003 email, in which Beal advised Abraham that: "You can get the neutral logo from www. freecycle. org, *just don't use it for commercial purposes*....", reflects an implied license. Emphasis added.

Even assuming that Beal's emailed admonition to Abraham not to use the trademarks for commercial purposes constitutes an implied licensing agreement, it contained no express contractual right to inspect or supervise FS's services and no ability to terminate FS's license if FS used the trademarks for commercial purposes. We therefore hold that, by TFN's own admission, there is no disputed issue of material fact as to whether TFN maintained an express contractual right to control quality.

2

TFN next contends that, despite its lack of an express contractual *right to* control quality, a material issue of fact remains as to whether TFN maintained *actual* control over its member groups' services and use of the trademarks when FS was granted use of the trademarks in October 2003. "The lack of an express contract right to inspect and supervise a licensee's operations is not conclusive evidence of lack of control." Barcamerica, 289 F.3d at 596. However, where courts have excused the lack of a contractual right to control quality, they have still required that the licensor demonstrate *actual* control through inspection or supervision.

TFN asserts that it exercised actual control over the trademarks because it had several quality control standards in place, specifically: (1) the "Keep it Free, Legal, and Appropriate for all Ages" standard and TFN's incorporation of the Yahoo! Groups' service terms; (2) the non-commercial services requirement (expressed in Beal's October 9, 2003 email); (3) the etiquette guidelines listed on TFN's website; and (4) TFN's "Freecycle Ethos" which, TFN contends, establishes policies and procedures for member groups, even if local member groups are permitted flexibility in how to apply those policies and procedures. In addition, TFN cites *Birthright v. Birthright, Inc.*, 827 F.Supp. 1114 (D.N.J.1993) for the principle that loosely organized non-profits like TFN and FS that share "the common goals of a public service organization" are subject to less stringent quality control requirements.

First, we disagree with TFN's contentions that the "Keep it Free, Legal, and Appropriate for all Ages" standard and its incorporation of the Yahoo! Groups' service terms constituted actual controls over its member groups.[6] The undisputed evidence showed that TFN's licensees were not required to adopt the "Keep it Free, Legal, and Appropriate for all Ages" standard, nor was it uniformly applied or interpreted by the local groups. Similarly, FS was not required to use Yahoo! Groups and was not asked to agree to the Yahoo! Groups' service terms as a condition of using TFN's trademarks. Moreover, the Yahoo! Groups' service terms, which regulate generic online activity like sending spam messages and prohibiting harassment, cannot be considered quality controls over TFN's member groups' services and use of the trademarks. The service terms apply to every Yahoo! Group, and do not control the quality of the freecycling services that TFN's member groups provide. Thus, the "Keep it Free, Legal and Appropriate for All Ages" standard and the Yahoo! Groups' service terms were not quality controls over FS's use of the trademarks.

Second, we conclude that TFN's non-commercial requirement says nothing about the *quality* of the services provided by member groups and therefore does not establish a control requiring member groups to maintain consistent quality. Thus, it is not an actual control in the trademark context. Third, because member groups may freely adopt and adapt TFN's listed rules of etiquette and because of the voluntary and amorphous nature of these rules, they cannot be considered an actual control. For example, FS modified the etiquette that was listed on TFN's website and TFN never required FS to conform to TFN's rules of etiquette. Fourth, TFN admits that a central premise of its "Freecycle Ethos" is local enforcement with local variation. By definition, this standard does not maintain consistency across member groups, so it is not an actual control.

Even assuming that TFN's asserted quality control standards actually relate to the quality of its member groups' services, they were not adequate quality controls because they were not enforced and were not effective in maintaining the consistency of the trademarks. Indeed, TFN's alleged quality controls fall short of the supervision and control deemed inadequate in other cases in which summary judgment on naked licensing has been granted to the licensee. *See, e.g.,* Barcamerica, 289 F.3d at 596-97 (finding no express contractual right to inspect and supervise the

[6] Notably, Beal did not propose, and the modsquad did not adopt, this standard until January 2004, more than three months after Abraham founded FS in October 2003. The only standard listed in TFN's etiquette section on its website in 2003 was "Keep it Free," but there was no requirement that member groups adopt this standard. Similarly, TFN's incorporation of the Yahoo! Groups' service terms was not done until after FS was given use of the trademarks in October 2003. Because we hold that TFN did not exercise actual control no matter what time period is considered, we do not address whether actual supervision would be sufficient if it starts at some point after the granting of a license to use a trademark.

use of the marks coupled with licensor's infrequent wine tastings and unconfirmed reliance on the winemaker's expertise was inadequate evidence of quality controls to survive summary judgment); Stanfield, 52 F.3d at 871 (granting summary judgment to the licensee where the license agreement lacked a right to inspect or supervise licensee's operations, and alleged actual controls were that the licensor examined one swine heating pad, looked at other pet pads, and occasionally reviewed promotional materials and advertising).

Moreover, even if we were inclined to accept the premise allegedly set forth in *Birthright,* that loosely organized non-profits that share common goals are subject to less stringent quality control requirements for trademark purposes, the result would be the same. In *Birthright,* the court held that the license was not naked because the licensor "monitored and controlled" its licensees' use of the trademarks. 827 F.Supp. at 1139-40; *see also* *Barcamerica,* 289 F.3d at 596 (holding that a licensor may overcome the lack of a formal agreement if it exercises actual control over its licensees). Here, TFN exercised no actual control over its licensees, so even under a less stringent standard, TFN has not raised a material issue of fact as to whether it exercised actual control over FS's use of the trademarks.

3

TFN contends that even if it did not exercise actual control, it justifiably relied on its member groups' quality control measures. Although "courts have upheld licensing agreements where the licensor is familiar with and relies upon the licensee's own efforts to control quality," *Barcamerica,* 289 F.3d at 596 (internal quotation marks and brackets omitted), we, like the other circuits that have considered this issue, have required that the licensor and licensee be involved in a "close working relationship" to establish adequate quality control in the absence of a formal agreement, *id.* at 597. In *Barcamerica,* we cited four examples of "close working relationships" that would allow the licensor to rely on the licensee's own quality control: (1) a close working relationship for eight years; (2) a licensor who manufactured ninety percent of the components sold by a licensee and with whom it had a ten year association and knew of the licensee's expertise; (3) siblings who were former business partners and enjoyed a seventeen-year business relationship; and (4) a licensor with a close working relationship with the licensee's employees, and the pertinent agreement provided that the license would terminate if certain employees ceased to be affiliated with the licensee.

Here, TFN and FS did not enjoy the type of close working relationship that would permit TFN to rely on FS's quality control measures. TFN had no long term relationship with Abraham or the FS group. In fact, the October 9, 2003 email between Beal and Abraham, which mentions using the TFN logo, was the parties' first and only written communication about the trademarks prior to TFN's requests to stop using them in November 2006. In addition, TFN had no experience with FS that might have supported its alleged confidence in FS's quality control measures. Thus, even considered in a light most favorable to TFN, no evidence showed the type of close working relationship necessary to overcome TFN's lack of quality controls over FS.

Furthermore, we have held that, while reliance on a licensee's own quality control efforts is a relevant factor, such reliance is *not alone sufficient* to show that a naked license has not been granted.[7] *See* Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1017-18 (9th Cir.1985) (noting that, although the licensor had worked closely with the licensee for ten years, the licensor did not rely solely on his confidence in the licensee, but exercised additional control by, *inter alia,* periodically inspecting those goods and was consulted regarding any changes in the product). Because sole reliance on a licensee's own control quality efforts is not enough to overcome a finding of naked licensing without other indicia of control, and because TFN lacked a close working relationship with FS and failed to show any other indicia of actual control, we conclude that TFN could not rely solely on FS's own quality control efforts.

B

TFN's three remaining arguments also fail to raise a material issue of fact that precludes a grant summary of judgment for FS. First, TFN asserts that it should be subject to a lesser level of quality control standard because its services are not dangerous to the public and the public expects local variation in services so the probability of deception is low. We have stated that the "standard of quality control and the degree of necessary inspection and policing by the licensor will vary." Barcamerica, 289 F.3d at 598. The licensor need only exercise "control sufficient to meet the reasonable expectations of customers." McCarthy, § 18:55. However, because TFN did not establish *any* quality control requirements for its member groups, we do not need to decide what efforts to oversee a licensee's performance might meet a low standard of quality control.

TFN's remaining two arguments-(1) that FS must show both naked licensing *and* a loss of trademark significance, and (2) that FS is estopped from supporting its naked licensing defense with evidence that demonstrates that TFN did not

[7] Other circuits have also relied on the licensor's confidence in the licensee only where there were additional indicia of control. See, e.g., Stanfield, 52 F.3d at 872 (holding summary judgment for the licensee appropriate where no special relationship between the parties existed and no evidence of actual control over the licensee existed); Land O'Lakes Creameries, Inc. v. Oconomowoc Canning Co., 330 F.2d 667 (7th Cir.1964) (upholding trademark where licensor's name appeared on trademark product label, and product was sold under license for forty years without complaints about quality).

adequately control the services offered by FS when using the trademarks-are both raised for the first time on appeal, so we decline to reach them.

IV

We determine, viewing the record in the light most favorable to TFN, that TFN (1) did not retain express contractual control over FS's quality control measures, (2) did not have actual control over FS's quality control measures, and (3) was unreasonable in relying on FS's quality control measures. Therefore, we conclude that TFN engaged in naked licensing and consequently abandoned the trademarks....

Westco Group, Inc. v. K.B. & Associates, Inc.
128 F.Supp.2d 1082 (N.D. Ohio 2001)

GWIN, District Judge.

With this order, the Court rules on the parties' cross-motions for summary judgment. For the reasons set forth below, the Court grants Plaintiff Westco Group, Inc.'s motion for summary judgment, and denies Defendant K.B. & Associates' motion for summary judgment.

I.

This case involves a dispute between two mattress retailers. Plaintiff Westco, Inc. ("Westco"), operates more than fifty retail mattress stores featuring the Mattress Warehouse trademark and trade name. Defendant K.B. & Associates, Inc. ("K.B. & Associates"), operates approximately fourteen retail stores using this trademark and trade name. Westco says K.B. & Associates is using the trademark and trade name in violation of its licensing agreement with Westco, as well as in violation of federal and state laws preserving Westco's right to control the use of the trademark and trade name. K.B. & Associates denies these claims and asserts two counterclaims. In these counterclaims, K.B. & Associates seeks a declaratory judgment that it has not infringed the trademark and trade name and that Westco has abandoned the trademark and trade name. . . .

. . . Defendant K.B. & Associates solicited authority from Plaintiff Westco to use the Mattress Warehouse trademark and trade name in Ashland, Kentucky. In 1995, the parties entered an agreement whereby K.B. & Associates could use the trademark and trade name at is Ashland location. . . . The agreement required K.B. & Associates to receive permission from Westco to use the trademark and trade name at any other locations.

In early 2000, Defendant K.B. & Associates sought permission to use the Mattress Warehouse trademark at a Pikeville, Kentucky location. After negotiations, K.B. & Associates and Plaintiff Westco could not reach an agreement as to the fee K.B. & Associates would pay Westco to use the trademark at the Pikeville location.

Plaintiff Westco says it later discovered that Defendant K.B. & Associates, without permission, was using the Mattress Warehouse trademark and trade name at its Pikeville location. And Westco contends that it thereafter learned that K.B. & Associates had used and is currently using the trademark and trade name at seven other unauthorized locations. . . .

III.

Plaintiff Westco seeks summary judgment on its breach of contract, trademark infringement, and unfair competition claims. Westco says the undisputed facts show Defendant K.B. & Associates broke its licensing agreement regarding the Mattress Warehouse trademark and trade name. With this breach, Westco contends that K.B. & Associates infringed its trademark and competed unfairly as a matter of law.

Defendant K.B. & Associates says it never breached its licensing agreement with Plaintiff Westco. In any event, K.B. & Associates contends that Westco abandoned the Mattress Warehouse trademark and trade name. Thus, K.B. & Associates says it is entitled to summary judgment on all of Westco's claims, as well as its own counterclaims.

As explained below, the Court finds that Plaintiff Westco has shown that Defendant K.B. & Associates failed to abide by the terms of its licensing agreement with Westco. The Court further finds no merit in K.B. & Associates' abandonment claim. Hence, the Court grants Westco's motion for summary judgment and denies K.B. & Associates's motion for summary judgment. . . .

With regard to the Mattress Warehouse trade name, Defendant K.B. & Associates contends that the 1995 Agreement did not give Plaintiff Westco the right to restrict its use of the trade name. Specifically, K.B. & Associates says Westco has only registered "Mattress Warehouse" as a fictitious name in Kentucky. Such a registration, according to K.B. & Associates, is insufficient to give Westco a substantive right to the Mattress Warehouse trade name.

However, the doctrine of licensee estoppel prevents K.B. & Associates from challenging Westco's right to license the trade name.

The doctrine of licensee estoppel provides that a "licensee is estopped from claiming any rights against the licensor which are inconsistent with the terms of the license." 3 Rudolf Callmann, Unfair Competition, Trademark & Monopolies § 19.48 (Louis Altman 4th ed.1998 and 2000 cum. supp.). For example, a trademark licensee cannot challenge a licensor's ownership of a trademark.

Here, Defendant K.B. & Associates conceded Westco's rights in the trade name when it entered the 1995 Agreement. As a licensee, K.B. & Associates cannot now claim that Westco lacked the right to license the trade name in the 1995 Agreement. . . .

. . . . Defendant K.B. & Associates has used the Mattress Warehouse trademark and trade name in a manner inconsistent with the 1995 Agreement.

Unless Plaintiff Westco has abandoned the trademark and trade name, K.B. & Associates broke its contract and violated the trademark laws. . . .

The Court now turns to Defendant K.B. & Associates' abandonment defense. K.B. & Associates says Plaintiff Westco has abandoned both the Mattress Warehouse trademark and trade name through "naked licensing." As a result of this abandonment, K.B. & Associates says it is not liable for breaching the 1995 Agreement or for any other claim made by Westco.

A trademark and trade name operate as indicators of origin, assuring consumers that the goods and services sold thereunder are of a uniform nature and quality. Edward K. Esping, Annotation, *Granting of "naked" or unsupervised license to third party as abandonment of trademark*, 118 A.L.R. Fed. 211 (1994) ("The commercial purpose of a trademark or trade name is to identify, and provide consumers assurances regarding the nature and quality of, the marked goods or services."). In order for a trademark or trade name to provide such an assurance to consumers, the owner of the trademark or trade name must control the nature and quality of the marked goods and services. Absent such control, the message of the trademark or trade name "is false because without control of quality, the goods and services are not truly genuine." J. McCarthy, McCarthy on Trademarks and Unfair Competition § 18:42 (4th ed.1997) (internal quotations omitted).

Thus, when an owner licenses a trademark or trade name to third parties, the owner "has the duty to control quality." J. McCarthy, *supra,* at § 18:42; *Gorenstein Enterprises, Inc. v. Quality-Care-USA, Inc.*, 874 F.2d 431, 435 (7th Cir.1989) ("The owner of a trademark has a duty to ensure the consistency of the trademarked good or service."). If the owner does not fulfill this duty, the owner has issued a "naked" or "bare" license.

Because naked licensing defeats the purpose of a trademark or trade name, a licensor who engages in naked licensing abandons the trademark or trade name. *Gorenstein Enterprises, Inc.*, 874 F.2d at 435; J. McCarthy, *supra,* at § 18:42 ("Thus, not only does the trademark owner have the right to control quality, when it licenses, it has the duty to control quality.").

The Lanham Act specifically provides for the abandonment of a trademark when a licensor engages in naked licensing. 15 U.S.C. § 1127(2) (defining abandonment as "any course of conduct of the owner ... [that] causes the mark to ... lose its significance as a mark."). . . .

Here, Defendant K.B. & Associates says the 1995 Agreement is a naked license. According to K.B. & Associates, Plaintiff Westco has failed to take any meaningful steps to ensure K.B. & Associates is selling quality products or providing quality services in its stores operated under the Mattress Warehouse trademark and trade name. Specifically, K.B. & Associates offers evidence showing Westco never visited or inspected any of K.B. & Associates' retail stores. Further, Westco allegedly failed to play any role in deciding how K.B. & Associates should handle customer complaints or from whom K.B. & Associates should purchase its inventory.

Even assuming this evidence is sufficient to show the 1995 Agreement is a naked license, Defendant K.B. & Associates is estopped from asserting that its license agreement is a naked license. As previously explained, the doctrine of licensee estoppel stops a licensee from contesting "the validity of the licensor's title during the course of the licensing arrangement." *Professional Golfers Ass'n of America v. Bankers Life & Casualty Co.,* 514 F.2d 665, 670 (5th Cir.1975).

However, Defendant K.B. & Associates insists the doctrine of licensee estoppel does not prevent a licensee from raising a naked licensing defense. In support of this proposition, K.B. & Associates relies on the United States Court of Appeals for the Sixth Circuit's opinion in *E.F. Prichard Co. v. Consumers Brewing Co.,* 136 F.2d 512 (6th Cir.1943). In *Prichard,* the Sixth Circuit allowed a licensee to raise a naked licensing defense against a licensor, while still applying the doctrine of licensee estoppel to bar the licensee's other challenges to the licensor's ownership of the trademark in question.

As Defendant K.B. & Associates acknowledges, in *Prichard* the Sixth Circuit did not discuss whether the doctrine of licensee estoppel stops a naked licensing claim. The court offered no analysis as to the relationship between licensee estoppel and a naked licensing defense. Nevertheless, K.B. & Associates asks the Court to rely on *Prichard's* "implicit" meaning and allow its naked licensing claim despite the doctrine of licensee estoppel.

The Court will not do so. The majority of courts to consider the issue in the wake of *Prichard* have found that the doctrine of licensee estoppel bars a licensee from asserting a naked licensing defense. The leading commentators have likewise found the doctrine of licensee estoppel applicable to naked licensing claims:

> The licensee is estopped from claiming any rights against the licensor which are inconsistent with the terms of the license. This is true even after the license expires. *He is estopped from contesting the validity of the mark, … or challenging the license agreement as void or against public policy, e.g., because it granted a naked license.* But he may challenge the licensor's title to the mark based on events which occurred after the license expired.

Rudolf Callmann, *supra,* at § 19.48 (footnotes and citations omitted, emphasis added); 2 Jerome Gilson, Trademark Protection and Practice § 6.03[7] (2000).

Moreover, the rationale undergirding the application of licensee estoppel to naked licensing claims is compelling. By entering a licensing agreement, the licensee covenants not to challenge the licensor's right to issue the license. This covenant includes challenges based on naked licensing . . . .

And further, a licensee claiming that its own license is a naked license essentially seeks to benefit from its own misfeasance. By asserting a naked licensing defense, the licensee contends that the licensed trademark or trade name has lost its significance as a source of origin because the licensor has failed to police the licensee's operations. Thus, by relying on its own ability to offer inferior or nonuniform goods and services under the trademark or trade name, the licensee seeks to free itself of the constraints imposed by the licensor's ownership of the trademark or trade name. Not surprisingly, the Restatement (Third) of Unfair Competition observes that the case for applying licensee estoppel is strongest in such a case. Restatement (Third) of Unfair Competition § 33 (1995) ("The case for estoppel is strongest when the licensee's challenge rests on its own conduct under the license, *such as ... a claim of abandonment based on inadequate supervision of the licensee by the licensor.*") (emphasis added).

In the absence of any controlling authority from either the United States Supreme Court or the Sixth Circuit, the Court follows the persuasive authority cited above. Accordingly, Defendant K.B. & Associates cannot raise a naked licensing defense based on Plaintiff Westco's failure to adequately control the quality of K.B. & Associates' operations.

Defendant K.B. & Associates next argues that, even if barred from raising a naked licensing defense based on its own license, it can assert a naked licensing claim arising from Plaintiff Westco's failure to assert quality control over its other licensees. At least one court has accepted this proposition. *STX, Inc. v. Bauer USA, Inc.*, 43 U.S.P.Q.2d 1492, 1501, 1997 WL 337578 (N.D.Cal.1997). And the Restatement (Third) of Unfair Competition also provides some support for allowing such a naked licensing defense. Restatement (Third) of Unfair Competition § 30, comment d (1995).

The doctrine of licensee estoppel is equitable in nature. Accordingly, the doctrine is not subject to rigid application. Instead, a court considering the doctrine's application " 'remains free to consider the particular circumstances of the case, including the nature of the licensee's claim....' " J. McCarthy, *supra,* at § 18:63 (quoting Restatement (Third) of Unfair Competition § 30, comment d (1995)).

The Court finds that licensee estoppel does not stop Defendant K.B. & Associates' claim that Plaintiff Westco abandoned the trademark and trade name through naked licensing to a third party. The case for applying the licensee estoppel doctrine is "weak when the licensee asserts a lack of control by the licensor over other users." Restatement (Third) of Unfair Competition § 30, comment d (1995).

When a licensor fails to control the quality of goods or services sold by other licensees, a licensee loses the value of its license. In such a situation, the licensor has abandoned the trademark or trade name, rendering it useless as an indicator of origin. Yet the licensee remains subject to the terms of the license, and perhaps even continues to compensate the licensor for its rights to the trademark or trade name. This result is avoided by allowing a licensee to raise a naked licensing claim based on the licensor's relations with third-party licensees.

Accordingly, the Court will permit Defendant K.B. & Associates to raise its naked licensing claim based on Westco's alleged failure to control the quality of a third-party licensee's operation.

But Defendant K.B. & Associates faces a "stringent" burden in asserting this claim. *Exxon Corp.*, 109 F.3d at 1075-76. A party asserting a naked licensing claim must show the trademark or trade name "has lost its significance as an indicator of origin." *Id.* at 1079-80.

Defendant K.B. & Associates bases its naked licensing claim on the license agreement between Plaintiff Westco and Richard Good, who operates a retail mattress store in Indiana. K.B. & Associates offers evidence that Westco had almost no contact with Good after issuing him a license to use the Mattress Warehouse trademark and trade name in 1998.

But Plaintiff Westco offers evidence that it competently monitors the quality of Good's retail operation. Westco says that Good's license specifically requires him to sell "name brand mattresses and bedding products, accessories and related items." Westco offers evidence that it polices Good's compliance with this provision through contact with "industry sources" and "name brand mattress and bedding sales representatives." And Westco argues that it need not engage in any additional monitoring because Good, by his own admission, has only sold quality products.

Defendant K.B. & Associates does not dispute this evidence. Rather, K.B. & Associates merely argues that Plaintiff Westco's monitoring approach is insufficient to avoid a finding of abandonment. The Court disagrees.

Courts determine whether a licensor has abandoned a trademark or trade name on a case-by-case basis. The degree of control a licensor must exercise to avoid a finding of abandonment necessarily depends on the factual circumstances at hand, including the nature of the trademark or trade name in question.

Here, the Mattress Warehouse trademark and trade name do not relate to a particular brand of mattress products. Rather, the evidence before the Court shows that the trademark and trade name serve the limited purpose of assuring customers the mattress products sold thereunder are "name brand."

Plaintiff Westco need not engage in extensive control over its licensees to preserve such a limited trademark and trade name. In particular, by monitoring Good's operation through industry sources and name brand mattress product sales representatives, Westco exercised sufficient control over the nature and quality of the mattress products sold under the trademark and trade name.

Moreover, even if the Court found that Plaintiff Westco issued Good a naked license, such a finding would not necessarily establish that Westco abandoned the Mattress Warehouse trademark and trade name in the areas where Defendant K.B. & Associates operates its retail stores. Good operates only one retail store in Indiana. K.B. & Associates, in contrast, operates approximately fourteen retail stores in Ohio, Kentucky, and West Virginia. The record does not include any evidence showing that a naked license in Indiana would diminish the trademark and trade name as a source of origin in this localized market area.

For these reasons, the Court finds no merit in Defendant K.B. & Associates' abandonment defense. The Court therefore grants Plaintiff Westco summary judgment on K.B. & Associates' counterclaim for a judgment that Westco abandoned the Mattress Warehouse trademark and trade name. . . .

Notes

Quality control. Because a trademark embodies the markholder's goodwill, trademark doctrine requires those who license their marks to control the quality of the use. Otherwise, it is reasoned, the mark would cease to identify a single source of goods and services. Draeger Oil Co., Inc. v. Uno-Ven Co., 314 F.3d 299, 301 (7th Cir. 2002) ("The economic function of a trademark is to provide the consuming public with a concise and unequivocal signal of the trademarked product's source and character, and that function is thwarted if the quality and uniformity of the trademarked product are allowed to vary significantly without notice to the consumer." (citation omitted)).

Naked licensing and the loss of trademark rights. If a licensor does not exercise quality control, but rather grants a "naked" license, the consequence is a loss of trademark rights (as the mark will no longer denote a single source of either a product or guarantor of quality). The loss of protection has been referred to as a form of abandonment, though one might quibble with the terminology if one views abandonment as a cessation of use.

Merger. Westco shows that one danger of obtaining a license to use a mark is potential estoppel from challenging its validity. A related risk is the problem of merger. Suppose a company #1 uses a mark but then takes a license to use that mark from company #2 (perhaps due to apprehension that the second company might have priority, or out of a desire to operate in the second party's territory). At the termination of the license, whatever preexisting rights company #1 had are lost. They merged into the licensed rights of company #2. Bunn-O-Matic Corp. v. Bunn Coffee Service, Inc., 88 F. Supp. 2d 914, 923 (C.D. Ill. 2000) ("A licensee's prior claims of any independent rights to a trademark are lost, or merged into the license, when he accepts his position as licensee, thereby acknowledging the licensor owns the marks and that his rights are derived from the licensor and enure to the benefit of the licensor."); *see also* 15 U.S.C. §1055 ("Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration . . . .").

Degree of quality control. There is no uniform standard of quality control required to protect trademark rights. The contextual nature of the inquiry leads to a range of results in the case law, with some cases accepting an unexercised contractual right of quality control as sufficing. Other cases accept reliance on the licensee's own quality control measures if the circumstances suggest their adequacy. Some do so only if there is some sort of "special relationship" between the parties (e.g., a familial relationship) to justify such reliance. And there are stricter precedents that demand actual quality control.

Do we need the naked licensing bar? The Second Circuit has explained that:

> If the licensor is not compelled to take some reasonable steps to prevent misuses of his trademark in the hands of others, the public will be deprived of its most effective protection against misleading uses of a trademark. The public is hardly in a position to uncover deceptive uses of a trademark before they occur and will be at best slow to detect them after they happen. Thus, unless the licensor exercises supervision and control over the operations of its licensees the risk that the public will be unwittingly deceived will be increased and this is precisely what the [Lanham] Act is in part designed to prevent.

Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 367 (2d Cir. 1959). Do you find this argument compelling? Again, we do not require trademark holders to maintain the quality of their goods. If they are free to weaken their marks by diluting product quality, why not use naked licensing to do the same?

12. Registration

Lanham Act § 2 (15 U.S.C. § 1052):

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 3501 (9) of title 19) enters into force with respect to the United States.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . . .

(e) Consists of a mark which

(1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them,

(2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title,

> (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them,
>
> (4) is primarily merely a surname, or
>
> (5) comprises any matter that, as a whole, is functional.
>
> (f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. . . .
>
> A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125 (c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125 (c) of this title, may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.

Trademark Registration Basics

Why register? Registration is not a prerequisite to protection for a mark. So why bother? Quoth the Trademark Office (http://www.uspto.gov/faq/trademarks.jsp):

> Owning a federal trademark registration on the Principal Register provides several advantages, including:
>
> > Public notice of your claim of ownership of the mark;
> >
> > A legal presumption of your ownership of the mark and your exclusive right to use the mark nationwide on or in connection with the goods/services listed in the registration;
> >
> > The ability to bring an action concerning the mark in federal court;
> >
> > The use of the U.S. registration as a basis to obtain registration in foreign countries;

The ability to record the U.S. registration with the U.S. Customs and Border Protection (CBP) Service to prevent importation of infringing foreign goods;

The right to use the federal registration symbol ® and

Listing in the United States Patent and Trademark Office's online databases.

Nationwide priority looms especially large, as discussed in the class on geographic rights.

Researching registrations. You can look for mark registrations online. http://tess2.uspto.gov.

The Sweetness of the ®. While anyone can slap a TM or SM designation on anything, only registrants may use the ®. One benefit of doing so is to eliminate the need of proving that a defendant had notice of a registration in an action that seeks to recover damages or a defendant's profits. 15 U.S.C. § 1111.

Filing details. The details of filing can get technical, so we won't go too far into the weeds. Some requirements include a/an:

List of goods and services for which mark will be used;

Drawing of mark where applicable;

The legal basis on which you are filing (e.g. actual use in commerce, a bona fide intent to use the mark, a claim of priority based on earlier foreign application, registration in applicant's country of origin, or a filing under the Madrid Protocol); and

Example of use

Good or Service? Registration is an area where the distinction between a trademark and service mark matters insofar as one must be specific about what one seeks to protect. For example, may the maker of computer software that assists with job placement claim a service mark as well as a trademark? The Federal Circuit ruled that it depends on consumer perception. "The question is whether a user would associate the mark with 'personnel placement and recruitment' services performed by JobDiva, even if JobDiva's software performs each of the steps of the service." In re Jobdiva, Inc., 843 F.3d 936, 941 (Fed. Cir. 2016).

Oppositions and cancellations. 15 U.S.C. § 1063 provides that "[a]ny person who believes that he would be damaged by the registration of a mark upon the principal register . . . may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office." One may also challenge a mark after it has been registered by bringing a petition for cancellation. 15 U.S.C. § 1064.

As you may recall from earlier courses, the law of standing requires plaintiffs in federal cases to demonstrate an "injury in fact." Determining which harms clear this hurdle is the subject of many precedents. In general, however, courts demand a stake greater than subjective concern. That is, an environmentalist cannot sue to enjoin the clear cutting of a forest located several states away. He or she must show a more direct personal harm (e.g., that he or she hikes in the very patch of trees that will be cut).

Should the same requirement apply to trademark oppositions and cancellations? Article III, the purported source of the constitutional standing requirement, does not strictly require an injury in fact in trademark oppositions, as the proceeding is an administrative one (in other words, the adjudicator is an Article I agency, not an Article III court), but the result of an opposition may be appealed to the Federal Circuit, which is, of course, an Article III court. In general, one filing a petition to cancel is expected to be more than a "mere intermeddler" and have "a real interest and reasonable belief of damage" from the registration. Australian Therapeutic Supplies Pty. Ltd. v. Naked TM, LLC, 965 F.3d 1370, 1376 (Fed. Cir. 2020). Per McCarthy, the standard for allowing participation by those seeking to oppose and to cancel registrations is the same. 3 McCarthy § 20:7.

The TTAB Blog, a blog monitoring activities at the TTAB, reported (http://thettablog.blogspot.com/2011/01/who-was-most-frequent-ttab-opposer-in.html) that the most frequent filers of oppositions in 2010 were:

Kellogg North America Company - 70
Major League Baseball* - 56
Apple Inc. - 22
TeleTracking Technologies Inc. - 22
The Coca-Cola Company - 21
Sazerac Company, Inc. - 19
Guthy-Renker LLC - 18
E. & J. Gallo Winery - 17
Johnson & Johnson -16
PEI, Licensing Inc. - 16
PRL USA Holdings, Inc. - 16
Zuffa, LLC - 16

* Includes Major League Baseball, the individual teams, and the Office of the Commissioner.

Narrowing grounds. If one moves to cancel five or more years after a registration the grounds for cancellation become more limited, but, per 15 U.S.C. § 1064, one may seek to cancel at any time if:

> the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 [15 U.S.C. § 1054] or of subsection (a), (b), or (c) of section 2 [15 U.S.C. § 1052] for a registration under this Act, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.

Maintenance. Registrations are subject to renewal at ten-year intervals. 15 U.S.C. § 1059. Note the contrast with copyright, another long-lived IP right. Patent rights, which expire quicker, require maintenance payments during their term (as explained here: http://www.uspto.gov/patents/process/maintain.jsp). (N.B., copyright law used to require renewal, but no longer does so). Failure to renew a trademark registration does not cut off state or common law rights.

Secondary meaning. Some registration exclusions (being descriptive, deceptively misdescriptive, primarily geographically descriptive, or primarily merely a surname) may be overcome by showing secondary meaning. The others are absolute bars to registration.

Deceptive, Deceptively Misdescriptive, and Descriptive marks (§§ 2(a) and 2(e)(1)).

As you know, descriptive marks are only protected upon a showing of secondary meaning. The same is true in the registration context (§ 2(e)(1) + § 2(f)). Deceptively misdescriptive marks also may be registered if secondary meaning is established. Deceptive marks, by contrast, may never be registered (§ 2(a)). What's the difference?

In re Budge Mfg. Co., Inc.
857 F.2d 773 (Fed. Cir. 1988)

NIES, Circuit Judge.

Budge Manufacturing Co., Inc., appeals from the final decision of the United States Trademark Trial and Appeal Board refusing registration of LOVEE LAMB for "automotive seat covers," application Serial No. 507,974 filed November 9, 1984. The basis for rejection is that the term LAMB is deceptive matter within the meaning of section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a) (1982), as applied to Budge's goods which are made wholly from synthetic fibers. We affirm.

Opinion

Section 2(a) of the Lanham Act bars registration of a mark which: "Consists of or comprises ... deceptive ... matter...." As stated in *In re Automatic Radio Mfg. Co.*, 404 F.2d 1391, 1396, 160 USPQ 233, 236 (CCPA 1969): "The proscription [of section 2(a)] is not against misdescriptive terms unless they are also deceptive." Thus, that a mark or part of a mark may be inapt or misdescriptive as applied to an applicant's goods does not make it "deceptive." *Id.* (AUTOMATIC RADIO not a deceptive mark for air conditioners, ignition systems, and antennas). Recognizing that premise, the Trademark Trial and Appeal Board has sought to articulate a standard by which "deceptive matter" under section 2(a) can be judged. In this case, the board applied the three-part test which was stated in *In re Shapely, Inc.*, 231 USPQ 72, 73 (TTAB 1986): (1) whether the term is misdescriptive as applied to the goods, (2) if so, whether anyone would be likely to believe the misrepresentation, and (3) whether the misrepresentation would materially affect a potential purchaser's decision to buy the goods. . . .

. . . . Where the issue relates to deceptive misdescriptiveness within the meaning of 2(a), we are in general agreement with the standard set out by the board in *Shapely*, with the following amplification in part drawn from *Simmons:*

> (1) Is the term misdescriptive of the character, quality, function, composition or use of the goods?
>
> (2) If so, are prospective purchasers likely to believe that the misdescription actually describes the goods?
>
> (3) If so, is the misdescription likely to affect the decision to purchase?

In *ex parte* prosecution, the burden is initially on the Patent and Trademark Office (PTO) to put forth sufficient evidence that the mark for which registration is sought meets the above criteria of unregistrability. Mindful that the PTO has limited facilities for acquiring evidence-it cannot, for example, be expected to conduct a survey of the marketplace or obtain consumer affidavits[2] we conclude that the evidence of record here is sufficient to establish a *prima facie* case of deceptiveness. That evidence shows with respect to the three-pronged test:

(1) Budge admits that its seat covers are not made from lamb or sheep products. Thus, the term LAMB is misdescriptive of its goods.

(2) Seat covers for various vehicles can be and are made from natural lambskin and sheepskin. Applicant itself makes automobile seat covers of natural sheepskin. Lambskin is defined, *inter alia,* as fine-grade sheep skin. *See Webster's Third New International Dictionary* 639 (unabr. 1976). The board's factual inference is reasonable that purchasers are likely to believe automobile seat covers denominated by the term LAMB or SHEEP are actually made from natural sheep or lamb skins.

(3) Evidence of record shows that natural sheepskin and lambskin is more expensive than simulated skins and that natural and synthetic skins have different characteristics. Thus, the misrepresentation is likely to affect the decision to purchase.

Faced with this *prima facie* case against registration, Budge had the burden to come forward with countering evidence to overcome the rejection. It wholly failed to do so.

Budge argues that its use of LAMB as part of its mark is not misdescriptive when considered in connection with the text in its advertising, which states that the cover is of "simulated sheepskin."[3] Some, but not all, of Budge's specimen labels also have this text. This evidence is unpersuasive. In *R. Neumann & Co. v. Overseas Shipments, Inc.*, 326 F.2d 786, 51 CCPA 946, 140 USPQ 276 (1964), a similar argument was made that the mark DURA-HYDE on shoes was not deceptive as an indication of leather because of tags affixed to the shoes proclaiming the legend "Outwears leather." In discounting the evidence, the court stated: "The legends constitute advertisement material separate and apart from any trademark significance." To the same effect is *In re Bonide Chemical Co.*, 46 F.2d 705, 18 CCPA 909, 8 USPQ 297 (1931). There the court held, with respect to a clarifying statement made in advertising circulars, which the applicant urged negated the deceptive nature of the mark, "This argument is beside the issue. It is the word of

[2] See, e.g., In re Loew's Theatres, Inc., 769 F.2d 764, 768, 226 USPQ 865, 868 (Fed.Cir.1985) ("The practicalities of the limited resources available to the PTO are routinely taken into account in reviewing its administrative action.").

[3] During board proceedings, Budge offered an amendment to change the goods in its application to read "simulated sheepskin automotive seat covers." Either way the goods are specified, our opinion remains the same.

the mark, not the statement of an advertising circular which appellant seeks to register…."

Thus, we conclude that the board properly discounted Budge's advertising and labeling which indicate the actual fabric content. Misdescriptiveness of a term may be negated by its meaning in the context of the whole mark inasmuch as the combination is seen together and makes a unitary impression. *A.F. Gallun & Sons Corp. v. Aristocrat Leather Prods., Inc.*, 135 USPQ 459, 460 (TTAB 1962) (COPY CALF not misdescriptive, but rather suggests *imitation* of calf skin). The same is not true with respect to explanatory statements in advertising or on labels which purchasers may or may not note and which may or may not always be provided. The statutory provision bars registration of *a mark* comprising deceptive matter. Congress has said that the advantages of registration may not be extended to a mark which deceives the public. Thus, the mark standing alone must pass muster, for that is what the applicant seeks to register, not extraneous explanatory statements.

Budge next argues that no reasonable purchaser would expect to purchase lambskin automobile seat covers because none made of lambskin are on the market. Only sheepskin automobile seat covers are being made, per Budge. Not only was no evidence submitted on the point Budge seeks to make, only statements of Budge's attorney, but also the argument is without substance. The board properly equated sheepskin and lambskin based on the dictionary definition which indicates that the terms may be used interchangeably. In addition, while Budge would discount the evidence presented that bicycle and airline seat coverings are made of lambskin, we conclude that it does support the board's finding that there is nothing incongruous about automobile seat covers being made from lambskin. We also agree with the board's conclusion that any differences between sheepskin and lambskin would not be readily apparent to potential purchasers of automobile seat covers. The board's finding here that purchasers are likely to believe the misrepresentation is not clearly erroneous.

To overturn the board's finding that misdescribing synthetic fabric as "lamb" would affect a purchaser's decision to purchase the item, Budge merely reiterates its argument that its advertising negates the possibility of misdescriptiveness. We find that argument no more persuasive in this context than previously and, in any event, wholly unresponsive to this issue.

Finally, we note the evidence of Budge's extensive sales since 1974 under the mark. However, it is too well established for argument that a mark which includes deceptive matter is barred from registration and cannot acquire distinctiveness.

Conclusion

None of the facts found by the board have been shown to be clearly erroneous nor has the board erred as a matter of law. Accordingly, we affirm the board's decision that Budge's mark LOVEE LAMB for automobile seat covers made from synthetic fibers is deceptive within the meaning of 15 U.S.C. § 1052(a) and is, thus, barred from registration.

AFFIRMED.

NICHOLS, Senior Circuit Judge, concurring.

I agree that the TTAB decision should be affirmed, and with most of what the court well says. There is one matter, however, as to which I do not wholly agree, much as I respect the court's expertise in this field.

We have an unfortunate tendency to believe we must always utter the last word and lay down the ultimate law on all the subjects confided to us. Here we have a TTAB decision with which we find nothing wrong, and two previous TTAB decisions dealing with the same general subject. That is, all three are concerned with the Lanham Act provision barring from registration, trademarks which are "deceptive," and in all three the alleged deception was words making it appear that material actually of synthetic fibers was natural. The task consisted of applying one word in a statute to the few words or single word of a trademark, in light of the actual composition as acknowledged by the applicant. Lawyers are ostensibly, and I hope often actually, trained to construe statutes and other written words according to the intent of those who utter them and the understanding of those who read them. The task in the three cases was one for lawyers, and the three opinions afford internal evidence that the TTAB suffers no shortage of those who know how to do it well. They do not need us to tell them how to do it. If we do so, we clamp down a rigid formula for them to conform to, with a prospect of their being harried by lawyers for alleged nonconformity to the formula forever thereafter, with the simple ultimate issue forgotten.

No one can tell what future cases will bring or whether our formula will aid the solution of future cases, or hinder it. *In re Simmons, Inc.,* one of our three cases, well illustrates my point. The mark: "White Sable" for paint brush bristles, is construed in light of the fact that the animal, sable, is extremely dark and that is so well known that "sable" as an adjective, serves as a synonym for black, as in "sable plumage." As the white sable is a fictitious animal, the mark "white sable" cannot deceptively represent that the hairs in the brush came from a real animal. Who could prescribe beforehand how to deal with such a case? To deal with it after it arose, by an unhampered board, was no trick at all.

In the case before us, the board asked itself: "is anyone likely to believe the product is made of lamb or sheepskin?" The question might, perhaps ideally, be "is any reasonable person * * * " because unreasonable persons are likely to believe anything. It is clearly what the board meant. This court transforms that question in its formula to this:

If so, are prospective purchasers likely to believe that the misdescription actually describes the goods?

Thus "anyone," a single individual, is transmuted into a class of persons. I readily can picture the fun future counsel will have with this. They can demand that the board, with its limited investigative facilities as we acknowledge, first define who are the prospective purchasers, old, young, Ph.D's, illiterates, etc.? Then, what are their tastes, their intellectual quirks, their degree of gullibility?

A simple issue, mostly or wholly of law, is transmuted into a wide-ranging factual inquiry. Is the board to indulge in guesswork and speculation as to this supposititious class, and its *mores?* We reprehended this approach in a recent "likelihood of confusion" case, *Amalgamated v. Amalgamated*, 842 F.2d 1270, 6 USPQ2d 1305 (Fed.Cir.1988); (*cf. B.V.D. Licensing Corp. v. Body Action Design, Inc.*, 846 F.2d 727, 6 USPQ2d 1719 (Fed.Cir.1988)). Is it to conduct a sweeping inquest, the process known outside the Beltway as "making a federal case out of it." Far better, it seems to me, is not to fix anything when nothing is broke.

Geographic exclusions

15 U.S.C. §1052

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it–
>
> (a) Consists of or comprises … deceptive … matter;… or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after [January 1, 1996].
>
> …
>
> (e) Consists of a mark which … (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them….

A mark that is geographically descriptive is registrable with secondary meaning, while a mark that is "geographically deceptively misdescriptive" cannot be registered. The Federal Circuit has interpreted section 2(e)(3) (primarily

geographically deceptively misdescriptive marks) to have a materiality component.*
Thus TMEP § 1210.01(a) provides:

> To establish a prima facie case for refusal to register a mark as primarily geographically descriptive, the examining attorney must show that:
>
> (1) the primary significance of the mark is a generally known geographic location (see TMEP §§1210.02–1210.02(b)(iv));
>
> (2) the goods or services originate in the place identified in the mark (see TMEP §1210.03); and
>
> (3) purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark (see TMEP §§1210.04–1210.04(d)). Note: If the mark is remote or obscure, the public is unlikely to make a goods/place or services/place association (see TMEP §1210.04(c)).

The test for whether a mark that is geographically deceptively misdescriptive adds the element of materiality, asking whether "the misrepresentation is a material factor in a significant portion of the relevant consumer's decision to buy the goods or use the services." *Id.* § 1210.01(b).

Geographical Indications. The limited exclusions of section 2 provide little hint of the importance of geographical indications of origin ("GIs"), which we previously discussed in our class on generic marks. As noted in that reading, the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs") requires (in Article 22) that signatories provide means to prevent the false suggestions of geographic origin with further protections (in Article 23) for GIs for wines and spirits. The latter protections are to be in force independent of confusion as to origin, though the terms may be used where generic.

The Lanham Act's accommodations to GIs include the registration exclusions in section 2 as well as the existence of certification marks. Section 2(a) specifically refers to GIs for wines and spirits. TMEP §1210.08(a) also provides:

> To establish a prima facie case for refusal to register a mark under the "wines and spirits" provision of §2(a), the following is required:

* The court's requiring materiality here rests on a misreading of the statute, but don't get me started. For a brief explanation of the issue, *see* Michael Grynberg, *More Than IP: Trademark Among the Consumer Information Laws*, 55 Wm. & Mary L. Rev. 1429, 1449 (2014).

(1) The primary significance of the relevant term or design is geographic, e.g., a place name, abbreviation, nickname, or symbol; or an outline or map of a geographic area (see TMEP §§1210.02(a)–1210.02(b)(iv));

(2) Purchasers would be likely to think that the goods originate in the geographic place identified in the mark, i.e., purchasers would make a goods/place association (see TMEP §§1210.04–1210.04(d));

(3) The goods do not originate in the place identified in the mark (see TMEP §1210.03);

(4) A purchaser's erroneous belief as to the geographic origin of the goods would materially affect the purchaser's decision to buy the goods (see TMEP §§1210.05(c)–1210.05(c)(ii)); and

(5) The mark was first used in commerce by the applicant on or after January 1, 1996.

Other exclusions

False Connections with persons, institutions, beliefs, or national symbols (Section 2(a)).

To establish that a proposed mark falsely suggests a connection with a person or an institution, it must be shown that:

1 the mark is the same as, or a close approximation of, the name or identity previously used by another person or institution;

2 the mark would be recognized as such, in that it points uniquely and unmistakably to that person or institution;

3 the person or institution named by the mark is not connected with the activities performed by the applicant under the mark; and

4 the fame or reputation of the person or institution is such that, when the mark is used with the applicant’s goods or services, a connection with the person or institution would be presumed.

TMEP § 1203.03(c)(i).

Consisting of or simulating a flag or coat of arms. As for a section 2(b) refusal based on consisting of or simulating “the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation,” the Manual explains, “Whether a mark comprises a simulation must be determined from a visual comparison of the proposed mark vis-à-vis replicas of the flag, coat of arms, or other insignia in question. In re Waltham Watch Co., 179 USPQ 59, 60 (TTAB 1973). Focus must be on the general recollection of the flag or insignia by purchasers, "without a careful analysis and side-by-side comparison." *Id.* § 1204. Merely being suggestive of the symbol, however, is not enough. *Id.* This opens the door to more registerable use than you might think. The Manual explains that § 2(b) refusals are inappropriate if the flag is used to form another shape, is obscured in large part by other design elements, is not in a flag shape, has a different color scheme than the flag normally does, or has a significant feature altered or excised.

Surname marks. Section 2(e)(4) blocks the registration of marks that are primarily "merely" surnames (absent secondary meaning). Recall the reasons that the common law also imposed a secondary meaning requirement in thinking about the question of what should qualify.

A problem in administering section 2(e)(4), and the common law exclusion of unregistered surname marks without secondary meaning, is of course the overlap between names and everyday words. "King" is a common surname, but it is also a word with many other meanings, including a head of state, a chess piece, and, more connotatively, one who is preeminent in one's field. How then to draw the line? Pointing to TTAB precedent, the TMEP test is as follows:

> (1) whether the surname is rare (see TMEP §1211.01(a)(v));
>
> (2) whether the term is the surname of anyone connected with the applicant (see TMEP §1211.02(b)(iv));
>
> (3) whether the term has any recognized meaning other than as a surname (see TMEP §§1211.01(a)–1211.01(a)(vii));
>
> (4) whether it has the "structure and pronunciation" of a surname (see TMEP §1211.01(a)(vi)); and
>
> (5) whether the stylization of lettering is distinctive enough to create a separate commercial impression (see TMEP §1211.01(b)(ii)).

TMEP § 1211.01.

If you were a trademark examiner, would you accept the claimed mark BYRNE? What if the applicant pointed to the dictionary meaning of "burn"? See, e.g., In re Pickett Hotel Co., 229 USPQ 760 (TTAB 1986) (concluding that PICKETT SUITE HOTEL is primarily merely a surname despite claim that would-be mark is the phonetic equivalent of the word "picket").

A mark "identifying a particular living individual"(§ 2(c)). In 1989 Debbie Sauer applied to register BO BALL for "an oblong shaped ball made of white leather with red stitching at the seams." In essence the ball looked like a cross between a baseball and a football. Does "BO" identify a particular living person? It might help if you knew that at the time, Bo Jackson was famous for playing both professional football and baseball, and he starred in a number of commercials for the apparel maker Nike that played up his intersport abilities. Is that grounds for a § 2(c) rejection? After all, the name BO BALL is not the same as BO JACKSON BALL. Would you reject the registration? The TTAB did. In re Sauer, 27 U.S.P.Q.2d 1073 (TTAB 1993). What about the applicant's argument that "'Bo' is also the given name of several other widely recognized celebrities, such as Bo Diaz, Bo Belinsky, Bo Bo Osborne and Bo Schembechler, and that therefore "Bo" would not necessarily be understood to refer to Bo Jackson"? In answering the question, it's only fair to assume that you've heard of any of those four (I confess to only recognizing one). How would you have defended the TTAB's judgment on appeal? Do any other provisions of section 2 support the TTAB's ruling?

2(d) rejections. Section 2(d) provides for rejection of marks that are likely to cause confusion with previously used marks, and the end of section 2 provides for oppositions based on likely dilution of famous marks. While the substance of these doctrines are for later classes, note the difficulty faced by the trademark office in many cases. Thanks to the filing of intent-to-use applications, it will be evaluating many marks, and their potential to cause confusion with other marks, *before* they go on the market, limiting the available evidence.

Problems

1. Our client operates a restaurant called CAFETERIA. It is a sit-down restaurant that offers a high-end dining experience. It has achieved secondary meaning in its area of operation. May it obtain a registration?

2. The Swiss Army Knife is a popular multi-use knife. The trademark SWISS ARMY KNIFE is held by Wenger S.A. and Victorinox A.G., which has actually provided knives to the Swiss armed forces. Suppose those companies are purchased by interests hostile to the Swiss government. The Swiss government hires you to bring a cancellation proceeding against the SWISS ARMY KNIFE mark. Assume that the quality of the knives is unchanged and that the registration is less than five years old (so any basis for challenge is eligible). What are likely avenues for attack? Will they succeed?

3. John Smith is a (fictional) baseball player born with an extra finger on his throwing hand. He becomes a star pitcher. Along the way, he picks up the nickname "Deep Six," and his fans frequently chant the phrase during his starts. Smith's team has just made the World Series. You represent All-Star clothing, which wants to trademark "Deep Six" for use on T-shirts. Any advice on seeking registration?

Exclusions and the First Amendment.

Section 2(a) contains exclusions for "scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." The disparagement provision was the basis for efforts to cancel the trademark of the Washington NFL team. The TTAB ordered cancellation, and its ruling was upheld by a federal district court. *See* Blackhorse v. Pro-Football, Inc., 111 U.S.P.Q.2d 1080 (Trademark Tr. & App. Bd. June 18, 2014), 2014 WL 2757516; Pro-Football, Inc. v. Blackhorse, 112 F. Supp. 3d 439 (E.D. Va. 2015). As that ruling was being appealed, the Federal Circuit *struck down* the section 2(a) disparagement bar altogether. *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015) (en banc). The Supreme Court granted cert and affirmed in *Matal v. Tam*, 137 S. Ct. 1744 (2017), concluding that the bar represents viewpoint discrimination that is unconstitutional under the First Amendment. Soon after, the Supreme Court faced the question of the constitutionality of the bar to registering immoral or scandalous matter.

Iancu v. Brunetti
139 S. Ct. 2294 (2019)

Justice KAGAN delivered the opinion of the Court.

. . . .

Respondent Erik Brunetti is an artist and entrepreneur who founded a clothing line that uses the trademark FUCT. According to Brunetti, the mark (which functions as the clothing's brand name) is pronounced as four letters, one after the other: F-U-C-T. See Brief for Respondent 1. But you might read it differently and, if so, you would hardly be alone. See Tr. of Oral Arg. 5 (describing the brand name as "the equivalent of [the] past participle form of a well-known word of profanity"). That common perception caused difficulties for Brunetti when he tried to register his mark with the U. S. Patent and Trademark Office (PTO).

. . . .

This case involves another of the Lanham Act's prohibitions on registration—one applying to marks that "[c]onsist[ ] of or comprise[ ] immoral[ ] or scandalous matter." § 1052(a). The PTO applies that bar as a "unitary provision," rather than treating the two adjectives in it separately. To determine whether a mark fits in the category, the PTO asks whether a "substantial composite of the general public" would find the mark "shocking to the sense of truth, decency, or propriety"; "giving offense to the conscience or moral feelings"; "calling out for condemnation"; "disgraceful"; "offensive"; "disreputable"; or "vulgar."

Both a PTO examining attorney and the PTO's Trademark Trial and Appeal Board decided that Brunetti's mark flunked that test. . . . On review, the Board stated that the mark was "highly offensive" and "vulgar," and that it had "decidedly negative sexual connotations." As part of its review, the Board also considered evidence of how Brunetti used the mark. It found that Brunetti's website and products contained imagery, near the mark, of "extreme nihilism" and "anti-social" behavior. In that context, the Board thought, the mark communicated "misogyny, depravity, [and] violence." The Board concluded: "Whether one considers [the mark] as a sexual term, or finds that [Brunetti] has used [the mark] in the context of extreme misogyny, nihilism or violence, we have no question but that [the term is] extremely offensive."

Brunetti then brought a facial challenge to the "immoral or scandalous" bar in the Court of Appeals for the Federal Circuit. That court found the prohibition to violate the First Amendment. As usual when a lower court has invalidated a federal statute, we granted certiorari. . . .

. . . . So the key question becomes: Is the "immoral or scandalous" criterion in the Lanham Act viewpoint-neutral or viewpoint-based?

It is viewpoint-based. The meanings of "immoral" and "scandalous" are not mysterious, but resort to some dictionaries still helps to lay bare the problem. When is expressive material "immoral"? According to a standard definition, when it is "inconsistent with rectitude, purity, or good morals"; "wicked"; or "vicious." Webster's New International Dictionary 1246 (2d ed. 1949). Or again, when it is "opposed to or violating morality"; or "morally evil." Shorter Oxford English Dictionary 961 (3d ed. 1947). So the Lanham Act permits registration of marks that champion society's sense of rectitude and morality, but not marks that denigrate those concepts. And when is such material "scandalous"? Says a typical definition, when it "giv[es] offense to the conscience or moral feelings"; "excite[s] reprobation"; or "call[s] out condemnation." Webster's New International Dictionary, at 2229. Or again, when it is "shocking to the sense of truth, decency, or propriety"; "disgraceful"; "offensive"; or "disreputable." Funk & Wagnalls New Standard Dictionary 2186 (1944). So the Lanham Act allows registration of marks when their messages accord with, but not when their messages defy, society's sense of decency or propriety. Put the pair of overlapping terms together and the statute, on its face, distinguishes between two opposed sets of ideas: those aligned with conventional moral standards and those hostile to them; those inducing societal nods of approval and those provoking offense and condemnation. The statute favors the former, and disfavors the latter. "Love rules"? "Always be good"? Registration follows. "Hate rules"? "Always be cruel"? Not according to the Lanham Act's "immoral or scandalous" bar.

The facial viewpoint bias in the law results in viewpoint-discriminatory application. Recall that the PTO itself describes the "immoral or scandalous" criterion using much the same language as in the dictionary definitions recited above. The PTO, for example, asks whether the public would view the mark as "shocking to the sense of truth, decency, or propriety"; "calling out for condemnation"; "offensive"; or "disreputable." Brief for Petitioner 6 (internal quotation marks omitted). Using those guideposts, the PTO has refused to register marks communicating "immoral" or "scandalous" views about (among other things) drug use, religion, and terrorism. But all the while, it has approved registration of marks expressing more accepted views on the same topics. See generally Gilson & LaLonde, Trademarks Laid Bare, 101 Trademark Reporter 1476, 1510–1513, 1518–1522 (2011); Brief for Barton Beebe et al. as *Amici Curiae* 28–29.

Here are some samples. The PTO rejected marks conveying approval of drug use (YOU CAN'T SPELL HEALTHCARE WITHOUT THC for pain-relief medication, MARIJUANA COLA and KO KANE for beverages) because it is scandalous to "inappropriately glamoriz[e] drug abuse." PTO, Office Action of Aug. 28, 2010, Serial No. 85038867; see Office Action of Dec. 24, 2009, Serial No. 77833964; Office Action of Nov. 17, 2009, Serial No. 77671304. But at the same time, the PTO registered marks with such sayings as D.A.R.E. TO RESIST DRUGS AND VIOLENCE and SAY NO TO DRUGS—REALITY IS THE BEST TRIP IN LIFE. See PTO, Reg. No. 2975163 (July 26, 2005); Reg. No. 2966019 (July 12, 2005). Similarly, the PTO disapproved registration for the mark BONG HITS 4 JESUS because it "suggests that people should engage in an illegal activity [in connection with] worship" and because "Christians would be morally outraged by a statement that connects Jesus Christ with illegal drug use." Office Action of Mar. 15, 2008, Serial No. 77305946. And the PTO refused to register trademarks associating religious references with products (AGNUS DEI for safes and MADONNA for wine) because they would be "offensive to most individuals of the Christian faith" and "shocking to the sense of propriety." *Ex parte Summit Brass & Bronze Works*, 59 U.S.P.Q. 22, 23 (Dec. Com. Pat. 1943); *In re Riverbank Canning Co.*, 95 F.2d 327, 329 (CCPA 1938). But once again, the PTO approved marks—PRAISE THE LORD for a game and JESUS DIED FOR YOU on clothing—whose message suggested religious faith rather than blasphemy or irreverence. See Reg. No. 5265121 (Aug. 15, 2017); Reg. No. 3187985 (Dec. 19, 2006). Finally, the PTO rejected marks reflecting support for al-Qaeda (BABY AL QAEDA and AL-QAEDA on t-shirts) "because the bombing of civilians and other terrorist acts are shocking to the sense of decency and call out for condemnation." Office Action of Nov. 22, 2004, Serial No. 78444968; see Office Action of Feb. 23, 2005, Serial No. 78400213. Yet it approved registration of a mark with the words WAR ON TERROR MEMORIAL. Reg. No. 5495362 (Jun. 19, 2018). Of course, all these decisions are understandable. The rejected marks express opinions that are, at the least, offensive to many Americans. But as the Court made clear in *Tam*, a law disfavoring "ideas that offend" discriminates based on viewpoint, in violation of the First Amendment. 582 U. S., at ––––, 137 S.Ct., at 1751 (opinion of ALITO, J.); see *id.,* at –––– – ––––, 137 S.Ct., at 1762–1763; *id.,* at –––– – ––––, 137 S.Ct., at 1765–1766 (opinion of Kennedy, J.)

How, then, can the Government claim that the "immoral or scandalous" bar is viewpoint-neutral? The Government basically asks us to treat decisions like those described above as PTO examiners' mistakes. Still more, the Government tells us to ignore how the Lanham Act's language, on its face, disfavors some ideas. In urging that course, the Government does not dispute that the statutory language—and words used to define it—have just that effect. At oral argument, the Government conceded: "[I]f you just looked at the words like 'shocking' and 'offensive' on their face and gave them their ordinary meanings[,] they could easily encompass material that was shocking [or offensive] because it expressed an outrageous point of view or a point of view that most members" of society reject. Tr. of Oral Arg. 6. But no matter, says the Government, because the statute is "susceptible of" a limiting construction that would remove this viewpoint bias. *Id.,* at 7 (arguing that the Court should "attempt to construe [the] statute in a way that would render it constitutional"). The Government's idea, abstractly phrased, is to narrow the statutory bar to "marks that are offensive [or] shocking to a substantial segment of the public because of their *mode* of expression, independent of any views that they may express." *Id.,* at 11 (emphasis added); see Brief for Petitioner 27–28. More concretely, the Government explains that this reinterpretation would mostly restrict the PTO to refusing marks that are "vulgar"—meaning "lewd," "sexually explicit or profane." *Id.,* at 27, 30. Such a reconfigured bar, the Government says, would not turn on viewpoint, and so we could uphold it.

But we cannot accept the Government's proposal, because the statute says something markedly different. This Court, of course, may interpret "ambiguous statutory language" to "avoid serious constitutional doubts." *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 516 (2009). But that canon of construction applies only when ambiguity exists. "We will not rewrite a law to conform it to constitutional requirements." *United States v. Stevens*, 559 U.S. 460, 481 (2010) (internal quotation marks and alteration omitted). So even assuming the Government's reading would eliminate First Amendment problems, we may adopt it only if we can see it in the statutory language. And we cannot. The "immoral or scandalous" bar stretches far beyond the Government's proposed construction. The statute as written does not draw the line at lewd, sexually explicit, or profane marks. Nor does it refer only to marks whose "mode of expression," independent of viewpoint, is particularly offensive. Brief for Petitioner 28 (internal quotation marks omitted). It covers the universe of immoral or scandalous—or (to use some PTO synonyms) offensive or disreputable—material. Whether or not lewd or profane. Whether the scandal and immorality comes from mode or instead from viewpoint. To cut the statute off where the Government urges is not to interpret the statute Congress enacted, but to fashion a new one. . . .

Justice ALITO, concurring.

. . . . Our decision does not prevent Congress from adopting a more carefully focused statute that precludes the registration of marks containing vulgar terms that play no real part in the expression of ideas. The particular mark in question in this case could be denied registration under such a statute. The term suggested by that mark is not needed to express any idea and, in fact, as commonly used today, generally signifies nothing except emotion and a severely limited vocabulary. The registration of such marks serves only to further coarsen our popular culture. But we are not legislators and cannot substitute a new statute for the one now in force.

Chief Justice ROBERTS, concurring in part and dissenting in part.

The Lanham Act directs the Patent and Trademark Office to refuse registration to marks that consist of or comprise "immoral, deceptive, or scandalous matter." 15 U.S.C. § 1052(a). Although the statute lists "immoral" and "scandalous" separately, the PTO has long read those terms together to constitute a unitary bar on "immoral or scandalous" marks.

The Government concedes that the provision so read is broad enough to reach not only marks that offend because of their mode of expression (such as vulgarity and profanity) but also marks that offend because of the ideas they convey. The Government urges, however, that the provision can be given a narrowing construction—it can be understood to cover only marks that offend because of their mode of expression.

The Court rejects that proposal on the ground that it would in effect rewrite the statute. I agree with the majority that the "immoral" portion of the provision is not susceptible of a narrowing construction that would eliminate its viewpoint bias. As Justice SOTOMAYOR explains, however, the "scandalous" portion of the provision is susceptible of such a narrowing construction. Standing alone, the term "scandalous" need not be understood to reach marks that offend because of the ideas they convey; it can be read more narrowly to bar only marks that offend because of their mode of expression—marks that are obscene, vulgar, or profane. . . .

I also agree that . . . refusing registration to obscene, vulgar, or profane marks does not offend the First Amendment. Whether such marks can be registered does not affect the extent to which their owners may use them in commerce to identify goods. No speech is being restricted; no one is being punished. The owners of such marks are merely denied certain additional benefits associated with federal trademark registration. The Government, meanwhile, has an interest in not associating itself with trademarks whose content is obscene, vulgar, or profane. The First Amendment protects the freedom of speech; it does not require the Government to give aid and comfort to those using obscene, vulgar, and profane modes of expression. For those reasons, I concur in part and dissent in part.

Justice SOTOMAYOR, with whom Justice BREYER joins, concurring in part and dissenting in part.

The Court's decision today will beget unfortunate results. With the Lanham Act's scandalous-marks provision, 15 U.S.C. § 1052(a), struck down as unconstitutional viewpoint discrimination, the Government will have no statutory basis to refuse (and thus no choice but to begin) registering marks containing the most vulgar, profane, or obscene words and images imaginable.

The coming rush to register such trademarks—and the Government's immediate powerlessness to say no—is eminently avoidable. Rather than read the relevant text as the majority does, it is equally possible to read that provision's bar on the registration of "scandalous" marks to address only obscenity, vulgarity, and profanity. Such a narrowing construction would save that duly enacted legislative text by rendering it a reasonable, viewpoint-neutral restriction on speech that is permissible in the context of a beneficial governmental initiative like the trademark-registration system. I would apply that narrowing construction to the term "scandalous" and accordingly reject petitioner Erik Brunetti's facial challenge.

. . . .

. . . . [A]s for the word "immoral," I agree with the majority that there is no tenable way to read it that would ameliorate the problem. The word clearly connotes a preference for "rectitude and morality" over its opposite.

It is with regard to the word "scandalous" that I part ways with the majority. Unquestionably, "scandalous" can mean something similar to "immoral" and thus favor some viewpoints over others. But it does not have to be read that way. To say that a word or image is "scandalous" can instead mean that it is simply indecent, shocking, or generally offensive. See Funk & Wagnalls New Standard Dictionary 2186 (1944) (Funk & Wagnalls) ("shocking to the sense of truth, decency, *or* propriety; disgraceful, offensive" (emphasis added)); Webster's New International Dictionary 2229 (1942) ("exciting reprobation; calling out condemnation"); 9 Oxford English Dictionary 175 (1933) ("Of the nature of, or causing, a 'stumblingblock' or occasion of offence"); 8 Century Dictionary and Cyclopedia 5374 (1911) (Century Dictionary) ("Causing scandal or offense; exciting reproach or reprobation; extremely offensive to the sense of duty or propriety; shameful; shocking"); see also Webster's New College Dictionary 1008 (3d ed. 2005) ("shocking or offensive"). That offensiveness could result from the views expressed, but it could also result from the way in which those views are expressed: using a manner of expression that is "shocking to [one's] sense of ... decency," Funk & Wagnalls 2186, or "extremely offensive to the sense of ... propriety," 8 Century Dictionary 5374.

The word "scandalous" on its own, then, is ambiguous: It can be read broadly (to cover both offensive ideas and offensive manners of expressing ideas), or it can be read narrowly (to cover only offensive modes of expression). That alone raises the possibility that a limiting construction might be appropriate. But the broader text confirms the reasonableness of the narrower reading, because the word "scandalous" appears in the statute alongside other words that can, and should, be read to constrain its scope.

It is foundational "that a statute is to be read as a whole, since the meaning of statutory language, plain or not, depends on context." *King v. St. Vincent's Hospital*, 502 U.S. 215, 221 (1991) (citation omitted). " 'Words are not pebbles in alien juxtaposition; they have only a communal existence; and not only does the meaning of each interpenetrate the other, but all in their aggregate take their purport from the setting in which they are used.' " *Ibid.* (quoting *NLRB v. Federbush Co.*, 121 F.2d 954, 957 (C.A.2 1941) (L. Hand, J.)). Accordingly, and relatedly, courts should, to the extent possible, read statutes so that " 'no clause, sentence, or word shall be superfluous, void, or insignificant.' " *TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001).

Here, Congress used not only the word "scandalous," but also the words "immoral" and "disparage," in the same block of statutory text—each as a separate feature that could render a mark unregistrable. *Tam* already decided that "disparage" served to prohibit marks that were offensive because they derided a particular person or group. That defines one of the three words. Meanwhile, as the majority explains, the word "immoral" prohibits marks that are offensive because they transgress widely held moral beliefs. That defines a second of the three words.

With marks that are offensive because they are disparaging and marks that are offensive because they are immoral already covered, what work did Congress intend for "scandalous" to do? A logical answer is that Congress meant for "scandalous" to target a third and distinct type of offensiveness: offensiveness in the mode of communication rather than the idea. The other two words cover marks that are offensive because of the ideas they express; the "scandalous" clause covers marks that are offensive because of the mode of expression, apart from any particular message or idea. . . .

. . . . [W]hile the majority offers a reasonable reading of "scandalous," it also unnecessarily and ill-advisedly collapses the words "scandalous" and "immoral." Instead, it should treat them as each holding a distinct, nonredundant meaning, with "immoral" covering marks that are offensive because they transgress social norms, and "scandalous" covering marks that are offensive because of the mode in which they are expressed.

What would it mean for "scandalous" in § 1052(a) to cover only offensive modes of expression? The most obvious ways—indeed, perhaps the only conceivable ways—in which a trademark can be expressed in a shocking or offensive manner are when the speaker employs obscenity, vulgarity, or profanity. Obscenity has long been defined by this Court's decision in *Miller v. California*, 413 U.S. 15 (1973). As for what constitutes "scandalous" vulgarity or profanity, I do not offer a list, but I do interpret the term to allow the PTO to restrict (and potentially promulgate guidance to clarify) the small group of lewd words or "swear" words that cause a visceral reaction, that are not commonly used around children, and that are prohibited in comparable settings. Cf. 18 U.S.C. § 1464 (prohibiting "obscene, indecent, or profane language" in radio communications); *FCC v. Pacifica Foundation*, 438 U.S. 726, 746, and n. 22 (1978) (opinion of Stevens, J.) (regulator's objection to a monologue containing various "four-letter words" was not to its "point of view, but to the way in which it [wa]s expressed"); 46 C.F.R. § 67.117(b)(3) (2018) (Coast Guard regulation prohibiting vessel names that "contain" or are "phonetically identical to obscene, indecent, or profane language, or to racial or ethnic epithets"); see also Jacobs, The Public Sensibilities Forum, 95 Nw. U. L. Rev. 1357, 1416–1417, and n. 432 (2001) (noting that "swear words" are "perhaps more than any other categor[y] capable of specific articulation" and citing one state agency's list). Of course, "scandalous" offers its own limiting principle: if a word, though not exactly polite, cannot be said to be "scandalous"—*e.g.*, "shocking" or "extremely offensive," 8 Century Dictionary 5374—it is clearly not the kind of vulgarity or profanity that Congress intended to target. Everyone can think of a small number of words (including the apparent homonym of Brunetti's mark) that would, however, plainly qualify.[5]

[5] There is at least one particularly egregious racial epithet that would fit this description as well. While *Matal v. Tam* removed a statutory basis to deny the registration of racial epithets in general, the Government represented at oral argument that it is holding in abeyance trademark applications that use that particular epithet. As a result of today's ruling, the Government will now presumably be compelled to register marks containing that epithet as well rather than treating it as a "scandalous" form of profanity under § 1052(a).

. . . .

Adopting a narrow construction for the word "scandalous"—interpreting it to regulate only obscenity, vulgarity, and profanity—would save it from unconstitutionality. Properly narrowed, "scandalous" is a viewpoint-neutral form of content discrimination that is permissible in the kind of discretionary governmental program or limited forum typified by the trademark-registration system. . . .

Freedom of speech is a cornerstone of our society, and the First Amendment protects Brunetti's right to use words like the one at issue here. The Government need not, however, be forced to confer on Brunetti's trademark (and some more extreme) the ancillary benefit of trademark registration, when "scandalous" in § 1052(a) can reasonably be read to bar the registration of only those marks that are obscene, vulgar, or profane. Though I concur as to the unconstitutionality of the term "immoral" in § 1052(a), I respectfully dissent as to the term "scandalous" in the same statute and would instead uphold it under the narrow construction discussed here.

Notes and Questions

How well do scandalous marks perform the trademark function? Suppose someone tries to register a racial epithet after *Tam* and *Brunetti*. Is the PTO really without a recourse to refuse the registration?

In my view, there is an argument that the terms at issue in these cases do not effectively function as trademarks.

> The [disparagement] bar reflects a policy that promotes effective trademarks by favoring, to a large, albeit imperfect, extent, signifiers that are initially irrelevant to the market context in which they will be deployed. Such marks are better able to serve as receptacles of source-identifying meaning and, in turn, to be a shorthand for other information about the product or service in question. By contrast, trademark law disfavors and often excludes would-be marks that bring market-relevant information to the table. . . .
>
> Although they do not necessarily bring the same kind of market-relevant information as, say, a generic term, disparaging marks share the characteristic of being infused with non-source meaning. Unlike arbitrary or fanciful marks, disparaging marks fail the irrelevance test be-cause they embody meanings that interfere with their ability to perform a source-identifying function. In context, they are not the empty vessels that trademark law idealizes because consumers perceive a disparaging message. Just as APPLE lacks trademark significance when applied to the fruit instead of computers, and penguin-shaped cocktail shakers denote a product more than its source,

slurs leave less room for trademark meanings than do the comparatively neutral terms that trademark law traditionally favors.

Michael Grynberg, *A Trademark Defense of the Disparagement Bar*, 126 Yale L.J. Forum 178, 184, 187-88 (2016).

Incontestability

Section 15 of the Lanham Act (15 U.S.C. § 1065) provides:

> Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, That—
>
> (1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and
>
> (2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and
>
> (3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and other matters specified in paragraphs (1) and (2) of this section; and
>
> (4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered. . . .

Incontestability has been referred to as a "quiet title" provision for trademarks. But there are numerous exceptions. Some are mentioned in the provision above. Section 33 of the Lanham Act (15 U.S.C. § 1116) lists others. But what about reasons for challenging an incontestable mark that are not explicitly mentioned in the statute? Can a registered descriptive mark without secondary meaning avoid challenge if it manages to slip by unnoticed long enough to achieve incontestable status?

Park ’N Fly, Inc. v. Dollar Park and Fly, Inc.
469 U.S. 189 (1985)

Justice O’CONNOR delivered the opinion of the Court.

In this case we consider whether an action to enjoin the infringement of an incontestable trade or service mark may be defended on the grounds that the mark is merely descriptive. We conclude that neither the language of the relevant statutes nor the legislative history supports such a defense.

I

Petitioner operates long-term parking lots near airports. After starting business in St. Louis in 1967, petitioner subsequently opened facilities in Cleveland, Houston, Boston, Memphis, and San Francisco. Petitioner applied in 1969 to the United States Patent and Trademark Office (Patent Office) to register a service mark consisting of the logo of an airplane and the words “Park ’N Fly.” The registration issued in August 1971. Nearly six years later, petitioner filed an affidavit with the Patent Office to establish the incontestable status of the mark. As required by § 15 of the Trademark Act of 1946 (Lanham Act), 60 Stat. 433, as amended, 15 U.S.C. § 1065, the affidavit stated that the mark had been registered and in continuous use for five consecutive years, that there had been no final adverse decision to petitioner’s claim of ownership or right to registration, and that no proceedings involving such rights were pending. Incontestable status provides, subject to the provisions of § 15 and § 33(b) of the Lanham Act, “conclusive evidence of the registrant’s exclusive right to use the registered mark….” § 33(b), 15 U.S.C. § 1115(b).

Respondent also provides long-term airport parking services, but only has operations in Portland, Oregon. Respondent calls its business “Dollar Park and Fly.” Petitioner filed this infringement action in 1978 in the United States District Court for the District of Oregon and requested the court permanently to enjoin respondent from using the words “Park and Fly” in connection with its business. Respondent counterclaimed and sought cancellation of petitioner’s mark on the grounds that it is a generic term. See § 14(c), 15 U.S.C. § 1064(c). Respondent also argued that petitioner’s mark is unenforceable because it is merely descriptive. See § 2(e), 15 U.S.C. § 1052(e). . . .

After a bench trial, the District Court found that petitioner’s mark is not generic and observed that an incontestable mark cannot be challenged on the grounds that it is merely descriptive. . . . Finally, the District Court found sufficient evidence of likelihood of confusion. The District Court permanently enjoined respondent from using the words "Park and Fly" and any other mark confusingly similar to "Park 'N Fly."

The Court of Appeals for the Ninth Circuit reversed. The District Court did not err, the Court of Appeals held, in refusing to invalidate petitioner's mark. The Court of Appeals noted, however, that it previously had held that incontestability provides a defense against the cancellation of a mark, but it may not be used offensively to enjoin another's use. Petitioner, under this analysis, could obtain an injunction only if its mark would be entitled to continued registration without regard to its incontestable status. Thus, respondent could defend the infringement action by showing that the mark was merely descriptive. Based on its own examination of the record, the Court of Appeals then determined that petitioner's mark is in fact merely descriptive, and therefore respondent should not be enjoined from using the name "Park and Fly."

The decision below is in direct conflict with the decision of the Court of Appeals for the Seventh Circuit in *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366. We granted certiorari to resolve this conflict, and we now reverse.

II

. . . . Among the new protections created by the Lanham Act were the statutory provisions that allow a federally registered mark to become incontestable. §§ 15, 33(b), 15 U.S.C. §§ 1065, 1115(b).

The provisions of the Lanham Act concerning registration and incontestability distinguish a mark that is "the common descriptive name of an article or substance" from a mark that is "merely descriptive." §§ 2(e), 14(c), 15 U.S.C. §§ 1052(e), 1064(c). Marks that constitute a common descriptive name are referred to as generic. A generic term is one that refers to the genus of which the particular product is a species. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (CA2 1976). Generic terms are not registrable, and a registered mark may be canceled at any time on the grounds that it has become generic. See §§ 2, 14(c), 15 U.S.C. §§ 1052, 1064(c). A "merely descriptive" mark, in contrast, describes the qualities or characteristics of a good or service, and this type of mark may be registered only if the registrant shows that it has acquired secondary meaning, *i.e.*, it "has become distinctive of the applicant's goods in commerce." §§ 2(e), (f), 15 U.S.C. §§ 1052(e), (f).

This case requires us to consider the effect of the incontestability provisions of the Lanham Act in the context of an infringement action defended on the grounds that the mark is merely descriptive. Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose. See *American Tobacco Co. v. Patterson*, 456 U.S. 63, 68 (1982). With respect to incontestable trade or service marks, § 33(b) of the Lanham Act states that "registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark" subject to the conditions of § 15 and certain enumerated defenses.[3] Section 15 incorporates by reference subsections (c) and (e) of § 14, 15 U.S.C. § 1064. An incontestable mark that becomes generic may be canceled at any time pursuant to § 14(c). That section also allows cancellation of an incontestable mark at any time if it has been abandoned, if it is being used to misrepresent the source of the goods or services in

[3] Section 33(b) of the Lanham Act, as set forth in 15 U.S.C. § 1115(b), provides:

"If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

"(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

"(2) That the mark has been abandoned by the registrant; or

"(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

"(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

"(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

"(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

"(7) That the mark has been or is being used to violate the antitrust laws of the United States."

connection with which it is used, or if it was obtained fraudulently or contrary to the provisions of § 4, 15 U.S.C. § 1054, or §§ 2(a)-(c), 15 U.S.C. §§ 1052(a)-(c).

One searches the language of the Lanham Act in vain to find any support for the offensive/defensive distinction applied by the Court of Appeals. The statute nowhere distinguishes between a registrant's offensive and defensive use of an incontestable mark. On the contrary, § 33(b)'s declaration that the registrant has an "exclusive right" to use the mark indicates that incontestable status may be used to enjoin infringement by others. A conclusion that such infringement cannot be enjoined renders meaningless the "exclusive right" recognized by the statute. Moreover, the language in three of the defenses enumerated in § 33(b) clearly contemplates the use of incontestability in infringement actions by plaintiffs. See §§ 33(b)(4)-(6), 15 U.S.C. §§ 1115(b)(4)-(6).

The language of the Lanham Act also refutes any conclusion that an incontestable mark may be challenged as merely descriptive. A mark that is merely descriptive of an applicant's goods or services is not registrable unless the mark has secondary meaning. Before a mark achieves incontestable status, registration provides prima facie evidence of the registrant's exclusive right to use the mark in commerce. § 33(a), 15 U.S.C. § 1115(a). The Lanham Act expressly provides that before a mark becomes incontestable an opposing party may prove any legal or equitable defense which might have been asserted if the mark had not been registered. Thus, § 33(a) would have allowed respondent to challenge petitioner's mark as merely descriptive if the mark had not become incontestable. With respect to incontestable marks, however, § 33(b) provides that registration is *conclusive* evidence of the registrant's exclusive right to use the mark, subject to the conditions of § 15 and the seven defenses enumerated in § 33(b) itself. Mere descriptiveness is not recognized by either § 15 or § 33(b) as a basis for challenging an incontestable mark.

The statutory provisions that prohibit registration of a merely descriptive mark but do not allow an incontestable mark to be challenged on this ground cannot be attributed to inadvertence by Congress. The Conference Committee rejected an amendment that would have denied registration to any descriptive mark, and instead retained the provisions allowing registration of a merely descriptive mark that has acquired secondary meaning. See H.R.Conf.Rep. No. 2322, 79th Cong., 2d Sess., 4 (1946) (explanatory statement of House managers). The Conference Committee agreed to an amendment providing that no incontestable right can be acquired in a mark that is a common descriptive, *i.e.*, generic, term. *Id.*, at 5. Congress could easily have denied incontestability to merely descriptive marks as well as to generic marks had that been its intention.

The Court of Appeals in discussing the offensive/defensive distinction observed that incontestability protects a registrant against cancellation of his mark.

This observation is incorrect with respect to marks that become generic or which otherwise may be canceled at any time pursuant to §§ 14(c) and (e). Moreover, as applied to marks that are merely descriptive, the approach of the Court of Appeals makes incontestable status superfluous. Without regard to its incontestable status, a mark that has been registered five years is protected from cancellation except on the grounds stated in §§ 14(c) and (e). Pursuant to § 14, a mark may be canceled on the grounds that it is merely descriptive only if the petition to cancel is filed within five years of the date of registration. § 14(a), 15 U.S.C. § 1064(a). The approach adopted by the Court of Appeals implies that incontestability adds nothing to the protections against cancellation already provided in § 14. The decision below not only lacks support in the words of the statute; it effectively emasculates § 33(b) under the circumstances of this case.

III

Nothing in the legislative history of the Lanham Act supports a departure from the plain language of the statutory provisions concerning incontestability. Indeed, a conclusion that incontestable status can provide the basis for enforcement of the registrant's exclusive right to use a trade or service mark promotes the goals of the statute. The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. See S.Rep. No. 1333, at 3, 5. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation. *Id.,* at 4. The incontestability provisions, as the proponents of the Lanham Act emphasized, provide a means for the registrant to quiet title in the ownership of his mark. See Hearings on H.R. 82 before the Subcommittee of the Senate Committee on Patents, 78th Cong., 2d Sess., 21 (1944) (remarks of Rep. Lanham); *id.,* at 21, 113 (testimony of Daphne Robert, ABA Committee on Trade Mark Legislation); Hearings on H.R. 102 et al. before the Subcommittee on Trade-Marks of the House Committee on Patents, 77th Cong., 1st Sess., 73 (1941) (remarks of Rep. Lanham). The opportunity to obtain incontestable status by satisfying the requirements of § 15 thus encourages producers to cultivate the goodwill associated with a particular mark. This function of the incontestability provisions would be utterly frustrated if the holder of an incontestable mark could not enjoin infringement by others so long as they established that the mark would not be registrable but for its incontestable status.

Respondent argues, however, that enforcing petitioner's mark would conflict with the goals of the Lanham Act because the mark is merely descriptive and should never have been registered in the first place. Representative Lanham, respondent notes, explained that the defenses enumerated in § 33(b) were "not intended to enlarge, restrict, amend, or modify the substantive law of trademarks either as set out in other sections of the act or as heretofore applied by the courts under prior laws." 92 Cong.Rec. 7524 (1946). Respondent reasons that because the Lanham Act did not alter the substantive law of trademarks, the incontestability provisions cannot protect petitioner's use of the mark if it were not originally registrable. Moreover, inasmuch as petitioner's mark is merely descriptive, respondent contends that enjoining others from using the mark will not encourage competition by assisting consumers in their ability to distinguish among competing producers.

These arguments are unpersuasive. Representative Lanham's remarks, if read in context, clearly refer to the effect of the *defenses* enumerated in § 33(b).[6] There is no question that the Lanham Act altered existing law concerning trademark rights in several respects. For example, § 22, 15 U.S.C. § 1072, provides for constructive notice of registration and modifies the common-law rule that allowed acquisition of concurrent rights by users in distinct geographic areas if the subsequent user adopted the mark without knowledge of prior use. See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415-416 (1916) (describing pre-Lanham Act law). Similarly, § 14 cuts off certain grounds for cancellation five years after registration and thereby modifies the previous rule that the validity of a trademark could be attacked at any time. See *White House Milk Products Co. v. Dwinell-Wright Co.*, 27 C.C.P.A.(Pat.) 1194, 111 F.2d 490 (1940). Most significantly, Representative Lanham himself observed that incontestability was one of "the valuable new rights created by the act." 92 Cong.Rec. 7524 (1946).

Respondent's argument that enforcing petitioner's mark will not promote the goals of the Lanham Act is misdirected. Arguments similar to those now urged by respondent were in fact considered by Congress in hearings on the Lanham Act. For example, the United States Department of Justice opposed the incontestability provisions and expressly noted that a merely descriptive mark might become incontestable. Hearings on H.R. 82, at 59-60 (statement of the U.S. Dept. of Justice). This result, the Department of Justice observed, would "go beyond existing law in conferring unprecedented rights on trade-mark owners," and would undesirably create an exclusive right to use language that is descriptive of a product. *Id.*, at 60; see also Hearings on H.R. 102, at 106-107, 109-110 (testimony of Prof.

[6] Representative Lanham made his remarks to clarify that the seven defenses enumerated in § 33(b) are not substantive rules of law which go to the validity or enforceability of an incontestable mark. 92 Cong.Rec. 7524 (1946). Instead, the defenses affect the evidentiary status of registration where the owner claims the benefit of a mark's incontestable status. If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner's right to exclusive use of the mark. Ibid. See also H.R.Conf.Rep. No. 2322, 79th Cong., 2d Sess., 6 (1946) (explanatory statement of House managers).

Milton Handler); *id.*, at 107, 175 (testimony of attorney Louis Robertson). These concerns were answered by proponents of the Lanham Act, who noted that a merely descriptive mark cannot be registered unless the Commissioner finds that it has secondary meaning. *Id.*, at 108, 113 (testimony of Karl Pohl, U.S. Trade Mark Assn.). Moreover, a mark can be challenged for five years prior to its attaining incontestable status. *Id.*, at 114 (remarks of Rep. Lanham). The supporters of the incontestability provisions further observed that a generic mark cannot become incontestable and that § 33(b)(4) allows the nontrademark use of descriptive terms used in an incontestable mark. *Id.*, at 110-111 (testimony of Wallace Martin, chairman, ABA Committee on Trade Mark Legislation).

The alternative of refusing to provide incontestable status for descriptive marks with secondary meaning was expressly noted in the hearings on the Lanham Act. *Id.*, at 64, 69 (testimony of Robert Byerley, New York Patent Law Assn.); Hearings on S. 895 before the Subcommittee of the Senate Committee on Patents, 77th Cong., 2d Sess., 42 (1942) (testimony of Elliot Moyer, Special Assistant to the Attorney General). Also mentioned was the possibility of including as a defense to infringement of an incontestable mark the "fact that a mark is a descriptive, generic, or geographical term or device." *Id.*, at 45, 47. Congress, however, did not adopt either of these alternatives. Instead, Congress expressly provided in §§ 33(b) and 15 that an incontestable mark could be challenged on specified grounds, and the grounds identified by Congress do not include mere descriptiveness.

The dissent echoes arguments made by opponents of the Lanham Act that the incontestable status of a descriptive mark might take from the public domain language that is merely descriptive. As we have explained, Congress has already addressed concerns to prevent the "commercial monopolization," of descriptive language. The Lanham Act allows a mark to be challenged at any time if it becomes generic, and, under certain circumstances, permits the nontrademark use of descriptive terms contained in an incontestable mark. Finally, if "monopolization" of an incontestable mark threatens economic competition, § 33(b)(7), 15 U.S.C. § 1115(b)(7), provides a defense on the grounds that the mark is being used to violate federal antitrust laws. At bottom, the dissent simply disagrees with the balance struck by Congress in determining the protection to be given to incontestable marks.

IV

Respondent argues that the decision by the Court of Appeals should be upheld because trademark registrations are issued by the Patent Office after an *ex parte* proceeding and generally without inquiry into the merits of an application. This argument also unravels upon close examination. The facts of this case belie the suggestion that registration is virtually automatic. The Patent Office initially denied petitioner's application because the examiner considered the mark to be merely descriptive. Petitioner sought reconsideration and successfully persuaded the Patent Office that its mark was registrable.

More generally, respondent is simply wrong to suggest that third parties do not have an opportunity to challenge applications for trademark registration. If the Patent Office examiner determines that an applicant appears to be entitled to registration, the mark is published in the Official Gazette. § 12(a), 15 U.S.C. § 1062(a). Within 30 days of publication, any person who believes that he would be damaged by registration of the mark may file an opposition. § 13, 15 U.S.C. § 1063. Registration of a mark provides constructive notice throughout the United States of the registrant's claim to ownership. § 22, 15 U.S.C. § 1072. Within five years of registration, any person who believes that he is or will be damaged by registration may seek to cancel a mark. § 14(a), 15 U.S.C. § 1064(a). A mark may be canceled at any time for certain specified grounds, including that it was obtained fraudulently or has become generic. § 14(c), 15 U.S.C. § 1064(c).

The Lanham Act, as the dissent notes, authorizes courts to grant injunctions "according to principles of equity." § 34, 15 U.S.C. § 1116. Neither respondent nor the opinion of the Court of Appeals relies on this provision to support the holding below. Whatever the precise boundaries of the courts' equitable power, we do not believe that it encompasses a substantive challenge to the validity of an incontestable mark on the grounds that it lacks secondary meaning. To conclude otherwise would expand the meaning of "equity" to the point of vitiating the more specific provisions of the Lanham Act.[7] Similarly, the power of the courts to cancel registrations and "to otherwise rectify the register," § 37, 15 U.S.C. § 1119, must be subject to the specific provisions concerning incontestability. In effect, both respondent and the dissent argue that these provisions offer insufficient protection against improper registration of a merely descriptive mark, and therefore the validity of petitioner's mark may be challenged notwithstanding its incontestable status. Our responsibility, however, is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted. . . . .

We conclude that the holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on the grounds that the mark is merely descriptive. Respondent urges that we nevertheless affirm the decision below based on the "prior use" defense

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[7] We note, however, that we need not address in this case whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark. See generally Comment, Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation, 66 Minn.L.Rev. 1067 (1982).

recognized by § 33(b)(5) of the Lanham Act. Alternatively, respondent argues that there is no likelihood of confusion and therefore no infringement justifying injunctive relief. The District Court rejected each of these arguments, but they were not addressed by the Court of Appeals. 718 F.2d, at 331-332, n. 4. That court may consider them on remand. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

[The dissenting opinion of Justice Stevens is omitted].

Notes

Defenses. Section 33(b)'s list of defenses to incontestable trademarks reprinted in the opinion has since changed. As discussed in the unit on functionality, Congress did not initially include functionality. The produced a split in opinions as to whether the defense nonetheless existed with respect to functional marks. Congress amended the Lanham Act to clarify the matter, and functionality is now listed at section 33(b)(8) (15 U.S.C. § 1115(b)(8)). The current statute likewise includes equitable defenses (the issue noted by the Court in note 7 of the opinion). 15 U.S.C. § 1115(b)(9).

Dissent. Justice Stevens dissented in *Park 'N Fly*. What do you think his argument was? Does Congress's and the courts' treatment of functionality give you a hint? Do different arguments apply to descriptiveness and functionality bars for purposes of incontestability?

13. Trademark Use and Infringement

Defendant trademark use as a condition of infringement

We now turn to trademark infringement. Our first topic concerns the kinds of acts that create potential liability. The Lanham Act's infringement causes of action require that the defendant's use of infringing matter be "in commerce." What does that mean? Use as a trademark? "Use in commerce" as defined by section 45? Any use that Congress may reach under the Commerce Clause? Something else? Are there uses of a plaintiff's trademark that create a likelihood of confusion but nonetheless fall outside of the statute?

Section 32 (15 U.S.C. § 1114):

[Provides a civil action against any person using] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .

Section 43(a) (15 U.S.C. § 1125(a)):

[Provides a civil action against any person] who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device [that is] likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person[.]

Section 45 (15 U.S.C. § 1127):

In the construction of this chapter, unless the contrary is plainly apparent from the context . . . .

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Section 33(b)(4) (15 U.S.C. § 1115(b)(4)):

[Provides a defense to a claim of infringement of an incontestable mark where the:] use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin;

Rescuecom Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009)

LEVAL, Circuit Judge:

. . . . Rescuecom is a national computer service franchising company that offers on-site computer services and sales. Rescuecom conducts a substantial amount of business over the Internet . . . . Since 1998, "Rescuecom" has been a registered federal trademark, and there is no dispute as to its validity.

. . . . [Google's search engine responds to search requests] in two ways. First, Google provides a list of links to websites, ordered in what Google deems to be of descending relevance to the user's search terms based on its proprietary algorithms. Google's search engine assists the public not only in obtaining information about a provider, but also in purchasing products and services. If a prospective purchaser, looking for goods or services of a particular provider, enters the provider's trademark as a search term on Google's website and clicks to activate a search, within seconds, the Google search engine will provide on the searcher's computer screen a link to the webpage maintained by that provider (as well as a host of other links to sites that Google's program determines to be relevant to the search term entered)....

The second way Google responds to a search request is by showing context-based advertising. When a searcher uses Google's search engine by submitting a search term, Google may place advertisements on the user's screen. Google will do so if an advertiser, having determined that its ad is likely to be of interest to a searcher who enters the particular term, has purchased from Google the placement of its ad on the screen of the searcher who entered that search term. What Google places on the searcher's screen is more than simply an advertisement. It is also a link to the advertiser's website .... Google uses at least two programs to offer such context-based links: AdWords and Keyword Suggestion Tool.

AdWords is Google's program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser's ad and link. An advertiser's purchase of a particular term causes the advertiser's ad and link to be displayed on the user's screen whenever a searcher launches a Google search based on the purchased search term. Advertisers pay Google based on the number of times Internet users "click" on the advertisement, so as to link to the advertiser's website. For example, using Google's AdWords, Company Y, a company engaged in the business of furnace repair, can cause Google to display its advertisement and link whenever a user of Google launches a search based on the search term, "furnace repair." Company Y can also cause its ad and link to appear whenever a user searches for the term "Company X," a competitor of Company Y in the furnace repair business. Thus, whenever a searcher interested in purchasing furnace repair services from Company X launches a search of the term X (Company X's trademark), an ad and link would appear on the searcher's screen, inviting the searcher to the furnace repair services of X's competitor, Company Y. And if the searcher clicked on Company Y's link, Company Y's website would open on the searcher's screen, and the searcher might be able to order or purchase Company Y's furnace repair services.

In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased. The program is designed to improve the effectiveness of advertising by helping advertisers identify keywords related to their area of commerce, resulting in the placement of their ads before users who are likely to be responsive to it. Thus, continuing the example given above, if Company Y employed Google's Keyword Suggestion Tool, the Tool might suggest to Company Y that it purchase not only the term "furnace repair" but also the term "X," its competitor's brand name and trademark, so that Y's ad would appear on the screen of a searcher who searched Company X's trademark, seeking Company X's website.

Once an advertiser buys a particular keyword, Google links the keyword to that advertiser's advertisement. The advertisements consist of a combination of content and a link to the advertiser's webpage. Google displays these advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results. These advertisements are generally associated with a label, which says "sponsored link." Rescuecom alleges, however, that a user might easily be misled to believe that the advertisements which appear on the screen are in fact part of the relevance-based search result and that the appearance of a competitor's ad and link in response to a searcher's search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service. This can occur, according to the Complaint, because Google fails to label the ads in a manner which would clearly identify them as purchased ads rather than search results. The Complaint alleges that when the sponsored links appear in a horizontal bar at the top of the search results, they may appear to the searcher to be the first, and therefore the most relevant, entries responding to the search, as opposed to paid advertisements. . . .

. . . . Rescuecom's competitors, some responding to Google's recommendation, have purchased Rescuecom's trademark as a keyword in Google's AdWords program, so that whenever a user launches a search for the term "Rescuecom," seeking to be connected to Rescuecom's website, the competitors' advertisement and link will appear on the searcher's screen. This practice allegedly allows Rescuecom's competitors to deceive and divert users searching for Rescuecom's website. According to Rescuecom's allegations, when a Google user launches a search for the term "Rescuecom" because the searcher wishes to purchase Rescuecom's services, links to websites of its competitors will appear on the searcher's screen in a manner likely to cause the searcher to believe mistakenly that a competitor's advertisement (and website link) is sponsored by, endorsed by, approved by, or affiliated with Rescuecom.

The District Court granted Google's 12(b)(6) motion and dismissed Rescuecom's claims. . . . The district court explained its decision saying that even if Google employed Rescuecom's mark in a manner likely to cause confusion or deceive searchers into believing that competitors are affiliated with Rescuecom and its mark, so that they believe the services of Rescuecom's competitors are those of Rescuecom, Google's actions are not a "use in commerce" under the Lanham Act because the competitor's advertisements triggered by Google's programs did not exhibit Rescuecom's trademark. . . .

DISCUSSION

. . . .

I. Google's Use of Rescuecom's Mark Was a "Use in Commerce"

Our court ruled in *1-800* that a complaint fails to state a claim under the Lanham Act unless it alleges that the defendant has made "use in commerce" of the plaintiff's trademark as the term "use in commerce" is defined in 15 U.S.C. § 1127. The district court believed that this case was on all fours with *1-800,* and that its dismissal was required for the same reasons as given in *1-800.* We believe the cases are materially different. The allegations of Rescuecom's complaint adequately plead a use in commerce.

In *1-800,* the plaintiff alleged that the defendant infringed the plaintiff's trademark through its proprietary software, which the defendant freely distributed to computer users who would download and install the program on their computer. The program provided contextually relevant advertising to the user by generating pop-up advertisements to the user depending on the website or search term the user entered in his browser. For example, if a user typed "eye care" into his browser, the defendant's program would randomly display a pop-up advertisement of a company engaged in the field of eye care. Similarly, if the searcher launched a search for a particular company engaged in eye care, the defendant's program would display the pop-up ad of a company associated with eye care. The pop-up ad appeared in a separate browser window from the website the user accessed, and the defendant's brand was displayed in the window frame surrounding the ad, so that there was no confusion as to the nature of the pop-up as an advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad, in response to the particular term searched.

Sections 32 and 43 of the Act, which we also refer to by their codified designations, 15 U.S.C. §§ 1114 & 1125, *inter alia,* impose liability for unpermitted "use in commerce" of another's mark which is "likely to cause confusion, or to cause mistake, or to deceive," § 1114, "as to the affiliation ... or as to the origin, sponsorship or approval of his or her goods [or] services ... by another person." § 1125(a)(1)(A). The *1-800* opinion looked to the definition of the term "use in commerce" provided in § 45 of the Act, 15 U.S.C. § 1127. That definition provides in part that "a mark shall be deemed to be in use in commerce ... (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." 15 U.S.C. § 1127. Our court found that the plaintiff failed to show that the defendant made a "use in commerce" of the plaintiff's mark, within that definition.

At the outset, we note two significant aspects of our holding in *1-800,* which distinguish it from the present case. A key element of our court's decision in *1-800* was that under the plaintiff's allegations, the defendant did not use, reproduce, or display the plaintiff's mark *at all.* The search term that was alleged to trigger the pop-up ad was the plaintiff's *website address.* *1-800* noted, notwithstanding the similarities between the website address and the mark, that the website address was not used or claimed by the plaintiff as a trademark. Thus, the transactions alleged to be infringing were not transactions involving use of the plaintiff's trademark. *1-800* suggested in dictum that is highly relevant to our case that had the defendant used the plaintiff's *trademark* as the trigger to pop-up an advertisement, such conduct might, depending on other elements, have been actionable.

Second, as an alternate basis for its decision, *1-800* explained why the defendant's program, which might randomly trigger pop-up advertisements upon a searcher's input of the plaintiff's website address, did not constitute a "use in commerce," as defined in § 1127. In explaining why the plaintiff's mark was not "used or displayed in the sale or advertising of services," *1-800* pointed out that, under the defendant's program, advertisers could not request or purchase keywords to trigger their ads. . . . The display of a particular advertisement was controlled by the category associated with the website or keyword, rather than the website or keyword itself. . . . To the extent that an advertisement for a competitor of the plaintiff was displayed when a user opened the plaintiff's website, the trigger to display the ad was not based on the defendant's sale or recommendation of a particular trademark.

The present case contrasts starkly with those important aspects of the *1-800* decision. First, in contrast to *1-800,* where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is Rescuecom's trademark. Second, in contrast with the facts of *1-800* where the defendant did not "use or display," much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom's mark to Google's advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom's mark through its Keyword Suggestion Tool. Google's utilization of Rescuecom's mark fits literally within the terms specified by 15 U.S.C. § 1127. According to the Complaint, Google uses and sells Rescuecom's mark "in the sale ... of [Google's advertising] services ... rendered in commerce." § 1127.

Google, supported by amici, argues that *1-800* suggests that the inclusion of a trademark in an internal computer directory cannot constitute trademark use. Several district court decisions in this Circuit appear to have reached this conclusion. This over-reads the *1-800* decision. First, regardless of whether Google's use of Rescuecom's mark in its internal search algorithm could constitute an actionable trademark use, Google's recommendation and sale of Rescuecom's mark to its advertising customers are not internal uses. Furthermore, *1-800* did not imply that use of a trademark in a software program's internal directory precludes a finding of trademark use. Rather, influenced by the fact that the defendant was not using the plaintiff's trademark at all, much less using it as the basis of a commercial transaction, the court asserted that the particular use before it did not constitute a use in commerce. We did not imply in *1-800* that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion.[4] This is surely neither within the intention nor the letter of the Lanham Act.

Google and its amici contend further that its use of the Rescuecom trademark is no different from that of a retail vendor who uses "product placement" to allow one vender to benefit from a competitors' name recognition. An example of product placement occurs when a store-brand generic product is placed next to a trademarked product to induce a customer who specifically sought out the trademarked product to consider the typically less expensive, generic brand as an alternative. Google's argument misses the point. From the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does not follow that the label "product placement" is a magic shield against liability, so that even a deceptive plan of product placement designed to confuse consumers would similarly escape liability. It is not by reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of "product placement." The practices attributed to Google by the Complaint, which at this stage we must accept as true, are significantly different from benign product placement that does not violate the Act.

Unlike the practices discussed in *1-800,* the practices here attributed to Google by Rescuecom's complaint are that Google has made use in commerce of Rescuecom's mark. Needless to say, a defendant must do more than use another's mark in commerce to violate the Lanham Act. The gist of a Lanham Act violation is an unauthorized use, which "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, ... or as to the origin, sponsorship, or approval of ... goods [or] services." *See* 15 U.S.C. § 1125(a). We have no idea whether Rescuecom can prove that Google's use of Rescuecom's trademark in its AdWords program

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[4] For example, instead of having a separate "sponsored links" or paid advertisement section, search engines could allow advertisers to pay to appear at the top of the "relevance" list based on a user entering a competitor's trademark-a functionality that would be highly likely to cause consumer confusion. Alternatively, sellers of products or services could pay to have the operators of search engines automatically divert users to their website when the users enter a competitor's trademark as a search term. Such conduct is surely not beyond judicial review merely because it is engineered through the internal workings of a computer program.

causes likelihood of confusion or mistake. Rescuecom has alleged that it does, in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuecom. This is particularly so, Rescuecom alleges, when the advertiser's link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. What Rescuecom alleges is that by the manner of Google's display of sponsored links of competing brands in response to a search for Rescuecom's brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for "Rescuecom," the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google's presentation, that this is not the most relevant response to the search. Whether Google's actual practice is in fact benign or confusing is not for us to judge at this time. We consider at the 12(b)(6) stage only what is alleged in the Complaint. . . .

APPENDIX

On the Meaning of "Use in Commerce" in Sections 32 and 43 of the Lanham Act[5]

In *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir.2005) ("*1-800*"), our court followed the reasoning of two district court opinions from other circuits, *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D.Va.2003) and *Wells Fargo & Co., v. WhenU.com, Inc.*, 293 F.Supp.2d 734 (E.D.Mich.2003), which dismissed suits on virtually identical claims against the same defendant. Those two district courts ruled that the defendant's conduct was not actionable under §§ 32 & 43(a) of the Lanham Act, 15 U.S.C. § § 1114 & 1125(a), even assuming that conduct caused likelihood of trademark confusion, because the defendant had not made a "use in commerce" of the plaintiff's mark, within the definition of that phrase set forth in § 45 of the Lanham Act, 15 U.S.C. § 1127. In quoting definitional language of § 1127 that is crucial to their holdings, however, *U-Haul* and *Wells Fargo* overlooked and omitted portions of the statutory text which make

[5] In this discussion, all iterations of the phrase "use in commerce" whether in the form of a noun (a "use in commerce"), a verb ("to use in commerce"), or adjective ("used in commerce"), are intended without distinction as instances of that phrase.

clear that the definition provided in § 1127 was not intended by Congress to apply in the manner that the decisions assumed.

Our court's ruling in *1-800* that the Plaintiff had failed to plead a viable claim under §§ 1114 & 1125(a) was justified by numerous good reasons and was undoubtedly the correct result. In addition to the questionable ground derived from the district court opinions, which had overlooked key statutory text, our court's opinion cited other highly persuasive reasons for dismissing the action-among them that the plaintiff did not claim a trademark in the term that served as the basis for the claim of infringement; nor did the defendant's actions cause any likelihood of confusion, as is crucial for such a claim.

We proceed to explain how the district courts in *U-Haul* and *Wells Fargo* adopted reasoning which overlooked crucial statutory text that was incompatible with their ultimate conclusion. Section 43(a), codified at 15 U.S.C. § 1125(a), imposes liability on "any person who, on or in connection with any goods or services, *uses in commerce* any word, term, name, symbol, or device ... which-(A) is likely to cause confusion ...." (emphasis added). Section 32, codified at 15 U.S.C. § 1114, similarly imposes liability on one who "without the consent of the registrant-(a) *use[s] in commerce* any reproduction ... [or] copy ... of a registered mark ... in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive" (emphasis added). To determine the meaning of the phrase "uses in commerce," which appears in both sections, the *U-Haul* and *Wells Fargo* courts quite understandably looked to the definition of the term "use in commerce," set forth among the Act's definitions in § 45, codified at 15 U.S.C. § 1127. That definition, *insofar as quoted by the courts,* stated, with respect to services, that a mark shall be deemed to be "used in commerce only when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." *Wells Fargo*, 293 F.Supp.2d at 757 (internal quotations omitted); *U-Haul*, 279 F.Supp.2d at 727 (specifying a similar requirement with respect to goods). Adhering to this portion of the definition, and determining that on the particular facts of the case, the defendant had not used or displayed a mark in the sale or advertising of services, those courts concluded that the defendant's conduct was not within the scope of the Act.

In quoting the § 1127 definition, however, those district courts overlooked and omitted two portions of the statutory text, which we believe make clear that the definition provided in § 1127 is not intended to apply to §§ 1114 & 1125(a). First, those courts, no doubt reasonably, assumed that the definition of "use in commerce" set forth in § 1127 necessarily applies to all usages of that term throughout the Act. This was, however, not quite accurate. Section 1127 does not state flatly that the defined terms have the assigned meanings when used in the statute. The definition is more guarded and tentative. It states rather that the terms listed shall have the given meanings "unless the contrary is plainly apparent from the context."

The second part of § 1127 which those courts overlooked was the opening phrase of the definition of "use in commerce," which makes it "plainly apparent from the context" that the full definition set forth in § 1127 cannot apply to the infringement sections. The definition in § 1127 begins by saying, "The term 'use in commerce' means the *bona fide* use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." 15 U.S.C. § 1127 (emphasis added). The requirement that a use be a *bona fide* use in the ordinary course of trade in order to be considered a "use in commerce" makes clear that the particular definition was not intended as a limitation on conduct of an accused infringer that might cause liability. If § 1127's definition is applied to the definition of conduct giving rise to liability in §§ 1114 and 1125, this would mean that an accused infringer would *escape* liability, notwithstanding deliberate deception, precisely because he acted *in bad faith.* A bad faith infringer would not have made a use in commerce, and therefore a necessary element of liability would be lacking. Liability would fall only on those defendants who acted *in good faith.* We think it inconceivable that the statute could have intended to exempt infringers from liability because they acted in bad faith. Such an interpretation of the statute makes no sense whatsoever. It must be that Congress intended § 1127's definition of "use in commerce" to apply to other iterations of the term "use in commerce," (as we explore below) and not to the specification of conduct by an alleged infringer which causes imposition of liability.[6]

A more detailed examination of the construction of the Lanham Act, and its historical evolution, demonstrates how this unlikely circumstance came to be. The Act employs the term "use in commerce" in two very different contexts. The first context sets the standards and circumstances under which the owner of a mark can qualify to *register* the mark and to receive the *benefits* and *protection* provided by the Act. For example, 15 U.S.C. § 1051 provides that "[t]he owner of a trademark *used in commerce* may request registration of its trademark on the principal register," thereby receiving the benefits of enhanced protection (emphasis added).[7] This part

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[6] The Wells Fargo decision, which followed and cited U-Haul, unlike U-Haul, did quote the part of § 1127 which requires a "bona fide use of a mark in the ordinary course of trade," 293 F.Supp.2d at 758, but failed to note the incompatibility of that requirement with a section defining prohibited actionable conduct.

[7] In addition to § 1051, a non-exhaustive list of other sections that employ the term "use in commerce" in the same general way, in defining what is necessary to secure the benefits of the Act, include § 1065 (incontestability of a mark); § 1058 (renewal of a mark), § 1091 (eligibility for the supplemental

of the statute describes the conduct which the statute seeks to encourage, reward, and protect. The second context in which the term "use in commerce" appears is at the opposite pole. As exemplified in §§ 1114 & 1125(a), the term "use in commerce," as quoted above, also appears as part of the Act's definition of reprehensible conduct, *i.e.,* the conduct which the Act identifies as infringing of the rights of the trademark owner, and for which it imposes liability.

When one considers the entire definition of "use in commerce" set forth in § 1127, it becomes plainly apparent that this definition was intended to apply to the Act's use of that term in defining favored conduct, which qualifies to receive the protection of the Act. The definition makes perfect sense in this context. In order to qualify to register one's mark and receive the enhanced protections that flow from registration (giving the world notice of one's exclusive rights in the mark), the owner must have made "bona fide use of the mark in the ordinary course of trade, and not merely to reserve a right in the mark." *Id.* § 1127. The bona fide "use" envisioned is, with respect to "goods, when [the mark] is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto ..., and the goods are sold or transported in commerce; and on services when [the mark] is used or displayed in the sale or advertising of services ... rendered in commerce." *Id.* This definition sensibly insures that one who in good faith places his mark on goods or services in commerce qualifies for the Act's protection. In contrast, it would make no sense whatsoever for Congress to have insisted, in relation to § 1114 for example, that one who "without the consent of the registrant ... use[d] ... [a] counterfeit ... of a registered mark in connection with the sale ... of ... goods [thereby] caus[ing] confusion" will be liable to the registrant *only if* his use of the counterfeit was a "bona fide use of [the] mark in the ordinary course of trade." *Id.* §§ 1114 & 1127. Such a statute would perversely penalize only the fools while protecting the knaves, which was surely not what Congress intended.

The question then arises how it came to pass that the sections of the statute identifying conduct giving rise to liability included the phrase "use in commerce" as an essential element of liability. This answer results in part from a rearrangement of this complex statute, which resulted in joining together words which, as originally written, were separated from one another. The first incidence of employment of the phrase "use in commerce" in § 1114 occurred in 1962 as the result of a mere "rearrangement" of sections, not intended to have substantive significance, which brought together the jurisdiction-invoking phrase, "in commerce" with the verb "use." Prior to the 1962 rearrangement, the term "use in commerce" appeared as an

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register); § 1112 (registration of a mark in plurality of classes); and § 1062 (republication of marks registered under acts prior to the Lanham Act).

essential element of a trademark owner's qualification for registration and for the benefits of the Act, but did not appear as an essential element of a defendant's conduct necessary for liability. The Act frequently employs the term "in commerce" for the distinct purpose of invoking Congress's Commerce Clause jurisdiction and staying within its limits.[8] The statute also frequently employs the word "use," either as a noun or verb, because that word so naturally and aptly describes what one does with a trademark. Not surprisingly, in the extensive elaborate course of drafting, revision, and rearrangement which the Act has undergone from time to time, as explained below, the words "use" and "in commerce" came into proximity with each other in circumstances where there was no intent to invoke the specialized restrictive meaning given by § 1127. In 1988, when Congress enacted the present form of § 1127's definition, which was designed to deny registration to an owner who made merely token use of his mark, the accompanying Congressional report made clear that the definition was understood as applying only to the requirements of qualification for registration and other benefits of the Act, and not to conduct causing liability. We briefly trace the history of this evolution below, to show that the restrictive definition of "use in commerce" set forth in § 1127 never was intended as a restriction on the types of conduct that could result in liability.

History of the Phrase "Use in Commerce" in the Lanham Act

In 1879 in *The Trade-Mark Cases*, 100 U.S. 82, 25 L.Ed. 550 (1879), the Supreme Court struck down the existing trademark statutes passed in the 1870s because the Copyright Clause of the Constitution was not a proper basis of Congressional authority to regulate trademarks. While ruling that the Copyright Clause did not give Congress authority to protect trademarks, the Court specified that if Congress wished to invoke the Commerce Clause to justify its assertion of the power to regulate trademarks, it needed to invoke that authority "on the face of the law." *Id.* at 96. Two years later, Congress enacted a statute to "authorize the registration of trade-marks and protect the same," Act of March 3, 1881, 21 Stat. 502, which explicitly and repeatedly invoked Congress's Commerce Clause power on "the face of the law," using language virtually identical to the constitutional grant of power.[9]

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[8] Section 1127 defines "commerce" to mean "all commerce which may lawfully be regulated by Congress."

[9] For example, in specifying how a trademark owner would qualify for the benefits of federal registration of the trademark, the statute stated, "[t]hat owners of trade-marks used in commerce with foreign nations, or with the Indian tribes, ... may obtain registration of [ ] trademarks." Id. at 502 (emphasis added); see also Act of February 20, 1905, 33 Stat. 724, 724 ("[T]he owner of a trademark used in commerce with foreign nations, or among the several States, or with Indian Tribes ... may obtain [trademark] registration.").

A major revision to federal trademark law came in 1946 with the passage of the Lanham Act. Congressman Fritz Lanham, Chairman of the Subcommittee on Trade-Marks of the House Committee on Patents, had first introduced his bill, HR 9041, in 1938. At the time, in order to qualify to register a trademark and receive the resulting protections, a trademark owner needed to "affix" his mark to goods in interstate commerce. *See* Act of February 20, 1905, 33 Stat. 724, 724 (stating that one of the requirements for registration is that the trademark owner must file an application that states the "mode in which [the trademark] is applied and affixed to goods"); *see also* *Western Stove Co. v. Geo. D. Roper Corp.*, 82 F.Supp. 206, 216 (S.D.Cal.1949) (stating that to obtain a common law trademark or a trademark under the Act of 1905, "it is clear that the trade-mark had to be affixed substantially either to the product, or the container thereof"). The 1939 version of Lanham's bill thus defined "affixation," stating that a "trademark shall be deemed to be affixed to an article when it is placed in any manner in or upon either the article or its container or display or upon tags or labels or is otherwise used in the advertisement or sale thereof." H.R. 4744, 76th Cong. § 46 (1st Sess.1939). The version presented in Congress two years later in 1941, H.R. 5461, instead of defining "affixation," introduced the less complicated, more accommodating definition of "use in commerce" as the conduct by which an owner would qualify to register a mark. The bill included in § 45 (which eventually became § 1127) a definition of "use[ ] in commerce," which was similar to the definition of affixation in the prior H.R. 4744 in 1939, but more expansive, including both goods and services.

This definition provided,

> For purposes of this Act a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when used or displayed in the sale of advertising of services in commerce.

H.R. 5461, 77th Cong. § 45 (1st Sess.1941). This text of § 45 of the 1941 bill was eventually enacted in the 1946 version in substantially the same form, and in later

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And in specifying the conduct that would incur liability for infringement, the Act similarly prescribed that an aggrieved party could "enjoin the wrongful use of such trade-mark used in foreign commerce or commerce with Indian tribes." Act of March 3, 1881, 21 Stat. 502, 504; see also Act of February 20, 1905, Stat. 724, 728 ("Any person who shall, without consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark ... and shall use or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable".).

codification became the definition set forth in § 1127. It is important to note that in the 1941 bill, in which first appeared the defined term, "used in commerce," that term served as a requirement for registration, but the term nowhere appeared in the language defining conduct that would constitute infringement under § 32. Section 32, which defined infringement, made reference to "commerce" but did not employ the defined term "used in commerce."

In the form in which the Act was eventually passed in 1946, the term "used in commerce" continued to be a prerequisite to registration, but remained generally absent, with one small exception, from the statutory language defining infringement. Section 32, eventually codified as § 1114, at the time contained no instance of the term. Section 43(a), eventually codified as § 1125(a), provided liability for infringing conduct by "[a]ny person who shall ... cause or procure the [trademark] to be transported ***or*** used in commerce ***or*** deliver the [trademark] to any carrier to be transported or used." *See* Lanham Act, 60 Stat. 427, 441 (1946) (emphasis added). Thus, the Act allowed the imposition of liability on any infringer under § 32 without regard to whether he "used in commerce" the mark, and under § 43(a) on any infringer who "cause[d] or procure[d]" the transportation of a mark in commerce, or who "deliver[ed a mark] to any carrier to be transported," as well as to one who "cause[d] or procure[d]" the mark or delivered it to a carrier to be "used in commerce." Regardless of whether the "use in commerce" language in § 43(a) was intended to carry the definition in § 45, the Lanham Act as passed in 1946, on any reading, did not restrict liability for infringement to those who "used in commerce," as defined in § 45's restrictive terms. Such a "use in commerce" was simply one of several ways to satisfy one of several elements of a cause of action under § 43(a). By contrast, to justify imposition of liability on an infringer, the Act *required,* as an element of the cause of action, that the infringer "cause the [infringing] goods or services to enter into commerce"-a jurisdictional predicate for Congress's power to legislate in this area. *See id.* Thus, on the question whether the definition set forth in § 45 (§ 1127) should be understood as applying to, and thus restricting, conduct causing liability, one of the leading commentators on trademark law notes,

> The Lanham Act § 45 narrowing definition of what constitutes "use in commerce" is just a relaxed remnant of trademark law's once-hyper-technical "affixation" requirement. This statutory anachronism certainly was never intended to limit the scope of "uses" that would constitute infringement.

4 McCarthy on Trademarks and Unfair Competition § 23:11.50 (4th ed.1994 & updated 2008).

The Amendment of § 1114 in 1962

A confusing change in statutory diction occurred in 1962 when Congress amended § 1114. The purpose of the amendment was to broaden liability for infringement. Previously, the statutory requirement of confusion, mistake, or deception applied only with respect to "purchasers as to the source of origin of such goods or services." *See* 1 McCarthy § 5:6 (4th ed.1994 & updated 2008). Congress eliminated this requirement to expand the scope of deceptive, or misleading conduct that could constitute infringement. *Id.* (noting that this amendment "has been viewed as expanding the range of actions that can constitute infringement of a trademark by not limiting it to confusion of purchasers and not limiting it to confusion as to the source of goods"). At the same time as making this broadening substantive change, the 1962 amendment made structural changes to the order of the language in § 1114. *See* H.R. Rep. No. 1108, 87th Cong. at 8 (1961). Previously, § 1114 had listed a series of actions which, when taken by "any person ... *in commerce* " would cause liability. Among the liability-causing actions listed was, under clause (a), a person's "*use,* without the consent of the registrant, [of] any reproduction ...." Lanham Act, 60 Stat. 427, 437 § 32 (1946) (emphasis added). Thus, in the pre-1962 version, the terms "use" and "in commerce" occurred in separate clauses. One of the changes, which is not described in the House or Senate Reports as having any substantive significance, was a rearrangement of the order of words so that "use" and "in commerce" came to appear side by side in the amended version, rather than in separate clauses. In its amended form, it read "[a]ny person who shall, without the consent of the registrant (a) *use in commerce* any reproduction ... shall be liable in a civil action." 76 Stat. 769, 773 (1962) (emphasis added). As the result of the rearrangement, the consolidated phrase "use in commerce" appeared for the first time in § 1114. The House and Senate reports describe these amendments as intended simply to "rearrang[e] the language." *See* H.R.Rep. No. 1108, 87th Cong. at 8 (1961); S.Rep. No. 1685, 86th Cong. 1685 at 8 (1960). The only change to § 1114 specifically discussed in the Report was the deletion of the phrase "purchasers as to the source of such goods or services" for the stated purpose of broadening liability. *Id.* It would be unreasonable to construe mere "rearrange[ment]" of language in § 1114 as having intended to convert the broad liability-imposing term, "use" into a restrictive, defined term, which had previously applied only to a trademark owner's qualification for registration of the mark-especially when Congress made no mention beyond describing the change as a rearrangement. *See* *Whitman v. Am. Trucking Assoc.*, 531 U.S. 457, 468 (2001) (Congress does not "hide elephants in mouseholes.").[10]

[10] In 1962, Congress also amended six paragraphs of § 1127's definitions of terms other than "use in commerce," but left the "use in commerce" definition intact. See Lanham Act, 75 Stat. 769, 774 (1962).

The 1988 Amendment to § 1127

If there was any doubt prior to 1988 on the question whether the narrowing definition of "use in commerce" set forth in § 1127, was intended to apply to the utilization of that phrase in the sections providing for the liability of infringers, the doubt was put to rest by the Trademark Law Revision Act of 1988,[11] which inserted into § 1127 the requirement that a "use in commerce" be a "bona fide use of a mark in the ordinary course of trade and not merely made to reserve a right in a mark." This was part of a change intended to bring the federal trademark registration system into harmony with the registration system of other nations, see Pub.L. No. 100-667, 102 Stat. 3935 (Nov. 16, 1988), by providing the possibility of reserving a trademark for intended future use. Previously, one could not establish exclusive rights to a mark, or eligibility to register one's claim to the mark, except by using the mark in commerce. One who had a bona fide intent to use a mark in the future on a product not yet released into commerce could not be assured that, during product development preceding distribution of the product under the mark, another user might not establish a priority in the same mark. In at least one case in this Circuit, an attempt to reserve priority in a mark by making token use during the product development period had been found ineffective. *Procter & Gamble Co. v. Johnson & Johnson Inc.*, 485 F.Supp. 1185 (S.D.N.Y.1979), *aff'd* 636 F.2d 1203 (2d Cir.1980). The 1988 amendment provided relief by allowing applicants to file an intent to use application, by which they could reserve their priority in a mark for a limited period without making use of it in commerce. Pub.L. No. 100-667, § 103.

While these amendments provided relief in the form of effective reservation of a mark for a time on the basis of a filing of intent to use, registration of a mark under § 1051 continued to be limited to those who have in fact "used [the mark] in commerce." And the definition of "use in commerce" set forth in § 1127 was amended to require that the use be a "bona fide use ... in the ordinary course of trade and not made merely to reserve a right in the mark." 15 U.S.C. § 1127. Those wishing to reserve a right in the mark were provided for by the new intent-to-use provisions. Actual registration, however, was reserved to mark owners making bona fide use in commerce. As noted above, this definition of "use in commerce" makes eminent good sense as a prerequisite for a mark owner to register the mark and

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Despite broadening infringement liability in § 1114, Congress did not redefine "use in commerce" as applying only to registration and protection, and not to infringement.

[11] The Trademark Law Revision Act of 1988 was enacted on November 16, 1988 and went into effect November 16, 1989. Some courts and commentators refer to this Act as the 1988 amendment while others refer to it as the 1989 amendment.

claim the benefits the Act provides to the owners of marks. It makes no conceivable sense as a limitation shielding bad-faith abusers of the marks of others from liability for causing trademark confusion.

The Senate Report for the 1988 amendment confirms that the definition in § 1127 was meant to apply only to registering a mark rather than infringing one. The Senate Report explained that the "revised [use in commerce] definition is intended to apply to all aspects of the trademark registration process," and that "[c]learly, however, use of ***any type*** will continue to be considered in an infringement action." *See* S. Rep. 100-515 100th Cong. at 45 (1988) (emphasis added). This, of course, is consistent with the Lanham Act's intent to make actionable the deceptive and misleading use of marks in commerce-an intent which has not changed since the Lanham Act was first enacted. *See* Lanham Act, 60 Stat. 427, § 45 (1946); 15 U.S.C. § 1127. According to the Senate Report, a purpose in amending this section was to add "a reference to make clear that the section applies only to acts or practices which occur in [or] affect commerce." *See* S. Rep. 100-515 100th Cong. at 41 (1988). The amendment left only one reference to commerce in § 1125(a), which was the "uses in commerce" language. This term was thus employed in the 1988 revision to make clear that liability would be imposed for acts that occur in or affect commerce, i.e. those within Congress's Commerce Clause power. Thus, the term "uses in commerce" in the current § 1125(a) is intended to refer to a use that falls within Congress's commerce power, and not to the restrictive definition of "use in commerce," set forth in § 45 to define standards of qualification for an owner to register a mark and receive the benefits and protection of the Act.

It therefore appears that the history of the development of the Lanham Act confirms what is also indicated by a common-sense understanding of the provisions. The definition of the term "use in commerce" provided by § 1127, was intended to continue to apply, as it did when the definition was conceived in the 1941 bill, to the sections governing qualification for registration and for the benefits of the Act. In that version, the term "use in commerce" did not appear in § 32, which established the elements of liability for infringing upon a federally registered mark. The eventual appearance of that phrase in that section did not represent an intention that the phrase carry the restrictive definition which defined an owner's entitlement to registration. The appearance rather resulted from happenstance pairing of the verb "use" with the term "in commerce," whose purpose is to claim the jurisdictional authority of the Commerce Clause. Section 1127, as noted, does not prescribe that its definitions necessarily apply throughout the Act. They apply "unless the contrary is plainly apparent from the context."

The Interpretation of § 1127's Definition of "Use in Commerce" with Respect to Alleged Infringers

In light of the preceding discussion, how should courts today interpret the definition of "use in commerce" set forth in 15 U.S.C. § 1127, with respect to acts of infringement prescribed by §§ 1114 and 1125(a)? The foregoing review of the evolution of the Act seems to us to make clear that Congress did not intend that this definition apply to the sections of the Lanham Act which define infringing conduct. The definition was rather intended to apply to the sections which used the phrase in prescribing eligibility for registration and for the Act's protections. However, Congress does not enact intentions. It enacts statutes. And the process of enacting legislation is of such complexity that understandably the words of statutes do not always conform perfectly to the motivating intentions. This can create for courts difficult problems of interpretation. Because pertinent amendments were passed in 1962 and in 1988, and because the 1988 amendment did not change the pre-existing parts of the definition in § 1127, but merely added a sentence, it seems useful to approach the question of the current meaning in two steps. First, what did this definition mean between 1962 and 1988-prior to the 1988 amendment? Then, how was the meaning changed by the 1988 amendment?

Between 1962 and 1988, notwithstanding the likelihood shown by the legislative history that Congress *intended* the definition to apply only to registration and qualification for benefits and not to infringement, a court addressing the issue nonetheless would probably have concluded that the section applied to alleged infringement, as well. Section 1127 states that its definitions apply "unless the contrary is plainly apparent from the context." One who considered the question at the time might well have wondered why Congress would have provided this restrictive definition for acts of trademark infringement with the consequence that deceptive and confusing uses of another's mark with respect to goods would escape liability if the conduct did not include the placement of the mark on goods or their containers, displays, or sale documents, and with respect to services if the conduct did not include the use or display of the mark in the sale or advertising of the services. It is easy to imagine perniciously confusing conduct involving another's mark which does not involve placement of the mark in the manner specified in the definition. Nonetheless, in spite of those doubts, one could not have said it was "plainly apparent from the context" that those restrictions did not apply to sections defining infringement. In all probability, therefore, a court construing the provision between 1962 and 1988 would have concluded that in order to be actionable under §§ 1114 or 1125(a) the allegedly infringing conduct needed to include placement of the mark in the manner specified in the definition of "use in commerce" in § 1127.

The next question is how the meaning of the § 1127 definition was changed by the 1988 amendment, which, as noted, left the preexisting language about placement of the mark unchanged, but added a prior sentence requiring that a "use in commerce" be "a bona fide use in the ordinary course of trade, and not made merely to reserve a right in a mark." While it is "plainly apparent from the context" that the new first sentence cannot reasonably apply to statutory sections defining infringing conduct, the question remains whether the addition of this new sentence changed the meaning of the second sentence of the definition without changing its words.

We see at least two possible answers to the question, neither of which is entirely satisfactory. One interpretation would be that, by adding the new first sentence, Congress changed the meaning of the second sentence of the definition to conform to the new first sentence, without altering the words. The language of the definition, which, prior to the addition of the new first sentence, would have been construed to apply both to sections defining infringement, and to sections specifying eligibility for registration, would change its meaning, despite the absence of any change in its words, so that the entire definition now no longer applied to the sections defining infringement. Change of meaning without change of words is obviously problematic.

The alternative solution would be to interpret the two sentences of the statutory definition as of different scope. The second sentence of the definition, which survived the 1988 amendment unchanged, would retain its prior meaning and continue to apply as before the amendment to sections defining infringement, as well as to sections relating to a mark owner's eligibility for registration and for enjoyment of the protections of the Act. The new first sentence, which plainly was not intended to apply to infringements, would apply only to sections in the latter category-those relating to an owner's eligibility to register its mark and enjoy the Act's protection. Under this interpretation, liability for infringement under §§ 1114 and 1125(a) would continue, as before 1988, to require a showing of the infringer's placement of another's mark in the manner specified in the second sentence of the § 1127 definition. It would not require a showing that the alleged infringer made "bona fide use of the mark in the ordinary course of trade, and not merely to reserve a right in the mark." On the other hand, eligibility of mark owners for registration and for the protections of the Act would depend on their showing compliance with the requirements of both sentences of the definition.

We recognize that neither of the two available solutions is altogether satisfactory. Each has advantages and disadvantages. At least for this Circuit, especially given our prior *1-800* precedent, which applied the second sentence of the definition to infringement, the latter solution, according a different scope of application to the two sentences of the definition, seems to be preferable.[12]

[12] We express no view which of the alternative available solutions would seem preferable if our Circuit had not previously applied the second sentence to sections of the Act defining infringement.

The judges of the 1-800 panel have read this Appendix and have authorized us to state that they agree with it. At the same time we note that the discussion in this Appendix does not affect the result of this case. We assumed in the body of the opinion, in accordance with the holding of 1-800, that the requirements of the second sentence of the definition of "use in commerce" in § 1127 apply to infringing conduct and found that such use in commerce was adequately pleaded. The discussion in this Appendix is therefore dictum and not a binding opinion of the court. It would be helpful for Congress to study and clear up this ambiguity.

Note

Rescuecom was seen as foreclosing a strong form of a use requirement and was expected to be a widely followed precedent. *But see, e.g.*, Sensient Technologies Corp. v. SensoryEffects Flavor Co., 613 F.3d 754 (8th Cir. 2010) (use of mark in promotional materials not a use in commerce for purposes of infringement). Should this be the case? *Compare, e.g.*, Margreth Barrett, *Internet Trademark Suits and the Demise of "Trademark Use"*, 39 U.C. DAVIS L. REV. 371 (2006); Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007), *with* Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007).

Radiance Foundation, Inc. v. N.A.A.C.P.

786 F.3d 316 (4th Cir. 2015)

WILKINSON, Circuit Judge:

The Radiance Foundation published an article online entitled "NAACP: National Association for the Abortion of Colored People" that criticized the NAACP's stance on abortion. In response to a cease-and-desist letter from the NAACP, Radiance sought a declaratory judgment that it had not infringed any NAACP trademarks. The NAACP then filed counterclaims alleging trademark infringement and dilution.

The Lanham Act protects against consumer confusion about the source or sponsorship of goods or services. Persons may not misappropriate trademarks to the detriment of consumers or of the marks themselves. However, the Act's reach is not unlimited. To find Lanham Act violations under these facts risks a different form of infringement—that of Radiance's expressive right to comment on social issues under the First Amendment. Courts have taken care to avoid Lanham Act interpretations that gratuitously court grave constitutional concerns, and we shall do so here. We hold that Radiance is not liable for trademark infringement or dilution of defendant's marks by tarnishment. We vacate the injunction against Radiance entered by the district court and remand with instructions that defendant's counterclaims likewise be dismissed.

I.

The National Association for the Advancement of Colored People, better known by its acronym "NAACP," is this country's "oldest and largest civil rights organization," *Radiance Found., Inc. v. NAACP,* 25 F.Supp.3d 865, 872 (E.D.Va.2014), and one that holds a place of honor in our history. It champions "political, educational, social, and economic equality of all citizens" while working to eliminate racial and other forms of prejudice within the United States. Since its formation, it has pursued these objectives not only through litigation but also through community outreach, informational services, and educational activities on issues of significance to the African American community. The NAACP owns several trademarks, among them "NAACP" (federally registered) and "National Association for the Advancement of Colored People."

The Radiance Foundation, established by Ryan Bomberger, is also a non-profit organization focused on educating and influencing the public about issues impacting the African American community. Radiance addresses social issues from a Christian perspective. It uses as its platform two websites, TheRadianceFoundation.org and TooManyAborted.com, where it posts articles on topics such as race relations, diversity, fatherlessness, and the impact of abortion on the black community. Radiance also runs a billboard campaign for TooManyAborted.com; individuals may sponsor these billboards, licensing the artwork from Radiance. In addition to its billboard campaign, Radiance funds its endeavors through donations from visitors to its websites, which are facilitated by "Donate" buttons on the webpages that link to a PayPal site.

In January 2013, Bomberger authored an article criticizing the NAACP's annual Image Awards, entitled "NAACP: National Association for the Abortion of Colored People." The piece lambasted the NAACP for sponsoring an awards event to recognize Hollywood figures and products that Radiance alleged defied Christian values and perpetuated racist stereotypes. The article then criticized other of the NAACP's public stances and actions. It particularly targeted the NAACP's ties to Planned Parenthood and its position on abortion. Though the NAACP has often claimed to be neutral on abortion, Radiance maintains that the NAACP's actions actually demonstrate support for the practice.

The article appeared on three websites: the two owned by Radiance—TheRadianceFoundation.com and TooManyAborted.com—and a third-party site called LifeNews.com. Though the text of the article was identical across the sites, the headlines and presentation varied slightly. On TheRadianceFoundation.com, directly below the headline was an image of a TooManyAborted billboard with the headline "NAACP: National Association for the Abortion of Colored People" repeated next to it. The TooManyAborted.com site posted the headline "The National Association for the Abortion of Colored People" with a graphic below of a red box with the words "CIVIL WRONG" followed by the modified NAACP name. Adjacent to the article on both pages was an orange button with "CLICK HERE TO GIVE ONE–TIME GIFT TO THE RADIANCE FOUNDATION" printed around the word "DONATE." Finally on LifeNews.com, the third-party site, the NAACP's Scales of Justice appeared as a graphic underneath the headline....

[After a bench trial, the district court found, among other things, that Radiance "had used the marks "in connection with" goods and services and that its use of the "NAACP" and "National Association for the Advancement of Colored People" marks, or a colorable imitation, created a likelihood of confusion among consumers."]

II.

A.

.... The Lanham Act's provisions prohibiting trademark infringement, 15 U.S.C. §§ 1114(1) and 1125(a), exist to protect consumers from confusion in the marketplace. Trademarks designate the source or affiliation of goods and services in order to provide consumers with information about those goods and services, allowing mark holders to build and benefit from the reputation of their brands. Trademark infringement laws limit the ability of others to use trademarks or their colorable imitations in commerce, so that consumers may rely on the marks to make purchasing decisions.

Trademark protection, however, comes at a potential cost to free expression. Much like advertising regulations that prohibit using false or misleading information, trademark infringement laws restrict speech in order to promote the government's interest in protecting consumers from confusing misappropriations of product identifications. However, Congress "did not intend for trademark laws to impinge the First Amendment rights of critics and commentators." *Lamparello v. Falwell,* 420 F.3d 309, 313 (4th Cir.2005). The Lanham Act and First Amendment may be in tension at times, but they are not in conflict so long as the Act hews faithfully to the purposes for which it was enacted. The risk of impinging on protected speech is much greater when trademarks serve not to identify goods but rather to obstruct the conveyance of ideas, criticism, comparison, and social commentary. The canon of constitutional avoidance in this area is thus not a device of judicial evasion but an effort to reconcile the commercial values protected by the Lanham Act and the democratic value of expressive freedom.

It is for this reason that an actionable trademark claim does not simply require that the alleged infringer used in commerce the mark that the trademark holder possesses. It also requires that the infringer's use be "in connection with" goods or services in a manner that is "likely to cause confusion" among consumers as to the goods' or services' source or sponsorship. 15 U.S.C. §§ 1114(1)(a) & 1125(a)(1). Use of a mark that does not satisfy these two criteria is not trademark infringement.

B.

The first element of trademark infringement at issue is thus whether Radiance's use of the NAACP's marks was "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. § 1114(1)(a); *see also id.* § 1125(a)(1) (requiring mark be used "in connection with any goods or services"). The NAACP urges us to give this requirement a "broad construction," but that construction would expose to liability a wide array of noncommercial expressive and charitable activities. Such an interpretation would push the Lanham Act close against a First Amendment wall, which is incompatible with the statute's purpose and stretches the text beyond its breaking point. We decline to reach so far.

At least five of our sister circuits have interpreted this element as protecting from liability all noncommercial uses of marks. *Farah v. Esquire Magazine,* 736 F.3d 528, 541 (D.C.Cir.2013); *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research,* 527 F.3d 1045, 1052–54 (10th Cir.2008); *Bosley Med. Inst., Inc. v. Kremer,* 403 F.3d 672, 676–77 (9th Cir.2005); *Taubman Co. v. Webfeats,* 319 F.3d 770, 774 (6th Cir.2003); *Porous Media Corp. v. Pall Corp.,* 173 F.3d 1109, 1120 (8th Cir.1999). *But see United We Stand,* 128 F.3d at 89–90. We have not taken a position on whether "in connection with" goods or services indicates a commercial use.

At the very least, reading the "in connection with" element to take in broad swaths of noncommercial speech would be an "overextension" of the Lanham Act's reach that would "intrude on First Amendment values." *Rogers,* 875 F.2d at 998; *see also Taubman,* 319 F.3d at 774 (stating that the "Lanham Act is constitutional because it only regulates commercial speech"). It is true that neither of the Lanham Act's infringement provisions explicitly mentions commerciality. Still, this provision must mean something more than that the mark is being used in commerce in the constitutional sense, because the infringement provisions in § 1114(1)(a) and § 1125(a)(1) include a separate Commerce Clause hook.

Although this case does not require us to hold that the commercial speech doctrine is in all respects synonymous with the "in connection with" element, we think that doctrine provides much the best guidance in applying the Act. The "in connection with" element in fact reads very much like a description of different types of commercial actions: "in connection with the *sale, offering for sale, distribution,* or *advertising* of any goods or services." 15 U.S.C. § 1114(1)(a) (emphasis added).

Use of a protected mark as part of "speech that does no more than propose a commercial transaction" thus plainly falls within the Lanham Act's reach. Courts also look to the factors outlined in *Bolger v. Youngs Drug Products Corp.,* 463 U.S. 60, 66–67 (1983): whether the speech is an advertisement; whether the speech references a particular good or service; and whether the speaker (the alleged infringer) has a demonstrated economic motivation for his speech. These are not exclusive factors, and the presence or absence of any of them does not necessitate a particular result.

In the context of trademark infringement, the Act's purpose, as noted, is to protect consumers from misleading uses of marks by competitors. Thus if in the context of a sale, distribution, or advertisement, a mark is used as a source identifier, we can confidently state that the use is "in connection with" the activity. Even the Second Circuit, which rejected noncommerciality as an invariable defense to Lanham Act liability, conceded that a "crucial" factor is that the infringer "us[ed] the Mark not as a commentary on its owner, but instead as a source identifier." *United We Stand,* 128 F.3d at 92. The danger of allowing the "in connection with" element to suck in speech on political and social issues through some strained or tangential association with a commercial or transactional activity should thus be evident. Courts have uniformly understood that imposing liability under the Lanham Act for such speech is rife with the First Amendment problems.

Finally, in order to determine whether the use is "in connection with" goods or services, we must consider what qualifies as a good or service. The Lanham Act does not directly define either term, but we can deduce their meaning from other defined terms and common usage. A "good" is best understood as a valuable product, physical or otherwise, that the consumer may herself employ. *See* 15 U.S.C. § 1127 (noting that a mark may be used in commerce in relation to a good when placed on a good, its container, its tag, or its associated documents); Black's Law Dictionary 809 (10th ed.2014) (defining "goods" as "[t]hings that have value, whether tangible or not"). A service is a more amorphous concept, "denot[ing] an intangible commodity in the form of human effort, such as labor, skill, or advice." Black's Law Dictionary 1576. Because Congress intended the Lanham Act to protect consumers from confusion in the marketplace, it is probable that the Act is meant to cover a wide range of products, whether "goods" or "services." *See Yates v. United States,* ––– U.S. ––––, 135 S.Ct. 1074 (2015) ("Ordinarily, a word's usage accords with its dictionary definition. In law as in life, however, the same words, placed in different contexts, sometimes mean different things.").

It is clear, therefore, that despite the need to reconcile the reach of the Lanham Act with First Amendment values, "goods or services" remains a broad and potentially fuzzy concept. That is yet another reason why the "in connection with" language must denote a real nexus with goods or services if the Act is not to fatally collide with First Amendment principles....

III.

In applying the above principles, we think the district court made several errors. Those mistakes extended the Lanham Act beyond the purposes it was intended to serve.

A.

In finding that Radiance's use of the NAACP's marks was "in connection with" goods or services, the district court erred in several respects. To begin, the court held that because the Radiance article appeared in a Google search for the term "NAACP," it diverted "Internet users to Radiance's article as opposed to the NAACP's websites," which thereby created a connection to the NAACP's goods and services. *Radiance Found., Inc. v. NAACP,* 25 F.Supp.3d 865, 884 (E.D.Va.2014). But typically the use of the mark has to be in connection with the infringer's goods or services, not the trademark holder's. *See Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research,* 527 F.3d 1045, 1053–54 (10th Cir.2008) (stating that "the defendant in a trademark infringement ... case must use the mark in connection with the goods or services of a competing producer, not merely to make a comment on the trademark owner's goods or services").

If the general rule was that the use of the mark merely had to be in connection with the trademark holder's goods or services, then even the most offhand mention of a trademark holder's mark could potentially satisfy the "in connection with" requirement. That interpretation would expand the requirement to the point that it would equal or surpass the scope of the Lanham Act's "in commerce" jurisdictional element. This would not only make the jurisdictional element superfluous, but would hamper the ability of the "in connection with" requirement to hold Lanham Act infractions within First Amendment limits.

In *People for the Ethical Treatment of Animals v. Doughney,* we stated that an infringer "need only have prevented users from obtaining or using [the trademark holder's] goods or services, or need only have connected the [infringing] website to other's goods or services" in order to satisfy the "in connection with" requirement. 263 F.3d 359, 365 (4th Cir.2001). But that rule applies specifically where the infringer has used the trademark holder's mark in a *domain name.* Neither of Radiance's websites used an NAACP mark in its domain name. Rather, Radiance used the NAACP's marks only in the title and body of an article criticizing the NAACP. Nothing in *PETA* indicates that the use of a mark in the course of disseminating such an idea is on that account sufficient to establish the requisite relationship to goods or services. *PETA* simply does not govern the application of the "in connection with" element in this case.

The district court proceeded to find that Radiance's use of the NAACP's marks was also in connection with *Radiance's* goods or services. But the court's analysis failed to demonstrate a sufficient nexus between the specific use of the marks and the sale, offer for sale, distribution, or advertisement of any of the goods or services that the court invoked. The court first found that there was a sufficient nexus "with Radiance's own information services" because Radiance "provided information" on its website. That ruling, however, neuters the First Amendment. The provision of mere "information services" without any commercial or transactional component is speech—nothing more.

In the alternative, the court held that Radiance's use of the NAACP's marks was in connection with goods or services, because the use was "part of social commentary or criticism for which they solicit donations and sponsorship." The NAACP echoes the district court, arguing that the transactional nature of the billboard campaign and Radiance's fundraising efforts place Radiance's use of the marks "comfortably within" the reach of the "in connection with" element.

We need not address this point with absolute pronouncements. Suffice it to say that the specific use of the marks at issue here was too attenuated from the donation solicitation and the billboard campaign to support Lanham Act liability. Although present on the article page, the Donate button was off to the side and did not itself use the NAACP's marks in any way. The billboard campaign was displayed on a different page altogether. A visitor likely would not perceive the use of the NAACP's marks in the article as being in connection with those transactional components of the website. It is important not to lose perspective. The article was just one piece of each Radiance website's content, which was comprised of articles, videos, and multimedia advocacy materials. That the protected marks appear somewhere in the content of a website that includes transactional components is not alone enough to satisfy the "in connection with" element. To say it was would come too close to an absolute rule that any social issues commentary with any transactional component in the neighborhood enhanced the commentator's risk of Lanham Act liability.

The Supreme Court has warned "that charitable appeals for funds … involve a variety of speech interests … that are within the protection of the First Amendment." *Vill. of Schaumburg v. Citizens for a Better Env't,* 444 U.S. 620, 632 (1980). Such solicitation, the Court stated, is not a "variety of purely commercial speech." Courts are thus well-advised to tread cautiously when a trademark holder invokes the Lanham Act against an alleged non-profit infringer whose use of the trademark holder's marks may be only tenuously related to requests for money. Again, this is not to say that in all instances a solicitation by a non-profit is immune from Lanham Act liability. A solicitation may satisfy the "in connection with" element if the trademark holder demonstrates a sufficient nexus between the unauthorized use of the protected mark and clear transactional activity. Such a nexus may be present, for example, where the protected mark seems to denote the recipient of the donation. However, where, as here, the solicitations are not closely related to the specific uses of the protected marks, we are compelled to conclude that the district court erred in ruling that the "in connection element" was met….

Note

Noncommercial use in other circuits. Alliance for Good Gov't v. Coalition for Better Gov't, 998 F.3d 661 (5th Cir. 2021), involved the alleged infringement of a political organization's name by another political organization. The plaintiff prevailed and was awarded fees. On appeal, the defendant argued that the fee award would violate the First Amendment. The Fifth Circuit rejected the argument, relying on a mix of waiver and law-of-the-case considerations. In dissent, Judge Dennis argued that law of the case should not apply to prior rulings that were clearly in error. In arguing this was such a case, he summarized the case law on a commercial use requirement as follows:

> Significantly, both [§ 32 and § 43(a)] require that actionable infringement be "in connection with" goods or services in a manner likely to cause confusion to consumers. *Compare* 15 U.S.C. § 1125(a) (use of mark "in connection with any goods or services"), with *id*. § 1114(1) (use of mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services"). "This is commonly described as the commercial use requirement." *Utah Lighthouse Ministry*, 527 F.3d at 1052.
>
> In light of this requirement, the clear majority of circuits to have considered whether the Act applies to any noncommercial speech have determined that it does not. *See Bosley Med. Inst., Inc.*, 403 F.3d at 676–77 (construing § 32(1)); *Taubman Co.*, 319 F.3d at 774 (same); *Farah*, 736 F.3d at 541; *Utah Lighthouse Ministry*, 527 F.3d at 1052–54; *Porous Media Corp.*, 173 F.3d at 1120; *cf. S.F. Arts & Athletics, Inc.*, 483 U.S. at 566 (Brennan, J., dissenting); *Radiance Found., Inc.*, 786 F.3d at 322.

Id. at 675 (Dennis, J., dissenting). Judge Dennis described the outlier precedent as follows:

> In *United We Stand, Inc. v. United We Stand, America New York, Inc.*, the Second Circuit held that that noncommercial political activities may be "services" within the meaning of the Lanham Act but also stated that a "crucial" factor in permitting such a conclusion is that the infringer "us[e] the Mark not as a commentary on its owner, but instead as a source identifier." 128 F.3d 86, 89-92 (2d Cir. 1997). Not only is the Second Circuit

> the sole outlier court in an otherwise uniform line of federal appellate authority holding that the Lanham Act does not apply to noncommercial speech, but the Second Circuit is also incorrect that purely political speech is a "service" under the Lanham Act. "[S]uch a service is not being rendered in commerce[;] it is being rendered as part of the political process." Tax Cap Comm. v. Save Our Everglades, Inc., 933 F. Supp. 1077, 1081 (S.D. Fla. 1996).

Id. at 675 (Dennis, J., dissenting).

14. Likelihood of Confusion

Once again, recall the language of the Lanham Act's causes of action:

Section 32 of the Lanham Act (15 U.S.C. § 1114):

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. . . .

Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)):

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Infringement cases concerning both registered and unregistered marks are evaluated under the same standard, whether the conduct is "likely to cause confusion" How then does one determine that? Today, every judicial circuit uses a multifactor likelihood of confusion test. An example of its application follows.

Virgin Enterprises Ltd. v. Nawab, 335 F.3d 141 (2d Cir. 2003)

LEVAL, Circuit Judge.

Plaintiff Virgin Enterprises Limited ("VEL" or "plaintiff") appeals from the denial of its motion for a preliminary injunction. This suit, brought under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), alleges that defendants infringed plaintiff's rights in the registered mark VIRGIN by operating retail stores selling wireless telephones and related accessories and services under the trade name VIRGIN WIRELESS. The United States District Court for the Eastern District of New York (Sifton, *J.*) denied plaintiff's motion for a preliminary injunction, based upon its finding that plaintiff's registration did not cover the retail sale of wireless telephones and related products, and that plaintiff failed to show a likelihood of consumer confusion.

We find that the plaintiff is likely to succeed on the merits and was entitled to a preliminary injunction. We therefore reverse and remand with instructions to enter a preliminary injunction.

BACKGROUND

Plaintiff VEL, a corporation with its principal place of business in London, owns U.S. Registration No. 1,851,817 ("the 817 Registration"), filed on May 5, 1991, and registered on August 30, 1994, for the VIRGIN mark as applied to "*retail store services* in the fields of ... computers and *electronic apparatus* " (emphasis added). Plaintiff filed an affidavit of continuing use, pursuant to 15 U.S.C. § 1058(a), on April 27, 2000, which averred that plaintiff had used the mark in connection with retail store services selling computers and electronic apparatus. Plaintiff also owns U.S. Registration No. 1,852,776 ("the 776 Registration"), filed on May 9, 1991, and registered on September 6, 1994, for a stylized version of the VIRGIN mark for use in connection with "retail store services in the fields of ... computers and electronic apparatus," and U.S. Registration No. 1,863,353 ("the 353 Registration"), filed on May 19, 1992, and registered on November 15, 1994, for the VIRGIN MEGASTORE mark. It is undisputed that these three registrations have become incontestable pursuant to 15 U.S.C. § 1065.

VEL, either directly or through corporate affiliates, operates various businesses worldwide under the trade name VIRGIN, including an airline, large-scale record stores called Virgin Megastores, and an internet information service. Plaintiff or its affiliates also market a variety of goods branded with the VIRGIN name, including music recordings, computer games, books, and luggage. Three of plaintiff's megastores are located in the New York area. According to an affidavit submitted to the district court in support of plaintiff's application for preliminary injunction, Virgin Megastores sell a variety of electronic apparatus, including video game systems, portable CD players, disposable cameras, and DVD players. These stores advertise in a variety of media, including radio.

Defendants Simon Blitz and Daniel Gazal are the sole shareholders of defendants Cel-Net Communications, Inc. ("Cel-Net"); The Cellular Network Communications, Inc., doing business as CNCG ("CNCG"); and SD Telecommunications, Inc. ("SD Telecom"). Blitz and Gazal formed Cel-Net in 1993 to sell retail wireless telephones and services in the New York area. Later, they formed CNCG to sell wireless phones and services on the wholesale level. CNCG now sells wireless phones and services to more than 400 independent wireless retailers. In 1998, Cel-Net received permission from New York State regulators to resell telephone services within the state.

Around 1999, Andrew Kastein, a vice-president of CNCG, began to develop a Cel-Net brand of wireless telecommunications products. In early 1999, Cel-Net entered into negotiations with the Sprint PCS network to provide telecommunications services for resale by Cel-Net. In August 1999, Cel-Net retained the law firm Pennie & Edmonds to determine the availability of possible service marks for Cel-Net. Pennie & Edmonds associate Elizabeth Langston researched for Kastein a list of possible service marks; among the marks Cel-Net asked to have researched was VIRGIN. Defendants claim that Langston told Cel-Net officer Simon Corney that VIRGIN was available for use in the telecommunications field. Plaintiff disputed this, offering an affidavit from Langston that she informed defendants that she would not search the VIRGIN mark because her firm represented plaintiff.[2]

According to defendants, in December 1999, Cel-Net retained Corporate Solutions, LLC and its principals Nathan Erlich and Tahir Nawab as joint venture partners to help raise capital to launch Cel-Net's wireless telephone service. On December 2, 1999, Erlich and Nawab filed four intent-to-use applications with the U.S. Patent and Trademark Office ("PTO") to register the marks VIRGIN WIRELESS, VIRGIN MOBILE, VIRGIN COMMUNICATIONS, and VIRGIN NET in the field of telecommunications services, class 38. On December 24, 1999, Corporate Solutions incorporated defendant Virgin Wireless, Inc. ("VWI") and licensed to VWI the right to use the marks VIRGIN WIRELESS and VIRGIN MOBILE. Meanwhile, one of plaintiff's affiliates had begun to offer wireless telecommunication services bearing the VIRGIN mark in the United Kingdom. A

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[2] Because of Pennie & Edmonds's involvement in searching marks for defendants, and because of the factual dispute about whether plaintiff's counsel searched the VIRGIN mark for defendants, defendants sought in the district court to have Pennie & Edmonds disqualified from representing plaintiff. The district court denied this motion on March 13, 2002.

press release dated November 19, 1999, found on plaintiff's website, stated that its Virgin Mobile wireless services were operable in the United States.

On June 23, 2000, defendant Blitz signed a lease under the name Virgin Wireless for a kiosk location in South Shore Mall in Long Island from which to re-sell AT & T wireless services, telephones, and accessories under the retail name Virgin Wireless. Defendants Cel-Net and VWI later expanded their telecommunications re-sale operations to include two retail stores and four additional retail kiosks in malls in the New York area and in Pennsylvania. All of these stores have been run by VWI under the trade name VIRGIN WIRELESS. VWI also has leases and bank accounts in its name, and has shown evidence of actual retail transactions and newspaper advertisements.

In August 2000, plaintiff licensed Virgin Mobile USA, LLC, to use the VIRGIN mark for wireless telecommunications services in the United States. On August 10, 2000, plaintiff filed an intent-to-use application with the PTO for use of the VIRGIN mark in the United States on telecommunications services and mobile telephones. On October 11, 2001, the PTO suspended this mark's registration in international class 9, which covers wireless telephones, and class 38, which covers telecommunications services, because the VIRGIN mark was already reserved by a prior filing, presumably defendants'. On August 16, 2001, plaintiff filed another intent-to-use application for the mark VIRGIN MOBILE to brand telecommunications services. The PTO issued a non-final action letter for both of plaintiff's pending new registrations on October 31, 2001, which stated that defendant Corporation Solutions' pending applications for similar marks in the same class could give rise to "a likelihood of confusion." The PTO suspended action on plaintiff's application pending the processing of Corporation Solutions' applications.

In October 2001, plaintiff issued a press release announcing that it was offering wireless telecommunications services and mobile telephones in the United States.

Plaintiff became aware of Corporation Solutions' application for registration of the VIRGIN WIRELESS and VIRGIN MOBILE marks by May 2000. In October 2001 and December 2001, defendant VWI filed suits against plaintiff in the federal district courts in Arizona and Delaware, alleging that plaintiff was using VWI's mark. Plaintiff maintains (and the district court found) that it learned in January 2002 that VWI and Cel-Net were operating kiosks under the VIRGIN WIRELESS name and two days later filed the present suit seeking to enjoin defendants from selling mobile phones in VIRGIN-branded retail stores.

On May 2, 2002, the district court considered plaintiff's application for a preliminary injunction. It found that no essential facts were in dispute, and therefore no evidentiary hearing was required. It was uncontested (and the district court accordingly found) that plaintiff sold "electronic apparatus" in its stores, including "various video game systems, portable cassette tape, compact disc, mp3, and mini disc players, portable radios, and disposable cameras," but not including telephones or telephone service, and that the only products the defendants sold in their stores were wireless telephones, telephone accessories, and wireless telephone services.

Noting that a party seeking a preliminary injunction must show the probability of irreparable harm in the absence of relief, and either (1) likelihood of success on the merits or (2) serious questions going to the merits and a balance of hardships tipping decidedly in its favor, the court found that plaintiff had failed to satisfy either standard. Arguing against plaintiff's likelihood of success, the court noted that plaintiff's registrations did not claim use of the VIRGIN mark "in telecommunications services or in the associated retail sale of wireless telephones and accessories." While plaintiff's 817 and 776 Registrations covered the retail sale of "computers and electronic apparatus," they did not extend to telecommunications services and wireless phones.

The court noted that the defendants were the first to use the VIRGIN mark in telecommunications, and the first to attempt to register VIRGIN for telecommunications and retail telephone sales. The court also observed that the dissimilarity in appearance of plaintiff's and defendants' logos and the differences between plaintiff's huge Virgin Megastores and defendants' small retail outlets in malls diminished likelihood of consumer confusion. Finally, because the defendants had expended substantial resources in pursuing their trademark applications and in establishing their retail presence, the court found that plaintiff could not demonstrate that the balance of hardships tipped in its favor.

The court denied the application for preliminary injunction. The crux of the court's decision lay in the facts that plaintiff's prior use and registration of the VIRGIN mark in connection with the sale of consumer electronic equipment did not include the sale of telephones or telephone services, and that defendants were the first to register and use VIRGIN for telephones and wireless telephone service. This appeal followed.

DISCUSSION

I.

As the court below correctly noted, in order to obtain a preliminary injunction, a party must demonstrate probability of irreparable harm in the absence of injunctive relief, and either a likelihood that it will succeed on the merits of its claim, or a serious question going to the merits and a balance of hardships tipping decidedly in its favor. We review the court's denial of a preliminary injunction for abuse of discretion.

In an action for trademark infringement, where a mark merits protection, a showing that a significant number of consumers are likely to be confused about the source of the goods identified by the allegedly infringing mark is generally sufficient to demonstrate both irreparable harm and a likelihood of success on the merits. Thus, our inquiry must be whether the district court correctly determined that the plaintiff was not entitled to protection from use of its mark by others in the sale of wireless telephones and related services, and that there was no likelihood that, in the absence of a preliminary injunction, a significant number of consumers would be confused about the sponsorship of defendants' retail stores. For the reasons discussed below, we find that the mark is entitled to protection, and there is a significant likelihood of confusion. We reverse and remand.

II.

A claim of trademark infringement, whether brought under 15 U.S.C. § 1114(1) (for infringement of a registered mark) or 15 U.S.C. § 1125(a) (for infringement of rights in a mark acquired by use), is analyzed under the familiar two-prong test described in *Gruner + Jahr USA Publ'g v. Meredith Corp.,* 991 F.2d 1072 (2d Cir.1993). The test looks first to whether the plaintiff's mark is entitled to protection, and second to whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods. *Gruner,* 991 F.2d at 1074. Examining the question as the test dictates, we have no doubt that plaintiff was entitled to a preliminary injunction.

We believe the district court accorded plaintiff too narrow a scope of protection for its famous, arbitrary, and distinctive mark. There could be no dispute that plaintiff prevailed as to the first prong of the test-prior use and ownership. For years, plaintiff had used the VIRGIN mark on huge, famous stores selling, in addition to music recordings, a variety of consumer electronic equipment. At the time the defendants began using VIRGIN, plaintiff owned rights in the mark. The focus of inquiry thus turns to the second prong of the test-whether defendants' use of VIRGIN as a mark for stores selling wireless telephone services and phones was likely to cause confusion. There can be little doubt that such confusion was likely.

The landmark case of *Polaroid Corp. v. Polarad Electronics Corp.,* 287 F.2d 492 (2d Cir.1961) (Friendly, *J.*), outlined a series of nonexclusive factors likely to be pertinent in addressing the issue of likelihood of confusion, which are routinely followed in such cases.

Six of the *Polaroid* factors relate directly to the likelihood of consumer confusion. These are the strength of the plaintiff's mark; the similarity of defendants' mark to plaintiff's; the proximity of the products sold under defendants' mark to those sold under plaintiff's; where the products are different, the likelihood that plaintiff will bridge the gap by selling the products being sold by defendants; the existence of actual confusion among consumers; and the sophistication of consumers. Of these six, all but the last (which was found by the district court to be neutral) strongly favor the plaintiff. The remaining two *Polaroid* factors, defendants' good or bad faith and the quality of defendants' products, are more pertinent to issues other than likelihood of confusion, such as harm to plaintiff's reputation and choice of remedy. We conclude that the *Polaroid* factors powerfully support plaintiff's position.

Strength of the mark. The strength of a trademark encompasses two different concepts, both of which relate significantly to likelihood of consumer confusion. The first and most important is inherent strength, also called "inherent distinctiveness." This inquiry distinguishes between, on the one hand, inherently distinctive marks-marks that are arbitrary or fanciful in relation to the products (or services) on which they are used-and, on the other hand, marks that are generic, descriptive or suggestive as to those goods. The former are the strong marks. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir.1976). The second sense of the concept of strength of a mark is "acquired distinctiveness," *i.e.*, fame, or the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition.

Considering first *inherent distinctiveness,* the law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used, and lesser protection, or no protection at all, to marks consisting of words that identify or describe the goods or their attributes. The reasons for the distinction arise from two aspects of market efficiency. The paramount objective of the trademark law is to avoid confusion in the marketplace. The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification,* so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past. At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to refer to the goods by their name, and to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark,* for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils. The trademark right does not protect the exclusive right to an advertising message-only the exclusive right to an identifier, to protect against confusion in the marketplace. Thus, as a matter of policy, the trademark law accords broader protection to marks that serve exclusively as identifiers and lesser protection where a grant of exclusiveness would tend to diminish the access of others to the full range of discourse relating to their goods.

The second aspect of efficiency that justifies according broader protection to marks that are inherently distinctive relates directly to the likelihood of confusion. If a mark is arbitrary or fanciful, and makes no reference to the nature of the goods it designates, consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source. For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ*, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it. In contrast, every seller of foods has an interest in calling its product "delicious." Consumers who see the word *delicious* used on two or more different food products are less likely to draw the inference that they must all come from the same producer. *Cf.* *Streetwise Maps*, 159 F.3d at 744 (noting that several map producers use "street" in product names; thus plaintiff's mark using "street" was not particularly distinctive); *W. Publ'g*, 910 F.2d at 61 (noting numerous registrations of marks using word "golden"). In short, the more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that the inherently distinctive, arbitrary, or fanciful marks, i.e., strong marks, receive broader protection than weak marks, those that are descriptive or suggestive of the products on which they are used.

The second sense of trademark strength, fame, or "acquired distinctiveness," also bears on consumer confusion. If a mark has been long, prominently and notoriously used in commerce, there is a high likelihood that consumers will recognize it from its prior use. Widespread consumer recognition of a mark previously used in commerce increases the likelihood that consumers will assume it identifies the previously familiar user, and therefore increases the likelihood of consumer confusion if the new user is in fact not related to the first. A mark's fame also gives unscrupulous traders an incentive to seek to create consumer confusion by associating themselves in consumers' minds with a famous mark. The added likelihood of consumer confusion resulting from a second user's use of a famous mark gives reason for according such a famous mark a broader scope of protection, at least when it is also inherently distinctive. *See* *McGregor*, 599 F.2d at 1132 (noting that secondary meaning may further enlarge the scope of protection accorded to inherently distinctive marks).

Plaintiff's VIRGIN mark undoubtedly scored high on both concepts of strength. In relation to the sale of consumer electronic equipment, the VIRGIN mark is inherently distinctive, in that it is arbitrary and fanciful; the word "virgin" has no intrinsic relationship whatsoever to selling such equipment. Because there is no intrinsic reason for a merchant to use the word "virgin" in the sale of consumer electronic equipment, a consumer seeing VIRGIN used in two different stores selling such equipment will likely assume that the stores are related.

Plaintiff's VIRGIN mark was also famous. The mark had been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment. The fame of the mark increased the likelihood that consumers seeing defendants' shops selling telephones under the mark VIRGIN would assume incorrectly that defendants' shops were a part of plaintiff's organization.

There can be no doubt that plaintiff's VIRGIN mark, as used on consumer electronic equipment, is a strong mark, as the district court found. It is entitled as such to a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion.

Similarity of marks. When the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them in assessing the likelihood that consumers will be confused. Plaintiff's and defendants' marks were not merely similar; they were identical to the extent that both consisted of the same word, "virgin."

The district court believed this factor did not favor plaintiff because it found some differences in appearance. Defendants' logo used a difference typeface and different colors from plaintiff's. While those are indeed differences, they are quite minor in relation to the fact that the name being used as a trademark was the same in each case.

Advertisement and consumer experience of a mark do not necessarily transmit all of the mark's features. Plaintiff, for example, advertised its Virgin Megastores on the radio. A consumer who heard those advertisements and then saw the defendants' installation using the name VIRGIN would have no way of knowing that the two trademarks looked different. A consumer who had visited one of plaintiff's Virgin Megastores and remembered the name would not necessarily remember the typeface and color of plaintiff's mark. The reputation of a mark also spreads by word of mouth among consumers. One consumer who hears from others about their experience with Virgin stores and then encounters defendants' Virgin store will have no way knowing of the differences in typeface.

In view of the fact that defendants used the same name as plaintiff, we conclude the defendants' mark was sufficiently similar to plaintiff's to increase the likelihood of confusion. This factor favored the plaintiff as a matter of law. We conclude that the district court erred in concluding otherwise on the basis of comparatively trivial and often irrelevant differences.

Proximity of the products and likelihood of bridging the gap. The next factor is the proximity of the products being sold by plaintiff and defendant under identical (or similar) marks. This factor has an obvious bearing on the likelihood of confusion. When the two users of a mark are operating in completely different areas of commerce, consumers are less likely to assume that their similarly branded products come from the same source. In contrast, the closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source.

While plaintiff had not sold telephones or telephone service prior to defendant's registration evincing intent to sell those items, plaintiff had sold quite similar items of consumer electronic equipment. These included computer video game systems, portable cassette-tape players, compact disc players, MP3 players, mini-disc players, and disposable cameras. Like telephones, many of these are small consumer electronic gadgets making use of computerized audio communication. They are sold in the same channels of commerce. Consumers would have a high expectation of finding telephones, portable CD players, and computerized video game systems in the same stores. We think the proximity in commerce of telephones to CD players substantially advanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN.

Our classic *Polaroid* test further protects a trademark owner by examining the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products. VEL's claim of proximity was further strengthened in this regard because, as the district court expressly found, "plans had been formulated [for VEL] to enter [the market for telecommunications products and services] shortly in the future." VEL had already begun marketing telephone service in England which would operate in the United States, and, as the district court found, had made plans to sell telephones and wireless telephone service under the VIRGIN name from its retail stores.

The district court, nonetheless, found in favor of the defendants with respect to the proximity of products and services. We would ordinarily give considerable deference to a factual finding on this issue. Here, however, we cannot do so because it appears the district court applied the wrong test. The court did not assess the *proximity* of defendants' VIRGIN-branded retail stores selling telephone products to plaintiff's VIRGIN-branded retail stores selling other consumer electronic products. It simply concluded that, because defendants were selling exclusively telephone products and services, and plaintiff's electronic products did not include telephones or related services, the defendants must prevail as to the proximity factor.

This represents a considerable misunderstanding of the *Polaroid* test. The famous list of factors of likely pertinence in assessing likelihood of confusion in *Polaroid* was specially designed for a case like this one, in which the secondary user is not in direct competition with the prior user, but is selling a somewhat different product or service. In *Polaroid,* the plaintiff sold optical and camera equipment, while the defendant sold electronic apparatus. The test the court discussed was expressly addressed to the problem "how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it.*" 287 F.2d at 495 (emphasis added); *see also* *Arrow Fastener,* 59 F.3d at 396 (noting that products need not actually compete with each other). The very fact that the test includes the "proximity" between the defendant's products and the plaintiff's and the likelihood that the plaintiff will "bridge the gap" makes clear that the trademark owner does not lose, as the district court concluded, merely because it has not previously sold the precise good or service sold by the secondary user.

In our view, had the district court employed the proper test of proximity, it could not have failed to find a high degree of proximity as between plaintiff VEL's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, which proximity would certainly contribute to likelihood of consumer confusion. And plaintiff was all the more entitled to a finding in its favor in respect of these matters by virtue of the fact, which the district court *did* find, that at the time defendants began using the VIRGIN mark in the retail sale of telephones and telephone services, plaintiff already had plans to bridge the gap by expanding its sales of consumer electronic equipment to include sales of those very goods and services in the near future. Consumer confusion was more than likely; it was virtually inevitable.

Actual confusion. It is self-evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion. *Nabisco,* 191 F.3d at 228. We have therefore deemed evidence of actual confusion "particularly relevant" to the inquiry. *Streetwise Maps,* 159 F.3d at 745.

Plaintiff submitted to the district court an affidavit of a former employee of defendant Cel-Net, who worked at a mall kiosk branded as Virgin Wireless, which stated that individuals used to ask him if the kiosk was affiliated with plaintiff's VIRGIN stores. The district court correctly concluded that this evidence weighed in plaintiff's favor.

Sophistication of consumers. The degree of sophistication of consumers can have an important bearing on likelihood of confusion. Where the purchasers of a products are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks. The district court recognized that "[r]etail customers, such as the ones catered to by both the defendants and [plaintiff], are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination." On the other hand, it observed that purchasers of cellular telephones and the service plans were likely to give greater care than self-service customers in a supermarket. Noting that neither side had submitted evidence on the sophistication of consumers, the court made no finding favoring either side. We agree that the sophistication factor is neutral in this case.

Bad faith and the quality of the defendants' services or products. Two factors remain of the conventional *Polaroid* test: the existence of bad faith on the part of the secondary user and the quality of the secondary user's products or services. Neither factor is of high relevance to the issue of likelihood of confusion. A finding that a party acted in bad faith can affect the court's choice of remedy or can tip the balance where questions are close. It does not bear directly on whether consumers are likely to be confused. The district court noted some evidence of bad faith on the defendants' part, but because the evidence on the issue was scant and equivocal, the court concluded that such a finding "at this stage [would be] speculative." The court therefore found that this factor favored neither party.

The issue of the quality of the secondary user's product goes more to the harm that confusion can cause the plaintiff's mark and reputation than to the likelihood of confusion. *See* Arrow Fastener, 59 F.3d at 398 (noting that first user's reputation may be harmed if secondary user's goods are of poor quality). In any event, the district court found this factor to be "neutral" with respect to likelihood of confusion.

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In summary we conclude that of the six *Polaroid* factors that pertain directly to the likelihood of consumer confusion, all but one favor the plaintiff, and that one-sophistication of consumers-is neutral. The plaintiff is strongly favored by the strength of its mark, both inherent and acquired; the similarity of the marks; the proximity of the products and services; the likelihood that plaintiff would bridge the gap; and the existence of actual confusion. None of the factors favors the defendant. The remaining factors were found to be neutral. Although we do not suggest that likelihood of confusion may be properly determined simply by the number of factors in one party's favor, the overall assessment in this case in our view admits only of a finding in plaintiff's favor that defendants' sale of telephones and telephone-related services under the VIRGIN mark was likely to cause substantial consumer confusion. . . .

Notes

"Likelihood of confusion." Though a simple phrase, "likelihood of confusion" leaves much to the judicial imagination. A "likelihood" may be more than a "possibility," Brennan's, Inc. v. Brennan's Restaurant, L.L.C., 360 F.3d 125 (2d Cir. 2004) ("To succeed on an infringement claim, plaintiff must show that it is probable, not just possible, that consumers will be confused."), but how much more?

Does it mean that any given consumer is more likely than not to be confused? Somewhat likely? Possibly? Does it mean that someone, somewhere, is going to be confused? And what kind of consumer are we worried about? A potential consumer of the product whom we assume to be rational? Ok, but how much attention is our hypothetical consumer expected to pay? Is that a policy question? If so, should courts be answering it? What is the right response to congressional silence?

These questions all coexist with a second set of difficult questions, to be covered in a future class, of the *kind* of confusion about which we are concerned. For now, however, let us stick with the traditional unfair competition concern about confusion as to *source* that is measured at the point of sale (i.e., the moment the consumer makes the decision to purchase).

With respect to the number of confused consumers needed, case law is reasonably clear that it need not be the majority of those exposed to the confusing mark. An appreciable or substantial number suffices. That imprecise term, in turn, also must be fleshed out by the courts. Courts often do so by reference to surveys. Some courts base liability decisions in part on surveys that show low confusion percentages. *See generally* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 cmt. g (1995) ("Courts have given weight to survey results showing confusion among 25 percent or more of those surveyed even when the survey was partially flawed. Similarly, surveys without obvious defects indicating confusion of seven percent to 15 percent of the sample have been held adequate . . . .").

Multifactor tests. Multiple factors might bear on the question whether a likelihood of confusion exists. Eventually, as *Virgin* reflects, the factors used by courts were made explicit. Today, every court of appeals employs roughly similar multifactor tests. These tests overlap considerably. *See* 4 MCCARTHY §§ 24:30–:43 (listing factors used by various circuits). The classic example is *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). In that case the court considered (1) strength of plaintiff's mark, (2) degree of similarity between marks, (3) competitive proximity of litigants' products, (4) any actual confusion, (5) likelihood that plaintiff will "bridge the gap" separating the two markets, (6) whether defendant acted in good faith in adopting its mark, (7) quality of defendant's product, and (8) purchaser sophistication. *Id.* The Restatement lists similar factors. Restatement (Third) of Unfair Competition §§ 21-23 (1995). Note that the "bridge the gap" factor concerns competitors who are not in the same market. Courts now use the multifactor test even when the parties are in the same market.

Do you think that use of the factors gets us closer to the ultimate question or would we be better off dispensing with them? In thinking about your answer, consider not only the need for effective fact finding, but also for the need of appellate courts to provide effective review of the lower courts.

Applications. Not all factors are created equal. Think about how you make decisions. For example, how do you decide which elective course to take? There are any number of factors to consider (e.g., professor quality, how the professor grades, the amount of reading, the cost of the textbook, interest in the subject matter, relevance to career plans, etc.). Chances are some factors loom larger for you than others. And perhaps the analysis of one factor might spill over into another. For example, if you conclude that you like a particular professor's lecture style, you might be more likely to decide that the course's subject matter interests you than you would have if you disliked the professor's classroom demeanor.

Similar dynamics apply to judges applying the multifactor tests as described below:[1]

> The rhetorical landscape of trademark litigation matters because the underlying factual inquiry—is there a likelihood of confusion?—is often elusive. Factfinders address it by employing an imprecise multifactor test. The test's factors are flexible[2] and vulnerable to outcome-oriented manipulation.[3] Assessing and balancing them leaves the factfinder (or

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[1] From Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. Rev. 60 (2008) (some footnotes omitted and footnotes renumbered).

[2] *See, e.g.*, Nautilus Group, Inc. v. ICON Health & Fitness, Inc., 372 F.3d 1330, 1346 (Fed. Cir. 2004) (applying Ninth Circuit law to observe that "the application of this multifactor test should remain flexible and 'pliant'" (quoting Interstellar Starship Servs., Ltd. v. Epix, Inc., 304 F.3d 936, 942 (9th Cir. 2002))).

[3] For example, courts often consider the traits of prospective purchasers "and the degree of care they are likely to exercise in making purchasing decisions." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 (1995). But this assessment may be manipulated by the factfinder. *See, e.g.*, 4 MCCARTHY § 23:92 ("[W]hen the court wants to find no infringement, it says that the average buyer is cautious and careful and would

appellate reviewer) with considerable discretion in determining whether liability exists.[4]

Not all of the test's factors are equally applicable in practice. For example, the quality of the defendant's product is unlikely to matter if the trademarks are deemed entirely dissimilar. Moreover, it is difficult as a practical matter to consider all possible evidence and give full attention to each factor. Barton Beebe points out that this is unsurprising given the nature of human (and judicial) decisionmaking: "[We] seldom seek to consider all relevant information or reduce uncertainty to the maximum extent conceivable, even if we were capable of doing so."[5] People naturally use shortcuts. Even when faced with complex choices, decisionmakers may rely on only a few factors.[6] This affects the use of the multifactor test because "empirical work suggests that decision makers tend to use a core attributes heuristic by which they stop acquiring and analyzing information once the last in their set of most important, determinant attributes has been acquired and analyzed."[7]

Judges therefore employ "'fast and frugal' heuristics to short-circuit the multifactor analysis. A few factors prove to be decisive; the rest are at best redundant and at worst irrelevant."[8] Of particular relevance here is the factor assessing the defendant's good faith (or lack thereof). Beebe's study of the application of multifactor tests reveals that this factor looms large in ascertaining liability in trademark litigation.[9] One could argue, however, that

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never be confused. But if the judge thinks there is infringement, . . . the average buyer is gullible and . . . easily confused by the similar marks.").

[4] 4 MCCARTHY § 23:73 (surveying circuit court approaches to reviewing lower court decisions on likelihood of confusion).

[5] Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1601 (2006).

[6] *Id.* at 1601–02 ("Social science researchers have demonstrated that in regression-based modeling of human decision making, only a small number of cues—three on average, one author has speculated—emerge as statistically significant." (internal citations omitted)).

[7] *Id.* at 1602; *see also id*. at 1601 nn.87-88 (listing empirical studies of decisionmaking generally and of judicial decisionmaking specifically).

[8] *Id.* at 1581. "Judges tend to 'stampede' these remaining factors to conform to the test outcome, particularly when they find infringement." *Id.* at 1582.

[9] *Id.* at 1608, 1628. After conducting a study of 331 trademark opinions reported from 2000 to 2004 that employed the local circuit's multifactor test, Beebe concluded that his data "suggest that a finding of bad faith intent creates, if not in doctrine, then at least in practice, a nearly un-rebuttable presumption of a likelihood of confusion." *Id.* at 1628.

the factor has only limited relevance to the likelihood-of-confusion inquiry and its inclusion arises from a judicial concern for the equities of trademark use rather than from a focus on the underlying factual inquiry.[10] Similarly, commentators have noted the role of evaluations of good faith in ascertaining remedies for trademark infringement, noting that the "ringing epithets" serve as justification for the awarding of profits.[11] Assessing good faith, in turn, opens the door for courts to transform rhetorical labels of defendants as "free riders" or "misappropriators" of goodwill into substantive outcomes.

Note the prospect, raised above, that some factors are more amenable to manipulation in an outcome-oriented way at the trial and appellate levels.

Individual factors. We will discuss the case law surrounding the application of individual factors in class.

Balancing the factors. Once the individual factors are analyzed, how are they weighed against each other? The case law rejects (fortunately) the approach of simply summing the factors together. The point is to consider all the relevant factors, not to add them up.

Is the ultimate balancing a question of fact or law? The majority of circuits say a question of fact, reviewable under a clearly erroneous standard. Note, however, that this approach does not preclude a reviewing court from finding a legal error in the application of any given factor. The Second and Sixth Circuits treat the balancing of the factors as a question of law, reviewable de novo (while deferring on the underlying fact evaluations). *See generally* 4 McCarthy § 23:71.

[10] *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 22 cmt. c (1995) ("Although the actor's intent does not affect the perceptions of prospective purchasers, it may be appropriate to assume that an actor who intends to cause confusion will be successful in doing so.").

[11] 5 MCCARTHY § 30:62 ("To put it bluntly, courts are not willing to grant an accounting of profits unless the judge 'gets mad' at the defendant.").

15. Likelihood of Confusion (cont'd)

Problem

Does the shoe on the right create a likelihood of confusion with trademarked red outsole of the shoe on the left?

Hornady Mfg. Co., Inc. v. Doubletap, Inc.
746 F.3d 995 (10th Cir. 2014)

KELLY, Circuit Judge.

Plaintiff–Appellant Hornady Manufacturing Company, Inc., appeals from a district court order granting summary judgment to Defendant–Appellee DoubleTap, Inc., on Hornady's trademark infringement claims. Our jurisdiction arises under 28 U.S.C. § 1291, and we affirm.

Background

Hornady was founded in 1949 by Joyce Hornady. Since that time, Hornady has manufactured and sold firearm ammunition and related products. It sells its products through brick-and-mortar retailers, its websites, and direct-to-consumer sales, including direct sales to law enforcement agencies.

Since 1997, Hornady has sold various products under the name "TAP," short for "Tactical Application Police." These products include the sub-brands TAP, TAP FPD, TAP URBAN, TAP PRECISION, TAP CQ, TAP BARRIER, BTHP TAP, and GMX TAP. In 1999, Hornady acquired trademark registration for the nonstylized word mark, "TAP ." Hornady holds nonstylized word mark registrations for other TAP sub-brands. In 2004, the TAP mark became statutorily incontestable under 15 U.S.C. § 1065. Photographs in the record indicate that the packaging for Hornady's products conspicuously features the TAP mark, both as a stand-alone mark and as incorporated within a shield resembling a police officer's badge.

DoubleTap was founded in 2002 by Michael McNett. DoubleTap has been described as a "niche" ammunition manufacturer. It specializes in hand-loaded rounds and produces calibers rarely offered by other ammunition manufacturers. Mr. McNett registered the domain name www.doubletapammo.com in 2003 and began selling DoubleTap products online thereafter. Photographs in the record indicate that, as of 2006, packaging for DoubleTap's products displayed its mark as two separate words—"Double Tap"—within a blue oval and flanked to the left by two bullet holes. Sometime after 2010, the mark morphed into a single word—"DOUBLETAP"—presented in a blue oval and crowned with the identifier, "McNett's."

In January 2010, Hornady sent DoubleTap a cease-and-desist letter, demanding that DoubleTap discontinue using the word "Tap" on its products, remove "Tap" from its website, and destroy any materials it created bearing "Tap." Efforts to resolve the dispute failed, and this litigation ensued. Hornady's complaint alleged trademark infringement under Sections 32 and 43(a) of the Lanham Act, common law trademark infringement, deceptive trade practices under Utah law, and unjust enrichment. Both parties moved for summary judgment, arguing that they were entitled to judgment as a matter of law on whether DoubleTap infringed on Hornady's TAP mark. The district court denied Hornady's motion and granted DoubleTap's. Hornady appealed.

Discussion

. . . . Summary judgment is appropriate if the pleadings and record demonstrate the absence of a genuine issue of material fact and that the moving party is entitled to judgment as a matter of law. The nonmoving party is entitled to reasonable inferences from the record; but if the nonmovant bears the burden of persuasion, summary judgment may be granted if the movant points out a lack of evidence to support the claim and the nonmovant cannot identify specific facts to the contrary.

Whether proceeding under § 32 or § 43(a) of the Lanham Act, "the central inquiry is the same: whether the junior user's mark is likely to cause confusion with the senior user's mark." *Water Pik,* 726 F.3d at 1143. Likelihood of confusion is a question of fact, but one amenable to summary judgment in appropriate circumstances. We examine six nonexhaustive factors to evaluate whether there is a likelihood of confusion: (1) the degree of similarity between the competing marks; (2) the intent of the alleged infringer in adopting the contested mark; (3) evidence of actual confusion; (4) the similarity of the parties' products and the manner in which the parties market them; (5) the degree of care that consumers are likely to exercise in purchasing the parties' products; and (6) the strength of the contesting mark.

No one of the six factors is dispositive, and "a genuine dispute of material fact will not exist if all relevant factors, properly analyzed and considered together, ... indicate consumers are not likely to be confused." *Heartsprings, Inc. v. Heartspring, Inc.,* 143 F.3d 550, 558 (10th Cir.1998). The factors are interrelated, and the "importance of any particular factor in a specific case can depend on a variety of circumstances, including the force of another factor." *Water Pik,* 726 F.3d at 1143. . . .

Hornady argues that summary judgment was inappropriate because likelihood of confusion was a genuine issue of fact. It further argues that the district court impermissibly "weighed evidence" in its analysis of certain factors. . . .

A. *Similarity of the Marks*

The similarity of the marks is the "first and most important factor." *King of the Mountain Sports, Inc. v. Chrysler Corp.,* 185 F.3d 1084, 1091 (10th Cir.1999). Similarity is gauged on three levels: "sight, sound, and meaning." *Id.* at 1090. Similarities in the marks get "more weight than the differences." *Id.* In comparing marks, "we do not independently examine each syllable of the marks but consider the mark as a whole as they are encountered by consumers in the marketplace." *Water Pik,* 726 F.3d at 1155 (internal quotation marks omitted). We therefore compare the full marks, not just their components.

Hornady argues for a different approach to similarity. It first argues that the district court erred by not elevating the marks' one similarity—the word "tap"—above all differences. Hornady next argues that the district court erred by considering differences created by the parties' packaging. The district court did not err in either regard.

First, the court is not free to give dispositive weight to any one component of the marks, such as a shared syllable. Marks must be considered as a whole. In *Universal Money Centers, Inc. v. AT & T Co.*, we compared the parties' marks in their entirety, including disclaimed words within the mark. 22 F.3d 1527, 1531 (10th Cir.1994). In *Water Pik*, this court compared the full words " 'Sinu*Cleanse*' and 'SinuSense,' not just the components '*Cleanse*' and 'Sense.'" In this case, the fact that both marks contain the syllable "tap" does not control the similarity inquiry.

Second, in its comparison of the marks, the court is "not free to focus solely on name similarity." *Heartsprings*, 143 F.3d at 555. The court must consider the effect of marketplace presentation, including "lettering styles, logos and coloring schemes." *Universal Money Centers*, 22 F.3d at 1531. This includes the effect packaging has on consumers' ability to recognize a particular mark. In *Water Pik*, we rejected as unrealistic a survey comparison that "did not present the marks as they would appear to a consumer because both marks were shown in a typewritten format, divorced from packaging." 726 F.3d at 1145. This was despite the fact that the mark at issue was a nonstylized word mark.[2]

Hornady additionally argues that, because its various TAP sub-brands form a "family of marks," it is entitled to an inference that a consumer would presume DoubleTap to be one of its TAP marks. The only tie holding this supposed family together, however, is the word "tap." To hold that DoubleTap is ipso facto a perceived member of this family would violate our command that marks be considered as a whole as they are encountered by consumers in the marketplace, not on one factor such as name alone. The TAP sub-brands do play one important role: they are each ways in which consumers encounter the TAP mark in the marketplace. As such, they must be compared to DoubleTap for similarities (and differences) in sight, sound, and meaning.

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[2] Hornady argues that its TAP mark qualifies as a "standard character mark," thus entitling it to a similarity analysis devoid of "font style, size, or color" considerations. In Water Pik, however, we considered the infringement of the "nonstylized word mark SINUCLEANSE" among others. Although the mark was a standard character mark … we rejected a comparison that presented the mark "differently from the way that it actually appears on packaging," A standard character registration does not override the requirement that likelihood of confusion be measured by the perceptions of consumers in the marketplace, including the effect of packaging.

With these principles in mind, we compare the sight, sound, and meaning of TAP and DoubleTap. Comparing TAP and DoubleTap in visual appearance, they have but one similarity: both carry the word "tap." The placement and use of that word differs between the marks. Hornady uses "TAP" as an identifying prefix in most of its marks, e.g., TAP URBAN, TAP PRECISION, TAP CQ, and TAP BARRIER. It does not use it at the end of a compound word as DoubleTap does. In the two instances where Hornady uses "TAP" as a suffix rather than a prefix—BTHP TAP and GMX TAP—acronyms proceed the mark, not a readily understandable adjective such as "double." The marks themselves thus appear starkly different. Moreover, as the district court recognized, the packaging on which the parties display their marks differs greatly in color scheme and layout. Finally, most of Hornady's TAP products and its website carry the distinctive "Hornady®" house mark, further diminishing the degree of visual similarity between the marks.

As for the sound factor, the monosyllabic "tap" does not sound like the polysyllabic "double tap."

As to meaning, the marks are not similar. Hornady does not dispute that TAP is an acronym for "Tactical Application Police"; it often displays its mark in close proximity to that description. For consumers who view "TAP" in isolation (and who are unfamiliar with the acronym's meaning), "tap" means "to strike lightly." Webster's 9th New Coll. Dictionary 1206 (1991). In contrast, the term "double tap" has a specialized meaning: in gunmanship, a "double tap is a technique of firing two shots in quick succession into a single target." Steve Martini, *Double Tap* 317 (2005).

Overall, there are more than enough differences between the two marks to weigh this factor in DoubleTap's favor.

Hornady argues that it was impermissible for the district court to refer to the marks' dissimilarity when evaluating the remaining factors. Our precedent is to the contrary. "The importance of any particular factor in a specific case can depend on a variety of circumstances, including the force of another factor. For example, if two marks are not at all similar, the degree of consumer care is unlikely to make a difference." *Water Pik*, 726 F.3d at 1143. The district court did not err by referring to the marks' dissimilarity when analyzing the remaining factors.

B. *DoubleTap's Intent*

"Evidence that the alleged infringer chose a mark with the intent to copy, rather than randomly or by accident, typically supports an inference of likelihood of confusion." *Utah Lighthouse Ministry*, 527 F.3d at 1055. The district court held that the intent factor favored DoubleTap, based on a lack of similarity in the marks and Hornady's failure to produce direct evidence of DoubleTap's intent to copy. Hornady argues that it did produce evidence creating a factual issue regarding intent, namely, circumstantial evidence creating an inference of DoubleTap's intent to copy. On summary judgment, however, a nonmovant is entitled to only those inferences that are "reasonable." *Water Pik,* 726 F.3d at 1143. In this case, the district court correctly held that Hornady's inferences were not reasonable.

First, Hornady argues that an intent to copy can be inferred from the fact that, at the time of its founding, DoubleTap was aware of "Hornady and its products." This inference fails: "When we have said that evidence of intent to copy may justify an inference of likelihood of confusion, we have been referring to copying a particular mark, not copying a competitor's product." *Water Pik,* 726 F.3d at 1157. Whether DoubleTap's founder was aware of Hornady and its products is irrelevant to whether DoubleTap adopted its mark intending to copy the TAP mark: "The intent to compete by imitating the successful features of another's product is vastly different from the intent to deceive purchasers as to the source of the product." *Id.* at 1158 (quoting *Streetwise Maps, Inc. v. VanDam, Inc.,* 159 F.3d 739, 745 (2d Cir.1998)).

Second, Hornady argues that an intent to copy can be inferred from the fact that, after Hornady sent DoubleTap a cease-and-desist letter in January 2010, DoubleTap accelerated its marketing efforts apparently to capitalize on the alleged confusion. This inference also fails. Under the intent factor, the alleged infringer's intent is measured at the time it "chose" or "adopted" its mark. In analyzing intent, we look to evidence of "the process of choosing" a mark, not evidence of events subsequent to its adoption. Evidence of DoubleTap's mindset in 2010, when it became aware of Hornady's claim of infringement, is irrelevant to its mindset in 2002, when it adopted the "DoubleTap" mark. Because, as we mentioned, DoubleTap adopted a mark dissimilar to Hornady's, and because no evidence demonstrates DoubleTap's intent to copy Hornady's mark in 2002, this factor weighs in DoubleTap's favor.

C. *Actual Confusion*

Evidence of actual confusion in the marketplace is often considered the best evidence of a likelihood of confusion. Hornady points to two kinds of actual confusion evidence in this case: direct evidence in the form of telephone calls, a letter, and a post on Hornady's Facebook page; and survey evidence gathered by Luth Research. We first address the direct evidence and then turn to the survey.

1. *Direct Evidence of Actual Confusion*

Hornady cites three pieces of evidence it claims exhibit actual consumer confusion regarding the source of DoubleTap's product: (1) a "half a dozen or so" phone calls between 2009 and 2010 from customers who believed DoubleTap was one of Hornady's TAP products; (2) a March 2012 letter from a sheriff's office thanking Hornady for sending DoubleTap ammunition; and (3) a March 2013 comment on Hornady's Facebook page demonstrating a customer's confusion whether Hornady manufactured DoubleTap. The district court dismissed this evidence as "de minimis," and Hornady argues that such a determination was inappropriate on summary judgment.

"We have consistently recognized, however, that isolated, anecdotal instances of actual confusion may be *de minimis* and may be disregarded in the confusion analysis." *Water Pik*, 726 F.3d at 1150. "[E]vidence of some actual confusion does not dictate a finding of likelihood of confusion." *Universal Money Centers*, 22 F.3d at 1535. In *Universal Money Centers*, we disregarded as de minimis three affidavits alleging confusion, including two by the plaintiff's employees that they had received a number of accounts of customer confusion. In *King of the Mountain*, we held that evidence of seven episodes of actual confusion was de minimis. Finally, in *Water Pik*, we held that four instances of consumer confusion, including a declaration by a customer that she was confused when deciding between the parties' products, constituted de minimis evidence. Even assuming that the three instances cited by Hornady constitute some evidence of actual confusion, we agree with the district court's assessment that a handful of instances over the ten years in which DoubleTap was in the market constitute de minimis evidence of a likelihood of confusion. Moreover, this "de minimis evidence of actual confusion is especially undermined in this case by the sheer lack of similarity between the marks." *Universal Money Centers*, 22 F.3d at 1535–36.

2. *Survey Evidence*

"Evidence of actual confusion is often introduced through the use of surveys, although their evidentiary value depends on the methodology and questions asked." *Water Pik*, 726 F.3d at 1144. The district court gave the Luth Survey—commissioned by DoubleTap—little weight, concluding that it improperly compared the parties' marks "side-by-side." Both parties agree that the district court erred in determining that the survey was of the "side-by-side" variety. We also agree; the Luth Survey presented the parties' products one at a time, thus properly measuring confusion when the allegedly infringing mark is "singly presented, rather than when presented side by side with the protected trademark." *Sally Beauty*, 304 F.3d at 972. However, other methodological flaws support the district court's conclusion that the Luth Survey was entitled to little weight.

In *Water Pik*, we agreed that the survey at issue was "devoid of any probative value and therefore irrelevant" because of methodological flaws. 726 F.3d at 1145. Among the survey's flaws was the fact that "the survey questions [were] improperly leading." *Id.* at 1147. We described the survey as follows:

> Respondents were shown only three products and were asked whether two or more of the products were made by the same company; whether two or more of the products' makers had a business affiliation; and whether one or more of the makers had received permission or approval from one of the others. They could answer yes, no, or not sure.

The Luth Survey followed an identical strategy:

> After viewing [three] packages, respondents were asked to answer whether they thought that the [DoubleTap] and the Hornady and control[, Federal Premium,] packages were: (1) of the same company or owned by the first company shown; (2) affiliated with the first company shown, (3) had permission from the first company shown to use this name on their website, or (4) had no affiliation or connection to the first website shown, or that they were unsure.

By suggesting the possibility that DoubleTap might be connected with another brand, and limiting the candidates to Hornady and Federal Premium, the Luth Survey risked sowing confusion between DoubleTap and TAP when none would have arisen otherwise. This prevented the survey from eliciting responses as they might occur spontaneously in the marketplace. Because of this and other methodological flaws, the Luth Survey is entitled to little weight on the issue of actual confusion.[10]

Presented with no significantly probative evidence of actual confusion, the district court properly weighed this factor in DoubleTap's favor.

D. *Similarity in Products and Marketing*

Viewing the evidence in Hornady's favor, there is sufficient evidence to establish that the parties produce similar products and market them in similar ways. The district court correctly weighed this factor in Hornady's favor.

E. *Consumer Care*

If consumers are likely to exercise a high degree of care in purchasing a certain product, the likelihood of confusion is reduced. The district court credited DoubleTap with this factor because consumers are not likely to purchase self-defense ammunition carelessly. Hornady argues that it was entitled to a contrary inference, i.e., that consumers purchase the products at issue with little care because they are "relatively inexpensive." What is "relatively inexpensive" is hardly clear, particularly without considerations of the quantity or frequency of consumers' purchases. Nor do any of our cases take this price-determinative approach. Instead, we focus "on the consumer's degree of care exercised at the time of purchase" and ask whether the item is one commonly "purchased on impulse." *Sally Beauty,* 304 F.3d at 975. Even if the products in this case are "relatively inexpensive" at $13 to

[10] Hornady's expert concluded that, "[w]hile it is impossible to even come close to correcting for the full extent of" the survey's methodological flaws, the results could nonetheless be manipulated in a way that reliably demonstrated a likelihood of confusion. We do not believe that the survey's myriad flaws can be so readily overlooked, especially considering that Hornady's expert did not take into account the leading nature of the survey's questions.

$100 a box,[12] Hornady has not presented any evidence that consumers commonly succumb to impulses and purchase ammunition carelessly. Indeed, the district court had before it an expert opinion that "the purchase of ammunition would constitute a high involvement purchase decision, that is, one in which the consumer gives careful consideration to both the products and brand names being offered." The district court correctly weighed this factor in DoubleTap's favor.

F. *Strength of the TAP Mark*

Likelihood of confusion depends partly on the senior mark's strength, i.e., its capacity to indicate the source of the goods with which it is used. *Water Pik,* 726 F.3d at 1151. Strength has two components: conceptual strength, or the mark's place on the spectrum of distinctiveness; and commercial strength, or its level of recognition in the marketplace. *See King of the Mountain,* 185 F.3d at 1093. The district court concluded that Hornady's TAP mark was both conceptually and commercially strong, and thus weighed the strength factor in Hornady's favor.

1. *Conceptual Strength*

. . . . The district court held that Hornady's mark was suggestive because the definition of "tap" (to strike someone or something with a quick, light blow) and the TAP acronym (Tactical Application Police) suggest the features of TAP products. Although it calls that holding "defensible," DoubleTap argues that TAP is merely descriptive.

The determination whether a mark is descriptive or suggestive is difficult, and we have endorsed a helpful test for distinguishing between the two categories: suggestive terms "require the buyer to use thought, imagination, or perception to connect the mark with the goods," whereas descriptive terms "*directly convey* to the buyer the ingredients, qualities, or characteristics of the product." *Water Pik,* 726 F.3d at 1152–53 (internal quotation marks omitted). Granting all reasonable inferences in Hornady's favor, we agree that "TAP" is suggestive of the features of Hornady's products. "TAP" does not directly convey the characteristics of the product, bullets, in a way that marks such as "After Tan post-tanning lotion" or "5 Minute glue" do. *See George & Co. v. Imagination Entm't Ltd.,* 575 F.3d 383, 394 (4th Cir.2009). Even when the acronym is defined, "TAP" requires the consumer to use imagination to appreciate the nature of Hornady's product: police agencies are frequent purchasers of ammunition; police are likely to seek out certain qualities in the ammunition they purchase; a product targeted at police is likely to have these qualities. TAP is thus suggestive and conceptually strong.

2. *Commercial Strength*

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[12] Hornady's products retail between $13 and $34, and DoubleTap's products retail between $30 and $100.

Commercial strength is "the marketplace recognition value of the mark." *King of the Mountain,* 185 F.3d at 1093. It is analogous to secondary meaning.[13] We have identified several factors as helpful in evaluating secondary meaning, including direct evidence of recognition by consumers and circumstantial evidence regarding: (1) the length and manner of the mark's use, (2) the nature and extent of advertising and promotion of the mark, and (3) the efforts made to promote a conscious connection, in the public's mind, between the mark and a particular product. The district court concluded that Hornady's advertising efforts established the commercial strength of its mark; DoubleTap challenges that conclusion.

Viewing the evidence in Hornady's favor, we agree that TAP is commercially strong. First, the TAP mark has been on the market nearly 17 years. Second, there was evidence that Hornady spent hundreds of thousands of dollars advertising its TAP products in numerous magazines, on two television channels, at several trade shows, and on its two websites. These factors demonstrated that Hornady fostered a conscious connection in the public's mind between the TAP mark and its products.

Because TAP is conceptually and commercially strong, the district court correctly weighed this factor in Hornady's favor.

G. *Conclusion*

Reviewing the record de novo, we hold that two factors—strength of the mark, and similarity of products and marketing—favor Hornady. The remaining four factors favor DoubleTap. The tilt of the scales does not determine the issue. However, the key inquiry, the similarity of the marks, strongly favors DoubleTap. When this is combined with the high degree of care that consumers exercise when purchasing ammunition, and the lack of evidence that DoubleTap intended to deceive those consumers by copying Hornady's mark, it suggests that consumers are unlikely to be confused. Hornady has not introduced meaningful evidence of actual confusion to dispute this. Thus, Hornady has failed to raise a genuine factual issue regarding the likelihood of confusion, and the district court properly awarded summary judgment to DoubleTap.

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To what extent may similar trade dress produce a finding of likelihood of confusion notwithstanding the existence of a contrasting label? The case below provides one view. Before reading it, ask yourself if you think there is a likelihood of consumer confusion. The competing spirits at issue look like this:

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[13] Although secondary meaning is presumed, the fact that Hornady's mark is statutorily incontestible does not resolve the commercial strength inquiry.

Maker's Mark Distillery, Inc. v. Diageo North America, Inc.
679 F.3d 410 (6th Cir. 2012)

BOYCE F. MARTIN, JR., Circuit Judge.

Justice Hugo Black once wrote, "I was brought up to believe that Scotch whisky would need a tax preference to survive in competition with Kentucky bourbon." *Dep't of Revenue v. James B. Beam Distilling Co.*, 377 U.S. 341, 348–49 (1964) (Black, J., dissenting). While there may be some truth to Justice Black's statement that paints Kentucky bourbon as such an economic force that its competitors need government protection or preference to compete with it, it does not mean a Kentucky bourbon distiller may not also avail itself of our laws to protect its assets. This brings us to the question before us today: whether the bourbon producer Maker's Mark Distillery, Inc.'s registered trademark consisting of its signature trade dress element—a red dripping wax seal—is due protection, in the form of an injunction, from a similar trade dress element on Casa Cuervo, S.A. de C.V.'s Reserva de la Familia tequila bottles. We hold that it is. The judgments of the district court in this trademark infringement case are **AFFIRMED.**

I.

All bourbon is whiskey, but not all whiskey is bourbon.[1] Whiskey, like other distilled spirits, begins as a fermentable mash, composed of water and grains or other fermentable ingredients. The mash is heated and then cooled, yeast is introduced to ferment the sugars in the mash, and the yeast turns the sugars into alcohol and carbon dioxide. This now-alcoholic liquid is then distilled to concentrate the alcohol. GARY REGAN & MARDEE HAIDIN REGAN, THE BOURBON COMPANION 32–33 (1998). The composition of the mash, and the

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[1] Even the spelling of the word "whiskey" has engendered impassioned debate. . . "Whiskey" is the typical spelling in the United States, but in Scotland and Canada, "whisky" is the preferred spelling.

aging, treating, and flavoring of the distilled alcohol, determine the flavor, color, and character of the distilled spirit. In the case of bourbon, the corn-based mash and aging in charred new oak barrels impart a distinct mellow flavor and caramel color. Distillers compete intensely on flavor, but also through branding and marketing; the history of bourbon, in particular, illustrates why strong branding and differentiation is important in the distilled spirits market.

The legend of the birth of bourbon is not without controversy: "As many counties of Kentucky claim the first production of Bourbon as Greek cities quarrel over the birthplace of Homer." H.F. WILLKIE, BEVERAGE SPIRITS IN AMERICA—A BRIEF HISTORY 19 (3d ed.1949). The generally accepted and oft-repeated story is that "the first Bourbon whiskey … made from a mash containing at least fifty percent corn, is usually credited to a Baptist minister, The Reverend Elijah Craig, in 1789, at Georgetown, [Kentucky]," just prior to Kentucky's joining the Union as a state in 1792. *Id.* But it is more likely that Kentucky whiskey was first distilled at Fort Harrod, the first permanent European settlement in what is now Kentucky, in 1774. CHARLES K. COWDERY, BOURBON, STRAIGHT: THE UNCUT AND UNFILTERED STORY OF AMERICAN WHISKEY 3–4 (2004); *accord* WILLKIE, *supra,* at 19. Kentucky's settlers distilled whiskey using methods similar to those "used in Scotland and Ireland for hundreds of years," WILLKIE, *supra,* at 20, except that Kentucky whiskey was made mostly from corn, a crop unknown to Europeans before Columbus ventured to America. COWDERY, BOURBON, STRAIGHT, *supra,* at 2. Though "most [American] colonial whiskey was made from rye," *id.* at 3, corn was easy to grow in Kentucky soil, and surplus corn was often used to make whiskey. *Id.* at 4.

The name "bourbon" itself is easier to trace: one of the original nine counties of Kentucky was Bourbon County, WILLKIE, *supra,* at 20, named in honor of the French royal family. Charles K. Cowdery, *How Bourbon Whiskey* Really *Got Its Famous Name,* BOURBON COUNTRY READER, July 1996. "[Kentucky] whiskey was shipped from Limestone, a riverside port in Bourbon County," down the Ohio river to the Mississippi, bound for New Orleans. REGAN & REGAN, *supra,* at 14. Whiskey shipped from the port in Bourbon County came to be known as "Old Bourbon," and later, simply "Bourbon," to distinguish it from Pennsylvania Rye or other whiskeys. Cowdery, *How Bourbon Whiskey* Really *Got Its Famous Name, supra.* The name "bourbon" at that time meant whiskey made from mostly corn in Kentucky or points west. But it was likely not until "sometime between 1823 and … 1845" that Dr. James Crow "perfect[ed] the sour-mash method of whiskey-making"—the dominant process in use today that, when coupled with aging in charred new oak barrels, produces modern bourbon's familiar caramel color and distinctive taste. REGAN & REGAN, *supra,* at 15.

While in the early years "[w]hiskey was whiskey, as everybody knew," some bourbon distillers began to brand their bourbons to capitalize on the differences between "[g]ood Kentucky Bourbon" and all the rest. WILLKIE, *supra,* at 22. Dr. Crow, a Kentuckian by way of Scotland, "insist[ed] upon strict sanitation in his manufacture," and branded his bourbon with his name; other Kentucky families followed suit in an effort to differentiate their products. *Id.* Crow's branding tactics seem to have worked, as his bourbon accumulated prominent fans. For example, bourbon drinker Ulysses S. Grant preferred Old Crow over other bourbons, Julia Reed, *Bourbon's Beauty,* NEWSWEEK, Dec. 21, 2008, as did all three of Congress's "Great Triumvirate," Henry Clay, John C. Calhoun, and Daniel Webster. GERALD CARSON & MIKE VEACH, THE SOCIAL HISTORY OF BOURBON 47 (2010).

Success attracts imitators, and in the late nineteenth century "rectifiers" began to crowd the market, selling "a product that they would call 'Kentucky Bourbon' using neutral spirits, flavoring agents and artificial coloring with only some aged whiskey in the product." Mike Veach, *The Taft Decision,* THE FILSON, Winter 2009, at 4. A hotly contested legal and lobbying war between the rectifiers and traditional "straight whiskey" distillers erupted, culminating in President William Taft's official interpretation, in 1909, of the 1906 Pure Food and Drug Act; Taft's interpretation settled the question of what spirits could be labeled as "whiskey." *Id.* The rectifiers lost and were required to label their product "imitation whiskey." *See id.; see also* H. Parker Willis, *What Whiskey Is,* MCCLURE'S MAGAZINE, 1909–10, at 687–903. The ruling only increased distillers' incentives to differentiate themselves and their products. "Before the Taft ruling, few brands were nationally known.... But, under the new regulations, labels had to tell both the process and materials of manufacture. Whiskey ... now began to appear under distinctive labels, competing with other brands on its own merits." WILLKIE, *supra,* at 26. After Prohibition was repealed, the distilled spirits industry consolidated and matured, *id.* at 27, and bourbon continued to attract notable adherents. Ian Fleming, the writer who created the James Bond character that famously favored martinis, switched from martinis to bourbon as his drink of choice. John Pearson, *Rough Rise of a Dream Hero,* LIFE, Oct. 14, 1966, at 113, 126. And Harry S. Truman started his day with a walk followed by "a rubdown, a shot of bourbon, and a light breakfast." Univ. of Va. Miller Cntr., *Harry S. Truman: Family Life,* http://millercenter.org/president/truman/essays/biography/7.

In recognition of bourbon's unique place in American culture and commerce, and in the spirit of the Taft decision, Congress in 1964 designated bourbon as a "distinctive product[ ] of the United States," 27 C.F.R. § 5.22(l)(1), and prescribed restrictions on which distilled spirits may bear the label "bourbon." Federal regulations require that bourbon whiskey to, among other things, be aged in charred new oak barrels, contain certain proportions of mash ingredients, and be barreled and bottled at certain proofs. § 5.22(b). Importantly, whiskey made for consumption within the United States cannot be called bourbon unless it is made in the United States. § 5.22(l)(1). While bourbon is strongly associated with Kentucky, and while "[ninety-five] percent of the world's supply of bourbon comes from Kentucky," Jessie Halladay, *Kentucky's Libation Vacations,* COURIER–J., Feb. 26, 2012, at D1, some notable bourbons are made in other states.

Maker's Mark occupies a central place in the modern story of bourbon. The Samuels family, founder of the Maker's Mark distillery in Loretto, Kentucky, has produced whiskey in Kentucky nearly continuously from the eighteenth century through today. REGAN & REGAN, *supra,* at 161–62. Indeed, Robert Samuels (along with Jacob Beam, Basil Hayden, and Daniel Weller, all of whose surnames are familiar to bourbon connoisseurs) was one of Kentucky's early settlers. COWDERY, BOURBON, STRAIGHT, *supra,* at 4. Bill Samuels, Sr. formulated the recipe for Maker's Mark bourbon in 1953. His wife, Margie, conceived of the red dripping wax seal and used the family deep fryer to perfect the process of applying it. The company has bottled bourbon for commercial sale under the Maker's Mark name, and has used a red dripping wax seal on its Maker's Mark bourbon bottles, since 1958. Maker's Mark, and craft bourbon generally, garnered national attention when the *Wall Street Journal* published a front-page article about the bourbon, the red dripping wax seal, and the family behind it. David P. Garino, *Maker's Mark Goes Against the Grain to Make its Mark,* WALL ST. J., Aug. 1, 1980, at 1. In 1985, Maker's Mark registered a trademark for the dripping-wax-seal element of its trade dress, which it described as a "wax-like coating covering the cap of the bottle and trickling down the neck of the bottle in a freeform irregular pattern." The trademark is silent as to color, but Maker's Mark conceded in submissions before the district court that it sought only to enforce it as applied to the red dripping wax seal.

Jose Cuervo produced a premium tequila, "Reserva de la Familia," beginning in 1995. The tequila bottle had a wax seal that was straight-edged and did not initially feature drips. By 2001, Cuervo had begun selling this tequila in the United States in bottles with a red dripping wax seal reminiscent of the Maker's Mark red dripping wax seal. In 2003, Maker's Mark instituted this suit against Casa Cuervo S.A. de C.V., Jose Cuervo International, Inc., Tequila Cuervo La Rojeña S.A. de C.V., and Diageo North America, Inc. claiming state and federal trademark infringement and federal trademark dilution; sometime thereafter, Cuervo discontinued use of the red dripping wax seal and reverted to a red straight-edged wax seal. In its suit, Maker's Mark sought damages, injunctions against dilution and infringement, and costs. Cuervo counterclaimed for cancellation of the Maker's Mark trademark.

After a six-day bench trial, the district court found that Maker's Mark's red dripping wax seal is a valid trademark and that Cuervo had infringed that trademark. Based on those findings, the district court enjoined Cuervo permanently "from using red dripping wax on the cap of a bottle in the sale, offering for sale, distribution or advertising of Cuervo tequila products at any locality within the United States." The district court found that Cuervo had not diluted the mark and denied Maker's Mark's claim for damages; the district court also denied Cuervo's counterclaim for cancellation of the mark. In a separate opinion, the district court awarded Maker's Mark some of its costs.

Cuervo appeals the district court's determination that the red dripping wax seal is not aesthetically functional, some of the district court's factual findings, its balancing of those findings in determining Cuervo had infringed, and its award of some of Maker's Mark's costs. Cuervo does not appeal the scope of the injunction.

II.

A. Aesthetic Functionality

[The court upheld the district court's conclusion that the wax seal is not functional.]

B. Factual Findings under *Frisch*

We have recognized four kinds of trademark infringement: palming off, confusion of sponsorship (also known as "association"), reverse confusion of sponsorship, and dilution. As the district court correctly noted, Maker's Mark focuses on "confusion of sponsorship." Maker's Mark does not appeal the district court's adverse ruling on its dilution claim. Confusion of sponsorship "occurs where the goods do not directly compete. In this situation, the goods are unrelated enough that no inference arises that they originated from the same source, but the similarity of the trademarks erroneously suggests a connection between the sources." In any case, a court considering a claim for trademark infringement must determine the likelihood of consumer confusion. The factors the court should consider are: "1. strength of the plaintiff's mark; 2. relatedness of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5. marketing channels used; 6. likely degree of purchaser care; 7. defendant's intent in selecting the mark; [and] 8. likelihood of expansion of the product lines." *Frisch's Rests., Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir.1982) (quoting *Toho Co., Ltd. v. Sears, Roebuck & Co.*, 645 F.2d 788, 790 (9th Cir.1981)).

We review the district court's factual findings under *Frisch* for clear error. We assess each factor with respect to the relevant consumer market; potential buyers of the "junior" product (here, Cuervo's Reserva de la Familia) are the relevant consumers. Cuervo appeals the district court's findings on only three of the eight *Frisch* factors . . . .

1. Strength

To evaluate the strength factor under the *Frisch* analysis, this Court "focuses on the distinctiveness of a mark and its recognition among the public." *Therma–Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 631 (6th Cir.2002). One leading commentator usefully characterizes this evaluation as encompassing two separate components: (1) "conceptual strength," or "placement of the mark on the spectrum of marks," which encapsulates the question of inherent distinctiveness; and (2) "commercial strength" or "the marketplace recognition value of the mark." 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11.83 (4th ed.). In other words, "[a] mark is strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of a particular source; it can become so because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both." *Homeowners Grp. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1107 (6th Cir.1991) (internal quotation marks omitted).

Because the strength of a trademark for purposes of the likelihood-of-confusion analysis depends on the interplay between conceptual and commercial strength, the existence of inherent distinctiveness is not the end of the inquiry. *See Therma–Scan, Inc.*, 295 F.3d at 631–32 (noting that a mark can be inherently distinctive but not especially strong if it fails to attain broad public recognition); *Homeowners Grp., Inc.*, 931 F.2d at 1107 ("The District Court's finding that HMS was an arbitrary and inherently distinctive mark is only a first step in determining the strength of a mark in the marketplace."); *see also* MCCARTHY, *supra* § 11:83 ("[T]he true relative strength of a mark can only fully be determined by weighing [both] aspects of strength."). Thus, although inherent distinctiveness may provide powerful support for the strength of a mark, the full extent of that support nonetheless depends on the scope of commercial recognition.

Here, the district court appropriately evaluated both components of the strength factor. From the physical characteristics of the mark, the district court specifically found the red dripping wax seal to be inherently distinctive based on its uniqueness and its potential to "draw in the customer" in an unusual manner. This finding of conceptual strength is bolstered by the mark's status as "incontestable," which entitles it to a presumption of strength, though the relative import of that presumption within the overall strength analysis still requires an analysis of "whether the mark is distinctive and well-known in the general population." *Therma–Scan, Inc.*, 295 F.3d at 632; *see also* *Wynn Oil*, 839 F.2d at 1187. As to commercial recognition, the district court found the seal "acquired secondary meaning through fifty years of use, extensive advertising and consumer recognition."[3] The district court also found that Maker's Mark's advertising was intensive, citing the extent of its advertising budget that "focuses almost entirely on branding the red dripping wax," as well as the significant public attention that the wax seal has received through the media. In further support of these findings, the district court also cited studies showing significant amounts of consumer dialogue about the brand, as well as a high level of recognition among both whiskey drinkers and distilled-spirits drinkers more generally.

Cuervo argues that the district court erred in its evaluation of the strength of the mark by (1) disregarding third-party use of red dripping wax seals; (2) failing to give proper weight to the lack of a survey regarding recognition of the red dripping wax seal; (3) relying in its analysis on Maker's Mark's advertisements without apparent evidence of their dates or circulation; and (4) relying on evidence of the strength of the mark in the overbroad group of distilled spirits drinkers instead of prospective Reserva purchasers.

We recognize that "extensive third-party uses of a trademark [may] substantially weaken the strength of a mark." *Homeowners Grp.*, 931 F.2d at 1108. Contrary to Cuervo's argument, the district court *did* consider evidence of third-party use of similar seals on distilled spirits, but rejected that evidence as limited and unconvincing because it concerned seals used on all distilled spirits; the court found that the relevant use of the seals is limited to the "relevant market," and not among all distilled spirits. We agree with the district court's finding and reasoning.

Next, while "survey evidence is the most direct and persuasive evidence" of whether a mark has acquired secondary meaning, "consumer surveys … are not a prerequisite to establishing secondary meaning." *Herman Miller, Inc.*, 270 F.3d at 312, 315 (citations and internal quotation marks omitted). Nor is such evidence indispensable to the broader question of commercial recognition. In light of the abundance of other evidence demonstrating market recognition, such as Maker's Mark's extensive marketing efforts focusing on the red dripping wax seal and its widespread publicity, it was not clear error for the district court to overlook the lack of survey evidence because that evidence was not determinative of the strength of the mark.

As to the district court's consideration of advertising evidence, the district court discussed the nature of the advertising and found that advertising efforts by Maker's Mark usually focus directly on the red dripping wax seal. As the record and the district court's opinion show, the district court had before it, and considered, an

[3] In light of the district court's finding that the mark is inherently distinctive, it did not need to consider secondary meaning. The district court's findings on secondary meaning, however, are nonetheless relevant to the broader questions of commercial recognition and overall strength.

abundance of Maker's Mark advertisements that specifically feature the red dripping wax seal. Moreover, these advertisements were recent, relevant, and strong enough to convince *Business Week,* in 2002, to declare the dripping wax seal "one of the most recognizable branding symbols in the world," and CBS Sunday Morning, in 2008, to refer to the process by which the seal is applied as the "famous dip in red sealing wax." These findings support the district court's ultimate conclusion regarding the breadth of market recognition of Maker's Mark's trademarked red dripping wax seal.

Finally, as to the district court's discussion of evidence of the mark's strength within the broader group of distilled spirits drinkers, the district court considered, but did not rest its holding on, this evidence. Instead, the district court based its holding primarily on the seal's "unique design and [Maker's Mark's] singular marketing efforts." We therefore find no error here.

In sum, none of Cuervo's arguments undermines the district court's finding "that the Maker's Mark red dripping wax seal is an extremely strong mark due to its unique design and the company's singular marketing efforts." We therefore conclude that the district court did not clearly err in its evaluation of the strength of the red dripping wax seal.

2. Similarity

In assessing similarity, "courts must determine whether a given mark would confuse the public when viewed alone, in order to account for the possibility that sufficiently similar marks may confuse consumers who do not have both marks before them but who may have a general, vague, or even hazy, impression or recollection of the other party's mark." *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Cntr.,* 109 F.3d 275, 283 (6th Cir.1997) (internal quotation marks omitted). The district court found this factor "narrowly favor [s] Maker's Mark," and found that, though "[v]ery few consumers ... would buy one product believing it was the other," the seals were facially similar. The district court examined the two seals and found that "nothing on the products *other than* the red dripping wax ... would suggest an association between the two."

Cuervo focuses its argument on the relevance of the house marks—product labels identifying the name of the manufacturer—on the bottles. We have held that the presence of a house mark can decrease the likelihood of confusion. *Therma–Scan, Inc.,* 295 F.3d at 634 ("[T]he presence of [a house mark on a product] does not eliminate the similarity between the trademarks. Instead, this labeling diminishes the likelihood of confusion created by the comparable marks and reduces the importance of this factor."); *AutoZone, Inc. v. Tandy Corp.,* 373 F.3d 786, 797 (6th Cir.2004) ("The co-appearance of a junior mark and a house mark is not dispositive of dissimilarity, but it is persuasive."). The district court concluded that this consideration is not "as important in an association case, when the two products are related enough that one might associate with or sponsor the other and still use their own house mark."

In *AutoZone,* we found that the proximity of the Radio Shack house mark to the "POWERZONE" mark would alleviate any confusion between POWERZONE and AUTOZONE marks. *AutoZone* does not, however, stand for the proposition that the presence of a house mark always has significant weight in the similarity analysis; it merely states that presence of a house mark is a factor to be considered in the evaluation of similarity and, depending on the facts of the case, may be significant to the overall likelihood of confusion. *AutoZone, Inc.*, 373 F.3d at 796–97. Furthermore, the district court's analysis in this case highlights two factors that diminish the significance of the house marks in the present context. First, testimony in the record indicates that many consumers are unaware of the affiliations between brands of distilled spirits, and that some companies produce multiple types of distilled spirits, which supports the district court's assessment here. Second, the presence of a house mark, as the district court correctly noted, is more significant in a palming off case than in an association case-as the district court reasoned, in an association case "when the two products are related enough ... one might associate with or sponsor the other and still use their own house mark." Accordingly, the district court did not clearly err in its factual findings under this factor, and we adopt its findings.

3. Actual Confusion

The district court stated that "neither party produced meaningful evidence related to actual confusion" and concluded that the lack of evidence was "neutral." The district court reasoned that, though evidence of actual confusion might have been obtainable if it existed, Cuervo sold Reserva for a limited time and in limited quantities, and so the district court did not place weight on the fact that Maker's Mark did not furnish "meaningful" evidence of actual confusion. Despite Cuervo's arguments to the contrary, this finding falls squarely within this Circuit's case law. Though "[e]vidence of actual confusion is undoubtedly the best evidence of likelihood of confusion ... a lack of such evidence is rarely significant." *Daddy's*, 109 F.3d at 284 (citation and internal quotation marks omitted). Here, the Reserva product was sold for a short time and in limited quantities; under these circumstances, it is reasonable that no meaningful evidence of actual confusion was available. The district court did not clearly err in finding the lack of actual confusion evidence non-determinative, and we adopt its findings.

C. Balancing the *Frisch* Factors

We "review *de novo* the legal question of whether [the district court's *Frisch* factual findings] constitute a likelihood of confusion." *Tumblebus Inc.*, 399 F.3d at 764. Because we find above that the district court did not reversibly err in its factual findings on the three disputed factors—strength, similarity, and actual confusion—

and because the parties do not dispute the district court's factual findings under the remaining five factors, we adopt all of the district court's factual findings and balance them de novo.

1. Strength. The district court found the evidence of the strength of the mark heavily favored Maker's Mark. We have held that the strength of the mark supplies the weight it should be accorded in balancing. In general, "[t]he stronger the mark, all else equal, the greater the likelihood of confusion." *AutoZone*, 373 F.3d at 794 (alteration in original) (quoting *Homeowners Grp., Inc .*, 931 F.2d at 1107). Because the district court found the mark at issue here to be "extremely strong," the strength factor is weighed very heavily.

2. Relatedness of the goods. The district court found the goods were somewhat related because they were part of the same broad category of high-end distilled spirits, but not fully related because the Cuervo product was priced at $100 per bottle, while Maker's Mark sold for $24 per bottle. Where the goods are "somewhat related but not competitive, the likelihood of confusion will turn on other factors." *Daddy's*, 109 F.3d at 282. Here, the district court found that the products are somewhat related. We accord this factor little weight because the products are competitive only within a very broad category and are only somewhat related; it is thus more appropriate to concentrate the weight of our balancing analysis on other factors.

3. Similarity. The district court found the similarity factor "narrowly favors Maker's [Mark]." "The similarity of the senior and junior marks is 'a factor of considerable weight.' " *AutoZone*, 373 F.3d at 795.

4. Actual confusion. As discussed above, "a lack of such evidence is rarely significant, and the factor of actual confusion is weighted heavily only where there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available." *Daddy's*, 109 F.3d at 284. The district court found that this factor was neutral. As we noted, the Reserva product was sold for a short time and in limited quantities; under these circumstances, we give the lack of evidence of actual confusion little weight.

5. Marketing channels used by the parties. The court found the channels "similar in some ways and dissimilar in others. Perhaps this factor marginally favors Maker's Mark." The weight of this factor will not add much to a finding of infringement because of the equivocal nature of the district court's factual findings. We accord this factor very little weight.

6. Likely degree of purchaser care. The district court found this factor "clearly favors" Cuervo because of the degree of care potential tequila customers would exercise in purchasing a $100 bottle of Reserva; knowledgeable bourbon customers would also exercise similar care and, further, know that Maker's Mark sells only one kind of liquor. This factor, though strongly in favor of Cuervo, is not dispositive. "[C]onfusingly similar marks may lead a purchaser who is extremely careful and knowledgeable ... to assume nonetheless that the seller is affiliated with or identical to the other party." For these reasons, we give this factor substantial weight.

7. Intent. The district court found Cuervo did not intend to infringe, but we give no weight to this finding because "[i]ntent is an issue whose resolution may benefit only the cause of the senior user, not of an alleged infringer." Leelanau, 502 F.3d at 520 (internal quotation marks omitted).

8. Likelihood of expansion of product lines. The district court found this factor was neutral where neither party put forth evidence of significant expansion plans. Because a "strong possibility that either party will expand his business to compete with the other ... will weigh in favor of finding that the present use is infringing," *Daddy's*, 109 F.3d at 287 (internal quotation marks omitted), a finding of little evidence of expansion plans is accorded little to no weight, but does not weigh against Maker's Mark, who, by this test, would benefit by any significant evidentiary showing under this factor, no matter which of the parties intended to expand. For these reasons, we give this factor no weight.

The balance of the factors compels a finding of infringement. Excluding the neutral factors, the majority of the factors—strength, relatedness of the goods, similarity, and marketing channels—favor Maker's Mark. The district court found that Maker's Mark's trademark is "extremely strong," and we have adopted that finding. Further, we have said that the "most important *Frisch* factors" are similarity and strength of the mark, *Gray v. Meijer, Inc.*, 295 F.3d 641, 646 (6th Cir.2002); both of these factors favor Maker's Mark. The "likely degree of purchaser care" factor "clearly" favors Cuervo. Though this factor is given substantial weight, this factor alone cannot override the "extreme" strength of the mark that, when coupled with similarity (which itself is given "considerable weight"), and combined with the two other factors weighing in favor of Maker's Mark, together favor a finding of infringement. Buttressing this determination is that, in its briefing, Cuervo complains of errors in the district court's factual determinations, but does not argue that, even given the factual findings made by the district court, a de novo balancing under *Frisch* should come out in Cuervo's favor. While Cuervo disputes the factual findings themselves and the related *outcome* of the balancing, it does not argue that the weight given the factors should have been different.

We conclude that there is a likelihood of confusion between the products and that Cuervo has infringed. . . .

Notes

The effect of labels. As *Maker's Mark* demonstrates, a distinguishing label does not automatically excuse similar trade dress. Why do you think the contrasting label was not enough here? A distinct label will often suffice. For examples of cases in both directions, *see* 4 McCarthy on Trademarks and Unfair Competition § 23:53.

What kind of confusion? Note that the court treats the plaintiff's claim as alleging sponsorship confusion, something rather broader than source confusion. What is the difference? How does a claim of this sort further the goals of trademark law? Or does it?

If trademark law should entertain such claims, how should it do so? Is the multifactor likelihood-of-confusion test a useful tool for this purpose? Note, for example, the court's treatment of the consumer sophistication factor.

Harm? Taking the court's opinion at face value, what is the harm to Maker's Mark of the defendant's conduct? Will it result in lost sales? Diminished reputation? Something else?

16. Broadened theories of confusion

Trademark infringement in non-identical markets

What is the harm of consumer confusion to the mark holder? Perhaps he or she loses a sale, but what if the mark holder does not sell goods in the same market as the defendant? For example, if I brand a loaf of bread COCA COLA and someone buys it thinking that COCA COLA is the sponsor, there is no lost sale to the trademark holder. Should it still be permitted to sue?

Today, trademark law's answer is clearly yes. This once was a controversial point. Many old cases refused to permit trademark/unfair competition claims when the mark users were not in the same market. In *Borden Ice Cream Co v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912), for example, the court refused to enjoin the "Borden's Ice Cream Company" notwithstanding the prior fame of the Borden's Condensed Milk Company and the Borden name for milk and milk products. The court acknowledged that "[t]he trade-name 'Borden,' or the word 'Borden,' constitutes one of the principal assets of the appellee, and is widely known and identified with the good will and public favor enjoyed by it throughout the United States." Nonetheless, "the old company … never has manufactured what is known as commercial ice cream. The new company … was incorporated for the sole purpose of manufacturing and putting on the market such an article." The difference in markets was enough to protect the defendant from action. To be sure, not all early twentieth cases took so strict a view of market proximity, and gradually courts came around to the view that trademark holders suffer a harm even if they do not serve the same market as the defendant. In Yale Electric Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928), Learned Hand explained:

> [I]t has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within has own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.

Today, it is clear that the senior and junior user of a mark need not be in the same market for trademark infringement to occur (though, as we have seen, market proximity is a factor in determining whether confusion is likely). This is partially an evolution in the case law, but it also reflects the Lanham Act's text. 15 U.S.C. § 1125(a) (providing liability for likelihood of confusion as to sponsorship or approval of a mark). Sometimes courts slip on this point, but they are corrected. Team Tires Plus, Ltd. v. Tires Plus, Inc., 394 F.3d 831, 833-34 (10th Cir. 2005) (explaining that view of trademark as only policing use on directly competing goods "is no longer good law. Although this notion survived into the early 1900s, it has long since been superseded" and that the "district court was wrong to treat this factor as dispositive simply because the defendant did not use the mark on competing goods").

Although the case law is now settled, it is worth thinking about why market proximity is no longer required. What exactly is the harm to the consumer of buying COCA COLA bread under the mistaken belief that the source is the same as the source of the soda? What is the harm to the soda maker? What assumptions about the world must be true for these harms to exist? For scholarship questioning some of the assumptions courts are making, *see* Mark A. Lemley & Mark P. McKenna, *Owning Markets*, 109 MICH. L. REV. 137 (2010).

Confusion beyond the point of sale

Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.
457 F.3d 1062 (9th Cir. 2006)

McKEOWN, Circuit Judge.

[The facts were set forth in our earlier reading on aesthetic functionality. Having concluded that a functionality argument was unavailable to defendants, the court went on to consider whether there was likely consumer confusion.]

Although we conclude that Volkswagen and Audi's registered trademarks are not "functional," and thus are protectable, it remains to be determined whether Auto Gold is infringing those marks . . . .

It is undisputed that Volkswagen and Audi own the registered trademarks at issue, and that Auto Gold uses those trademarks in commerce, without their consent, and in connection with the sale of goods. Thus, as with many infringement claims, the central issue is whether Auto Gold's use of the marks is "likely to cause confusion" within the meaning of the Lanham Act.

Before us on appeal are the parties' cross-motions for summary judgment on the issue of trademark infringement, and in particular, the district court's determination that Volkswagen and Audi had not offered any evidence showing a likelihood of confusion. We review de novo the district court's decision on summary judgment. Because the likelihood of confusion is often a fact-intensive inquiry, courts are generally reluctant to decide this issue at the summary judgment stage. However, in cases where the evidence is clear and tilts heavily in favor of a likelihood of confusion, we have not hesitated to affirm summary judgment on this point. As part of our de novo review, we conclude as a matter of law that likelihood of confusion is clear cut here and that Volkswagen and Audi have made out a prima facie case of infringement. We do not direct judgment on this issue, however, because the district court reserved judgment on Auto Gold's defense of "first sale." The case must be remanded for consideration of Auto Gold's defenses.

A "[l]ikelihood of confusion 'exists when customers viewing [a] mark would probably assume that the product or service it represents *is associated with the source* of a different product or service identified by a similar mark.' " *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 845 (9th Cir.1987) (*quoting* Lindy Pen Co. v. Bic Pen Corp., 725 F.2d 1240, 1243 (9th Cir.1984)). The Ninth Circuit employs an eight-factor test (the "*Sleekcraft* " factors) to determine the likelihood of confusion: (1) strength of the mark(s); (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels; (6) degree of consumer care; (7) defendant's intent; (8) likelihood of expansion. *Surfvivor Media, Inc. v. Survivor Productions,* 406 F.3d 625, 631 (9th Cir.2005); *see also* *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348-49 (9th Cir.1979). These elements are not applied mechanically; courts may examine some or all of the factors, depending on their relevance and importance. *See* *Surfvivor,* 406 F.3d at 631; *Thane Int'l,* 305 F.3d at 901 ("The list of factors is not a score-card-whether a party wins a majority of the factors is not the point. Nor should the factors be rigidly weighed; we do not count beans.") (internal punctuation and citations omitted).

This case presents an easy analysis in terms of likelihood of confusion. The Volkswagen and Audi marks, which are registered and have been in use for more than fifty years, are strong, distinctive marks, the first factor in the *Sleekcraft* analysis. Auto Gold's products, which incorporate *exact* copies of those marks, compete with accessories sold by Volkswagen and Audi through their licensed marketers, and are related[10] to Volkswagen and Audi's primary goods-cars. Although Volkswagen and Audi license their marks to third parties, and Auto Gold sells its products to the wholesale market, the ultimate consumers are the same. In fact, according to Auto Gold, it is a very specific sub-group of consumers that wants either Auto Gold's or Volkswagen and Audi's accessories-Audi or Volkswagen car owners who want accessories to match their cars. Thus, in addition to being related products bearing identical marks, the products at issue are destined for the same buyers.

[10] "Related goods are 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.' " Sleekcraft, 599 F.2d at 348 n. 10 (quoting Standard Brands, Inc. v. Smidler, 151 F.2d 34, 37 (2d Cir.1945)).

We turn next to the degree of consumer care. Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items. In evaluating this factor, we consider "the typical buyer exercising ordinary caution." *Sleekcraft,* 599 F.2d at 353. The class of products Auto Gold sells are relatively inexpensive and unsophisticated, and do not require a great deal of precision or care to fulfill their purpose. This factor favors Volkswagen and Audi.

Evaluation of Auto Gold's intent in using the mark is the seventh factor. "When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." *Id.* at 354. Auto Gold knowingly and intentionally appropriated the exact trademarks of Volkswagen and Audi. Auto Gold argues, however, that it does not "intend" to deceive the public as to the source of the goods, but merely sought to fill a market demand for auto accessories bearing the marks. This argument is simply a recasting of aesthetic functionality. Even if we credit Auto Gold's proffered lack of intent, the direct counterfeiting undermines this argument. This factor tips against Auto Gold.

Finally, we examine the factor that is hotly contested by the parties-evidence of actual confusion. Despite the debate, there is no material issue of fact. The district court correctly noted that Volkswagen and Audi offered no evidence of actual confusion. The question, then, is what is the legal significance of this uncontested fact?

As we noted in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, "[t]he failure to *prove* instances of actual confusion is *not* dispositive against a trademark plaintiff, because actual confusion is hard to prove; difficulties in gathering evidence of actual confusion make its absence generally unnoteworthy." 174 F.3d 1036, 1050 (9th Cir.1999). In this case, which involves a national market and a low degree of consumer care, nothing suggests that the lack of evidence of confusion should be particularly noteworthy. *Compare* *Cohn v. Petsmart, Inc.,* 281 F.3d 837, 842-43 (9th Cir.2002) (ascribing some significance to the lack of evidence of confusion where "the parties used the same trademark in the same city for six years," and the product at issue, veterinary services, was one for which consumers are "particularly attentive.").

Auto Gold suggests that the disclaimers on its packaging dispel any potential for confusion. Courts have been justifiably skeptical of such devices-particularly when exact copying is involved. *See, e.g.,* *Pebble Beach,* 155 F.3d at 543 (upholding lower court determination that disclaimers were "inadequate where present and ... absent from the majority of advertisements and promotional materials"), *superseded on other grounds as recognized in* *Eppendorf-Netheler-Hinz,* 289 F.3d at 356; *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.,* 846 F.2d 1079, 1093 (7th Cir.1988)

("[W]here the infringement in issue is a verbatim copying ... plaintiff's reputation and goodwill should not be rendered forever dependent on the effectiveness of fineprint disclaimers often ignored by consumers.").

Even if disclaimers may in some cases limit the potential for confusion, here they do not. Auto Gold's disclaimers were neither consistent nor comprehensive. We note, preliminarily, that the effectiveness of these disclaimers is undercut by their sometimes contradictory messages. For example, some labels placed on the cardboard inner lining of the license plate covers state that the product "may or may not" be dealer approved. Visible through the clear cellophane outer wrapping, these disclaimers are sometimes next to disclaimers stating "[t]his product is not endorsed, manufactured, or licensed by the vehicle manufacturer." There are also messages on Auto Gold's website that identify their products generally as "Factory authorized licensed products."

More importantly, "[t]he law in the Ninth Circuit is clear that 'post-purchase confusion,' *i.e.*, confusion on the part of someone other than the purchaser who, for example, simply sees the item after it has been purchased, can establish the required likelihood of confusion under the Lanham Act." *Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc.*, 285 F.3d 848, 854 (9th Cir.2002); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir.1980) (affirming a finding of infringement against a jeans maker, and noting that "point of sale materials [such as disclaimers] are removed by the purchaser and have no confusion-obviating effect when the pants are worn").[11] Shorn of their disclaimer-covered packaging, Auto Gold's products display no indication visible to the general public that the items are not associated with Audi or Volkswagen. The disclaimers do nothing to dispel post-purchase confusion.

In sum, Volkswagen and Audi do not present evidence of actual confusion. Neither, however, does Auto Gold present evidence that the disclaimers have any effect. At best, the confusion factor is in equipoise.

In the final analysis, we must consider the *Sleekcraft* factors as a whole to determine whether a likelihood of confusion results from Auto Gold's use of the marks. Although we do not bean count, it is significant that six of the eight *Sleekcraft* factors support a likelihood of confusion; the remaining two are either

[11] This definition of confusion reflects the 1962 amendments to § 1114 that broadened the definition of actionable confusion to include non-purchasers (such as those seeing an item of clothing on the street), through deletion of language that limited such confusion to "purchasers as to the source or origin of such goods or services." Pub.L. 87-772 (1962).

neutral or irrelevant.[12] Most importantly, the strength of Volkswagen and Audi's marks, Auto Gold's intentional and exact copying of the marks, and the direct competition for a specific and limited consumer group, all weigh heavily in favor of a likelihood of confusion. Our *Sleekcraft* analysis benefits from a record developed through lengthy discovery, and the key facts are undisputed. Volkswagen and Audi have established a prima facie "exclusive right to use the ... mark in commerce." 15 U.S.C. § 1115(b). Accordingly, we reverse the district court's denial of summary judgment in favor of Volkswagen and Audi on the issue of infringement and remand for consideration of the "first sale" defense and any other related claims or defenses.

Hermes Intern. v. Lederer de Paris Fifth Ave., Inc.
219 F.3d 104 (2d Cir. 2000)

TELESCA, Senior United States District Judge:

. . .

Appellant Hermès is a manufacturer and retailer of high-quality handbags and other fashion accessories. According to Hermès, its products incorporate a number of distinctive design characteristics that constitute its "famous mark and trade dress." *Hermès,* 50 F.Supp.2d at 215. Detailed descriptions of these items are found in the district court's opinion.

Appellees Lederer and Artbag sell replicas of various Hermès products such as the "Kelly Bag," a handcrafted purse with an average selling price of over $5,000, with some models selling for over $30,000. Some of the knockoff bags sold by Lederer sell for as much as $27,000.00.

According to the record, Hermès knew that Lederer and Artbag had been selling copies of Kelly bags since at least 1979 and 1989 respectively. Hermès claimed, however, that it did not become fully aware of the scope of the appellees' alleged infringement until 1996, when it began investigating Lederer and Artbag's sales of knockoff Hermès products. According to Hermès, its investigation revealed that Lederer and Artbag were selling entire lines of knockoff Hermès products. In 1998, upon completion of its investigation, Hermès brought suit against the appellees pursuant to Section 32 of the Lanham Act of 1946, 15 U.S.C. § 1114; Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); New York General Business Law § 360-1; and New York

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[12] The final factor, "[a] likelihood of expansion in product lines," warrants no discussion as it is "relatively unimportant where two companies already compete to a significant extent." Brookfield Commc'ns, 174 F.3d at 1060. The record reflects that Volkswagen and Audi compete through their licensees with Auto Gold with respect to the products at issue in this suit.

common law seeking monetary and injunctive relief for the alleged violation of its trademarks and trade dress.

. . . . The district court found . . . that Hermès had unreasonably delayed bringing an infringement suit against Lederer and Artbag, and thus was barred by the doctrine of laches from obtaining monetary or injunctive relief against those companies. The district court determined that the delay of between 9 and 19 years in bringing suit against Lederer and Artbag was unreasonable and prejudiced the appellees. Accordingly, the district court granted appellees' motions for summary judgment with respect to Hermès' claims for monetary damages and injunctive relief. . . .

In evaluating whether laches should bar Hermès request for injunctive relief, the district court began by noting that "the balance of the equities must be weighed, including an analysis of defendants' intent and the public interest." The court then determined that because appellees Lederer and Artbag did not use the name "Hermès" on their products and because they openly acknowledged to customers that their products were Hermès copies, the appellees had not deceptively attempted to "pass off" or "palm off" their products as genuine Hermès. However, the court also found that by explicitly informing their customers that the style and workmanship of the knock-offs were such that no third party observer would be able to tell they were not genuine Hermès bags, the appellees had "attempt[ed] to encourage consumer confusion in the post-sale context." The court went on to consider the public interest and concluded that, although the behavior of appellees Artbag and Lederer might have increased their companies' sales at the expense of Hermès, it did not harm the public in the post-sale context and therefore did not compel rejection of the laches defense.

In so holding, the district court misapplied the law governing the doctrine of laches. It is well established that "laches is not a defense against injunctive relief when the defendant intended the infringement." *Harlequin Enters. Ltd. v. Gulf & W. Corp.*, 644 F.2d 946, 950 (2d Cir.1981). This good-faith component of the laches doctrine is part of the fundamental principle that "he who comes into equity must come with clean hands." *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945). Thus, the appellees' intentional infringement is a dispositive, threshold inquiry that bars further consideration of the laches defense, not a mere factor to be weighed in balancing the equities, as the district court did in this case.

Viewing the record in a light most favorable to Hermès, it is clear that appellees Lederer and Artbag intentionally copied Hermès' designs and sought to sell knockoffs of Hermès originals. Appellees thus intentionally traded off the Hermès name and protected products and should not have been entitled to invoke the doctrine of laches as a defense against Hermès' claims for injunctive relief.

The district court's ruling that Hermès' claims should be barred by the doctrine of laches was based, in part, on the erroneous conclusion that the appellees' conduct did not create confusion among consumers or harm the public. Trademark laws exist to protect the public from confusion. The creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. Furthermore, the public may be deceived in the resale market if it requires expertise to distinguish between an original and a knockoff. Finally, the purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.

The Eleventh Circuit concisely summarized the theory behind protecting the public interest in trademark cases:

> It ... is important to recognize that the enforcement of trademark laws benefits consumers even in cases where there is no possibility that consumers will be defrauded. For, to the extent that trademarks provide a means for the public to distinguish between manufacturers, they also provide incentives for manufacturers to provide quality goods. Traffickers of these counterfeit goods, however, attract some customers who would otherwise purchase the authentic goods. Trademark holders' returns to their investments in quality are thereby reduced. This reduction in profits may cause trademark holders to decrease their investments in quality below what they would spend were there no counterfeit goods. This in turn harms those consumers who wish to purchase higher quality goods.

United States v. Torkington, 812 F.2d 1347, 1353 n. 6 (11th Cir.1987) (citation omitted).

Here, the district court erred in finding that no confusion resulted from appellees' conduct. Although the district court found no evidence of point-of-sale confusion, it failed to properly consider the issue of post-sale confusion. We have previously held that post-sale confusion can occur when a manufacturer of knockoff goods offers consumers a cheap knockoff copy of the original manufacturer's more expensive product, thus allowing a buyer to acquire the prestige of owning what appears to be the more expensive product. *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir.1955). *See also* *Insty*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 672 (8th Cir.1996); *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 989 (Fed.Cir.1993); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir.1987). In *Mastercrafters*, we held that the practice of selling a knockoff wall clock at a cheaper price than the original created an actionable harm despite the fact that customers knew they were buying the knockoff because:

> At least some customers would buy [the copier's] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. [The copier's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock…. [T]he likelihood of such confusion suffices to render [the copier's] conduct actionable.

That is precisely what has occurred in this case. The district court, however, dismissed the importance of post-sale confusion by stating that:

> [w]hile defendants' exploitation of the possibility of post-sale confusion may increase their sales at the expense of Hermès, I am not convinced that defendants' activity harms the *public* in the post-sale context. While Hermès' potential high-end customers may be confused in the post-sale context, these highly sophisticated purchasers will not be confused at the point of sale.

50 F.Supp.2d at 226 (emphasis in original).

Such a practice does harm the public, however, by creating post-sale confusion, not just among high-end consumers, but among the general public, which may believe that the knockoff is actually the genuine article. In fact, high-end consumers may be less confused than the general public in the post-sale context because many of them will be aware of the existence of copies. In either case, a loss occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price. Accordingly, we find that the district court erred in finding no harm to the public in the continued sale of knockoff goods by appellees. . . .

Brookfield Communications, Inc. v. West Coast Entertainment Corp.
174 F.3d 1036 (9th Cir. 1999)

O'SCANNLAIN, Circuit Judge:

[The case involves litigation over the trademark "MovieBuff." The litigants are a provider of information about the entertainment industry (Brookfield) and a chain of video stores (West Coast). Brookfield used "MovieBuff" as a mark for a searchable database of entertainment-related information. West Coast employed the mark in multiple ways. One of them was a word in the hidden text—or metatags—of its website, which would allow West Coast's site to be returned as a response to a search-engine inquiry for the word "moviebuff" (if the search engine in question made use of such metatags; Google, for example, does not). After concluding that Brookfield owned the mark, the court turned to the various infringement claims, including to the claim based on metatag use.]

So far we have considered only West Coast's use of the domain name "moviebuff.com." Because Brookfield requested that we also preliminarily enjoin West Coast from using marks confusingly similar to "MovieBuff" in metatags and buried code, we must also decide whether West Coast can, consistently with the trademark and unfair competition laws, use "MovieBuff" or "moviebuff.com" in its HTML code.[23]

At first glance, our resolution of the infringement issues in the domain name context would appear to dictate a similar conclusion of likelihood of confusion with respect to West Coast's use of "moviebuff.com" in its metatags. Indeed, all eight likelihood of confusion factors outlined in Part V-A-with the possible exception of purchaser care, which we discuss below-apply here as they did in our analysis of domain names; we are, after all, dealing with the same marks, the same products and services, the same consumers, etc. Disposing of the issue so readily, however, would ignore the fact that the likelihood of confusion in the domain name context resulted largely from the associational confusion between West Coast's domain name "moviebuff.com" and Brookfield's trademark "MovieBuff." The question in the metatags context is quite different. Here, we must determine whether West Coast can use "MovieBuff" or "moviebuff.com" in the metatags of its web site at "westcoastvideo.com" or at any other domain address *other than* "moviebuff.com" (which we have determined that West Coast may not use).

Although entering "MovieBuff" into a search engine is likely to bring up a list including "westcoastvideo.com" if West Coast has included that term in its metatags, the resulting confusion is not as great as where West Coast uses the "moviebuff.com" domain name. First, when the user inputs "MovieBuff" into an Internet search engine, the list produced by the search engine is likely to include both West Coast's and Brookfield's web sites. Thus, in scanning such list, the Web user will often be able to find the particular web site he is seeking. Moreover, even if the Web user chooses the web site belonging to West Coast, he will see that the domain name of the web site he selected is "westcoastvideo.com." Since there is no confusion resulting from the domain address, and since West Coast's initial web

[23] [M]etatags are HTML code not visible to Web users but used by search engines in determining which sites correspond to the keywords entered by a Web user. Although Brookfield never explained what it meant by "buried code," the leading trademark treatise explains that "buried code" is another term for the HTML code that is used by search engines but that is not visible to users. See 3 McCarthy, supra, at § 25:69 n. 1. We will use the term metatags as encompassing HTML code generally.

page prominently displays its own name, it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast's web site.

Nevertheless, West Coast's use of "moviebuff.com" in metatags will still result in what is known as initial interest confusion. Web surfers looking for Brookfield's "MovieBuff" products who are taken by a search engine to "westcoastvideo.com" will find a database similar enough to "MovieBuff" such that a sizeable number of consumers who were originally looking for Brookfield's product will simply decide to utilize West Coast's offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using "moviebuff.com" or "MovieBuff" to divert people looking for "MovieBuff" to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark. Recently in *Dr. Seuss*, we explicitly recognized that the use of another's trademark in a manner calculated "to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion, may be still an infringement." *Dr. Seuss*, 109 F.3d at 1405 (citing *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 257-58 (2d Cir.1987)).[24]

The *Dr. Seuss* court, in recognizing that the diversion of consumers' initial interest is a form of confusion against which the Lanham Act protects, relied upon *Mobil Oil*. In that case, Mobil Oil Corporation ("Mobil") asserted a federal trademark infringement claim against Pegasus Petroleum, alleging that Pegasus Petroleum's use of "Pegasus" was likely to cause confusion with Mobil's trademark, a flying horse symbol in the form of the Greek mythological Pegasus. Mobil established that "potential purchasers would be misled into an initial interest in Pegasus Petroleum" because they thought that Pegasus Petroleum was associated with Mobil. But these potential customers would generally learn that Pegasus Petroleum was unrelated to Mobil well before any actual sale was consummated. Nevertheless, the Second Circuit held that "[s]uch initial confusion works a sufficient trademark injury."

Mobil Oil relied upon its earlier opinion in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1341-42 (2d Cir.1975). Analyzing

[24] The *Dr. Seuss* court discussed initial interest confusion within its purchaser care analysis. As a district court within our circuit recognized in a recent case involving a claim of trademark infringement via metatags usage, "[t]his case … is not a standard trademark case and does not lend itself to the systematic application of the eight factors." Playboy Enters. v. Welles, 7 F.Supp.2d 1098 (S.D.Cal.1998). Because we agree that the traditional eight-factor test is not well-suited for analyzing the metatags issue, we do not attempt to fit our discussion into one of the *Sleekcraft* factors.

the plaintiff's claim that the defendant, through its use of the "Grotrian-Steinweg" mark, attracted people really interested in plaintiff's "Steinway" pianos, the Second Circuit explained:

> We decline to hold, however, that actual or potential confusion at the time of purchase necessarily must be demonstrated to establish trademark infringement under the circumstances of this case.
>
> The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway," would consider it on that basis. The "Grotrian-Steinweg" name therefore would attract potential customers based on the reputation built up by Steinway in this country for many years.

Grotrian, 523 F.2d at 1342.

Both *Dr. Seuss* and the Second Circuit hold that initial interest confusion is actionable under the Lanham Act, which holdings are bolstered by the decisions of many other courts which have similarly recognized that the federal trademark and unfair competition laws do protect against this form of consumer confusion. . . .

Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store. Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading-"West Coast Video: 2 miles ahead at Exit 7"-where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill. *See* *Blockbuster,* 869 F.Supp. at 513 (finding trademark infringement where the defendant, a video rental store, attracted customers' initial interest by using a sign confusingly to its competitor's even though confusion would end long before the point of sale or rental).

The few courts to consider whether the use of another's trademark in one's metatags constitutes trademark infringement have ruled in the affirmative. . . .

Consistently with *Dr. Seuss,* the Second Circuit, and the cases which have addressed trademark infringement through metatags use, we conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark. West Coast argues that our holding conflicts with *Holiday Inns,* in which the Sixth Circuit held that there was no trademark infringement where an alleged infringer merely took advantage of a situation in which confusion was likely to exist and did not affirmatively act to create consumer confusion. *See* Holiday Inns, 86 F.3d at 622 (holding that the use of "1-800-405-4329"-which is equivalent to "1-800-H[zero]LIDAY"-did not infringe Holiday Inn's trademark, "1-800-HOLIDAY"). Unlike the defendant in *Holiday Inns,* however, West Coast was not a passive figure; instead, it acted affirmatively in placing Brookfield's trademark in the metatags of its web site, thereby *creating* the initial interest confusion. Accordingly, our conclusion comports with *Holiday Inns.*

Contrary to West Coast's contentions, we are not in any way restricting West Coast's right to use terms in a manner which would constitute fair use under the Lanham Act. It is well established that the Lanham Act does not prevent one from using a competitor's mark truthfully to identify the competitor's goods, *see, e.g.,* Smith v. Chanel, Inc., 402 F.2d 562, 563 (9th Cir.1968) (stating that a copyist may use the originator's mark to identify the product that it has copied), or in comparative advertisements. This fair use doctrine applies in cyberspace as it does in the real world.

In [*Playboy Ents. v.*] *Welles*[, 7 F. Supp. 2d (S.D. Cal. 1998)], the case most on point, Playboy sought to enjoin former Playmate of the Year Terri Welles ("Welles") from using "Playmate" or "Playboy" on her web site featuring photographs of herself. Welles's web site advertised the fact that she was a former Playmate of the Year, but minimized the use of Playboy's marks; it also contained numerous disclaimers stating that her site was neither endorsed by nor affiliated with Playboy. The district court found that Welles was using "Playboy" and "Playmate" not as trademarks, but rather as descriptive terms fairly and accurately describing her web page, and that her use of "Playboy" and "Playmate" in her web site's metatags was a permissible, good faith attempt to index the content of her web site. It accordingly concluded that her use was permissible under the trademark laws.

We agree that West Coast can legitimately use an appropriate descriptive term in its metatags. But "MovieBuff" is not such a descriptive term. Even though it differs from "Movie Buff" by only a single space, that difference is pivotal. The term "Movie Buff" is a descriptive term, which is routinely used in the English language to describe a movie devotee. "MovieBuff" is not. The term "MovieBuff" is not in the dictionary. *See Merriam-Webster's Collegiate Dictionary* 762 (10th ed.1998); *American Heritage College Dictionary* 893 (3d ed.1997); *Webster's New World College Dictionary* 889 (3d ed.1997); *Webster's Third New Int'l Dictionary* 1480 (unabridged 1993). Nor has that term been used in any published federal or state court opinion. In light of the fact that it is not a word in the English language, when the term "MovieBuff" *is* employed, it is used to refer to Brookfield's products and services, rather than to mean "motion picture enthusiast." The proper term for the "motion picture enthusiast" is "Movie Buff," which West Coast certainly *can* use. It cannot, however, omit the space.

Moreover, West Coast is not absolutely barred from using the term "MovieBuff." As we explained above, that term can be legitimately used to describe Brookfield's product. For example, its web page might well include an advertisement banner such as "Why pay for MovieBuff when you can get the same thing here for FREE?" which clearly employs "MovieBuff" to refer to Brookfield's products. West Coast, however, presently uses Brookfield's trademark not to reference Brookfield's products, but instead to describe its own product (in the case of the domain name) and to attract people to its web site in the case of the metatags. That is not fair use . . . .

Initial Interest (or Pre-sale) Confusion

Basis for enjoining initial interest confusion. What view of trademark law is the *Brookfield* court taking? Is it protecting consumers or seller goodwill? Can you think of areas in which the panel's approach puts the two at cross purposes? Can you think of areas in which the purported initial confusion would have helped consumers? For example, if a search on "moviebuff" returned the websites of competing database providers with clearly labeled websites, while still giving Brookfield's a prominent rank, would consumer search costs have been raised or lowered?

By the same token, should the nature of the initial confusion matter? Is there a difference between the billboard metaphor employed by the *Brookfield* panel and the purported initial confusion of the case? *Cf.* Bihari v. Gross, 119 F. Supp. 2d 309, 320 n.15 (S.D.N.Y. 2000) ("The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, . . . [w]ith one click of the mouse and a few seconds delay, a viewer can return to the search engine's results and resume searching for the original website.").

Critics of initial interest confusion cases on the internet argue that they target activities whose brick-and-mortar analogues are not challenged. *See, e.g.*, Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) ("[S]uppose a customer walks into a bookstore and asks for Playboy magazine and is then directed to the adult magazine section, where he or she sees Penthouse or Hustler up front on the rack while Playboy is buried in back. One would not say that Penthouse or Hustler had violated Playboy's trademark. This conclusion holds true even if Hustler paid the store owner to put its magazines in front of Playboy's."). Most offline pre-sale confusion cases focus on settings in which consumer search costs are more likely to be meaningfully raised, but there are examples of the expanded view of the Internet cases making its way to the "real" world. *See, e.g.*, Shell Trademark Management v. Canadian American Oil Co., 2002 WL 32104586 (N.D. Cal. May 21, 2002). To be sure, however, other cases are more circumspect about an expansive doctrine. *See, e.g.*, Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP, 423 F.3d 539 (6th Cir. 2005). Professor Eric Goldman has been tracking initial interest confusion cases and argues that the theory is in general decline, though still viable. *See* http://blog.ericgoldman.org/archives/2012/06/more_evidence_t.htm.

As cases like *Multi Time Machine*, printed at the end of this reading, reflect, the Ninth Circuit has curtailed the doctrine since *Brookfield. See also* Network Automation, Inc. v. Advanced Systems Concepts, Inc., 638 F.3d 1137, 1149 (9th Cir. 2011) ("[B]ecause the sine qua non of trademark infringement is consumer confusion, when we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion."). That said, *Brookfield*'s notion that a defendant's use of a plaintiff mark in a metatag is probative of likelihood of confusion lingers. *See* Adidas America, Inc. v. Skechers USA, Inc., 890 F.3d 747, 756 (9th Cir. 2018) ("Finally, the evidence supports an inference that Skechers intended to confuse consumers; it not only created a nearly identical shoe to the Stan Smith, but then used metadata tags to direct consumers who searched for "adidas stan smith" to the Onix web page."). Likewise, initial interest confusion theory still has its adherents. *See, e.g.*, Select Comfort Corp. v. Baxter, 996 F.3d 925 (8th Cir. 2021).

Meaning of the statutory change? Some cases considering broadened theories of confusion point to a statutory change in the cause of action for infringement of registered marks. Section 32 originally applied to use of a "reproduction, counterfeit, copy, or colorable imitation of any registered mark" where such use is likely to "cause confusion or mistake or to deceive *purchasers* as to the *source of origin of such goods or services*." Lanham Act § 32, 60 Stat. at 437 (current version at 15 U.S.C. § 1114 (2006)) (emphases added). Congress dropped the purchaser limitation and origin language in a 1962 amendment. Act of Oct. 9, 1962, Pub. L. No. 87-772, sec. 17, § 32, 76 Stat. 769, 773 (current version at 15 U.S.C. § 1114 (2006)). Some take the change to clarify that the confusion of potential purchasers also mattered, but others view the deletion as opening the door to claims based on the confusion of non-potential purchasers. *Compare* Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 295 (3d Cir. 2001) ("[W]e agree with the view that Congress's amendment of the Lanham Act in 1962 expanded trademark protection to include instances in which a mark creates initial interest confusion."), *with* Elec. Design & Sales, Inc. v. Elec. Data Sys. Corp., 954 F.2d 713, 716 (Fed. Cir. 1992) ("We do not construe this deletion to suggest, much less compel, that purchaser confusion is no longer the primary focus of the inquiry.").

Post-Sale Confusion

Rationales. Ferrari S.P.A. v. Roberts, 944 F.2d 1235 (6th Cir. 1991), involved the seller of fiberglass kits that replicated the exterior features of cars made by Ferrari. These kits would be connected to another car to make it look like a Ferrari. Purchasers knew what they were getting, but the court found actionable confusion nonetheless, reasoning that "Congress intended to protect the reputation of the manufacturer as well as to protect purchasers, the Act's protection is not limited to confusion at the point of sale." *Id.* at 1245. The court further quoted the district court's analysis of the harm facing the plaintiff:

> Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The DAYTONA SPYDER design is well-known among the relevant public and exclusively and positively associated with Ferrari. If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged.

Id. Note that we have two posited harms. One is the prospect that those confused after the point of sale will think worse of the trademark holder because they will have seen a shoddy product. How likely is this harm? Should a court be required to make findings that consumers will make this leap (and that the junior user's product is, in fact, shoddy)?

The second is the prospect that the greater availability of cars that look like Ferraris will reduce the prestige and cachet of owning a Ferrari. Is this a legitimate concern for trademark law? One tradeoff is the costs of monopoly (in that Ferrari will now have less competition) against the company's incremental incentive to produce an attractive car. *Cf.* United States v. Torkington, 812 F.2d 1347, 1353 n.6 (11th Cir. 1987) ("Traffickers of these counterfeit goods . . . attract some customers who would otherwise purchase the authentic goods. Trademark holders' returns to their investments in quality are thereby reduced.").

The other is between two classes of consumers. One undercurrent of the post-sale confusion cases is a belief that purchasers of knock-off goods are doing something wrong. But should trademark law be engaging in social regulation? Condemning poseurs is well and good, but does that mean we should reward snobs? Can you think of any other theories in support of the doctrine? *Hermes* alludes to some of them.

Problem

Our client, Hygiene Technologies ("HT"), makes paper towels for bathroom dispensers. The trend in the bathroom dispenser market is increasing use of so-called "touchless" dispensers. Many of these dispensers are branded with the name of the maker across the front. HT does not make dispensers, but manufactures toweling that is compatible with various makes of dispensers. HT's general counsel invites you to a planning meeting for its next toweling marketing campaign. At the meeting, one executive stands up and asks, "How is this different than supplying generic soda to a soda fountain branded as COKE? Aren't we contributing to trademark infringement?" Your response? Should we suspend production? Under what theory or theories would we or our purchasers (the owners of the restrooms) be engaging in trademark infringement?

Merchandising

Boston Professional Hockey Association. The merchandising right, so to speak, is often traced to *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004 (5th Cir. 1975). The suit was against the maker of embroidered emblems of the trademarks of various sports teams. The court acknowledged two central conceptual problems with the trademark claim: trademark law is not designed to protect creative works; consumers do not treat sports logos as source identifiers on the clothing sporting them. Nonetheless . . . .

> The difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services. The statutory and case law of trademarks is oriented toward the use of such marks to sell something other than the mark itself. The district court thought that to give plaintiffs protection in this case would be tantamount to the creation of a copyright monopoly for designs that were not copyrighted. The copyright laws are based on an entirely different concept than the trademark laws, and contemplate that the copyrighted material, like patented ideas, will eventually pass into the public domain. The trademark laws are based on the needed protection of the public and business interests and there is no reason why trademarks should ever pass into the public domain by the mere passage of time.

Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.

Underlying our decision are three persuasive points. First, the major commercial value of the emblems is derived from the efforts of plaintiffs. Second, defendant sought and ostensibly would have asserted, if obtained, an exclusive right to make and sell the emblems. Third, the sale of a reproduction of the trademark itself on an emblem is an accepted use of such team symbols in connection with the type of activity in which the business of professional sports is engaged. We need not deal here with the concept of whether every artistic reproduction of the symbol would infringe upon plaintiffs' rights. We restrict ourselves to the emblems sold principally through sporting goods stores for informal use by the public in connection with sports activities and to show public allegiance to or identification with the teams themselves. . . .

The fifth element of a cause of action for mark infringement under 15 U.S.C.A. § 1114 is that the infringing use is likely to cause confusion, or to cause mistake or to deceive. The district court decided that there was no likelihood of confusion because the usual purchaser, a sports fan in his local sporting goods store, would not be likely to think that defendant's emblems were manufactured by or had some connection with plaintiffs. This court has held that the findings of a district court as to likelihood of confusion are factual and not to be overturned unless clearly erroneous. In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the

> triggering mechanism for the sale of the emblem. . . .
>
> In the case sub judice, defendant did not merely copy a product of the Toronto team. Defendant reproduced Toronto's common law mark on embroidered emblems with the intent that the public recognize and purchase the emblems as the symbol of the Toronto team. In the language of § 1125, defendant used a symbol, Toronto's mark, which tended falsely to represent goods, the embroidered emblems, in commerce. Where the consuming public had the certain knowledge that the source and origin of the trademark symbol was in the Toronto team, the reproduction of that symbol by defendant constituted a violation of § 1125.

Skepticism? It is worth noting that there is authority taking issue with the broad conception of confusion taken by *Boston Hockey*. *See, e.g.*, Savannah College of Art and Design, Inc. v. Sportswear, Inc., 872 F.3d 1256, 1264-65 (11th Cir. 2017). But suppose the trademark claim is restricted to questions of mere affiliation or approval. Does that change much with respect to the practical scope of the trademark holder's rights?

Role of registration? Merchandising may be attempted for marks that were originally registered for a different class of goods or services. Does that matter? *See Savannah College*, 872 F.3d at 1264 ("*Boston Hockey*, though in our view lacking critical analysis, implicitly but necessarily supports the proposition that the holder of a federally-registered service mark need not register that mark for goods—or provide evidence of prior use of that mark on goods—in order to establish the unrestricted validity and scope of the service mark, or to protect against another's allegedly infringing use of that mark on goods."); *see also id.* at 1265-66 (discussing issue and noting contrary authorities).

Policies of the merchandising right. Suppose you purchase a licensed baseball cap. What interests are promoted by giving the trademark owner control of merchandising uses of the mark? Are they legitimate? To the extent they are, can they be satisfied in ways short of foreclosing competition in merchandising markets?

A broad merchandising right has effects in arenas outside fan and memorabilia markets. Consider movies like *Any Given Sunday*, an Oliver Stone film about professional football. Because the NFL refused to license its marks, Stone had to concoct a fictional league, complete with made-up team names and uniforms. Does this affect film quality? For some reviewers, the artifice interfered with suspension of disbelief. *See, e.g.*, Colin Jacobson, *Any Given Sunday (1999)*, DVD MOVIE GUIDE, http://www.dvdmg.com/anygivensunday.shtml.

Statutory basis. We have discussed difficulties in giving a *quantitative* interpretation of the likelihood-of-confusion standard. Equally difficult are *qualitative* questions concerning the subject of the confusion. Note that section 43(a) targets confusion about the markholder's *approval*. From a dictionary perspective, approval could mean a sponsorship relationship, or it could mean mere permission. If the latter, infringement becomes significantly easier to prove.

Materiality. Responding to some of the problems raised by the merchandising right and the Lanham Act's approval language, a number of trademark scholars have argued for the incorporation of a materiality standard to trademark law. Likely confusion should not be actionable unless it is confusion that could actually affect a consumer's decision to purchase the mark holders product or service. One such argument follows:[1]

> One promising area of doctrinal development lies in giving a more overtly qualitative interpretation to the likelihood of confusion requirement. Courts could require that any alleged confusion be material before it is actionable. That is, to establish a likelihood of confusion, a trademark plaintiff must also prove that the confusion is relevant to the consuming public in making purchasing decisions.
>
> Such a move would not be entirely novel. Materiality considerations apply to several provisions of the Lanham Act.[2] Most notably, judges have long imposed a similar materiality requirement for false advertising claims under both the current and pre-1988 versions of section 43(a).
>
> Even without an explicit requirement, materiality considerations are difficult to avoid in practice. Someone somewhere is always going to be confused about something. That fact of life plus the malleability of the likelihood of confusion standard means that a wide range of activity could trigger trademark liability. Courts must make judgment calls, such as determining when confusion is de minimis and non-actionable. Similarly, it is standard practice to assess likely confusion with the target audience in mind. We don't worry about the views of soda drinkers when determining whether a trademark for jet engines infringes. We worry about whether

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[1] Adapted from Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 Berkeley Tech. L.J. 897 (2009) (some footnotes omitted and footnote numbers altered).

[2] [e.g., materiality considerations in applying the section 2 bars to registering deceptive and geographically deceptively misdescriptive marks]

"reasonably prudent purchasers exercising ordinary care" would be confused in part because theirs is the confusion that has a marketplace impact.

Expanding these precursors into an explicit materiality requirement does not suffer from a legitimacy objection. The Lanham Act does not define "likelihood of confusion." Just as courts have always had to make quantitative assessments about what level of potential confusion amounts to "likelihood," they cannot avoid qualitative interpretations of "confusion."[3] What degree of mistaken awareness suffices for confusion? Is it conscious confusion? Subconscious? Must it be confusion that the consumer would confront while shopping, or can it be hypothesized and demonstrated through laboratory testing or with surveys?

The Lanham Act likewise does not define "origin, sponsorship, or approval," so courts must interpret those terms and their interaction with the confusion requirement.[4] While confusion as to origin or sponsorship has obvious relevance to consumers, the importance of approval is less clear depending on the precise meaning given to the term. "Confusion" as to "approval" could mean a mistaken belief that permission was required before a logo could be used on a piece of clothing apparel. Or it could be more restrictive, and refer to those cases in which the markholder has placed her reputation behind the product. In choosing between the two, courts should remember that the benefits of policing consumer confusion often comes at a cost to non-confused consumers. Weighing these costs and benefits may favor the more modest reading of "approval," which is permitted by the statutory text.

Finally, leaving aside the potential public policy benefits of reading a materiality requirement into the Lanham Act's open text,[5] the statute's text

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[3] For example, in recognizing claims resting on initial interest or post-sale confusion, courts have justified themselves by explaining why such confusion might have a market impact. Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1064 (9th Cir. 1999) (initial interest confusion); Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts, 944 F.2d 1235, 1244 (6th Cir. 1991) (post-sale confusion).

[4] 15 U.S.C. § 1125 (2006).

[5] If a goal of trademark law is to "protect the public so it may be confident that, in purchasing a product . . . , it will get the product which it asks for and wants to get," S. REP. NO. 79-1333, at 3 (1946), *as reprinted in* 1946 U.S.C.C.A.N. 1274, 1274-5, then a materiality requirement preserves that goal while

and context support such recognition. Textualist canons of construction support reading "approval" as something narrower than mere "permission."[6] At a broader level, trademark law's traditional consumer-protection focus militates in favor of reading the Act to actually protect consumers.[7] At the broadest level, the Supreme Court's interpretation of Article III suggests a materiality requirement. Applying the Lanham Act to activities that do not affect consumer purchases (and, by implication, sales by the trademark holder) raises a potential Article III standing issue.[8] Without material confusion the trademark plaintiff's claim of an injury in fact looks dubious. Notwithstanding the poor track record of free speech challenges to trademark law, one could make a similar claim with respect to the First Amendment. If one finds confusion in situations far removed from traditional conceptions of consumer harm, one may ask if trademark liability is compatible with even the decreased First Amendment scrutiny given to commercial speech under the *Central Hudson* test.[9]

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creating breathing space for activities that may cause marginal confusion, but benefit a different subset of the consuming public.

[6] One could take an *ejusdem generis* approach and argue that the term "approval" is a general one and should be interpreted consistently with the more specific terms "origin" and "sponsorship." The same basic claim may be made under the *noscitur a sociis* canon.

[7] Even if the consumer protection goal shares time with seller protection. S. REP. NO. 79-1333, at 3, *as reprinted in* 1946 U.S.C.C.A.N. 1274, 1274-5.

[8] The Court's familiar standing inquiry provides:

> [I]n order to have Article III standing, a plaintiff must adequately establish: (1) an injury in fact (i.e., a "concrete and particularized" invasion of a "legally protected interest"); (2) causation (i.e., a " 'fairly . . . trace[able]' " connection between the alleged injury in fact and the alleged conduct of the defendant); and (3) redressability (i.e., it is " 'likely' " and not "merely 'speculative' " that the plaintiff's injury will be remedied by the relief plaintiff seeks in bringing suit).

Sprint Commc'ns Co. v. APCC Servs., Inc., 128 S. Ct. 2531, 2535 (2008) (citing Lujan v. Defenders of Wildlife, 504 U.S. 555, 560-61 (1992)).

[9] Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n, 447 U.S. 557, 566 (1980) (asking whether a regulation of commercial speech directly advances a substantial government interest).

Reverse Confusion

We have encountered a variation of reverse confusion before in *Dastar*. In the classic "passing off" case, one represents one's product as that of another (e.g., putting an APPLE label on homemade electronics and selling it as an APPLE computer). As we've seen, the cause of action for likely confusion involves less overtly fraudulent activities (e.g., putting a label that is similar enough to APPLE as might divert sales). "Reverse passing off" arises when one takes the product of another and attempts to sell it under one's own mark (e.g., buying an APPLE iPad and reselling it under the infringer's label). In a reverse confusion case, the plaintiff is claiming that consumers are likely to think that the defendant is the source of the plaintiff's product. So the dynamic of a reverse confusion is typically a market in which the senior user is a small player and the junior user is one with more resources and whose expansive advertising is likely to usurp control of the mark's meaning. *See, e.g.*, A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc., 237 F.3d 198 (3d Cir. 2000) (suit by maker of MIRACLESUIT alleging that defendant's MIRACLE BRA swimwear would cause reverse confusion such that MIRACLESUIT would be seen as defendant's product). Although courts may treat the factors differently when the claim is reverse confusion, *id.*, the Ninth Circuit has held that reverse confusion is not a distinct theory from forward confusion. Marketquest Group, Inc. v. BIC Corp., 862 F.3d 927, 932 (9th Cir. 2017) ("[R]everse confusion is not a separate claim that must be specifically pleaded, but instead is a theory of likely confusion that may be alleged by itself or in addition to forward confusion.").

Ironhawk Techs., Inc. v. Dropbox, Inc.
2 F.4th 1150 (9th Cir. 2021)

M. SMITH, Circuit Judge:

Ironhawk Technologies, Inc. (Ironhawk) sued Dropbox, Inc. (Dropbox) for trademark infringement and unfair competition. The district court granted summary judgment, concluding that Ironhawk could not prevail because a reasonable trier of fact could not find a likelihood of consumer confusion. Ironhawk appeals based on a theory of reverse confusion. Because genuine issues of material fact remain as to a likelihood of reverse confusion, we reverse, vacate the judgment, and remand for trial. . . .

Ironhawk developed computer software that uses compression and replication to transfer data efficiently in "bandwidth-challenged environments." Since 2004, Ironhawk has marketed this software under the name "SmartSync." Ironhawk obtained a trademark registration for SmartSync in 2007, which makes it the senior mark holder and user in this case.

Dropbox produces cloud storage software that millions of individuals and businesses use worldwide. "Smart Sync" is a feature of Dropbox's software suite that allows a user to see and access files in his or her Dropbox cloud account from a desktop computer without taking up the computer's hard drive space. Smart Sync is a feature of certain paid subscription plans, not a stand-alone Dropbox product. Dropbox launched Smart Sync in 2017, while it was aware of Ironhawk's senior SmartSync mark. . . . [Ironhawk brought Lanham Act and state law claims against Dropbox. The district court gave summary judgment to Dropbox.]

On appeal, Ironhawk relies exclusively on a reverse confusion theory of infringement.

We have explained that reverse confusion occurs when a person who knows only of the well-known junior user comes into contact with the lesser-known senior user, and because of the similarity of the marks, mistakenly thinks that the senior user is the same as or is affiliated with the junior user. This can occur when "the junior user's advertising and promotion so swamps the senior user's reputation in the market that customers are likely to be confused into thinking that the senior user's goods are those of the junior user[.]" 4 McCarthy on Trademarks and Unfair Competition § 23:10 (5th ed. 2020) (citations and footnotes omitted).

Affiliation with a popular well-known brand may seem beneficial, but reverse confusion carries consequences. Reverse confusion can foreclose the senior user from expanding into related fields and could place the senior company's goodwill in the hands of the junior user. As the Sixth Circuit explained, the result of reverse confusion "is that the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets." *Ameritech, Inc. v. Am. Info. Techs. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987). . . .

Before addressing the *Sleekcraft* factors, we must define the relevant consumer market . . . .

Dropbox argues that the relevant consuming public is limited to the United States Navy because that is Ironhawk's only active customer. . . . Dropbox contends that the United States Navy, and therefore the relevant consumer, could never be confused as to the source or affiliation of SmartSync because the Navy exercises significant care when purchasing products through its military procurement process.

Ironhawk responds that the relevant consumer class includes potential business partners and customers in the broader commercial, non-military marketplace. . . . For example, Ironhawk proposed implementing SmartSync into products offered by two leading cloud storage companies that are two of Dropbox's biggest competitors. Ironhawk contends these discussions were unsuccessful and any future negotiations are foreclosed because neither Dropbox Smart Sync competitor would risk the customer confusion resulting from announcing their products were "powered by SmartSync." . . .

Based on this competing evidence, a genuine dispute of material fact remains as to the relevant consuming public. . . . [A] reasonable jury could find that Ironhawk's potential consumers include commercial customers. . . .

We now turn to the *Sleekcraft* factors, each of which presents a highly factual inquiry. . . .

We first address the strength of the two marks. Because the question in reverse confusion cases is "whether consumers doing business with the senior user might mistakenly believe that they are dealing with the junior user" we evaluate the conceptual strength of Ironhawk's mark and compare it to the commercial strength of Dropbox's mark. . . .

While Dropbox does not challenge the validity of the mark, it contends that SmartSync is descriptive, which it contends would lessen or eliminate any confusion. The district court agreed, concluding that SmartSync is descriptive because it "appears to describe at least some of the characteristics of Ironhawk's product, namely synchronization and 'intelligent' transport, compression, and synchronization."

On summary judgment, however, the question is whether a reasonable jury could find that Ironhawk's SmartSync mark is at least suggestive. Importantly, the line between descriptive and suggestive marks is elusive . . . .

While we agree with the district court that Ironhawk's mark could be considered descriptive, given the presumption of distinctiveness established by SmartSync's federal registration, and the elusive nature of the inquiry, a reasonable jury could conclude the mark is suggestive. The jury, therefore, should determine whether SmartSync is descriptive or suggestive. . . .

Whether descriptive or suggestive, the important question in a reverse confusion case is "whether the junior mark is so [commercially] strong as to overtake the senior mark." *Walter v. Mattel, Inc.*, 210 F.3d 1108, 1111 n.2 (9th Cir. 2000). Accordingly, we assess the commercial strength of Dropbox's Smart Sync mark and ask whether it is able to swamp the reputation of Ironhawk's SmartSync with a much larger advertising campaign.

The district court concluded that the commercial strength of Dropbox's mark was of "little import" because "Ironhawk's SmartSync mark is conceptually weak." In so concluding, the district court explained that "where a mark is conceptually weak, it is less likely that consumers will associate it with any source, even a commercially strong junior user." The district court erred for two reasons.

First, whether Dropbox rebutted the presumption of distinctiveness established by SmartSync's federal registration is for the jury to decide. Second, given the evidence Ironhawk presented of Smart Sync's commercial strength, it is for the jury to decide "whether [Dropbox's] junior mark is so [commercially] strong as to overtake [Ironhawk's] senior mark." *Walter*, 210 F.3d at 1111 n.2. As we noted in *Cohn*, "in a reverse confusion claim, a plaintiff with a commercially weak mark is more likely to prevail than a plaintiff with a stronger mark, and this is particularly true when the plaintiff's weaker mark is pitted against a defendant with a far stronger mark." *Cohn v. Petsmart, Inc.*, 281 F.3d 837, 841 (9th Cir. 2002) (per curiam) (quoting *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 231 (3d Cir. 2000)). . . .

Based on the evidence presented, a reasonable jury could find that Dropbox's Smart Sync is commercially strong, and when considered against the conceptual strength of Ironhawk's SmartSync mark, is able to swamp Ironhawk's reputation with a much larger advertising campaign. *See id.* at 1130 n.5.

[The majority then found that a jury could conclude that the goods were related. The court then turned to mark similarity.]

The district court acknowledged that SmartSync and Smart Sync are virtually identical in sight, sound, and meaning, but, relying on *Cohn*, 281 F.3d 837, concluded that this factor weighed against the likelihood of confusion because "each party consistently includes its business name or house mark alongside its version of the disputed mark."

While the district court correctly concluded that a company's consistent use of a house mark can reduce the likelihood of confusion, in a reverse confusion case the junior user's use of a house mark can also aggravate confusion by reinforcing the association between the mark and the junior user.

We addressed how a house mark can aggravate confusion in *Americana Trading Inc. v. Russ Berrie & Co.*, 966 F.2d 1284 (9th Cir. 1992). In that case, a manufacturer sold stuffed teddy bears using its "Wedding Bears" trademark. A competitor later started selling a line of teddy bears that included a permanent tag with "Wedding Bear" on one side and its house mark on the other. We found that the competitor's use of its house mark did not negate the similarity of the marks because use of the house mark "may serve to create reverse confusion that [the competitor], and not [plaintiff], is the source of [plaintiff]'s 'Wedding Bears.' " s

Not only can using a house mark aggravate reverse confusion, the district court also erred by relying on *Cohn*. In *Cohn*, the senior user was a veterinary clinic, Critter Clinic, that used the tagline "Where Pets Are Family" in its advertising. The junior user was the local Petsmart pet store, which offered in-store veterinary services and displayed the same "Where Pets Are Family" tagline in its advertising. We concluded that the marks were dissimilar when viewed in context because the parties always used their house marks (Critter Clinic and Petsmart) alongside the taglines and because the house marks, rather than the taglines, were the dominant aspects of the overall marks.

Cohn's reasoning does not apply here because SmartSync is not a tagline or slogan, it is the product name, which Ironhawk contends is also its dominant commercial identity. For example, Ironhawk presents deposition testimony from an IBM employee who explained some people in the military are familiar with SmartSync but not with Ironhawk. In addition, Ironhawk's CEO declared that, "oftentimes when I go into a customer's briefing room, only SmartSync will be up on the board," not Ironhawk. Ironhawk also presents evidence that the parties do not always use their house marks alongside the Smart Sync and SmartSync marks, which contradicts the district court's finding. And, when Dropbox does use its house mark, that can aggravate reverse confusion.

Based on this evidence, a reasonable jury could find that the marks are similar and that Dropbox's use of its house mark aggravates the likelihood of reverse confusion. . . .

Ironhawk relies on testimony from two witnesses as evidence of actual confusion. The first, Ironhawk's CEO, declares that "unknown third parties from the Navy at trade shows have expressed concern about 'double purchasing' SmartSync", and "at a recent trade show, during discussions with … a big data analytics company, [he] was asked whether Ironhawk was affiliated with Dropbox." He further states that, "in a 2018 meeting with [a leading cloud storage company], Ironhawk was asked about the relationship between its SmartSync[ ] and Dropbox['s Smart Sync]."

Ironhawk's other witness, an IBM employee who sells Ironhawk products, testified in his deposition that consumers to whom he pitched SmartSync believed they already owned it, when they actually owned similarly named products from Dropbox or Salesforce.

Dropbox responds that Ironhawk's CEO's declaration is insufficient to show actual confusion because it does not "identify any specific individuals who were confused; rather he made uncorroborated statements that various unnamed third parties or individuals had mixed up, or were concerned that others would mix up, Ironhawk and Dropbox." The district court agreed by not crediting Ironhawk's evidence and finding no evidence of actual confusion.

However, while a "district court can disregard a self-serving declaration that states only conclusions and not facts that would be admissible evidence," Ironhawk's CEO's declaration is not devoid of specific facts. *See Nigro v. Sears, Roebuck & Co.*, 784 F.3d 495, 497–98 (9th Cir. 2015). The lack of certain specific details goes to the weight of the testimony, not its admissibility. And "the weight is to be assessed by the trier of fact at trial, not to be the basis to disregard the evidence at the summary judgment stage."

Dropbox also challenges additional evidence submitted by the IBM employee because it "consists of fabricated emails, ghostwritten by Ironhawk's CEO." In response to this allegation, Ironhawk submits deposition testimony from the IBM employee who testified that his email, although drafted by Ironhawk's CEO, reflects his own views. What weight to afford that testimony and the accompanying emails is also a question for a jury.

Ultimately, Ironhawk offered evidence of actual confusion among actual or potential customers. While we have some doubt that the jury will find this factor to be in Ironhawk's favor, it is evidence a reasonable jury could rely on to support a finding of actual confusion or when assessing a likelihood of confusion under the totality of the circumstances. . . .

[The majority agreed that the parties used differing marketing channels, but while "this factor seems to weigh against a finding of a likelihood of confusion, the trier of fact should determine what weight to afford it when considering the totality of the circumstances."]

Under the sixth *Sleekcraft* factor, we assess the sophistication of the customers and ask "whether a 'reasonably prudent consumer' would take the time to distinguish between the two product lines." *Surfvivor*, 406 F.3d at 634. "When the buyer has expertise in the field," or "the goods are expensive, the buyer can be expected to exercise greater care in his purchases." *Sleekcraft*, 599 F.2d at 353.

[The district court read this factor in defendant's faovr, noting the sophistication of its client the U.S. Navy.]

. . . . As we concluded above, a reasonable jury could find that Ironhawk's relevant customer base extends beyond the United States Navy. However, the dissent argues that we end our analysis prematurely and err "by failing to consider the *type* of commercial customers Ironhawk is targeting and the kind of sales it is proposing." In this regard, the dissent contends that Ironhawk only targets "large, sophisticated buyers" and "the sophistication of potential commercial customers, the expense of the product, and the manner in which Ironhawk markets its product—wholly eliminate any realistic possibility of consumer confusion in this case."

But as we noted above, Ironhawk offered evidence of actual confusion among these same sophisticated potential commercial customers. Viewing this evidence in the light most favorable to Ironhawk, together with the genuine disputes presented on the remaining factors, demonstrates that a rational trier of fact could find that confusion is probable. . . .

We next assess Dropbox's intent to infringe. This factor "favors the plaintiff 'where the alleged infringer adopted his mark with knowledge, actual or constructive, that it was another's trademark.' " *JL Beverage*, 828 F.3d at 1111–12 (quoting *Brookfield Commc'ns, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 1059 (9th Cir. 1999)). In the reverse confusion context, we "ask whether there is some evidence that the junior user, when it knew of the senior user, was at fault for not adequately respecting the rights of the senior user." 4 McCarthy on Trademarks and Unfair Competition § 23:10 (5th ed. 2020). Intent can be shown through evidence that the junior user deliberately intended to push the senior out of the market by flooding the market with advertising to create reverse confusion, or "by evidence that, for example, the [junior] knew of the mark, should have known of the mark, intended to copy the [senior], failed to conduct a reasonably adequate trademark search, or otherwise culpably disregarded the risk of reverse confusion." *Marketquest Grp., Inc. v. BIC Corp.*, 862 F.3d 927, 934–35 (9th Cir. 2017) (citing *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 473 (3d Cir. 2005)).

While Dropbox argues it was not aware of Ironhawk when it chose the name Smart Sync in 2015, there is no dispute that Dropbox knew of Ironhawk's SmartSync mark before it launched Smart Sync to the public. Therefore, based on the evidence presented, a reasonable jury could find that Dropbox "culpably disregarded the risk of reverse confusion."

[The majority then concluded that the likelihood of expansion factor was neutral.]

Each of the *Sleekcraft* factors presents a highly factual inquiry that considers competing evidence. So too does balancing these factors to determine, under the totality of the circumstances, whether a likelihood of confusion exists. Based on this highly factual inquiry, we conclude that genuine issues of material fact remain.

In so holding, we do not conclude that the trier of fact will find the *Sleekcraft* factors in Ironhawk's favor, or that a likelihood of confusion exists under the totality of the circumstances. That is not our inquiry on summary judgment. Instead, we view the evidence in the light most favorable to Ironhawk, draw all reasonable inferences in Ironhawk's favor, and ask whether Dropbox carried its burden to establish that no genuine disputes of material fact exist as to the likelihood of confusion between Smart Sync and SmartSync. We conclude that Dropbox has not met that high burden. Accordingly, because a reasonable trier of fact could find a likelihood of confusion, we reverse the grant of summary judgment, vacate the judgment, and remand for trial.

TASHIMA, Circuit Judge, dissenting:

While I agree with the general trademark principles articulated by the majority, which should guide our decision of this case, I part ways with the majority when it comes to the application of those principles to the record facts of this case. I am not persuaded that a reasonable jury could find a likelihood of consumer confusion. I, therefore, respectfully dissent.

This is a reverse confusion trademark infringement case. In such a case, we apply the familiar eight-factor *Sleekcraft* matrix. But, as our case law cautions, the *Sleekcraft* factors "must be applied in a flexible fashion," not as "a rote checklist," because "[a] determination may rest on only those factors that are most pertinent to the particular case before the court." *Rearden LLC v. Rearden Com. Inc.*, 683 F.3d 1190, 1209 (9th Cir. 2012). The majority, unfortunately, has taken the rote-checklist approach.

To begin, I agree with the majority that we must first ask *whose* confusion matters. . . . Viewing this evidence in the light most favorable to Ironhawk, as we must on summary judgment, a reasonable jury could find that Ironhawk's relevant consumer class is not limited to the United States military. As the majority points out, "it is well established that confusion on the part of potential consumers may be relevant."

There is, however, no evidence that the relevant consumer class includes ordinary consumers. In a declaration, Ironhawk CEO David Gomes tells us that Ironhawk has pursued commercial opportunities with two leading cloud storage companies, a national pharmacy chain, a leading energy technology company, and a leading data analytics company. These are all large, sophisticated buyers. . . .

All of these factors—the sophistication of potential commercial customers, the expense of the product, and the manner in which Ironhawk markets its product—wholly eliminate any realistic possibility of consumer confusion in this case. . . .

. . . . [T]o repeat [the *Sleekcraft*] factors "must be applied in a flexible fashion," not as "a rote checklist." *Rearden*, 683 F.3d at 1209. And, if we follow *Rearden*'s admonition, we discover that, here, that determination rests on a single *Sleekcraft* factor: The type of goods and the degree of care likely to be exercised by the purchaser. In this case, this factor is highly probative, and none of the other factors, even when viewed in the light most favorable to Ironhawk, supports a finding of consumer confusion. Significantly, Ironhawk "must show sufficient evidence to permit a rational trier of fact to find that *confusion is 'probable,' not merely 'possible.'* " *M2 Software, Inc.*, 421 F.3d at 1085 (emphasis added) (quoting *Murray v. CNBC*, 86 F.3d 858, 861 (9th Cir. 1996)). Ironhawk has not made this showing. . . .

As I stated at the beginning of this dissent, I agree with the majority's focus on the need to define the relevant consumer class and its conclusion that such a class includes not only Ironhawk's existing military customers, but also potential commercial customers to whom Ironhawk says it markets its SmartSync software. The majority errs, however, by ending its analysis there, and by failing to consider the *type* of commercial customers Ironhawk is targeting and the kind of sales it is proposing. These customers are large, sophisticated commercial enterprises. They are purchasing a highly technical and expensive product. And any sale would be subject to a prolonged sales effort and careful customer decision making. . . .

Notes and Questions

Trademark quality. If Dropbox had used IRONHAWK, this would be an easy case, wouldn't it? But Dropbox had no reason to use that term, so it's no surprise that it didn't. By contrast, as a cloud services provider, doesn't Dropbox have a competitive reason to use the term "SmartSync", or something like it, to efficiently and accurately describe its service? Do Dropbox users think of the term as identifying and distinguishing a cloud service? Or as a description of an aspect of the DROPBOX service? In other words, might we say that this case as much about trademark distinctiveness and functionality as it is about reverse confusion?

Litigation incentives. Was Ironhawk hurt by Dropbox's use of the disputed term? Might Dropbox's conduct have presented it with a potential litigation opportunity? How can the doctrine of reverse confusion avoid the problem of opportunistic litigation?

Wait . . . what? The majority indicates that Dropbox's use of its strong house mark potentially *exacerbates* the potential for reverse confusion. Does that mean it shouldn't have used it? Wouldn't Ironhawk's confusion claim be stronger had Dropbox taken that course (albeit not as a reverse confusion claim)?

Trademark Counterfeiting

Section 45 defines a "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." This is a moderately stricter standard than that which prevails for trademark infringement in general, leading some cases to presume the latter where the former is present. *See, e.g.*, Gucci America, Inc. v. Duty Free Apparel, Ltd., 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003). *But see* Arcona, Inc. v. Farmacy Beauty, LLC, 976 F.3d 1074, 1076 (9th Cir. 2020) ("We hold that the plain language of the statute requires a likelihood of confusion for a counterfeit claim.").

Enhanced remedies are available against counterfeit marks, 15 U.S.C. § 1116(d), as is the prospect of criminal prosecution. 18 U.S.C. § 2320.

Ambush Marketing

Take a look at https://www.youtube.com/watch?v=kydKkwNjb80. See any issues?

Expansive Confusion Theories Reexamined

Much of the criticism surrounding cases like *Brookfield* concerned judicial assumptions about consumer expectations and behavior when online. As the internet became a more ubiquitous part of life, would those assumptions change?

Multi Time Machine, Inc. v. Amazon.com, Inc.
804 F.3d 930 (9th Cir. 2015)

SILVERMAN, Circuit Judge:

In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch—specifically the "MTM Special Ops"—marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types "mtm special ops" in the search box and presses "enter." Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon *does* carry, specifically identified by their brand names—Luminox, Chase–Durer, TAWATEC, and Modus.

MTM brought suit alleging that Amazon's response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon's search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

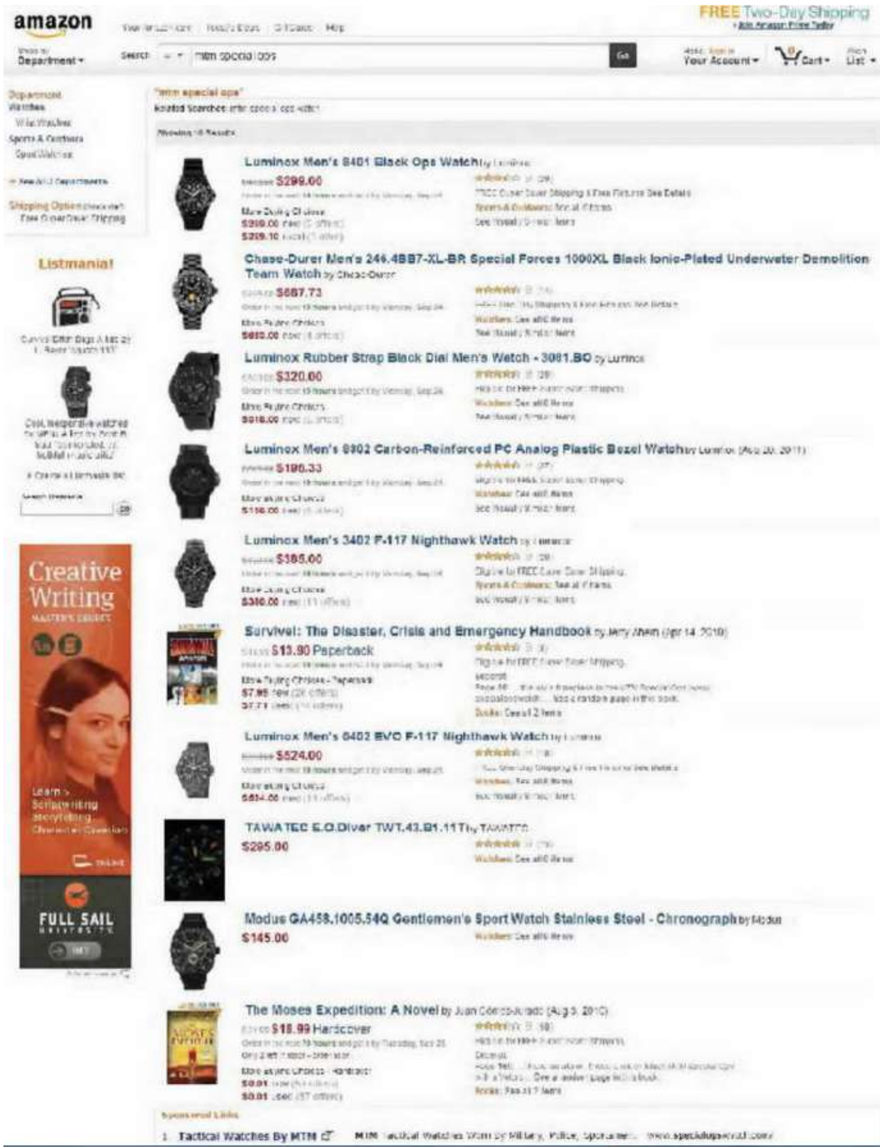
We affirm. "The core element of trademark infringement" is whether the defendant's conduct "is likely to confuse customers about the source of the products." *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir.1992). Because Amazon's search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would likely be confused as to the source of the products. Thus, summary judgment of MTM's trademark claims was proper. . . .

MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark "MTM Special Ops" for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM's permission to sell MTM's products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

Amazon is an online retailer that purports to offer "Earth's Biggest Selection of products." Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

Consumers who wish to shop for products on Amazon's website can utilize Amazon's search function. The search function enables consumers to navigate Amazon.com's large marketplace by providing consumers with relevant results in response to the consumer's query. In order to provide search results in which the consumer is most likely to be interested, Amazon's search function does not simply match the words in the user's query to words in a document, such as a product description in Amazon.com's catalog. Rather, Amazon's search function—like general purpose web search engines such as Google or Bing—employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user's query to text describing a product, Amazon's search function can provide consumers with relevant results that would otherwise be overlooked.

Consumers who go onto Amazon.com and search for the term "mtm special ops" are directed to a search results page. On the search results page, the search query used—here, "mtm special ops"—is displayed twice: in the search query box and directly below the search query box in what is termed a "breadcrumb." The breadcrumb displays the original query, "mtm special ops," in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a "Related Searches" field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: "mtm special ops watch." Directly below the "Related Searches" field is a gray bar containing the text "Showing 10 Results." Then, directly below the gray bar is Amazon's product listings. The gray bar separates the product listings from the breadcrumb and the "Related Searches" field. The particular search results page at issue is displayed below:



MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon.

MTM filed a complaint against Amazon, alleging that Amazon's search results page infringes MTM's trademarks in violation of the Lanham Act. . . .

Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer's inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. To whatever extent the *Sleekcraft* factors apply in a case such as this—a merchant responding to a request for a particular brand it does not sell by offering other brands clearly identified as such—the undisputed evidence shows that confusion on the part of the inquiring buyer is not at all likely. Not only are the other brands clearly labeled and accompanied by photographs, there is no evidence of actual confusion by anyone.

To analyze likelihood of confusion, we utilize the eight-factor test set forth in *Sleekcraft.* However, "[w]e have long cautioned that applying the *Sleekcraft* test is not like counting beans." *One Indus.,* 578 F.3d at 1162; *see also Network Automation, Inc. v. Advanced Sys. Concepts,* 638 F.3d 1137, 1145 (9th Cir.2011) ("The *Sleekcraft* factors are intended as an adaptable proxy for consumer confusion, not a rote checklist."). "Some factors are much more important than others, and the relative importance of each individual factor will be case-specific." *Brookfield Commc'ns v. West Coast Entm't Corp.,* 174 F.3d 1036, 1054 (9th Cir.1999). Moreover, the *Sleekcraft* factors are not exhaustive and other variables may come into play depending on the particular facts presented. *Network Automation,* 638 F.3d at 1145–46. This is particularly true in the Internet context. *See Brookfield,* 174 F.3d at 1054 ("We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach."). Indeed, in evaluating claims of trademark infringement in cases involving Internet search engines, we have found particularly important an additional factor that is outside of the eight-factor *Sleekcraft* test: "the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page." *Network Automation,* 638 F.3d at 1154.

In the present case, the eight-factor *Sleekcraft* test is not particularly apt. This is not surprising as the *Sleekcraft* test was developed for a different problem—i.e., for analyzing whether two competing brands' *marks* are sufficiently similar to cause consumer confusion. Although the present case involves *brands* that compete with MTM, such as Luminox, Chase–Durer, TAWATEC, and Modus, MTM does not contend that the *marks* for these competing brands are similar to its trademarks. Rather, MTM argues that the design of Amazon's search results page creates a likelihood of initial interest confusion because when a customer searches for MTM Special Ops watches on Amazon.com, the search results page displays the search term used—here, "mtm special ops"—followed by a display of numerous watches manufactured by MTM's competitors and offered for sale by Amazon, without explicitly informing the customer that Amazon does not carry MTM watches.

Thus, the present case focuses on a different type of confusion than was at issue in *Sleekcraft.* Here, the confusion is not caused by the design of the competitor's mark, but by the design of the web page that is displaying the competing mark and offering the competing products for sale. *Sleekcraft* aside, the ultimate test for determining likelihood of confusion is whether a "reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the goods. *Dreamwerks,* 142 F.3d at 1129. Our case can be resolved simply by a evaluation of the web page at issue and the relevant consumer. Indeed, we have previously noted that "[i]n the keyword advertising context [i.e., where a user performs a search on the internet, and based on the keywords contained in the search, the resulting web page displays certain advertisements containing products or services for sale,] the 'likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.' " *Network Automation,* 638 F.3d at 1153. In other words, the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?

Turning to the first question, we have explained that "[t]he nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context." *Network Automation,* 638 F.3d at 1152. "In evaluating this factor, we consider 'the typical buyer exercising ordinary caution.' " *Au–Tomotive Gold, Inc. v. Volkswagen of Am., Inc.,* 457 F.3d 1062, 1076 (9th Cir.2006) (quoting *Sleekcraft,* 599 F.2d at 353). "Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items." *Id.* Moreover, "the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." *Network Automation,* 638 F.3d at 1152.

The goods in the present case are expensive. It is undisputed that the watches at issue sell for several hundred dollars. Therefore, the relevant consumer in the present case "is a reasonably prudent consumer accustomed to shopping online." *Toyota Motor Sales, U.S.A., Inc. v. Tabari,* 610 F.3d 1171, 1176 (9th Cir.2010).

Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon's web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms. *See, e.g., Playboy Enters.,* 354 F.3d at 1030 n. 44 (explaining that clear labeling "might eliminate the likelihood of initial interest confusion that exists in this case"); *Network Automation,* 638 F.3d at 1154 (same). Indeed, MTM itself argues: "The common thread of [the Ninth Circuit's decisions in *Brookfield, Playboy,* and *Network Automation*] is that liability under the Lanham Act can only be avoided as a matter of law where there is clear labeling to avoid the possibility of confusion—including initial interest confusion—resulting from the use of another's trademark." Thus, MTM agrees that summary judgment of its trademark claims is appropriate if there is clear labeling that avoids likely confusion.

Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon's website and searches for a product using MTM's trademark "mtm special ops," the resulting page displays several products, all of which are clearly labeled with the product's name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer's name is listed twice. For example, the first result is "**Luminox Men's 8401 Black Ops Watch** by Luminox." The second result is "**Chase–Durer Men's 246.4BB7–XL–BR Special Forces 1000XL Black Ionic–Plated Underwater Demolition Team Watch** by Chase–Durer." Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

MTM argues that initial interest confusion might occur because Amazon lists the search term used—here the trademarked phrase "mtm special ops"—three times at the top of the search page. MTM argues that because Amazon lists the search term "mtm special ops" at the top of the page, a consumer might conclude that the products displayed are types of MTM watches. But, merely looking at Amazon's search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word "MTM" or the phrase "Special Ops," let alone the specific phrase "MTM Special Ops." Further, some of the products listed are not even watches. The sixth result is a book entitled "**Survive!: The Disaster, Crisis and Emergency Handbook** by Jerry Ahem." The tenth result is a book entitled "**The Moses Expedition: A Novel** by Juan Gómez–Jurado." No reasonably prudent consumer, accustomed to shopping online or not, would assume that a book entitled "The Moses Expedition" is a type of MTM watch or is in any way affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon's search results page and conclude that the products offered are MTM watches. It is possible that someone, somewhere might be confused by the search results page. But, "[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant." *Tabari,* 610 F.3d at 1176; *see also Network Automation,* 638 F.3d at 1153 ("[W]e expect consumers searching for expensive products online to be even more sophisticated."). To establish likelihood of confusion, MTM must show that confusion is *likely,* not just *possible. See Murray,* 86 F.3d at 861.

MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous—not unlike when someone walks into a diner, asks for a Coke, and is told "No Coke. Pepsi." *See Multi Time Mach., Inc. v. Amazon.com, Inc.,* 792 F.3d 1070, 1080–81 (9th Cir.2015) (Silverman, J., dissenting).

In light of the clear labeling Amazon uses on its search results page, no reasonable trier of fact could conclude that Amazon's search results page would likely confuse a reasonably prudent consumer accustomed to shopping online as to the source of the goods being offered. *Cf. Playboy,* 354 F.3d at 1030 n. 44 (Clear labeling "might eliminate the likelihood of initial interest confusion that exists in this case."); *Network Automation,* 638 F.3d at 1154 (same). As Judge Berzon put it, "I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Playboy,* 354 F.3d at 1034–35 (9th Cir.2004) (Berzon, J., concurring).

MTM attempts to argue that summary judgment of its claims is inappropriate because there are numerous factual disputes related to Amazon's search results page. But, to the extent there are factual disputes between the parties, none is material to the analysis. MTM cannot dispute the fact that the watches at issue sell for hundreds of dollars. Therefore, as a matter of law, the relevant consumer would be a reasonably prudent consumer accustomed to shopping online. *See Tabari,* 610 F.3d at 1176; *Network Automation,* 638 F.3d at 1152–53. Further, MTM cannot dispute the contents of the web page at issue. A review of Amazon's web page shows that each product listed for sale is clearly labeled with the product's name and manufacturer and a photograph, and no product is labeled with MTM's mark. Thus, the undisputed facts show that it is highly unlikely that a reasonably prudent consumer accustomed to shopping online would be confused as to the source of the goods offered for sale on Amazon's web page.

The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate. *Cf. M2 Software,* 421 F.3d at 1085 (explaining that summary judgment of a trademark claim is appropriate where the plaintiff has failed to present "sufficient evidence to permit a rational trier of fact to find that confusion is 'probable,' not merely 'possible' "). Indeed, in the similar context of evaluating claims of consumer deception when dealing with false advertising claims, we have at least twice concluded—after a review of the label or advertisement at issue—that there was no likelihood of consumer deception as a matter of law because no reasonable consumer could have been deceived by the label/advertisement at issue in the manner alleged by the plaintiff. *See, e.g., Davis v. HSBC Bank,* 691 F.3d 1152, 1162 (9th Cir.2012); *Freeman v. Time, Inc.,* 68 F.3d 285, 289–90 (9th Cir.1995).

Further, we are able to conclude that summary judgment is appropriate in the present case without delving into any factors other than: (1) the type of goods and the degree of care likely to be exercised by the purchaser; and (2) the labeling and appearance of the products for sale and the surrounding context on the screen displaying the results page. However, if we were to evaluate each of the remaining *Sleekcraft factors,* those factors would not change our conclusion, here, because those factors are either neutral or unimportant.

"Actual confusion"—We have held that "[a] showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion." *Playboy,* 354 F.3d at 1026 (noting that a strong showing by the plaintiff in regard to this factor alone can reverse a grant of summary judgment). However, here, there is no evidence of actual confusion. The only "evidence" MTM presented to the district court of actual confusion is the deposition testimony of MTM's president stating that someone named Eric told him, in reference to Amazon's web page, "it's confusing." Hearsay problems aside, this testimony is too speculative to show actual confusion because there is no evidence showing that Eric was a potential consumer. Indeed, at oral argument, MTM conceded that it does not have evidence of actual consumer confusion. Therefore, this factor does not weigh in MTM's favor.

"Defendant's Intent"—We have also held that "[a] defendant's intent to confuse constitutes probative evidence of likely confusion: Courts assume that the defendant's intentions were carried out successfully." *Playboy,* 354 F.3d at 1028 (footnote omitted). MTM argues that the design of Amazon's search results page is evidence of its intent to cause confusion. The design, however, indisputably produces results that are clearly labeled as to the type of product and brand. Amazon has designed its results page to alleviate any possible confusion about the source of the products by clearly labeling each of its products with the product's name and manufacturer. Therefore, this factor also does not weigh in MTM's favor.

"Strength of the Mark"—MTM argues that it has presented sufficient evidence below from which a jury could properly conclude that its trademark is both conceptually strong and commercially strong. However, we find that this factor is unimportant under the circumstances of this case. Even assuming MTM's mark is one of the strongest in the world—on the same level as Apple, Coke, Disney, or McDonald's—there is still no likelihood of confusion because Amazon clearly labels the source of the products it offers for sale.

Further, as we previously found in *Network Automation,* the remaining *Sleekcraft* factors are unimportant in a case, such as this, involving Internet search terms where the competing products are clearly labeled and the relevant consumer would exercise a high degree of care. *See Network Automation,* 638 F.3d at 1150–53 (finding "proximity of goods," "similarity of marks," "marketing channels," and "likelihood of expansion" to be unimportant in a trademark case involving Internet search terms where the advertisements are clearly labeled and the relevant consumers would exercise a high degree of care). . . .

BEA, Circuit Judge, dissenting:

Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch might well initially think that the watches Amazon offers for sale when he searches "MTM Special Ops" are affiliated with MTM, I must dissent.

If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com.[1] At Overstock's site, if she typed "MTM special ops," the site would respond "Sorry, your search: 'mtm special ops' returned no results." Similarly, at Buy.com, she would be informed "0 results found. Sorry. Your search for **mtm special ops** did not return an exact match. Please try your search again."

Things are a little different over at "Earth's most customer-centric company," as Amazon styles itself. There, if she were to enter "MTM Special Ops" as her search request on the Amazon website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) "MTM Specials Ops" again—in quotation marks—immediately below the search field and (3) yet again in the phrase "Related Searches: *MTM special ops watch,*" (emphasis in original) all before stating "Showing 10 Results." What the website's response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of "MTM Special Ops" noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM's competitors. The shopper will see that Luminox and Chase–Durer watches are offered for sale, in response to her MTM query.

MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon's use of MTM's trademarked name is likely to confuse buyers, who may ultimately buy a competitor's goods.

MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make.

By usurping the jury function, the majority today makes new trademark law. When we allow a jury to determine whether there is a likelihood of confusion, as I would, we do not *make* trademark law, because we announce no new principle by which to adjudicate trademark disputes. Today's brief majority opinion accomplishes a great deal: the majority announces a new rule of law, resolves whether "clear labeling" favors Amazon using its own judgment, and, sub silentio, overrules this court's "initial interest confusion" doctrine. . . .

A jury could infer that the labeling of the search results, and Amazon's failure to notify customers that it does not have results that match MTM's mark, give rise to initial interest confusion. If so, a jury could find that Amazon customers searching for MTM products are subject to more than mere diversion, since MTM is not required to show that customers are likely to be confused at the point of sale. . . .

Through its cursory review of the *Sleekcraft* factors and conclusory statements about clear labeling, the majority purports to apply this circuit's trademark law, and ignores the doctrine of initial interest confusion. In so doing, the majority today writes new trademark law and blurs the line between innovation and infringement.

More troubling, the majority ignores the role of the jury. Summary judgment law is an aid to judicial economy, but it can be so only to the extent that it comports with the Seventh Amendment. Were we to reverse and remand, MTM might well lose. The likelihood of that outcome is irrelevant to the question whether there is a genuine issue of fact. I respectfully dissent.

17. Secondary Liability

Tiffany (NJ) Inc. v. eBay Inc.
600 F.3d 93 (2d Cir. 2010)

SACK, Circuit Judge:

eBay, Inc. ("eBay"), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling by hundreds of millions of people and entities, to their benefit and eBay's profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, "Tiffany") have created and cultivated a brand of jewelry bespeaking high-end quality and style. Based on Tiffany's concern that some use eBay's website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action . . . . For the reasons set forth below, we affirm the district court's judgment with respect to Tiffany's claims of trademark infringement . . . but remand for further proceedings with respect to Tiffany's false advertising claim.

BACKGROUND

. . . . Except where noted otherwise, we conclude that the district court's findings of fact are not clearly erroneous. We therefore rely upon those non-erroneous findings in setting forth the facts of, and considering, this dispute.

eBay

eBay is the proprietor of www. ebay. com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It "connect[s] buyers and sellers and [ ] enable[s] transactions, which are carried out directly between eBay members." *Tiffany*, 576 F.Supp.2d at 475. In its auction and listing services, it "provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items" listed for sale on the site, nor does it ever take physical possession of them. Thus, "eBay generally does not know whether or when an item is delivered to the buyer."

eBay has been enormously successful. More than six million new listings are posted on its site daily. At any given time it contains some 100 million listings.

eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an "insertion fee" based on the auction's starting price for the goods being sold and ranges from $0.20 to $4.80. For any completed sale, it charges a "final value fee" that ranges from 5.25% to 10% of the final sale price of the item. Sellers have the option of purchasing, at additional cost, features "to differentiate their listings, such as a border or bold-faced type."

eBay also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases. PayPal deducts, as a fee for each transaction that it processes, 1.9% to 2.9% of the transaction amount, plus $0.30. This gives eBay an added incentive to increase both the volume and the price of the goods sold on its website.

Tiffany

Tiffany is a world-famous purveyor of, among other things, branded jewelry. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany's retail stores, catalogs, and website, and through its Corporate Sales Department. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. It does not-nor can it, for that matter-control the "legitimate secondary market in authentic Tiffany silvery jewelry," i.e., the market for second-hand Tiffany wares. The record developed at trial "offere[d] little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market."

Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay's site. Prior to and during the course of this litigation, Tiffany conducted two surveys known as "Buying Programs," one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. The district court concluded, however, that the Buying Programs were "methodologically flawed and of questionable value," and "provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time," The court nonetheless decided that during the period in which the Buying Programs were in effect, a "significant portion of the 'Tiffany' sterling silver jewelry listed on the eBay website … was counterfeit," and that eBay knew "that some portion of the Tiffany goods sold on its website might be counterfeit." The court found, however, that "a substantial number of authentic Tiffany goods are [also] sold on eBay."

Reducing or eliminating the sale of all second-hand Tiffany goods, including genuine Tiffany pieces, through eBay's website would benefit Tiffany in at least one sense: It would diminish the competition in the market for genuine Tiffany merchandise. The immediate effect would be loss of revenue to eBay, even though there might be a countervailing gain by eBay resulting from increased consumer confidence about the bona fides of other goods sold through its website.

Anti-Counterfeiting Measures

Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. "eBay's Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned $4.1 million in revenue from completed listings with 'Tiffany' in the listing title in the Jewelry & Watches category." Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have "an interest in eliminating counterfeit Tiffany merchandise from eBay ... to preserve the reputation of its website as a safe place to do business." The buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that "buyers ... complain[ed] to eBay" about the sale of counterfeit Tiffany goods. "[D]uring the last six weeks of 2004, 125 consumers complained to eBay about purchasing 'Tiffany' items through the eBay website that they believed to be counterfeit."

Because eBay "never saw or inspected the merchandise in the listings," its ability to determine whether a particular listing was for counterfeit goods was limited. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit.

Notwithstanding these limitations, eBay spent "as much as $20 million each year on tools to promote trust and safety on its website." For example, eBay and PayPal set up "buyer protection programs," under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine. eBay also established a "Trust and Safety" department, with some 4,000 employees "devoted to trust and safety" issues, including over 200 who "focus exclusively on combating infringement" and 70 who "work exclusively with law enforcement."

By May 2002, eBay had implemented a "fraud engine," "which is principally dedicated to ferreting out illegal listings, including counterfeit listings." eBay had theretofore employed manual searches for keywords in listings in an effort to "identify blatant instances of potentially infringing ... activity." "The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies." In addition to identifying items actually advertised as counterfeit, the engine also incorporates various filters designed to screen out less-obvious instances of counterfeiting using "data elements designed to evaluate listings based on, for example, the seller's Internet protocol address, any issues associated with the seller's account on eBay, and the feedback the seller has received from other eBay users." In addition to general filters, the fraud engine incorporates "Tiffany-specific filters," including "approximately 90 different keywords" designed to help distinguish between genuine and counterfeit Tiffany goods. During the period in dispute, eBay also "periodically conducted [manual] reviews of listings in an effort to remove those that might be selling counterfeit goods, including Tiffany goods."

For nearly a decade, including the period at issue, eBay has also maintained and administered the "Verified Rights Owner ('VeRO') Program"-a " 'notice-and-takedown' system" allowing owners of intellectual property rights, including Tiffany, to "report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings." Any such rights-holder with a "good-faith belief that [a particular listed] item infringed on a copyright or a trademark" could report the item to eBay, using a "Notice Of Claimed Infringement form or NOCI form." During the period under consideration, eBay's practice was to remove reported listings within twenty-four hours of receiving a NOCI, but eBay in fact deleted seventy to eighty percent of them within twelve hours of notification.

On receipt of a NOCI, if the auction or sale had not ended, eBay would, in addition to removing the listing, cancel the bids and inform the seller of the reason for the cancellation. If bidding had ended, eBay would retroactively cancel the transaction. In the event of a cancelled auction, eBay would refund the fees it had been paid in connection with the auction.

In some circumstances, eBay would reimburse the buyer for the cost of a purchased item, provided the buyer presented evidence that the purchased item was counterfeit.[4] During the relevant time period, the district court found, eBay "never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany's NOCIs, and always provided Tiffany with the seller's contact information."

In addition, eBay has allowed rights owners such as Tiffany to create an "About Me" webpage on eBay's website "to inform eBay users about their products, intellectual property rights, and legal positions." eBay does not exercise control over the content of those pages in a manner material to the issues before us.

Tiffany, not eBay, maintains the Tiffany "About Me" page. With the headline "**BUYER BEWARE,**" the page begins: "**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**" It also says, *inter alia*:

> The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www. tiffany. com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

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[4] We note, however, that, Tiffany's "About Me" page on the eBay website states that Tiffany does not authenticate merchandise. Pl.'s Ex. 290.

Thus, it may be difficult for a purchaser to proffer evidence to eBay supporting a suspicion that the "Tiffany" merchandise he or she bought is counterfeit.

In 2003 or early 2004, eBay began to use "special warning messages when a seller attempted to list a Tiffany item." These messages "instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay 'does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items' and that violation of this policy 'could result in suspension of [the seller's] account.' " The messages also provided a link to Tiffany's "About Me" page with its "buyer beware" disclaimer. If the seller "continued to list an item despite the warning, the listing was flagged for review."

In addition to cancelling particular suspicious transactions, eBay has also suspended from its website " 'hundreds of thousands of sellers every year,' tens of thousands of whom were suspected [of] having engaged in infringing conduct." eBay primarily employed a " 'three strikes rule' " for suspensions, but would suspend sellers after the first violation if it was clear that "the seller 'listed a number of infringing items,' and '[selling counterfeit merchandise] appears to be the only thing they've come to eBay to do.' " But if "a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the 'infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that ... if they do this again, they will be suspended from eBay.' "[5]

By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany's, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings; developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items.

The district court concluded that "eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available."

eBay's Advertising

At the same time that eBay was attempting to reduce the sale of counterfeit items on its website, it actively sought to promote sales of premium and branded

[5] According to the district court, "eBay took appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller's account." The district court concluded that it was understandable that eBay did not have a "hard-and-fast, one-strike rule" of suspending sellers because a NOCI "did not constitute a definitive finding that the listed item was counterfeit" and because "suspension was a very serious matter, particularly to those sellers who relied on eBay for their livelihoods." The district court ultimately found eBay's policy to be "appropriate and effective in preventing sellers from returning to eBay and re-listing potentially counterfeit merchandise."

jewelry, including Tiffany merchandise, on its site. Among other things, eBay "advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category." And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay's advertisements trumpeted "Mother's Day Gifts!," a "Fall FASHION BRAND BLOWOUT," "Jewelry Best Sellers," "GREAT BRANDS, GREAT PRICES," or "Top Valentine's Deals," among other promotions. It encouraged the viewer to "GET THE FINER THINGS." These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise-"Tiffany," "Tiffany & Co. under $150," "Tiffany & Co," "Tiffany Rings," or "Tiffany & Co. under $50."

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. *Tiffany,* 576 F.Supp.2d at 480. In one such case, in the form of a printout of the results list from a search on Yahoo! for "tiffany," the second sponsored link read "**Tiffany** on eBay. Find **tiffany** items at low prices. With over 5 million items for sale every day, you'll find all kinds of unique [unreadable] Marketplace. www. ebay. com." Pl.'s Ex. 1065 (bold face type in original). Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. The district court found, however, that eBay continued to do so indirectly through a third party.

Procedural History

By amended complaint dated July 15, 2004, Tiffany initiated this action. It alleged, *inter alia,* that eBay's conduct-i.e., facilitating and advertising the sale of "Tiffany" goods that turned out to be counterfeit-constituted direct and contributory trademark infringement, trademark dilution, and false advertising. On July 14, 2008, following a bench trial, the district court, in a thorough and thoughtful opinion, set forth its findings of fact and conclusions of law, deciding in favor of eBay on all claims.

Tiffany appeals from the district court's judgment for eBay.

DISCUSSION

We review the district court's findings of fact for clear error and its conclusions of law *de novo. Giordano v. Thomson,* 564 F.3d 163, 168 (2d Cir.2009).

I. Direct Trademark Infringement [the court affirmed the conclusion that eBay did not engage in direct trademark infringement]

II. Contributory Trademark Infringement

The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement-i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. *Principles*

Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives'. According to the Court, "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit." The Court ultimately decided to remand the case to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers.

Inwood's test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or "flea market," whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. *See* *Hard Rock Café*, 955 F.2d at 1148-49. The court "treated trademark infringement as a species of tort," and analogized the swap meet owner to a landlord or licensor, on whom the common law "imposes the same duty ... [as *Inwood*] impose[s] on manufacturers and distributors," *id.* at 1149.

Speaking more generally, the Ninth Circuit concluded that *Inwood's* test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir.1999) . . . .

The limited case law leaves the law of contributory trademark infringement ill-defined. Although we are not the first court to consider the application of *Inwood* to the Internet . . . we are apparently the first to consider its application to an online marketplace.[9]

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[9] European courts have done so. A Belgian court declined to hold eBay liable for counterfeit cosmetic products sold through its website. See Lancôme v. eBay, Brussels Commercial Court (Aug. 12, 2008), Docket No. A/07/06032. French courts, by contrast, have concluded that eBay violated applicable trademark laws. See, e.g., S.A. Louis Vuitton Malletier v. eBay, Inc., Tribunal de Commerce de Paris, Premiere Chambre B. (Paris Commercial Court), Case No. 200677799 (June 30, 2008); Hermes v. eBay, Troyes High Court (June 4, 2008), Docket No. 06/0264; see also Max Colchester, "EBay to Pay Damages To Unit of LVMH," The Wall Street Journal, Feb. 12, 2010, http:// online. wsj. com/ article_ email/ SB 1000142405 274870433700 457505952301 8541764- l My Q j Ax MTAw MDEw M j Ex NDIy Wj. html (last visited Mar. 1, 2010) ("A Paris court Thursday ordered eBay to pay Louis Vuitton Q200,000 ($275,000)

B. Discussion

1. Does Inwood Apply?

In the district court, the parties disputed whether eBay was subject to the Inwood test. eBay argued that it was not because it supplies a service while Inwood governs only manufacturers and distributors of products. The district court rejected that distinction. It adopted instead the reasoning of the Ninth Circuit in Lockheed to conclude that Inwood applies to a service provider who exercises sufficient control over the means of the infringing conduct. Looking "to the extent of the control exercised by eBay over its sellers' means of infringement," the district court concluded that Inwood applied in light of the "significant control" eBay retained over the transactions and listings facilitated by and conducted through its website.

On appeal, eBay no longer maintains that it is not subject to Inwood.[10] We therefore assume without deciding that Inwood's test for contributory trademark infringement governs.

2. Is eBay Liable Under Inwood?

The question that remains, then, is whether eBay is liable under the *Inwood* test on the basis of the services it provided to those who used its website to sell counterfeit Tiffany products. As noted, when applying *Inwood* to service providers, there are two ways in which a defendant may become contributorially liable for the infringing conduct of another: first, if the service provider "intentionally induces another to infringe a trademark," and second, if the service provider "continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood*, 456 U.S. at 854. Tiffany does not argue that eBay induced the sale of counterfeit Tiffany goods on its website-the circumstances addressed by the first part of the *Inwood* test. It argues instead, under the second part of the *Inwood* test, that eBay continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany's mark.

The district court rejected this argument. First, it concluded that to the extent the NOCIs that Tiffany submitted gave eBay reason to know that particular

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in damages and to stop paying search engines to direct certain key words to the eBay site."); see generally, Valerie Walsh Johnson & Laura P. Merritt, TIFFANY v. EBAY: A Case of Genuine Disparity in International Court Rulings on Counterfeit Products, 1 No. 2 Landslide 22 (2008) (surveying decisions by European courts in trademark infringement cases brought against eBay).

[10] Amici do so claim. See Electronic Frontier Foundation et al. Amici Br. 6 (arguing that Inwood should "not govern where, as here, the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement in the first place"). We decline to consider this argument. . . .

listings were for counterfeit goods, eBay did not continue to carry those listings once it learned that they were specious. The court found that eBay's practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. The court therefore declined to hold eBay contributorially liable for the infringing conduct of those sellers. On appeal, Tiffany does not appear to challenge this conclusion. In any event, we agree with the district court that no liability arises with respect to those terminated listings.

Tiffany disagrees vigorously, however, with the district court's further determination that eBay lacked sufficient knowledge of trademark infringement by sellers behind other, non-terminated listings to provide a basis for Inwood liability. Tiffany argued in the district court that eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website. As evidence, it pointed to, *inter alia,* the demand letters it sent to eBay in 2003 and 2004, the results of its Buying Programs that it shared with eBay, the thousands of NOCIs it filed with eBay alleging its good faith belief that certain listings were counterfeit, and the various complaints eBay received from buyers claiming that they had purchased one or more counterfeit Tiffany items through eBay's website. Tiffany argued that taken together, this evidence established eBay's knowledge of the widespread sale of counterfeit Tiffany products on its website. Tiffany urged that eBay be held contributorially liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers.

The district court rejected this argument. It acknowledged that "[t]he evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit." (emphasis in original). The court characterized the issue before it as "whether eBay's *generalized* knowledge of trademark infringement on its website was sufficient to meet the 'knowledge or reason to know' prong of the Inwood test." (emphasis in original). eBay had argued that "such generalized knowledge is insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem."

The district court concluded that "while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the Inwood test to impose upon eBay an affirmative duty to remedy the problem." The court reasoned that Inwood's language explicitly imposes contributory liability on a defendant who "continues to supply its product [-in eBay's case, its service-] to *one* whom it knows or has reason to know is engaging in trademark infringement." (emphasis in original). The court also noted that plaintiffs "bear a high burden in establishing 'knowledge' of contributory infringement," and that courts have

> been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In Inwood, Justice White emphasized in his concurring opinion that a defendant is not "require[d] ... to refuse to sell to dealers who merely *might* pass off its goods."

(quoting *Inwood*, 456 U.S. at 861) (White, J., concurring) (emphasis and alteration in original).

Accordingly, the district court concluded that for Tiffany to establish eBay's contributory liability, Tiffany would have to show that eBay "knew or had reason to know of specific instances of actual infringement" beyond those that it addressed upon learning of them. Tiffany failed to make such a showing.

On appeal, Tiffany argues that the distinction drawn by the district court between eBay's general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a "false" one not required by the law. Tiffany posits that the only relevant question is "whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement."

We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.

We are not persuaded by Tiffany's proposed interpretation of *Inwood*. Tiffany understands the "lesson of *Inwood* " to be that an action for contributory trademark infringement lies where "the evidence [of infringing activity]-direct or circumstantial, taken as a whole-... provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity." We think that Tiffany reads *Inwood* too broadly. Although the *Inwood* Court articulated a "knows or has reason to know" prong in setting out its contributory liability test, the Court explicitly declined to apply that prong to the facts then before it. *See* *Inwood*, 456 U.S. at 852 n. 12 ("The District Court also found that the petitioners did not continue to provide drugs to retailers whom they knew or should have known were engaging in trademark infringement. The Court of Appeals did not discuss that finding, and we do not address it.") (internal citation omitted). The Court applied only the inducement prong of the test.

We therefore do not think that *Inwood* establishes the contours of the "knows or has reason to know" prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used-that a defendant will be liable if it "continues to supply its product to *one* whom it knows or has reason to know is engaging in trademark infringement," *id.* at 854 (emphasis added)-supports the district court's interpretation of *Inwood,* not Tiffany's.

We find helpful the Supreme Court's discussion of *Inwood* in a subsequent *copyright* case, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). There, defendant Sony manufactured and sold home video tape recorders. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant's recorders. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily liable. In ruling for the defendants, the Court discussed *Inwood* and the differences between contributory liability in trademark versus copyright law.

> If *Inwood's* *narrow standard* for contributory trademark infringement governed here, [the plaintiffs'] claim of contributory infringement would merit little discussion. Sony certainly does not 'intentionally induce[ ]' its customers to make infringing uses of [the plaintiffs'] copyrights, nor does it supply its products to *identified individuals known by it* to be engaging in continuing infringement of [the plaintiffs'] copyrights.

Id. at 439 n. 19 (quoting *Inwood,* 456 U.S. at 855; emphases added).

Thus, the Court suggested, had the *Inwood* standard applied in *Sony,* the fact that Sony might have known that some portion of the purchasers of its product used it to violate the copyrights of others would not have provided a sufficient basis for contributory liability. *Inwood's* "narrow standard" would have required knowledge by Sony of "identified individuals" engaging in infringing conduct. Tiffany's reading of *Inwood* is therefore contrary to the interpretation of that case set forth in *Sony.*

Although the Supreme Court's observations in *Sony,* a copyright case, about the "knows or has reason to know" prong of the contributory trademark infringement test set forth in *Inwood* were dicta, they constitute the only discussion of that prong by the Supreme Court of which we are aware. We think them to be persuasive authority here.[12]

Applying *Sony's* interpretation of *Inwood,* we agree with the district court that "Tiffany's general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*." Tiffany's demand letters and Buying Programs

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[12] In discussing *Inwood*'s "knows or has reason to know" prong of the contributory infringement test, *Sony* refers to a defendant's knowledge, but not to its constructive knowledge, of a third party's infringing conduct. *Sony*, 464 U.S. at 439 n. 19. We do not take the omission as altering the test *Inwood* articulates.

did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods.[13] And although the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

Accordingly, we affirm the judgment of the district court insofar as it holds that eBay is not contributorially liable for trademark infringement.

3. *Willful Blindness*.

Tiffany and its amici express their concern that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website. They argue that this will effectively require Tiffany and similarly situated retailers to police eBay's website-and many others like it-"24 hours a day, and 365 days a year." Council of Fashion Designers of America, Inc. Amicus Br. 5. They urge that this is a burden that most mark holders cannot afford to bear.

First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party's interests at the expense of the other's.

But we are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings.[14] Indeed, it has spent millions of dollars in that effort.

Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy *Inwood's* "knows or has reason to know" prong. A service

[13] The demand letters did say that eBay should presume that sellers offering five or more Tiffany goods were selling counterfeits, but we agree with the district court that this presumption was factually unfounded.

[14] At the same time, we appreciate the argument that insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.

provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g.*, *Hard Rock Café*, 955 F.2d at 1149 ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate."); *Fonovisa*, 76 F.3d at 265 (applying *Hard Rock Café*'s reasoning to conclude that "a swap meet can not disregard its vendors' blatant trademark infringements with impunity").[15] In the words of the Seventh Circuit, "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act." *Hard Rock Café*, 955 F.2d at 1149.[16]

eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*. The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. That finding is not clearly erroneous.[17] eBay did not ignore the information it was given about counterfeit sales on its website.

Notes

[15] To be clear, a service provider is not contributorially liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood*, 456 U.S. at 854 n. 13 (stating that for contributory liability to lie, a defendant must do more than "reasonably anticipate" a third party's infringing conduct (internal quotation marks omitted)). But contributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact.

[16] The principle that willful blindness is tantamount to knowledge is hardly novel. *See, e.g.* Harte-Hanks Commc'ns, Inc. v. Connaughton, 491 U.S. 657, 659, 692, (1989) (concluding in public-official libel case that "purposeful avoidance of the truth" is equivalent to "knowledge that [a statement] was false or [was made] with reckless disregard of whether it was false" (internal quotation marks omitted)) . . . .

[17] Tiffany's reliance on the "flea market" cases, *Hard Rock Café* and *Fonovisa*, is unavailing. eBay's efforts to combat counterfeiting far exceeded the efforts made by the defendants in those cases. *See Hard Rock Café*, 955 F.2d at 1146 (defendant did not investigate any of the seizures of counterfeit products at its swap meet, even though it knew they had occurred); *Fonovisa*, 76 F.3d at 265 (concluding that plaintiff stated a claim for contributory trademark infringement based on allegation that swap meet "disregard[ed] its vendors' blatant trademark infringements with impunity"). Moreover, neither case concluded that the defendant was willfully blind. The court in *Hard Rock Café* remanded so that the district court could apply the correct definition of "willful blindness," 955 F.2d at 1149, and the court in *Fonovisa* merely sustained the plaintiff's complaint against a motion to dismiss, 76 F.3d at 260-61, 265.

Beware juries. For a differing outcome than *Tiffany*, *see* Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 2010 WL 5598337 (N.D. Cal. 2010) (upholding contributory infringement jury verdict and damages of $10,500,000 per defendant where "[d]efendants had numerous tools at their disposal for monitoring their servers and terminating abusive users. For example, Defendants had the ability to suspend a particular user, disable IP addresses used by a particular website or, if necessary, unplug a server that contained the data for a particular website."). To be sure, in *Akanoc* there was some evidence of the web host's ignoring notices about infringing matter.

Statutory sources of contributory trademark liability. The Lanham Act does not expressly provide a cause of action for contributory and vicarious infringers. Nor, for that matter, does the Copyright Act. The Supreme Court has nonetheless found such liability to exist as an application of traditional common law principles of agency liability (which were not modified in Congress's codification copyright law). *See, e.g.*, *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) ("Although '[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,' these doctrines of secondary liability emerged from common law principles and are well established in the law." (citations omitted) (quoting Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 434 (1984)).

Similar principles are at work in trademark. The leading Supreme Court case, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982), established secondary liability under the Lanham Act by citing pre-Lanham Act precedents and observing simply that "Although *Warner* and other cases were decided before § 32 was enacted, the purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection. S.Rep.No. 1333, 79th Cong., 2d Sess. (1946). There is no suggestion that Congress intended to depart from *Warner* and other contemporary precedents." *Id.* at 861 n.2

The Inwood *standard*. In *Inwood* the Court concluded that "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit." *Inwood*, 456 U.S. at 854.

As noted by *eBay*, the Supreme Court has suggested in dicta that the *Inwood* test is hard to meet. Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19 (1984) ("Given the fundamental differences between copyright law and trademark law, in this copyright case we do not look to the standard for contributory infringement set forth in *Inwood Laboratories v. Ives Laboratories* . . . . If *Inwood*'s narrow standard for contributory trademark infringement governed here, respondents' claim of contributory infringement would merit little discussion.").

Lanham Act carveouts. Although the Lanham Act does not explicitly authorize third party liability, the latter parts of section 32 provide a number of safe harbors for certain potential third-party infringement situations:

> (2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125 (a) or (d) of this title shall be limited as follows:
>
> > (A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125 (a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.
> >
> > (B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510 (12) of title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125 (a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.
> >
> > (C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125 (a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which

> publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

Flea markets. To online markets like eBay, compare flea markets or swap meets. Some courts have found liability for operators of such markets. Here, willful blindness does the work of a knowledge requirement. *See* Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143 (7th Cir. 1992); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).

Can these cases be reconciled with *Tiffany*? On that question, consider *Omega SA v. 375 Canal, LLC*, 984 F.3d 244 (2d Cir. 2021). There, the Second Circuit upheld liability based on willful blindness for a landlord who hosted vendors of counterfeit watches on its property. The defendant objected that it, like eBay, lacked knowledge of specific infringing vendors. The court disagreed.

> But where a defendant knows or should know of infringement, whether that defendant may be liable for contributory infringement turns on what the defendant does next. If it undertakes bona fide efforts to root out infringement, such as eBay did in *Tiffany*, that will support a verdict finding no liability, even if the defendant was not fully successful in stopping infringement. But if the defendant decides to take no or little action, it will support a verdict finding liability.

Id. at 255. Does *Omega* expand the scope of *Tiffany*? Or are the online and offline contexts just treated differently?

Vicarious liability. Courts have also imported common law principles of vicarious liability to trademark. American Tel. & Tel. Co. v. Winback & Conserve Program, 42 F.3d 1421, 1434 (3d Cir. 1994) ("Thus, we hold that the district court properly held that agency principles apply to the instant dispute."). But absent an official agency relationship, what is needed for vicarious liability? The general view of the courts has been to take a somewhat restrictive view (at least in comparison to the analogous standard in copyright law). *See, e.g.*, Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1150 (7th Cir. 1992) ("We have recognized that a joint tortfeasor may bear vicarious liability for trademark infringement by another … . This theory of liability requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.").

Copyright convergence? Congress has addressed some of the issues raised by *Tiffany* in the copyright context. 17 U.S.C. § 512 establishes a "notice and takedown" regime that provides a safe harbor for online service providers against liability for copyright infringement based on materials posted by users.

Section 512(c)(1) exempts liability for hosting information provided by a user if the host:

> (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
>
> (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
>
> (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
>
> (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
>
> (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

Under the notice-and-takedown system, service providers designate an agent for the receipt of notices of infringing content. Once such a properly drafted notice is received, the provider must take down the complained of materials (with provision of notice to the provider of the objectionable content, giving him/her a chance to assert its legality).

Does *Tiffany* adopt a § 512 of sorts for trademark law? How similar are the copyright and trademark secondary liability regimes in the Second Circuit?

Credit card issuers. Trademark plaintiffs have also sued credit card companies involved in processing on-line orders. The record of such efforts has been mixed, but courts generally balk at allowing claims against processors if they do no more than provide basic transaction services. Perfect 10, Inc. v. Visa Intern. Service Ass'n, 494 F.3d 788 (9th Cir. 2007). A contributory infringement claim against providers of payment services that specialized in "high-risk" transactions survived a motion to dismiss in *Gucci America, Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (S.D.N.Y. 2010).

Direct or secondary infringement? As seen in *eBay*, plaintiffs may describe intermediary as both directly and secondarily infringing. In the case below, the plaintiff had more luck with the former claim.

Ohio State University v. Redbubble, Inc.
989 F.3d 435 (6th Cir. 2021)

NALBANDIAN, Circuit Judge.

Online shopping has transformed American life. Gone is the heyday of shopping malls and in-person retail. Instead, Americans increasingly choose to make purchases online. Although digital marketplaces may not require the same type of upkeep and maintenance as brick-and-mortar businesses, someone still manages them. This case concerns the responsibilities of companies that operate marketplaces facilitating online transactions between consumers and vendors.

The prime example of the modern digital marketplace is Amazon.com, Inc. Amazon operates a website where, among other things, third-party vendors sell their goods to consumers. Because Amazon's marketplace operates as a neutral intermediary between consumers and third-party vendors, courts have typically not found it liable for trademark-infringing goods sold through its platform. This case turns on whether Redbubble, Inc., an Australia-based online retailer, enjoys similar immunity from trademark-infringement claims arising from products displayed on and sold through its digital marketplace. The Ohio State University (OSU) argues that Redbubble's marketplace model differs from those used by Amazon, eBay, and other passive e-commerce facilitators. So OSU alleges that Redbubble violated the Lanham Act and Ohio's right-of-publicity statute because it acted less like a hands-off intermediary and more like a company that creates knock-off goods. Because Redbubble's marketplace involves creating Redbubble products and garments that would not have existed but for Redbubble's enterprise, we find that the district court erred by entering summary judgment for Redbubble under an overly narrow reading of the Lanham Act. . . .

Redbubble operates an online marketplace with a global reach. This marketplace is large—around 600,000 artists use the website, and over $100 million in sales has flowed through Redbubble's platform. Products for sale on Redbubble's website include apparel, wall art, and other accessories emblazoned with an image selected by a consumer. Independent artists, not employed by Redbubble, upload images onto Redbubble's interface. Consumers then scroll through those uploaded images and place an order for a customized item.

Once a consumer places a purchase on its website, Redbubble automatically contacts the artist and arranges the manufacturing and shipping of the product with independent third parties. So Redbubble never takes title to any product shown on its website. And Redbubble does not design, manufacture, or handle these products. But the shipped packages bear its logo, and Redbubble handles customer service duties such as returns.

Aside from managing the website, Redbubble plays a larger role in overseeing and executing sales made on its marketplace. For example, Redbubble helps market products listed on its website. And it markets those goods as Redbubble products to consumers; for instance, it provides instructions on how to care for "Redbubble garments." When customers receive goods from Redbubble's marketplace, they often arrive in Redbubble packaging and contain Redbubble tags. And if there are excess goods, Redbubble has the right to dispose of those items.

In short, independent artists can have goods displaying their artwork and images advertised, manufactured, and sold by using Redbubble's platform. OSU argues that Redbubble is responsible for trademark-infringing products sold on Redbubble's marketplace. Neither party disputes that some of Redbubble's artists uploaded trademark-infringing images, that these images appeared on Redbubble's website, or that consumers paid Redbubble to receive products bearing images trademarked by OSU. Instead, they dispute whether Redbubble is liable for trademark infringement because of its role in managing the marketplace.

OSU's licensing program has generated over $100 million in the last seven years. To protect its trademarks, OSU carries out a "strict oversight of licensed products." While conducting this oversight in 2017, OSU discovered products on Redbubble's marketplace that displayed OSU's trademarked images without approval. So OSU sent Redbubble a cease-and-desist letter.

In response, Redbubble asked OSU to "specifically identify each infringing design." Redbubble's user agreement states that trademark holders, and not Redbubble, bear the burden of monitoring and redressing trademark violations. Redbubble also told OSU that it needed more information about which designs violated OSU's trademarks. So OSU sent Redbubble a letter containing photos of nine offending items. But Redbubble told OSU that pictures weren't enough to identify the offending products, asking for URLs or other identifying information. After this, communication halted between the parties. In the end, Redbubble did not remove the offending products from its website.

After the communication breakdown, OSU sued Redbubble in December 2017. It brought claims alleging trademark infringement, counterfeiting, and unfair competition under the Lanham Act, as well as Ohio's right-of-publicity law. The parties cross-moved for summary judgment, and the district court entered summary judgment for Redbubble. According to the district court, Redbubble did not "use" OSU's trademarked images in operating its business model under the Lanham Act because it only acted as a "transactional intermediary" between buyers, sellers, manufacturers, and shippers. . . .

The Lanham Act creates a cause of action against any person who, without the consent of the trademark owner, either:

> (a) [U]se[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) "reproduce[s], counterfeit[s], cop[ies], or colorably imitate[s] a registered mark and appl[ies] such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

15 U.S.C. § 1114(1). And OSU asserts that Redbubble directly infringed OSU's trademarks under the Act because Redbubble's role in operating its online marketplace meets the statutory definition of using a trademark in commerce without owner approval.

Parties may also be vicariously liable under the Lanham Act even if they do not directly "use" the trademark to sell or advertise a product. "This Circuit allows plaintiffs to hold defendants vicariously liable for trademark infringement under the Lanham Act when the defendant and the infringer have an actual or apparent partnership, have authority to bind one another in transactions, or exercise joint ownership or control over the infringing product." *Grubbs v. Sheakley Grp., Inc.*, 807 F.3d 785, 793 (6th Cir. 2015). So OSU also claims that Redbubble meets the *Grubbs* test for vicarious liability because the vendors operating on its site act as Redbubble's agents. . . . [The court concluded that OSU failed to preserve its vicarious liability claims; OSU did not bring a contributory infringement claim.]

. . . . [The Lanham Act] recognizes a civil cause of action for trademark infringement against parties who "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. §§ 1114(a), 1125(a). And OSU argues that Redbubble—"the quintessential infringer and counterfeiter"—violated the Act when it "used" OSU's trademarks by "marketing and selling trademark-infringing products" on the Redbubble platform.

In support of that argument, OSU contends that the Lanham Act applies to a wide array of parties and commercial activities and the district court erred by improperly narrowing the Lanham Act's scope. It points to the statutory phrase "in connection with" as evidence of "a broad interpretation" for actions covered by the

Lanham Act. . . . But the district court applied a narrower interpretation of the Act. It found Redbubble's participation in the creation, manufacturing, and sale of the offending goods too indirect for Lanham Act liability because Redbubble acted more like Amazon or an auction house than a company that designs, manufactures, and sells its own goods. For instance, it ruled that Redbubble was not liable for trademark-infringing images on its website despite the Lanham Act prohibiting trademarks being "placed in any manner on the goods … or the displays associated therewith" because "independent" artists uploaded the images.

Unlike OSU, Redbubble urges us to follow a narrow interpretation of the Lanham Act. It believes the Act creates liability only for manufacturers, sellers, and those "who apply infringing marks to sales displays or other related advertising materials." In short, Redbubble contends that direct liability for trademark infringement "requires that the plaintiff prove that the accused infringer placed the infringing mark on goods" or affirmatively used the mark, e.g., by selling a trademark-infringing good directly to a consumer. Because Redbubble facilitates sales, like Amazon, without creating or handling products, Redbubble concludes it "cannot directly infringe" OSU's trademarks.

It's true that online marketplaces, like eBay and Amazon, that facilitate sales for independent vendors generally escape Lanham Act liability. *See, e.g.*, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103, 109 (2d. Cir. 2010) (finding eBay could not be liable for direct infringement for use of a trademark where the use did not imply affiliation or endorsement; also finding eBay could not be liable for contributory infringement for the sale of counterfeit goods by vendors on its website). Conversely, parties who design and print trademark-infringing goods typically violate the Lanham Act. *See H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000, 1030 (E.D. Wisc. 2018) (ruling that defendant violated the Lanham Act because it printed trademark-offending goods). So the parties dispute where courts draw the line for online-vendor liability.

This Circuit has already found "no reason to restrict [Lanham Act] liability to those who actually create, manufacture[,] or package the infringing items." *Lorillard Tobacco Co. v. Amouri's Grand Foods, Inc.*, 453 F.3d 377, 381 (6th Cir. 2006). In *Lorillard*, the court imposed liability where the defendant acted as a brick-and-mortar store that directly sold trademark-infringing items to consumers, despite the fact that the defendant didn't design or manufacture the offending product. It simply ran a marketplace where consumers could find and procure the counterfeit cigarettes. Admittedly, *Lorillard* emphasizes the defendant's "role as a retailer" when imposing liability. But that decision still suggests broad liability for parties involved in selling trademark-infringing goods.

Although the district court here correctly presented this question as a spectrum, with eBay and Amazon's marketplaces on one end and brick-and-mortar vendors on the other, it ultimately applied Lanham Act liability too narrowly. The question remains as to when, exactly, a party avoids liability by acting as a passive facilitator.

Neither party disputes that an entity that is either (i) the creator or manufacturer of the offending goods, or (ii) a direct seller of the offending goods (e.g., a brick-and-mortar store or company website) is liable under the Lanham Act. They disagree, however, as to when a party indirectly involved in the creation/manufacture of a good and/or the sale of a good avoids liability by acting as a passive facilitator. In other words, what level of involvement and control must a defendant exercise over the creation, manufacture, or sale of offending goods to be considered akin to a "seller" or "manufacturer" to whom Lanham Act liability applies? Aside from the eBay/Amazon model, some trademark-infringing activity does not create liability. For instance, a company that auctions trademark-offending website domain names does not "use" those trademarks as the Lanham Act prohibits. *Bird v. Parsons*, 289 F.3d 865, 877–79 (6th Cir. 2002). That's because domain-name providers only sell "an address" used on the internet for identification purposes, and not products bearing a trademark. So on the opposite end of the spectrum from direct sellers and manufacturers, this Circuit places parties like Amazon and domain-name providers outside the Lanham Act's ambit.

Returning to the statutory text, OSU argues that the language sweeps broadly. First, it compares the Lanham Act's "use in commerce" language to the "use" of a firearm in *Smith v. United States*, 508 U.S. 223 (1993). There, the Supreme Court determined that the definition of use "sweeps broadly." So OSU urges us to follow this natural meaning of "use." And it contends that Redbubble necessarily uses OSU's trademarks when it places them on Redbubble's stock images and creates Redbubble products. In other words, if Redbubble didn't use the trademark, then how could its website display or satisfy an order for a hat or shirt bearing OSU trademarks that doesn't exist elsewhere? The key distinction between Redbubble and Amazon's "use" of trademarks would be that Redbubble directs others to make or display infringing *Redbubble* products with *Redbubble* tags and instructions for caring for *Redbubble* garments. Because Amazon's marketplace doesn't operate by offering or producing *Amazon* products, under OSU's theory, Amazon doesn't use the trademark in a creative or generative process. And that's where it wants us to draw the line for liability because companies that print the offending trademark onto a product are generally liable under the Lanham Act.

Redbubble makes its own textual argument. It contends that only "affirmative 'use' " creates direct Lanham Act liability—the "in connection with" language only operates to permit indirect or vicarious liability. Yet Redbubble doesn't explain why the statutory text cabins itself to vicarious liability only. And if the statutory text creates those claims, then it is strange that courts have found vicarious Lanham Act liability based on the statute's common law tort backdrop rather than the text itself. *See, e.g.*, *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 165 (4th Cir. 2012) (describing vicarious Lanham Act liability as "essentially the same as in the tort context" without relying on the statutory text). This undermines Redbubble's position that the Lanham Act's language or context narrows the word "use."

Looking at this Circuit's Lanham Act precedent, it seems that one key distinction between a direct seller who "uses" a trademark under the Act and a mere facilitator of sales who does not is the degree to which the party represents itself, rather than a third-party vendor, as the seller, or somehow identifies the goods as its own. A retailer who sells products directly to a customer at a brick-and-mortar store is indisputably a seller to whom the Lanham Act applies. An online marketplace like eBay that clearly indicates to consumers that they are purchasing goods from third-party sellers is not. *See Multi Time Mach.*, 804 F.3d at 938–41 (finding Amazon not liable for the trademark infringement committed by parties using its platform because "Amazon clearly labels the source of the products it offers for sale" and is not a seller). Here, although the record is sparse, it appears that products ordered on Redbubble's website do not yet exist, come into being only when ordered through Redbubble, and are delivered in Redbubble packaging with Redbubble tags. Under those facts, the district court erred in affirmatively placing Redbubble on the passive end of the liability spectrum.

Although Redbubble utilizes a third-party to manufacture goods sold on its site, the degree of control and involvement exercised by Redbubble over the manufacturing, quality control, and delivery of goods to consumers is relevant to an assessment of whether the offending goods can fairly be tied to Redbubble for the purpose of liability. The record below lacks sufficient development of the facts to affirmatively decide this issue.

All said, it appears that Redbubble brings trademark-offending products into being by working with third-party sellers to create new Redbubble products, not to sell the artists' products. So it's more than just a passive facilitator. And Redbubble classifies its goods as "Redbubble products" and makes clothes identifiable as "Redbubble garments." That differs from Amazon's marketplace and makes more "use" of the trademark than non-liable facilitators in cases from other circuits. Given that the district court strayed from this understanding of the Lanham Act, we find that it wrongly entered summary judgment for Redbubble on the direct Lanham Act liability claim.

. . . . To obtain summary judgment, OSU would need to show that Redbubble asserted no disputed, material facts showing that its business model abides by the Lanham Act. . . .

It's true that Redbubble facilitates the creation of goods bearing OSU's marks that would not have existed but for Redbubble. And that's why we disagree with the district court's ruling that Redbubble could not be liable because of its similarity to Amazon, eBay, and other passive online marketplaces. But even though we hold the district court erred by applying an overly narrow reading of the Lanham Act and giving too cursory of a treatment to OSU's state-law claims, we are not certain that OSU, based on the record established below, can establish that no issue of material fact exists over Redbubble's liability under a more expansive understanding of the Lanham Act.

Although the record shows that Redbubble sells "Redbubble products" and "Redbubble garments" on its marketplace, unlike Amazon and other companies that are not directly liable under the Lanham Act, it's unclear what those labels mean. To start, Redbubble's User Agreement states that Redbubble never takes title to those products. And third-party vendors upload the designs for products sold on Redbubble's marketplace. Given the murkiness about Redbubble's relationship to the trademark-infringing products, we conclude the record below does not permit an informed ruling about whether Redbubble "used" OSU's marks under the Lanham Act. The factual gaps on this issue include: "facts regarding the precise nature of Redbubble's contractual relationships with third-party manufacturers and shippers"; "the precise degree to which Redbubble is involved in" selecting and imprinting trademark-infringing designs upon its products; "details as to Redbubble's involvement in the process for returning goods"; "detail[s] on how Redbubble characterizes its own services"; and facts about "defenses to liability[,] such as possible fair use defenses or defenses that confusion is not likely." (Int'l Trademark Ass'n Amicus Br. at 17–23.) So even though the district court applied the Lanham Act too narrowly, additional factfinding on remand would aid a decision about whether Redbubble is liable under the standard explained above. . . .

Notes and Questions

Policy questions. What should the liability standard be for Internet intermediaries like Google or eBay? Would a requirement to verify the legality of advertising or postings stifle useful services? On the other hand, should we expect trademark holders like Tiffany to play what has been called a game of whack-a-mole by repeated trademark infringers? Are the eBays of the world the low-cost risk avoiders? Or is that not the right question in this context? Does defendant involvement of the sort described by *Redbubble* change things in a meaningful way? Why or why not?

The Communications Decency Act. Compare the approach of *eBay* and *Redbubble* to that of the Communications Decency Act, 47 U.S.C. § 230. The CDA offers online services a rather sweeping carveout from tort liability based on user conduct. The statute provides that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230. Notably, however, the CDA does *not* apply to intellectual property claims, so it is no defense to a Lanham Act suit.

Comparisons to trademark law aside, it is worth noting that the CDA is a major part of the consumer information ecosystem, for it allows sites to host user generated content (e.g., user product reviews) without fear of defamation claims.

18. Trademarks and Domain Names

Problems

1. We represent Alligator Gaming, a videogame and personal electronics manufacturer. Its website is alligator.com (sidenote, in real life the site is occupied by a music company). A disgruntled customer purchased an Alligator Game Console that caught fire. In response, the customer registered the web domain alligator.net, which it uses to gripe about our client's products. The site hosts a few ads, and offers sales of t-shirts that read, "Don't get burned by the Gator!" But it mostly consists of commentary about our client. Alligator.net was registered with Network Solutions, a domain names registrar in Virginia, but the customer lives in Chicago. Can we sue under the Anticybersquatting Consumer Protection Act ("ACPA")? Where?

2. Alligator used to be affiliated with a gamemaker in the United Kingdom, known as Alligator UK. Alligator UK (now independent) has been in decline for some time. It now sells only playing cards and does not make any online sales. Nonetheless, it has registered a number of "alligator" themed domain names, including alligatorgames.com, alligatorconsoles.com, alligatorvideogames.com, and alligatorvideos.com. It asserts that it plans to expand its web presence and enter the videogaming market. Nonetheless, it is willing to accommodate us if we pay $20,000 for the transfer of the domain names. Do we have an ACPA claim?

3. The Internet Corporation for Assigned Names and Numbers ("ICANN")[1] has expanded the number of available generic top-level domain names ("gTLD"). Common gTLDs are ".com" or ".edu." Now, however, organizations may apply for gTLDs that may be everyday words (e.g., ".paper") or trademarks (e.g. ".google"). What are the implications for trademark law? For trademark holders? What can be done to manage them?

[1] ICANN is a U.S.-based non-profit corporation that performs many Internet-management tasks that used to be conducted by the U.S. Government. ICAAN's self-described mission is "to coordinate, at the overall level, the global Internet's systems of unique identifiers, and in particular to ensure the stable and secure operation of the Internet's unique identifier systems. In particular, ICANN . . . Coordinates the allocation and assignment of the three sets of unique identifiers for the Internet, which are . . . Domain names (forming a system referred to as 'DNS'); Internet protocol ('IP') addresses and autonomous system ('AS') numbers; and Protocol port and parameter numbers." Explanations of the domain name system, and ICANN's role supervising it, are easy to find online. ICANN's description is here: http://www.icann.org/en/about/participate/what.

ACPA

Section 43(d) of the Lanham Act (15 U.S.C. § 1125(d)) (a/k/a ACPA): Cyberpiracy prevention.

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person--

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that--

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or (III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.

(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to--

(I) the trademark or other intellectual property rights of the person, if any, in the domain name; (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person; (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services; (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site; (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct; (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct; (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43 [subsec. (c)(1) of this section].

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D)A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E)As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A)The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if--

(i)the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

(ii)the court finds that the owner--

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or (II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by--

(aa)sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb)publishing notice of the action as the court may direct promptly after filing the action.

. . .

(C)In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which--

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii)documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)(i)The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark . . . .

Sporty's Farm L.L.C. v. Sportsman's Market, Inc.
202 F.3d 489 (2d Cir. 2000)

CALABRESI, Circuit Judge:

. . . .

Sportsman's is a mail order catalog company that is quite well-known among pilots and aviation enthusiasts for selling products tailored to their needs. In recent years, Sportsman's has expanded its catalog business well beyond the aviation market into that for tools and home accessories. The company annually distributes approximately 18 million catalogs nationwide, and has yearly revenues of about $50 million. Aviation sales account for about 60% of Sportsman's revenue, while non-aviation sales comprise the remaining 40%.

In the 1960s, Sportsman's began using the logo "*sporty*" to identify its catalogs and products. In 1985, Sportsman's registered the trademark *sporty's* with the United States Patent and Trademark Office. Since then, Sportsman's has complied with all statutory requirements to preserve its interest in the *sporty's* mark. *Sporty's* appears on the cover of all Sportsman's catalogs; Sportsman's international toll free number is 1-800-4*sportys*; and one of Sportsman's domestic toll free phone numbers is 1-800-*Sportys.* Sportsman's spends about $10 million per year advertising its *sporty's* logo.

Omega is a mail order catalog company that sells mainly scientific process measurement and control instruments. In late 1994 or early 1995, the owners of Omega, Arthur and Betty Hollander, decided to enter the aviation catalog business and, for that purpose, formed a wholly-owned subsidiary called Pilot's Depot, LLC ("Pilot's Depot"). Shortly thereafter, Omega registered the domain name sportys.com with NSI. Arthur Hollander was a pilot who received Sportsman's catalogs and thus was aware of the *sporty's* trademark.

In January 1996, nine months after registering sportys.com, Omega formed another wholly-owned subsidiary called Sporty's Farm and sold it the rights to sportys.com for $16,200. Sporty's Farm grows and sells Christmas trees, and soon began advertising its Christmas trees on a sportys.com web page. When asked how the name Sporty's Farm was selected for Omega's Christmas tree subsidiary, Ralph S. Michael, the CEO of Omega and manager of Sporty's Farm, explained, as summarized by the district court, that

> in his own mind and among his family, he always thought of and referred to the Pennsylvania land where Sporty's Farm now operates as *Spotty's farm.* The origin of the name … derived from a childhood memory he had of his uncle's farm in upstate New York. As a youngster, Michael owned a dog named Spotty. Because the dog strayed, his uncle took him to his upstate farm. Michael thereafter referred to the farm as Spotty's farm. The name Sporty's Farm was … a subsequent derivation.

There is, however, no evidence in the record that Hollander was considering starting a Christmas tree business when he registered sportys.com or that Hollander was ever acquainted with Michael's dog Spotty.

In March 1996, Sportsman's discovered that Omega had registered sportys.com as a domain name. Thereafter, and before Sportsman's could take any action, Sporty's Farm brought this declaratory action seeking the right to continue its use of sportys.com. Sportsman's counterclaimed . . . . Both sides sought injunctive relief to force the other to relinquish its claims to sportys.com. While this litigation was ongoing, Sportsman's used "sportys-catalogs.com" as its primary domain name. . . .

C. *"Identical and Confusingly Similar"*

The next question [under ACPA] is whether domain name sportys.com is "identical or confusingly similar to" the *sporty's* mark.[11] 15 U.S.C. § 1125(d)(1)(A)(ii)(I). As we noted above, apostrophes cannot be used in domain names. As a result, the secondary domain name in this case (sportys) is indistinguishable from the Sportsman's trademark (*sporty's*). *Cf.* Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1055 (9th Cir.1999) (observing that the differences between the mark "MovieBuff" and the domain name "moviebuff.com" are "inconsequential in light of the fact that Web addresses are not caps-sensitive and that the '.com' top-level domain signifies the site's commercial nature"). We therefore conclude that, although the domain name sportys.com is not precisely identical to the *sporty's* mark, it is certainly "confusingly similar" to the protected mark under § 1125(d)(1)(A)(ii)(I). *Cf.* Wella Corp. v. Wella Graphics, Inc. 874 F.Supp. 54, 56 (E.D.N.Y.1994) (finding the new mark "Wello" confusingly similar to the trademark "Wella").

D. *"Bad Faith Intent to Profit"*

We next turn to the issue of whether Sporty's Farm acted with a "bad faith intent to profit" from the mark *sporty's* when it registered the domain name sportys.com. 15 U.S.C. § 1125(d)(1)(A)(i). The statute lists nine factors to assist courts in determining when a defendant has acted with a bad faith intent to profit from the use of a mark. But we are not limited to considering just the listed factors when making our determination of whether the statutory criterion has been met. The factors are, instead, expressly described as indicia that "may" be considered along with other facts. *Id.* § 1125(d)(1)(B)(i).

We hold that there is more than enough evidence in the record below of "bad faith intent to profit" on the part of Sporty's Farm (as that term is defined in the statute), so that "no reasonable factfinder could return a verdict against" Sportsman's. *Norville v. Staten Island Univ. Hosp.*, 196 F.3d 89, 95 (2d Cir.1999). First, it is clear that neither Sporty's Farm nor Omega had any intellectual property rights in sportys.com at the time Omega registered the domain name. *See id.* § 1125(d)(1)(B)(i)(I). Sporty's Farm was not formed until nine months after the domain name was registered, and it did not begin operations or obtain the domain name from Omega until after this lawsuit was filed. Second, the domain name does not consist of the legal name of the party that registered it, Omega. *See id.* § 1125(d)(1)(B)(i)(II). Moreover, although the domain name does include part of the name of Sporty's Farm, that entity did not exist at the time the domain name was registered.

[11] We note that "confusingly similar" is a different standard from the "likelihood of confusion" standard for trademark infringement adopted by this court in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.1961). *See* *Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46, 48 (2d Cir.1994).

The third factor, the prior use of the domain name in connection with the bona fide offering of any goods or services, also cuts against Sporty's Farm since it did not use the site until after this litigation began, undermining its claim that the offering of Christmas trees on the site was in good faith. *See id.* § 1125(d)(1)(B)(i)(III). Further weighing in favor of a conclusion that Sporty's Farm had the requisite statutory bad faith intent, as a matter of law, are the following: (1) Sporty's Farm does not claim that its use of the domain name was "noncommercial" or a "fair use of the mark," *see id.* § 1125(d)(1)(B)(i)(IV), (2) Omega sold the mark to Sporty's Farm under suspicious circumstances, *see Sporty's Farm v. Sportsman's Market,* No. 96CV0756 (D.Conn. Mar. 13, 1998), *reprinted in* Joint Appendix at A277 (describing the circumstances of the transfer of sportys.com); 15 U.S.C. § 1125(d)(1)(B)(i)(VI), and, (3) as we discussed above, the *sporty's* mark is undoubtedly distinctive, *see id.* § 1125(d)(1)(B)(i)(IX).

The most important grounds for our holding that Sporty's Farm acted with a bad faith intent, however, are the unique circumstances of this case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute. We know from the record and from the district court's findings that Omega planned to enter into direct competition with Sportsman's in the pilot and aviation consumer market. As recipients of Sportsman's catalogs, Omega's owners, the Hollanders, were fully aware that *sporty's* was a very strong mark for consumers of those products. It cannot be doubted, as the court found below, that Omega registered sportys.com for the primary purpose of keeping Sportsman's from using that domain name. Several months later, and after this lawsuit was filed, Omega created another company in an unrelated business that received the name Sporty's Farm so that it could (1) use the sportys.com domain name in some commercial fashion, (2) keep the name away from Sportsman's, and (3) protect itself in the event that Sportsman's brought an infringement claim alleging that a "likelihood of confusion" had been created by Omega's version of cybersquatting. Finally, the explanation given for Sporty's Farm's desire to use the domain name, based on the existence of the dog Spotty, is more amusing than credible. Given these facts and the district court's grant of an equitable injunction under the FTDA, there is ample and overwhelming evidence that, as a matter of law, Sporty's Farm's acted with a "bad faith intent to profit" from the domain name sportys.com as those terms are used in the ACPA. . . .[13]

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[13] We expressly note that "bad faith intent to profit" are terms of art in the ACPA and hence should not necessarily be equated with "bad faith" in other contexts.

Lamparello v. Falwell

420 F.3d 309 (4th Cir. 2005)

DIANA GRIBBON MOTZ, Circuit Judge.

Christopher Lamparello appeals the district court's order enjoining him from maintaining a gripe website critical of Reverend Jerry Falwell. For the reasons stated below, we reverse.

I.

Reverend Falwell is "a nationally known minister who has been active as a commentator on politics and public affairs." *Hustler Magazine v. Falwell*, 485 U.S. 46, 47, (1988). He holds the common law trademarks "Jerry Falwell" and "Falwell," and the registered trademark "Listen America with Jerry Falwell." Jerry Falwell Ministries can be found online at "www.falwell.com," a website which receives 9,000 hits (or visits) per day.

Lamparello registered the domain name "www.fallwell.com" on February 11, 1999, after hearing Reverend Falwell give an interview "in which he expressed opinions about gay people and homosexuality that [Lamparello] considered … offensive." Lamparello created a website at that domain name to respond to what he believed were "untruths about gay people." Lamparello's website included headlines such as "Bible verses that Dr. Falwell chooses to ignore" and "Jerry Falwell has been bearing false witness (Exodus 20:16) against his gay and lesbian neighbors for a long time." The site also contained in-depth criticism of Reverend Falwell's views. For example, the website stated:

> Dr. Falwell says that he is on the side of truth. He says that he will preach that homosexuality is a sin until the day he dies. But we believe that if the reverend were to take another thoughtful look at the scriptures, he would discover that they have been twisted around to support an anti-gay political agenda … at the expense of the gospel.

Although the interior pages of Lamparello's website did not contain a disclaimer, the homepage prominently stated, "This website is NOT affiliated with Jerry Falwell or his ministry"; advised, "If you would like to visit Rev. Falwell's website, you may click here"; and provided a hyperlink to Reverend Falwell's website.

At one point, Lamparello's website included a link to the Amazon.com webpage for a book that offered interpretations of the Bible that Lamparello favored, but the parties agree that Lamparello has never sold goods or services on his website. The parties also agree that "Lamparello's domain name and web site at www.fallwell.com," which received only 200 hits per day, "had no measurable impact on the quantity of visits to [Reverend Falwell's] web site at www.falwell.com."

Nonetheless, Reverend Falwell sent Lamparello letters in October 2001 and June 2003 demanding that he cease and desist from using www.fallwell.com or any variation of Reverend Falwell's name as a domain name. Ultimately, Lamparello filed this action against Reverend Falwell and his ministries (collectively referred to hereinafter as "Reverend Falwell"), seeking a declaratory judgment of noninfringement. Reverend Falwell counter-claimed, alleging trademark infringement under 15 U.S.C. § 1114 (2000), false designation of origin under 15 U.S.C. § 1125(a), unfair competition under 15 U.S.C. § 1126 and the common law of Virginia, and cybersquatting under 15 U.S.C. § 1125(d).

The parties stipulated to all relevant facts and filed cross-motions for summary judgment. The district court granted summary judgment to Reverend Falwell, enjoined Lamparello from using Reverend Falwell's mark at www.fallwell.com, and required Lamparello to transfer the domain name to Reverend Falwell. *Lamparello*, 360 F.Supp.2d at 773, 775. However, the court denied Reverend Falwell's request for statutory damages or attorney fees, reasoning that the "primary motive" of Lamparello's website was "to put forth opinions on issues that were contrary to those of [Reverend Falwell]" and "not to take away monies or to profit.". . . .

II.

. . . . Lamparello and his amici argue at length that application of the Lanham Act must be restricted to "commercial speech" to assure that trademark law does not become a tool for unconstitutional censorship. The Sixth Circuit has endorsed this view, *see Taubman Co. v. Webfeats*, 319 F.3d 770, 774 (6th Cir.2003), and the Ninth Circuit recently has done so as well, *see Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 674 (9th Cir.2005).

In its two most significant recent amendments to the Lanham Act, the Federal Trademark Dilution Act of 1995 ("FTDA") and the Anticybersquatting Consumer Protection Act of 1999 ("ACPA"), Congress left little doubt that it did not intend for trademark laws to impinge the First Amendment rights of critics and commentators. The dilution statute applies to only a "commercial use in commerce of a mark," 15 U.S.C. § 1125(c)(1), and explicitly states that the "[n]oncommercial use of a mark" is not actionable. . . . Similarly, Congress directed that in determining whether an individual has engaged in cybersquatting, the courts may consider whether the person's use of the mark is a "bona fide noncommercial or fair use." 15 U.S.C. § 1125(d)(1)(B)(i)(IV). The legislature believed this provision necessary to "protect[ ] the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc." S.Rep. No. 106-140 (1999), 1999 WL 594571, at *8.

In contrast, the trademark infringement and false designation of origin provisions of the Lanham Act (Sections 32 and 43(a), respectively) do not employ the term "noncommercial." They do state, however, that they pertain only to the use of a mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services," 15 U.S.C. § 1114(1)(a), or "in connection with any goods or services," *id.* § 1125(a)(1). But courts have been reluctant to define those terms narrowly.[2] Rather, as the Second Circuit has explained, "[t]he term 'services' has been interpreted broadly" and so "[t]he Lanham Act has ... been applied to defendants furnishing a wide variety of non-commercial public and civic benefits." *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*, 128 F.3d 86, 89-90 (2d Cir.1997). Similarly, in *PETA* we noted that a website need not actually sell goods or services for the use of a mark in that site's domain name to constitute a use " 'in connection with' goods or services." [*People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 365 (4th Cir. 2001)]; *see also* Taubman Co., 319 F.3d at 775 (concluding that website with *two* links to websites of for-profit entities violated the Lanham Act).

Thus, even if we accepted Lamparello's contention that Sections 32 and 43(a) of the Lanham Act apply only to commercial speech, we would still face the difficult question of what constitutes such speech under those provisions. In the case at hand, we need not resolve that question or determine whether Sections 32 and 43(a) apply exclusively to commercial speech because Reverend Falwell's claims of trademark infringement and false designation fail for a more obvious reason. The hallmark of such claims is a likelihood of confusion-and there is no likelihood of confusion here.

B.

1.

"[T]he use of a competitor's mark that does not cause confusion as to source is permissible." *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 380 (7th Cir.1996). Accordingly, Lamparello can only be liable for infringement and false designation if his use of Reverend Falwell's mark would be likely to cause confusion as to the source of the website found at www.fallwell.com. This likelihood-of-confusion test "generally strikes a comfortable balance" between the First Amendment and the rights of markholders. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir.2002).

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[2] Indeed, Lamparello agreed at oral argument that the Lanham Act's prohibitions on infringement and false designation apply to more than just commercial speech as defined by the Supreme Court. [ed. note: This case predates *Radiance Foundation, Inc. v. NAACP*, discussed in an earlier class.]

We have identified seven factors helpful in determining whether a likelihood of confusion exists as to the source of a work, but "not all these factors are always relevant or equally emphasized in each case." *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir.1984) (internal quotation marks, citations, and brackets omitted). The factors are: "(a) the strength or distinctiveness of the mark; (b) the similarity of the two marks; (c) the similarity of the goods/services the marks identify; (d) the similarity of the facilities the two parties use in their businesses; (e) the similarity of the advertising used by the two parties; (f) the defendant's intent; (g) actual confusion." *Id.* (citation omitted).

Reverend Falwell's mark is distinctive, and the domain name of Lamparello's website, www.fallwell.com, closely resembles it. But, although Lamparello and Reverend Falwell employ similar marks online, Lamparello's website looks nothing like Reverend Falwell's; indeed, Lamparello has made no attempt to imitate Reverend Falwell's website. Moreover, Reverend Falwell does not even argue that Lamparello's website constitutes advertising or a facility for business, let alone a facility or advertising similar to that of Reverend Falwell. Furthermore, Lamparello clearly created his website intending only to provide a forum to criticize ideas, not to steal customers.

Most importantly, Reverend Falwell and Lamparello do not offer similar goods or services. Rather they offer opposing ideas and commentary. Reverend Falwell's mark identifies his spiritual and political views; the website at www.fallwell.com criticizes those very views. After even a quick glance at the content of the website at www.fallwell.com, no one seeking Reverend Falwell's guidance would be misled by the domain name-www.fallwell.com-into believing Reverend Falwell authorized the content of that website. No one would believe that Reverend Falwell sponsored a site criticizing himself, his positions, and his interpretations of the Bible. *See New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308-09 (9th Cir.1992) (stating that use of a mark to solicit criticism of the markholder implies the markholder is not the sponsor of the use).[3]

Finally, the fact that people contacted Reverend Falwell's ministry to report that they found the content at www.fallwell.com antithetical to Reverend Falwell's views does not illustrate, as Reverend Falwell claims, that the website engendered actual confusion. To the contrary, the anecdotal evidence Reverend Falwell

[3] If Lamparello had neither criticized Reverend Falwell by name nor expressly rejected Reverend Falwell's teachings, but instead simply had quoted Bible passages and offered interpretations of them subtly different from those of Reverend Falwell, this would be a different case. For, while a gripe site, or a website dedicated to criticism of the markholder, will seldom create a likelihood of confusion, a website purporting to be the official site of the markholder and, for example, articulating positions that could plausibly have come from the markholder may well create a likelihood of confusion.

submitted shows that those searching for Reverend Falwell's site and arriving instead at Lamparello's site quickly realized that Reverend Falwell was *not* the source of the content therein.

For all of these reasons, it is clear that the undisputed record evidences no likelihood of confusion. In fact, Reverend Falwell even conceded at oral argument that those viewing the content of Lamparello's website probably were unlikely to confuse Reverend Falwell with the source of that material.

2.

Nevertheless, Reverend Falwell argues that he is entitled to prevail under the "initial interest confusion" doctrine. This relatively new and sporadically applied doctrine holds that "the Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated." *Dorr-Oliver,* 94 F.3d at 382. According to Reverend Falwell, this doctrine requires us to compare his mark with Lamparello's website domain name, www.fallwell.com, *without* considering the content of Lamparello's website. Reverend Falwell argues that some people who misspell his name may go to www.fallwell.com assuming it is his site, thus giving Lamparello an unearned audience-albeit one that quickly disappears when it realizes it has not reached Reverend Falwell's site. This argument fails for two reasons.

First, we have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by "examin[ing] the allegedly infringing use *in the context in which it is seen by the ordinary consumer.*" *Anheuser-Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 319 (4th Cir.1992) (emphasis added) (citing cases). . . .

Moreover, even if we did endorse the initial interest confusion theory, that theory would not assist Reverend Falwell here because it provides no basis for liability in circumstances such as these. The few appellate courts that have followed the Ninth Circuit and imposed liability under this theory for using marks on the Internet have done so only in cases involving a factor utterly absent here-one business's use of another's mark for its own financial gain.

Profiting financially from initial interest confusion is thus a key element for imposition of liability under this theory.[5] When an alleged infringer does not compete with the markholder for sales, "some initial confusion will not likely facilitate free riding on the goodwill of another mark, or otherwise harm the user claiming infringement. Where confusion has little or no meaningful effect in the marketplace, it is of little or no consequence in our analysis." *Checkpoint Sys.,* 269

[5] Offline uses of marks found to cause actionable initial interest confusion also have involved financial gain....

F.3d at 296-97. For this reason, even the Ninth Circuit has stated that a firm is not liable for using another's mark in its domain name if it "could not financially capitalize on [a] misdirected consumer [looking for the markholder's site] even if it so desired." *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir.2002).

This critical element-use of another firm's mark to capture the markholder's customers and profits-simply does not exist when the alleged infringer establishes a gripe site that criticizes the markholder. *See* Hannibal Travis, *The Battle For Mindshare: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 Va. J.L. & Tech. 3, 85 (Winter 2005) ("The premise of the 'initial interest' confusion cases is that by using the plaintiff's trademark to divert its customers, the defendant is engaging in the old 'bait and switch.' But because ... Internet users who find [gripe sites] are not sold anything, the mark may be the 'bait,' but there is simply no 'switch.' ") (citations omitted).[6] Applying the initial interest confusion theory to gripe sites like Lamparello's would enable the markholder to insulate himself from criticism-or at least to minimize access to it. We have already condemned such uses of the Lanham Act, stating that a markholder cannot " 'shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.' " *CPC Int'l*, 214 F.3d at 462 (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 33 (1st Cir.1987)). "[J]ust because speech is critical of a corporation and its business practices is not a sufficient reason to enjoin the speech." *Id.*

In sum, even if we were to accept the initial interest confusion theory, that theory would not apply in the case at hand. Rather, to determine whether a likelihood of confusion exists as to the source of a gripe site like that at issue in this case, a court must look not only to the allegedly infringing domain name, but also to the underlying content of the website. When we do so here, it is clear, as

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[6] Although the appellate courts that have adopted the initial interest confusion theory have only applied it to profit-seeking uses of another's mark, the district courts have not so limited the application of the theory. Without expressly referring to this theory, two frequently-discussed district court cases have held that using another's domain name to post content antithetical to the markholder constitutes infringement. *See Planned Parenthood Fed'n of Am., Inc. v. Bucci*, No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. March 24, 1997), *aff'd*, 152 F.3d 920 (2d Cir.1998) (table) (finding use of domain name "www.plannedparenthood.com" to provide links to passages of anti-abortion book constituted infringement); *Jews for Jesus v. Brodsky*, 993 F.Supp. 282 (D.N.J.1998), *aff'd*, 159 F.3d 1351 (3d Cir.1998) (table) (finding use of "www.jewsforjesus.org" to criticize religious group constituted infringement). We think both cases were wrongly decided to the extent that in determining whether the domain names were confusing, the courts did not consider whether the websites' content would dispel any confusion. In expanding the initial interest confusion theory of liability, these cases cut it off from its moorings to the detriment of the First Amendment.

explained above, that no likelihood of confusion exists. Therefore, the district court erred in granting Reverend Falwell summary judgment on his infringement, false designation, and unfair competition claims.

III.

We evaluate Reverend Falwell's cybersquatting claim separately because the elements of a cybersquatting violation differ from those of traditional Lanham Act violations. To prevail on a cybersquatting claim, Reverend Falwell must show that Lamparello: (1) "had a bad faith intent to profit from using the [www.fallwell.com] domain name," and (2) the domain name www.fallwell.com "is identical or confusingly similar to, or dilutive of, the distinctive and famous [Falwell] mark."

"The paradigmatic harm that the ACPA was enacted to eradicate" is "the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of the mark." *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 810 (6th Cir.2004). The Act was also intended to stop the registration of multiple marks with the hope of selling them to the highest bidder, "distinctive marks to defraud consumers" or "to engage in counterfeiting activities," and "well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site, many of which are pornography sites that derive advertising revenue based on the number of visits, or 'hits,' the site receives." S.Rep. No. 106-140, 1999 WL 594571, at *5-6. The Act was not intended to prevent "noncommercial uses of a mark, such as for comment, criticism, parody, news reporting, etc.," and thus they "are beyond the scope" of the ACPA. *Id.* at *9.

To distinguish abusive domain name registrations from legitimate ones, the ACPA directs courts to consider nine nonexhaustive factors:

> (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
>
> (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
>
> (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the

> intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
>
> (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
>
> (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
>
> (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of the registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and
>
> (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section.

15 U.S.C. § 1125(d)(1)(B)(i) . . . .

These factors attempt "to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, *comment, criticism,* parody, news reporting, fair use, etc." H.R. Rep. No. 106-412, 1999 WL 970519, at *10 (emphasis added). "The first four [factors] suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the others suggest circumstances that may tend to indicate that such bad-faith intent exists." *Id.* However, "[t]here is no simple formula for evaluating and weighing these factors. For example, courts do not simply count up which party has more factors in its favor after the evidence is in." *Harrods Ltd. v. Sixty Internet Domain Names,* 302 F.3d 214, 234 (4th Cir.2002). In fact, because use of these listed factors is permissive, "[w]e need not ... march through" them all in every case. *Virtual Works, Inc. v. Volkswagen of Am., Inc.,* 238 F.3d 264, 269 (4th Cir.2001). "The factors are given to courts as a guide, not as a substitute for careful thinking about whether the conduct at issue is motivated by a bad faith intent to profit." *Lucas Nursery & Landscaping,* 359 F.3d at 811.

After close examination of the undisputed facts involved in this case, we can only conclude that Reverend Falwell cannot demonstrate that Lamparello "had a bad faith intent to profit from using the [www.fallwell.com] domain name." *PETA*, 263 F.3d at 367. Lamparello clearly employed www.fallwell.com simply to criticize Reverend Falwell's views. Factor IV of the ACPA, 15 U.S.C. § 1125(d)(1)(B)(i)(IV), counsels against finding a bad faith intent to profit in such circumstances because "use of a domain name for purposes of ... comment, [and] criticism," H.R.Rep. No. 106-412, 1999 WL 970519, at *11, constitutes a "bona fide noncommercial or fair use" under the statute, 15 U.S.C. § 1125(d)(1)(B)(i)(IV).[7] That Lamparello provided a link to an Amazon.com webpage selling a book he favored does not diminish the communicative function of his website. The use of a domain name to engage in criticism or commentary "even where done for profit" does not alone evidence a bad faith intent to profit, H.R.Rep. No. 106-412, 1999 WL 970519, at *11, and Lamparello did not even stand to gain financially from sales of the book at Amazon.com. Thus factor IV weighs heavily in favor of finding Lamparello lacked a bad faith intent to profit from the use of the domain name.

Equally important, Lamparello has not engaged in the type of conduct described in the statutory factors as typifying the bad faith intent to profit essential to a successful cybersquatting claim. First, we have already held, *supra* Part II.B, that Lamparello's domain name does not create a likelihood of confusion as to source or affiliation. Accordingly, Lamparello has not engaged in the type of conduct-"creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site," 15 U.S.C. § 1125(d)(1)(B)(i)(V)-described as an indicator of a bad faith intent to profit in factor V of the statute.

Factors VI and VIII also counsel against finding a bad faith intent to profit here. Lamparello has made no attempt-or even indicated a willingness-"to transfer, sell, or otherwise assign the domain name to [Reverend Falwell] or any third party for financial gain." 15 U.S.C. § 1125(d)(1)(B)(i)(VI). Similarly, Lamparello has not registered "multiple domain names," 15 U.S.C. § 1125(d)(1)(B)(i)(VIII); rather, the

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[7] We note that factor IV does not protect a faux noncommercial site, that is, a noncommercial site created by the registrant for the sole purpose of avoiding liability under the FTDA, which exempts noncommercial uses of marks, *see* 15 U.S.C. § 1125(c)(4)(B), or under the ACPA. As explained by the Senate Report discussing the ACPA, an individual cannot avoid liability for registering and attempting to sell a hundred domain names incorporating famous marks by posting noncommercial content at those domain names. *See* S.Rep. No. 106-140, 1999 WL 594571, at *14 (citing *Panavision Int'l v. Toeppen*, 141 F.3d 1316 (9th Cir.1998)). But Lamparello's sole purpose for registering www.fallwell.com was to criticize Reverend Falwell, and this noncommercial use was not a ruse to avoid liability. Therefore, factor IV indicates that Lamparello did not have a bad faith intent to profit.

record indicates he has registered only one. Thus, Lamparello's conduct is not of the suspect variety described in factors VI and VIII of the Act.

Notably, the case at hand differs markedly from those in which the courts have found a bad faith intent to profit from domain names used for websites engaged in political commentary or parody. For example, in PETA we found the registrant of www.peta.org engaged in cybersquatting because www.peta.org was one of *fifty* to *sixty* domain names Doughney had registered, PETA, 263 F.3d at 362, and because Doughney had evidenced a clear intent to sell www.peta.org to PETA, stating that PETA should try to " 'settle' with him and 'make him an offer.' " *Id.* at 368. *See also* *Virtual Works*, 238 F.3d at 269-70. Similarly, in *Coca-Cola Co. v. Purdy*, 382 F.3d 774 (8th Cir.2004), the Eighth Circuit found an anti-abortion activist who had registered domain names incorporating famous marks such as "Washington Post" liable for cybersquatting because he had registered almost *seventy* domain names, had offered to stop using the Washington Post mark if the newspaper published an opinion piece by him on its editorial page, and posted content that created a likelihood of confusion as to whether the famous markholders sponsored the anti-abortion sites and "ha[d] taken positions on hotly contested issues." *Id.* at 786. In contrast, Lamparello did not register multiple domain names, he did not offer to transfer them for valuable consideration, and he did not create a likelihood of confusion.

Instead, Lamparello, like the plaintiffs in two cases recently decided by the Fifth and Sixth Circuits, created a gripe site. Both courts expressly refused to find that gripe sites located at domain names nearly identical to the marks at issue violated the ACPA. . . .

Like [the defendants in those cases] Lamparello has not evidenced a bad faith intent to profit under the ACPA. To the contrary, he has used www.fallwell.com to engage in the type of "comment[ ][and] criticism" that Congress specifically stated militates against a finding of bad faith intent to profit. *See* S. Rep. No. 106-140, 1999 WL 594571, at *14. And he has neither registered multiple domain names nor attempted to transfer www.fallwell.com for valuable consideration. We agree with the Fifth and Sixth Circuits that, given these circumstances, the use of a mark in a domain name for a gripe site criticizing the markholder does not constitute cybersquatting. . . .

Notes

Modification of the multifactor test. Some cases suggest that infringement in cyberspace requires an adjusted view of the multifactor test. In *GoTo.com, Inc. v. Walt Disney Co*., 202 F.3d 1199, 1205 (9th Cir. 2000), the Ninth Circuit stated that "[i]n the context of the Web in particular, the three most important *Sleekcraft* factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel" (internal quotation mark omitted). Does this make sense? Is it based on a perhaps outdated view of the sophistication of internet users about the medium? *Cf. id.* at 1206 ("Our ever-growing dependence on the Web may force us eventually to evolve into increasingly sophisticated users of the medium, but, for now, we can safely conclude that the use of remarkably similar trademarks on different web sites creates a likelihood of confusion amongst Web users.").

More recently the court retreated somewhat to clarify that the "internet troika" was not a uniform rule to be applied to any internet case, though it was perhaps relevant when considering infringement through domain names. Network Automation, Inc. v. Advanced Systems Concepts, Inc., 638 F.3d 1137, 1148 (9th Cir. 2011).

Speaking of domain names, under what circumstances is the use of a mark in a domain name likely to be confusing? Consider the following:

> The importance ascribed to trademark.com in fact suggests that far less confusion will result when a domain making nominative use of a trademark includes characters in addition to those making up the mark. Because the official Lexus site is almost certain to be found at lexus.com (as, in fact, it is), it's far less likely to be found at other sites containing the word Lexus. On the other hand, a number of sites make nominative use of trademarks in their domains but are not sponsored or endorsed by the trademark holder: You can preen about your Mercedes at mercedesforum.com and mercedestalk.net, read the latest about your double-skim-no-whip latte at starbucksgossip.com and find out what goodies the world's greatest electronics store has on sale this week at fryselectronics-ads.com. Consumers who use the internet for shopping are generally quite sophisticated about such matters and won't be fooled into thinking that the prestigious German car manufacturer sells boots at mercedesboots.com, or homes at mercedeshomes.com, or that comcastsucks.org is sponsored or endorsed by the TV cable company just because the string of letters making up its trademark appears in the domain.

Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1178 (9th Cir. 2010).

Cybersquatting and ACPA. Prior to the passage of the Anticybersquatting Consumer Protection Act ("ACPA"), trademark holders largely resorted to dilution and infringement claims to try to force the transfer of domain names that constituted trademarks. Some of these claims were strained. For example, in *Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998), the defendant registered Panavision.com and used the site to display images of the city of Pana, IL. Because registration appeared to be an effort to obtain payment from Panavision, the court used a dilution theory to rule in Panavision's favor, even though the domain name's usage did not appear to neatly fit either the blurring or tarnishment categories of dilution. (Dilution is discussed in the next reading.) ACPA was designed in part to solve some of these problems.

Congress intended ACPA to target those who "register well-known brand names as Internet domain names in order to extract payment from the rightful owners of the marks, . . . register well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site, and target distinctive marks to defraud consumers, including to engage in counterfeiting activities.' " Lucas Nursery v. Grosse, 359 F.3d 806, 809 (6th Cir.2004) (quoting S.Rep. No. 106-104 at 5-6). But if a domain name doesn't cause confusion or dilution, is so-called cybersquatting important enough to enjoin? Why should trademark holders who failed to register domain names get to force their transfer? What would be the pros and cons of a first-to-register regime for domain names that made no special allowances for pre-existing trademark rights?

Competing standards. Is an ACPA claim easier to prove than one for trademark infringement? Are there advantages to the ACPA approach? On this issue, note the overlap between ACPA's standards and those of the Uniform Domain Name Dispute Resolution Policy (discussed below).

In rem jurisdiction. One aspect of note of the statute is its jurisdictional provision allowing suit to be filed *in rem* against the domain names themselves if the plaintiff "is not able to obtain *in personam* jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or (II) through due diligence was not able to find a person who would have been a defendant[.]" The Fourth Circuit has commented that the statute prefers *in personam* jurisdiction, but refused to allow a defendant to evade *in rem* jurisdiction over its domain names by submitting to *in personam* jurisdiction in a distant federal court after the litigation had began in the appropriate jurisdiction for the domain names. Porsche Cars North America, Inc. v. Porsche.Net, 302 F.3d 248 (4th Cir. 2002).

The UDRP

Most adjudicated domain name disputes are handled without the courts via the Uniform Domain Name Dispute Resolution Policy, which was instituted by ICANN.

FAQs from the World Intellectual Property Association ("WIPO") (http://www.wipo.int/amc/en/domains/guide/index.html):

What is the Uniform Domain Name Dispute Resolution Policy?

The Uniform Domain Name Dispute Resolution Policy (the UDRP Policy) sets out the legal framework for the resolution of disputes between a domain name registrant and a third party (i.e., a party other than the registrar) over the abusive registration and use of an Internet domain name in the generic top level domains or gTLDs (e.g., .biz, .com, .info, .mobi, .name, .net, .org), and those country code top level domains or ccTLDs that have adopted the UDRP Policy on a voluntary basis. At its meetings on August 25 and 26, 1999 in Santiago, Chile, the ICANN Board of Directors adopted the UDRP Policy, based largely on the recommendations contained in the Report of the WIPO Internet Domain Name Process, as well as comments submitted by registrars and other interested parties. All ICANN-accredited registrars that are authorized to register names in the gTLDs and the ccTLDs that have adopted the Policy have agreed to abide by and implement it for those domains. Any person or entity wishing to register a domain name in the gTLDs and ccTLDs in question is required to consent to the terms and conditions of the UDRP Policy. . . .

Who can use the UDRP Administrative Procedure?

Any person or company in the world can file a domain name complaint concerning a gTLD using the UDRP Administrative Procedure. . . .

What types of disputes are covered by the UDRP Administrative Procedure?

According to Paragraph 4(a) of the UDRP Policy, the UDRP Administrative Procedure is only available for disputes concerning an alleged abusive registration of a domain name; that is, which meet the following criteria:

(i) the domain name registered by the domain name registrant is identical or confusingly similar to a trademark or service mark in which the complainant (the person or entity bringing the complaint) has rights; and

(ii) the domain name registrant has no rights or legitimate interests in respect of the domain name in question; and

(iii) the domain name has been registered and is being used in bad faith

What circumstances are evidence that a domain name has been registered and is being used in bad faith?

Paragraph 4(b) of the UDRP Policy sets out the following examples of circumstances that will be considered by an Administrative Panel to be evidence of the bad faith registration and use of a domain name:

(i) Circumstances indicating that the domain name was registered or acquired primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of the domain name registrant's out-of-pocket costs directly related to the domain name; or

(ii) The domain name was registered in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the domain name registrant has engaged in a pattern of such conduct; or

(iii) The domain name was registered primarily for the purpose of disrupting the business of a competitor; or

(iv) By using the domain name, the domain name registrant intentionally attempted to attract for financial gain, Internet users to the registrant's website or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the registrant's website or location or of a product or service on the registrant's website or location.

The above examples are not exclusive and other circumstances may exist that demonstrate the registration and use of a domain name in bad faith.

What are the advantages of the UDRP Administrative Procedure?

The main advantage of the UDRP Administrative Procedure is that it typically provides a faster and cheaper way to resolve a dispute regarding the registration and use of an Internet domain name than going to court. In addition, the procedures are considerably more informal than litigation and the decision-makers are experts in such areas as international trademark law, domain name issues, electronic commerce, the Internet and dispute resolution. It is also international in scope: it provides a single mechanism for resolving a domain name dispute regardless of where the registrar or the domain name holder or the complainant are located.

If I use the UDRP Administrative Procedure, can I still go to court?

Yes. Paragraph 4(k) of the UDRP Policy provides that the mandatory administrative proceeding requirement shall not prevent either the domain name registrant (Respondent) or the third party (Complainant) from submitting the dispute to a court of competent jurisdiction for independent resolution. It is possible for a party to start a lawsuit in court before an administrative proceeding is commenced. A party can also commence a lawsuit after the administrative proceeding is concluded if it is not satisfied with the outcome. . . .

What are the various stages in the UDRP Administrative Procedure?

The five basic stages in a UDRP Administrative Procedure are:

(1) The filing of a Complaint with an ICANN-accredited dispute resolution service provider chosen by the Complainant, such as the WIPO Center;

(2) The filing of a Response by the person or entity against whom the Complaint was made;

(3) The appointment by the chosen dispute resolution service provider of an Administrative Panel of one or three persons who will decide the dispute;

(4) The issuance of the Administrative Panel's decision and the notification of all relevant parties; and

(5) The implementation of the Administrative Panel's decision by the registrar(s) concerned should there be a decision that the domain name(s) in question be cancelled or transferred. . . .

How long does the UDRP Administrative Procedure take?

The Administrative Procedure normally should be completed within 60 days of the date the WIPO Center receives the Complaint.

How much does the UDRP Administrative Procedure cost?

For a case filed with the WIPO Center involving between 1 and 5 domain names that is to be decided by a single Panelist, the fee is USD1500. For a case that is to be decided by 3 Panelists, the fee is USD4000.

For a case involving between 6 and 10 domain names that is to be decided by a single Panelist, the fee is USD2000 and USD5000 for a case that is to be decided by 3 Panelists.

It is the parties that decide whether the case is to proceed before 1 or 3 Panelists.

The Complainant is responsible for paying the total fees. The only time the Respondent has to share in the fees is when the Respondent chooses to have the case decided by 3 Panelists and the Complainant had chosen a single Panelist.

The fees described above do not include any payment that might have to be made to a lawyer representing a party in the administrative proceeding. . . .

Are in-person hearings required in the UDRP Administrative Procedure?

Paragraph 13 of the UDRP Rules makes it clear that there shall be no in-person hearings (including hearings by teleconference, videoconference, and web conference), unless the Administrative Panel determines, only as an exceptional matter, that a hearing is necessary in order for it to make its decision. . . .

What is an Administrative Panel?

An Administrative Panel is composed of one or three independent and impartial persons appointed by the dispute resolution service provider that is selected to administer the dispute in accordance with the UDRP Policy and Rules. The Administrative Panel is independent of the dispute resolution service provider, ICANN, the concerned registrar(s) and the parties. . . .

How is an Administrative Panel decision implemented?

An Administrative Panel decision is implemented by the registrar with which the contested domain name is registered at the time the decision is rendered.

In accordance with Paragraph 4(k) of the UDRP Policy, the registrar is required to implement the Panel's decision 10 business days after it receives notification of the decision from the dispute resolution service provider, except if the registrar receives proper information from the domain name registrant (Respondent) in that 10-day period that it is challenging the decision in court (see below).

Each registrar establishes its own guidelines concerning the implementation of the transfer or cancellation of a domain name registration pursuant to an Administrative Panel's decision.

Is it possible to challenge an Administrative Panel decision?

Yes. Paragraph 4(k) of the Policy allows a domain name registrant that loses in the Administrative Proceeding to challenge the Administrative Panel's decision by filing a lawsuit in certain courts. As noted above, the concerned registrar(s) will implement the Panel's decision 10 business days after it receives notification of the decision from the dispute resolution service provider, unless it receives from the registrant during that 10-day period official documentation (such as a copy of a complaint, file-stamped by the clerk of the court) that the registrant has commenced a lawsuit against the Complainant in a jurisdiction to which the Complainant has submitted under Paragraph 3(b)(xiii) of the UDRP Rules, i.e., a "Mutual Jurisdiction" (see below).

The concerned registrar will then take no further action until it receives:

(i) Satisfactory evidence of a resolution of the dispute between the parties; or

(ii) Satisfactory evidence that the domain name registrant's lawsuit has been dismissed or withdrawn; or

(iii) A copy of an order from the court in which the lawsuit was filed dismissing the lawsuit or ordering that the domain name registrant has no right to continue to use the domain name.

Precedents under the UDRP. Given the vast number, and non-precedential quality, of UDRP cases, the UDRP lacks the sort of "case law" available in litigation in the United States. In an effort to provide some guidance, WIPO has published a guide drawing on the experience of its panels with respect to some recurring issues: https://www.wipo.int/amc/en/domains/search/overview3.0/. Some such questions unhelpfully (but perhaps unsurprisingly) yield varied approaches (e.g., panels divide on whether to order transfers of "a domain name consisting of a trademark and a negative term confusingly similar to the complainant's trademark? ('sucks cases')"). Remember, however, that these precedents are not binding on U.S. courts. *See, e.g.*, Barcelona.com, Incorporated v. Excelentisimo Ayuntamiento de Barcelona, 330 F.3d 617, 626 (4th Cir. 2003) ("[W]e give the decision of the WIPO panelist no deference in deciding this [Lanham Act] action[.]").

Many UDRP opinions can be found online. To get a flavor of the frequency that some trademark holders need to resort to the UDRP, try visiting http://domains.adrforum.com/decision.aspx and typing google in the complainant field. You'll see that Google wins the vast majority of the time (often the registrant does not even file a response to the panel), but there are a few exceptions here and there.

19. Dilution

Section 43(c) of the Lanham Act (15 U.S.C. § 1125(c))

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), 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. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117 (a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—

(A)

(i) is brought by another person under the common law or a statute of a State; and

(ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

(B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

Visa Intern. Service Ass'n v. JSL Corp.
610 F.3d 1088 (9th Cir. 2010)

KOZINSKI[*], Chief Judge:

She sells sea shells by the sea shore. That's swell, but how about Shell espresso, Tide motor oil, Apple bicycles and Playboy computers? We consider the application of anti-dilution law to trademarks that are also common English words.

Facts

Joseph Orr runs eVisa, a "multilingual education and information business that exists and operates exclusively on the Internet," at www. evisa. com. At least he did, until the district court enjoined him. Orr traces the name eVisa back to an English language tutoring service called "Eikaiwa Visa" that he ran while living in Japan. "Eikaiwa" is Japanese for English conversation, and the "e" in eVisa is short for Eikaiwa. The use of the word "visa" in both eVisa and Eikaiwa Visa is meant to suggest "the ability to travel, both linguistically and physically, through the English-speaking world." Orr founded eVisa shortly before his return to America, where he started running it out of his apartment in Brooklyn, New York.

Visa International Service Association sued JSL Corporation, through which Orr operates eVisa, claiming that eVisa is likely to dilute the Visa trademark. The district court granted summary judgment for Visa, and JSL appeals.

Analysis

A plaintiff seeking relief under federal anti-dilution law must show that its mark is famous and distinctive, that defendant began using its mark in commerce after plaintiff's mark became famous and distinctive, and that defendant's mark is likely to dilute plaintiff's mark. JSL does not dispute that the Visa mark is famous and distinctive or that JSL began using the eVisa mark in commerce after Visa achieved its renown. JSL claims only that the district court erred when it found as a matter of law that eVisa was likely to dilute the Visa trademark.

There are two types of dilution, but here we are concerned only with dilution by blurring, which occurs when a mark previously associated with one product also becomes associated with a second. *See* 15 U.S.C. § 1125(c)(2)(B); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903-04 (9th Cir.2002). This weakens the mark's ability to evoke the first product in the minds of consumers. "For example, Tylenol

[*] Judge Alex Kozinski retired from the bench in 2017 after accusations of sexual misconduct by multiple women.

snowboards, Netscape sex shops and Harry Potter dry cleaners would all weaken the 'commercial magnetism' of these marks and diminish their ability to evoke their original associations." Mattel, 296 F.3d at 903. Dilution isn't confusion; quite the contrary. Dilution occurs when consumers form new and different associations with the plaintiff's mark. "Even if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one." *Id.*

Whether a defendant's mark creates a likelihood of dilution is a factual question generally not appropriate for decision on summary judgment. Nevertheless, summary judgment may be granted in a dilution case, as in any other, if no reasonable fact-finder could fail to find a likelihood of dilution. Congress has enumerated factors courts may use to analyze the likelihood of dilution, including the similarity between the two marks and the distinctiveness and recognition of the plaintiff's mark. 15 U.S.C. § 1125(c)(2)(B)(i), (ii), (iv). And, in an appropriate case, the district court may conclusively determine one or more of these factors before trial.

The marks here are effectively identical; the only difference is the prefix "e," which is commonly used to refer to the electronic or online version of a brand. That prefix does no more to distinguish the two marks than would the words "Corp." or "Inc." tacked onto the end. *See* *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029, 1036 (9th Cir.2007) (use of identical mark provides "circumstantial evidence" of dilution).

And Visa is a strong trademark. "In general, the more unique or arbitrary a mark, the more protection a court will afford it." *Nutri/System, Inc. v. Con-Stan Indus., Inc.*, 809 F.2d 601, 605 (9th Cir.1987). The Visa mark draws on positive mental associations with travel visas, which make potentially difficult transactions relatively simple and facilitate new opportunities and experiences. Those are good attributes for a credit card. But those associations are sufficiently remote that the word visa wouldn't make people think of credit cards if it weren't for the Visa brand. "This suggests that any association is the result of goodwill and deserves broad protection from potential infringers." *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127, 1130 n.7 (9th Cir.1998). Visa also introduced uncontroverted evidence that Visa is the world's top brand in financial services and is used for online purchases almost as often as all other credit cards combined. This was enough to support the district court's summary judgment.

JSL vigorously contests the validity of market surveys and expert testimony introduced by Visa to show that eVisa dilutes the Visa mark, and it claims that evidence should have been excluded under *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993). But a plaintiff seeking to establish a likelihood of dilution is not required to go to the expense of producing expert testimony or market surveys; it may rely entirely on the characteristics of the marks at issue. *See* 15 U.S.C. § 1125(c)(2)(B) (listing relevant factors). Expert testimony and survey evidence may be necessary in marginal cases, or where a defendant introduces significant evidence to show that dilution is unlikely. But JSL presented nothing, other than Orr's statement that he did not intend to dilute the Visa mark, to rebut the inference of likely dilution created by the strength and similarity of the marks. Good intentions alone do not negate a showing of a likelihood of dilution. We therefore need not reach the admissibility of Visa's expert testimony and market survey evidence.

JSL claims the eVisa mark cannot cause dilution because, in addition to being an electronic payment network that's everywhere you want to be, a visa is a travel document authorizing the bearer to enter a country's territory. When a trademark is also a word with a dictionary definition, it may be difficult to show that the trademark holder's use of the word is sufficiently distinctive to deserve anti-dilution protection because such a word is likely to be descriptive or suggestive of an essential attribute of the trademarked good. Moreover, such a word may already be in use as a mark by third parties. For example, we rejected a dilution claim by Trek Bicycle Corporation for its "Trek" mark in part because it played heavily off the dictionary meaning of "trek," suggesting that the bicycles were designed for long or arduous journeys. *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 912 n.14 (9th Cir.2002). Additionally, the creators of the Star Trek series had already "incorporated this common English language word into their trademark," and the "glow of this celebrity ma[de] it difficult for Trek to obtain fame using the same word." *Id.* In our case, Visa's use of the word visa is sufficiently distinctive because it plays only weakly off the dictionary meaning of the term and JSL presented no evidence that a third party has used the word as a mark.

It's true that the word visa is used countless times every day for its common English definition, but the prevalence of such non-trademark use does not undermine the uniqueness of Visa as a trademark. *See* *2 McCarthy on Trademarks and Unfair Competition* § 11:87 (4th ed.2010). "The significant factor is not whether the word itself is common, but whether the way the word is used in a particular context is unique enough to warrant trademark protection." *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1190 n.4 (6th Cir.1988). In the context of anti-dilution law, the "particular context" that matters is use of the word in commerce to identify a good or service. There are, for instance, many camels, but just one Camel; many tides, but just one Tide. Camel cupcakes and Tide calculators would dilute the value of those marks. Likewise, despite widespread use of the word visa for its common English meaning, the introduction of the eVisa mark to the marketplace means that there are now two products, and not just one, competing for association with that word. This is the quintessential harm addressed by anti-dilution law.

JSL is not using the word visa for its literal dictionary definition, and this would be a different case if it were. Visa does not claim that it could enforce its Visa trademark to prevent JSL from opening "Orr's Visa Services," any more than Apple could shut down Orr's Apple Orchard or Camel could fold up Orr's Camel Breeders. Visa doesn't own the word "visa" and may not "deplete the stock of useful words" by asserting otherwise. Conferring anti-dilution rights to common English words would otherwise be untenable, as whole swaths of the dictionary could be taken out of circulation. Nor would a suit against Orr's Visa Services advance the purpose of anti-dilution law. Such use of the word would not create a new association for the word with a product; it would merely evoke the word's existing dictionary meaning, as to which no one may claim exclusivity.

JSL argues that its use of the word "visa" is akin to Orr's Visa Services because the eVisa mark is meant to "connote the ability to travel, both linguistically and physically, through the English-speaking world" and therefore employs the word's common English meaning. JSL's site depicted the eVisa mark next to a booklet that looks like a passport, and it divided the services offered into the categories "Travel Passport," "Language Passport" and "Technology Passport." But these allusions to the dictionary definition of the word visa do not change the fact that JSL has created a novel meaning for the word: to identify a "multilingual education and information business." This multiplication of meanings is the essence of dilution by blurring. Use of the word "visa" to refer to travel visas is permissible because it doesn't have this effect; the word elicits only the standard dictionary definition. Use of the word visa in a trademark to refer to a good or service other than a travel visa, as in this case, undoubtedly does have this effect; the word becomes associated with two products, rather than one. This is true even when use of the word also gestures at the word's dictionary definition.

JSL's allusions to international travel are more obvious and heavy-handed than Visa's, and JSL claims that its use of the word is therefore "different" from Visa's. That's true; Visa plays only weakly off the word's association with international travel, whereas JSL embraced the metaphor with gusto. But dilution always involves use of a mark by a defendant that is "different" from the plaintiff's use; the injury addressed by anti-dilution law in fact occurs when marks are placed in new and different contexts, thereby weakening the mark's ability to bring to mind the plaintiff's goods or services. The only context that matters is that the marks are both used in commerce as trademarks to identify a good or service, as they undoubtedly are in this case.

The district court was quite right in granting summary judgment to Visa and enjoining JSL's use of the mark.

AFFIRMED.

Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC
507 F.3d 252 (2007)

NIEMEYER, Circuit Judge:

Louis Vuitton Malletier S.A., a French corporation located in Paris, that manufactures luxury luggage, handbags, and accessories, commenced this action against Haute Diggity Dog, LLC, a Nevada corporation that manufactures and sells pet products nationally, alleging trademark infringement under 15 U.S.C. § 1114(1)(a), trademark dilution under 15 U.S.C. § 1125(c), copyright infringement under 17 U.S.C. § 501, and related statutory and common law violations. Haute Diggity Dog manufactures, among other things, plush toys on which dogs can chew, which, it claims, parody famous trademarks on luxury products, including those of Louis Vuitton Malletier. The particular Haute Diggity Dog chew toys in question here are small imitations of handbags that are labeled "Chewy Vuiton" and that mimic Louis Vuitton Malletier's LOUIS VUITTON handbags. . . .

LVM also contends that Haute Diggity Dog's advertising, sale, and distribution of the "Chewy Vuiton" dog toys dilutes its LOUIS VUITTON, LV, and Monogram Canvas marks, which are famous and distinctive, in violation of the Trademark Dilution Revision Act of 2006 ("TDRA"). It argues, "Before the district court's decision, Vuitton's famous marks were unblurred by any third party trademark use." "Allowing defendants to become the first to use similar marks will obviously blur and dilute the Vuitton Marks." It also contends that "Chewy Vuiton" dog toys are likely to tarnish LVM's marks because they "pose a choking hazard for some dogs."

Haute Diggity Dog urges that, in applying the TDRA to the circumstances before us, we reject LVM's suggestion that a parody "automatically" gives rise to "actionable dilution." Haute Diggity Dog contends that only marks that are "identical or substantially similar" can give rise to actionable dilution, and its "Chewy Vuiton" marks are not identical or sufficiently similar to LVM's marks. It also argues that "[its] spoof, like other obvious parodies," " 'tends to increase public identification' of [LVM's] mark with [LVM]," quoting *Jordache*, 828 F.2d at 1490, rather than impairing its distinctiveness, as the TDRA requires. As for LVM's tarnishment claim, Haute Diggity Dog argues that LVM's position is at best based on speculation and that LVM has made no showing of a likelihood of dilution by tarnishment.

Claims for trademark dilution are authorized by the TDRA, a relatively recent enactment, which provides in relevant part:

> Subject to the principles of equity, the owner of a *famous* mark ... shall be entitled to an injunction against another person who ... commences use of a

> mark or trade name in commerce that is likely to cause *dilution by blurring* or *dilution by tarnishment* of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C.A. § 1125(c)(1) (emphasis added). A mark is "famous" when 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." *Id.* § 1125(c)(2)(A). Creating causes of action for only *dilution by blurring* and *dilution by tarnishment,* the TDRA defines "dilution by blurring" as the "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.* § 1125(c)(2)(B). It defines "dilution by tarnishment" as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." *Id.* § 1125(c)(2)(C).

Thus, to state a dilution claim under the TDRA, a plaintiff must show:

> (1) that the plaintiff owns a famous mark that is distinctive;
>
> (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
>
> (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
>
> (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

In the context of blurring, distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power. *See* *N.Y. Stock Exch. v. N.Y., N.Y. Hotel LLC,* 293 F.3d 550, 558 (2d Cir.2002) (observing that blurring occurs where the defendant's use creates "the possibility that the [famous] mark will lose its ability to serve as a unique identifier of the plaintiff's product") (*quoting* *Deere & Co. v. MTD Prods., Inc.,* 41 F.3d 39, 43 (2d Cir.1994)). In proving a dilution claim under the TDRA, the plaintiff need not show actual or likely confusion, the presence of competition, or actual economic injury. *See* 15 U.S.C.A. § 1125(c)(1).

The TDRA creates three defenses based on the defendant's (1) "fair use" (with exceptions); (2) "news reporting and news commentary"; and (3) "noncommercial use." *Id.* § 1125(c)(3).

A

We address first LVM's claim for dilution by blurring.

The first three elements of a trademark dilution claim are not at issue in this case. LVM owns famous marks that are distinctive; Haute Diggity Dog has commenced using "Chewy Vuiton," "CV," and designs and colors that are allegedly diluting LVM's marks; and the similarity between Haute Diggity Dog's marks and LVM's marks gives rise to an association between the marks, albeit a parody. The issue for resolution is whether the association between Haute Diggity Dog's marks and LVM's marks is likely to impair the distinctiveness of LVM's famous marks.

In deciding this issue, the district court correctly outlined the six factors to be considered in determining whether dilution by blurring has been shown. *See* 15 U.S.C.A. § 1125(c)(2)(B). But in evaluating the facts of the case, the court did not directly apply those factors it enumerated. It held simply:

> [The famous mark's] strength is not likely to be blurred by a parody dog toy product. Instead of blurring Plaintiff's mark, the success of the parodic use depends upon the continued association with LOUIS VUITTON.

The amicus supporting LVM's position in this case contends that the district court, by not applying the statutory factors, misapplied the TDRA to conclude that simply because Haute Diggity Dog's product was a parody meant that "there can be no *association* with the famous mark as a matter of law." Moreover, the amicus points out correctly that to rule in favor of Haute Diggity Dog, the district court was required to find that the "association" did not impair the distinctiveness of LVM's famous mark.

LVM goes further in its own brief, however, and contends:

> When a defendant uses an imitation of a famous mark in connection with related goods, a claim of parody cannot preclude liability for dilution.
>
> * * *
>
> The district court's opinion utterly ignores the substantial goodwill VUITTON has established in its famous marks through more than a century of *exclusive* use. Disregarding the clear Congressional mandate to protect such famous marks against dilution, the district court has granted [Haute Diggity Dog] permission to become the first company other than VUITTON to use imitations of the famous VUITTON Marks.

In short, LVM suggests that any use by a third person of an imitation of its famous marks dilutes the famous marks as a matter of law. This contention misconstrues the TDRA.

The TDRA prohibits a person from using a junior mark that is likely to dilute (by blurring) the famous mark, and blurring is defined to be an impairment to the famous mark's distinctiveness. "Distinctiveness" in turn refers to the public's recognition that the famous mark identifies a single source of the product using the famous mark.

To determine whether a junior mark is likely to dilute a famous mark through blurring, the TDRA directs the court to consider all factors relevant to the issue, including six factors that are enumerated in the statute:

> (i) The degree of similarity between the mark or trade name and the famous mark.
>
> (ii) The degree of inherent or acquired distinctiveness of the famous mark.
>
> (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
>
> (iv) The degree of recognition of the famous mark.
>
> (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
>
> (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C.A. § 1125(c)(2)(B). Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors. But a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive so that the court's decision can be reviewed. The district court did not do this adequately in this case. Nonetheless, after we apply the factors as a matter of law, we reach the same conclusion reached by the district court.

We begin by noting that parody is not automatically a complete *defense* to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, i.e., *as a trademark.* Although the TDRA does provide that fair use is a complete defense and allows that a parody can be considered fair use, it does not extend the fair use defense to parodies used as a trademark. As the statute provides:

> The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:
>
> (A) Any fair use ... *other than as a designation of source for the person's own goods or services,* including use in connection with ... parodying....

15 U.S.C.A. § 1125(c)(3)(A)(ii) (emphasis added). Under the statute's plain language, parodying a famous mark is protected by the fair use defense only if the parody is *not* "a designation of source for the person's own goods or services."

The TDRA, however, does not require a court to ignore the existence of a parody that is used as a trademark, and it does not preclude a court from considering parody as part of the circumstances to be considered for determining whether the plaintiff has made out a claim for dilution by blurring. Indeed, the statute permits a court to consider "all relevant factors," including the six factors supplied in § 1125(c)(2)(B).

Thus, it would appear that a defendant's use of a mark as a parody is relevant to the overall question of whether the defendant's use is likely to impair the famous mark's distinctiveness. Moreover, the fact that the defendant uses its marks as a parody is specifically relevant to several of the listed factors. For example, factor (v) (whether the defendant intended to create an association with the famous mark) and factor (vi) (whether there exists an actual association between the defendant's mark and the famous mark) directly invite inquiries into the defendant's intent in using the parody, the defendant's actual use of the parody, and the effect that its use has on the famous mark. While a parody intentionally creates an association with the famous mark in order to be a parody, it also intentionally communicates, if it is successful, that it is *not* the famous mark, but rather a satire of the famous mark. That the defendant is using its mark as a parody is therefore relevant in the consideration of these statutory factors.

Similarly, factors (i), (ii), and (iv)-the degree of similarity between the two marks, the degree of distinctiveness of the famous mark, and its recognizability-are directly implicated by consideration of the fact that the defendant's mark is a successful parody. Indeed, by making the famous mark an object of the parody, a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous. *See Hormel Foods*, 73 F.3d at 506 (observing that a successful parody "tends to increase public identification" of the famous mark with its source); *see also Yankee Publ'g Inc. v. News Am. Publ'g Inc.*, 809 F.Supp. 267, 272-82 (S.D.N.Y.1992) (suggesting that a sufficiently obvious parody is unlikely to blur the targeted famous mark).

In sum, while a defendant's use of a parody as a mark does not support a "fair use" defense, it may be considered in determining whether the plaintiff-owner of a famous mark has proved its claim that the defendant's use of a parody mark is likely to impair the distinctiveness of the famous mark.

In the case before us, when considering factors (ii), (iii), and (iv), it is readily apparent, indeed conceded by Haute Diggity Dog, that LVM's marks are distinctive, famous, and strong. The LOUIS VUITTON mark is well known and is commonly identified as a brand of the great Parisian fashion house, Louis Vuitton Malletier.

So too are its other marks and designs, which are invariably used with the LOUIS VUITTON mark. It may not be too strong to refer to these famous marks as icons of high fashion.

While the establishment of these facts satisfies essential elements of LVM's dilution claim, the facts impose on LVM an increased burden to demonstrate that the distinctiveness of its famous marks is likely to be impaired by a successful parody. Even as Haute Diggity Dog's parody mimics the famous mark, it communicates simultaneously that it is not the famous mark, but is only satirizing it. And because the famous mark is particularly strong and distinctive, it becomes more likely that a parody will not impair the distinctiveness of the mark. In short, as Haute Diggity Dog's "Chewy Vuiton" marks are a successful parody, we conclude that they will not blur the distinctiveness of the famous mark as a unique identifier of its source.

It is important to note, however, that this might not be true if the parody is so similar to the famous mark that it likely could be construed as actual use of the famous mark itself. Factor (i) directs an inquiry into the "degree of similarity between the junior mark and the famous mark." If Haute Diggity Dog used the actual marks of LVM (as a parody or otherwise), it could dilute LVM's marks by blurring, regardless of whether Haute Diggity Dog's use was confusingly similar, whether it was in competition with LVM, or whether LVM sustained actual injury. Thus, "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable" under the TDRA because the unauthorized use of the famous marks *themselves* on unrelated goods might diminish the capacity of these trademarks to distinctively identify a single source. *Moseley*, 537 U.S. at 431 (quoting H.R.Rep. No. 104-374, at 3 (1995), *as reprinted in* 1995 U.S.C.C.A.N. 1029, 1030). This is true even though a consumer would be unlikely to confuse the manufacturer of KODAK film with the hypothetical producer of KODAK pianos.

But in this case, Haute Diggity Dog mimicked the famous marks; it did not come so close to them as to destroy the success of its parody and, more importantly, to diminish the LVM marks' capacity to identify a single source. Haute Diggity Dog designed a pet chew toy to imitate and suggest, but not *use*, the marks of a high-fashion LOUIS VUITTON handbag. It used "Chewy Vuiton" to mimic "LOUIS VUITTON"; it used "CV" to mimic "LV"; and it adopted *imperfectly* the items of LVM's designs. We conclude that these uses by Haute Diggity Dog were not so similar as to be likely to impair the distinctiveness of LVM's famous marks.

In a similar vein, when considering factors (v) and (vi), it becomes apparent that Haute Diggity Dog intentionally associated its marks, but only partially and certainly imperfectly, so as to convey the simultaneous message that it was not in fact a source of LVM products. Rather, as a parody, it separated itself from the LVM marks in order to make fun of them.

In sum, when considering the relevant factors to determine whether blurring is likely to occur in this case, we readily come to the conclusion, as did the district court, that LVM has failed to make out a case of trademark dilution by blurring by failing to establish that the distinctiveness of its marks was likely to be impaired by Haute Diggity Dog's marketing and sale of its "Chewy Vuiton" products.

B

LVM's claim for dilution by tarnishment does not require an extended discussion. To establish its claim for dilution by tarnishment, LVM must show, in lieu of blurring, that Haute Diggity Dog's use of the "Chewy Vuiton" mark on dog toys harms the reputation of the LOUIS VUITTON mark and LVM's other marks. LVM argues that the possibility that a dog could choke on a "Chewy Vuiton" toy causes this harm. LVM has, however, provided no record support for its assertion. It relies only on speculation about whether a dog could choke on the chew toys and a logical concession that a $10 dog toy made in China was of "inferior quality" to the $1190 LOUIS VUITTON handbag. The speculation begins with LVM's assertion in its brief that "defendant Woofie's admitted that 'Chewy Vuiton' products pose a choking hazard for some dogs. Having prejudged the defendant's mark to be a parody, the district court made light of this admission in its opinion, and utterly failed to give it the weight it deserved," citing to a page in the district court's opinion where the court states:

> At oral argument, plaintiff provided only a flimsy theory that a pet may some day choke on a Chewy Vuiton squeak toy and incite the wrath of a confused consumer against LOUIS VUITTON.

The court was referring to counsel's statement during oral argument that the owner of Woofie's stated that "she would not sell this product to certain types of dogs because there is a danger they would tear it open and choke on it." There is no record support, however, that any dog has choked on a pet chew toy, such as a "Chewy Vuiton" toy, or that there is any basis from which to conclude that a dog would likely choke on such a toy.

We agree with the district court that LVM failed to demonstrate a claim for dilution by tarnishment.

Notes

Conceptualizing the harm of dilution. Judge Posner gave an oft-quoted explanation of dilution by blurring and tarnishment in *Ty Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002) (some citations omitted, alterations in original):

> Suppose an upscale restaurant calls itself "Tiffany." There is little danger that the consuming public will think it's dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name "Tiffany" they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder-incur as it were a higher imagination cost-to recognize the name as the name of the store. Cf. Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1031 (2d Cir.1989) ("The [legislative] history [of New York's antidilution statute] disclosed a need for legislation to prevent such 'hypothetical anomalies' as 'Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns' "). So "blurring" is one form of dilution.
>
> As for tarnishment:
>
> Now suppose that the "restaurant" that adopts the name "Tiffany" is actually a striptease joint. Again, and indeed even more certainly than in the previous case, consumers will not think the striptease joint under common ownership with the jewelry store. But because of the inveterate tendency of the human mind to proceed by association, every time they think of the word "Tiffany" their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint.

Dilution as an anti-free riding rule. In *Ty*, Judge Posner offers a third rationale for dilution doctrine that is not in the statute, but perhaps reflects the thinking of some judges:

> [T]here is a possible concern with situations in which, though there is neither blurring nor tarnishment, someone is still taking a free ride on the investment of the trademark owner in the trademark. Suppose the "Tiffany" restaurant in our first hypothetical example is located in Kuala Lumpur and though the people who patronize it (it is upscale) have heard of the Tiffany jewelry store, none of them is ever going to buy anything there, so that the efficacy of the trademark as an identifier will not be impaired. If appropriation of Tiffany's aura is nevertheless forbidden by an expansive concept of dilution, the benefits of the jewelry store's investment in creating a famous name will be, as economists say, "internalized"-that is, Tiffany will realize the full benefits of the investment rather than sharing those benefits with others-and as a result the amount of investing in creating a prestigious name will rise.

Is dilution anachronistic? The dilution cause of action is often traced to Frank Schechter's influential article *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927). Note, however, that Schechter wrote at a time in which the traditional trademark action was less likely to reach confusing trademark uses absent direct competition. That has changed. Does this eliminate the need for a dilution cause of action? Dilution has been a part of the Lanham Act only since 1996. Before then, however, courts would occasionally use likelihood-of-confusion claims to target what might be called dilutive behavior. *See, e.g.*, Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 205 (2d Cir. 1979) (upholding preliminary injunction against adult film in which characters wore uniforms similar football team's cheerleaders).

No niche fame. Under the original text of the Federal Trademark Dilution Act, it was unclear whether a mark needed to be nationally famous (e.g., STARBUCKS for coffee) to be protected against dilution or if niche or local fame was good enough (e.g., JAVA DAVE'S for coffee).[*] The revised language of the statute seems to make clear that national fame is required as it demands that the mark be "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" to receive protection from dilution.

A trademark use requirement for dilution? Does the dilution cause of action require that the term be used as a mark for liability to exist?

Difficulties of proof. The Supreme Court initially interpreted the FTDA to require proof of *actual* dilution instead of a mere likelihood of dilution, and Congress changed the statutory language to explicitly require only that a plaintiff prove a likelihood of dilution. Either approach raises questions of how one is to prove dilution. The cases in today's reading apply relatively simple tests. Does their efficiency come at the expense of accuracy? Note how much is made of proxies that may not resolve the factual inquiry at issue (e.g., mark similarity is not the same as an association between marks).

Would we be better off with multifactor tests? Consider the factors outlined by the statute; are they dispositive of the existence of likely dilution?

For example, one factor is "[a]ny actual association between the mark or trade name and the famous mark." So suppose someone sells KOKA-KOLA bubble gum, and consumers make an association between COCA-COLA the soft drink and

[*] An Oklahoma City coffee chain.

the gum. Is this blurring? It depends. Does the association make it harder for the consumer to think of the soft drink when they see the COCA-COLA mark? Or does it *strengthen* the mark by calling it to the consumer's mind, thus reinforcing it? *See* Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 Tex. L. Rev. 507, 537 (2008) ("In essence, exposure to near variants or uses in other contexts makes the trademark more familiar and thus more easily retrieved from memory."). Note, of course, that the statute defines dilution by blurring as being more than just an association. It is an association that "impairs the distinctiveness of the famous mark." But what do we know about such associations?

There have been attempts to answer this question, but the results are equivocal. *Id.* at 509–510 ("Cognitive models offer hope of answering these objections by conceiving of dilution as an increase in mental or internal search costs. Consumers allegedly have more difficulty recalling, recognizing, and producing a diluted trademark, and correspondingly are less likely to purchase products or services branded with that mark."); *id.* at 528 (noting that "in the real world, proof that response delays persist over any appreciable time is limited. Nor do we know at what point a response delay becomes enough to change a purchase decision. The dilution studies find some statistically significant differences in reactions between groups exposed and unexposed to dilutive ads, but statistical significance does not mean that practical effects are substantial.").

What should we make of the uncertainty? The dilution plaintiff has the burden of proof. Does that mean the plaintiff is responsible for resolving all of dilution's factual uncertainties? Or would this undermine Congress's purpose in overruling the Supreme Court's earlier, restrictive interpretation of the dilution cause of action? Do the simplifying approaches of today's cases take us closer to a pure property right in a word? Can you think of ways to prove likely dilution that are not discussed in the statute or the cases?

Problem

Starbucks coffee is a very successful brand, but it is sometimes criticized for having a bit of a burnt flavor. Black Bear is a smaller player that offered a dark roast coffee under the name CHARBUCKS. Its label is reproduced below (next to the STARBUCKS logo for comparison).

Is this diluting?

20. Dilution (cont'd)

Problems

1. Our client is the National Pork Board, an industry group dedicated to promoting pork consumption. It has registered the trademark: PORK: THE OTHER WHITE MEAT. It uses the mark in a range of promotional activities. It recently learned that the Bliss Salmon Fishery is using the mark, SALMON: THE OTHER RED MEAT. May we enjoin Bliss on a dilution theory?

2. Empty Range Firearms is thinking about rebranding its guns and ammunition supply stores as GUNS R US. It fears litigation from the toy chain TOYS R US. Is it vulnerable to a dilution claim?

More on Tarnishment

V Secret Catalogue, Inc. v. Moseley
605 F.3d 382 (6th Cir. 2010)

MERRITT, Circuit Judge.

In this trademark "dilution by tarnishment" case, brought under the Trademark Dilution Revision Act of 2006,[1] the question is whether the plaintiff, an

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[1] The relevant provisions of the new law change the test for "dilution by tarnishment" from an "actual" to only a likelihood of "harm" to the "reputation" of the senior mark:

15 U.S.C. § 1125(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce *that is likely to cause dilution by blurring or dilution by tarnishment* of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition or of actual economic injury.

(2) Definition

....

(C) For purposes of paragraph (1), "dilution by tarnishment" *is association* arising from the similarity between a mark or trade name and a famous mark that *harms the reputation* of the famous mark.

international lingerie company that uses the trade name designation "Victoria's Secret" has a valid suit for injunctive relief against the use of the name "Victor's Little Secret" or "Victor's Secret" by the defendants, a small retail store in a mall in Elizabethtown, Kentucky, that sells assorted merchandise, including "sex toys" and other sexually oriented products. The District Court issued the injunction. Since then the shop has been operating under the name of "Cathy's Little Secret." The District Court concluded that even though the two parties do not compete in the same market, the "Victor's Little Secret" mark-because it is sex related-disparages and tends to reduce the positive associations and the "selling power" of the "Victoria's Secret" mark. The question is whether the plaintiff's case meets the definitions and standards for "dilution by tarnishment" set out in the new Act which amended the old Act, *i.e.*, the Federal Trademark Dilution Act of 1995.[2]

The new Act was expressly intended to overrule the Supreme Court interpretation of the old Act in this very same case, Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003), *rev'g* 259 F.3d 464 (6th Cir.2001), *aff'g* 54 U.S.P.Q.2d 1092 (W.D.Ky.2000). The Supreme Court reversed a panel of this Court that had affirmed an injunction against "Victor's Little Secret" issued by the District Court. On remand to the District Court from the Supreme Court after the 2003 reversal, no new evidence was introduced, and the District Court reconsidered the case based on the same evidence but used the new language in the new Act which overrules the Supreme Court in this case. . . . . We conclude that the new Act creates a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex related products is likely to tarnish a famous mark if there is a clear semantic association between the two. That presumption has not been rebutted in this case.

I. The Supreme Court Opinion and the New Act

The Supreme Court explained that this case started when an Army Colonel at Fort Knox saw an ad for "Victor's Secret" in a weekly publication. It advertised that the small store in Elizabethtown sold adult videos and novelties and lingerie. There was no likelihood of confusion between the two businesses or the two marks, but the Army Colonel was offended because the sexually-oriented business was semantically associating itself with "Victoria's Secret." The Court explained that the

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(Emphasis added.)

[2] The relevant provisions of the old law provide:

§ 1125(c)(1). The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, *if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark ....*

concepts of "dilution by blurring" and "dilution by tarnishment" originated with an article in the Harvard Law Review, Frank Schechter, "Rational Basis of Trademark Protection," 40 HARV. L.REV.. 813 (1927), and that the history and meaning of the concepts were further well explained in Restatement (Third) of Unfair Competition, Section 25 (1995). The Restatement section referred to by the Supreme Court explains this new intellectual property tort and contains in § 25 a comprehensive statement of "Liability Without Proof of Confusion: Dilution and Tarnishment." "Tarnishment," as distinguished from "dilution by blurring" was the only claim before the Supreme Court and is the only claim before us in this new appeal. We quote at length the relevant Restatement explanation of "tarnishment" in the footnote below.[4]

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[4]

c. *Interests protected.* The antidilution statutes have been invoked against two distinct threats to the interests of a trademark owner. First, a mark may be so highly distinctive and so well advertised that it acts as a powerful selling tool. Such a mark may evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner. To the extent that others use the trademark to identify different goods, services or businesses, a dissonance occurs that blurs this stimulant effect of the mark. The antidilution statutes protect against this dilution of the distinctiveness and selling power of the mark.

The selling power of a trademark also can be undermined by a use of the mark with goods or services such as illicit drugs or pornography that "tarnish" the mark's image through inherently negative or unsavory associations, or with goods or services that produce a negative response when linked in the minds of prospective purchasers with the goods or services of the prior user, such as the use on insecticide of a trademark similar to one previously used by another on food products.

Tarnishment and dilution of distinctiveness, although conceptually distinct, both undermine the selling power of a mark, the latter by disturbing the conditioned association of the mark with the prior user and the former by displacing positive with negative associations. Thus, tarnishment and dilution of distinctiveness reduce the value of the mark to the trademark owner.

....

g. *Tarnishment.* The antidilution statutes have also been invoked to protect the positive associations evoked by a mark from subsequent uses that may disparage or tarnish those associations. The rule stated in Subsection (1)(b) applies to cases in which the tarnishment results from a subsequent use of the mark or a substantially similar mark in a manner that associates the mark with different goods, services, or businesses. Use of another's mark by the actor, not as a trademark or trade name, but in other ways that may disparage or tarnish the prior user's goods, services, business, or mark is governed by the rule stated in Subsection (2).

After reviewing a number of secondary sources other than the Harvard Law Review article and the Restatement, including state statutes on dilution and a Fourth Circuit case, the Supreme Court held that "actual harm" rather than merely the "likelihood of tarnishment" is necessary . . . .

Thus, the Court held that "actual harm" rather than merely a "likelihood" of harm must be shown by Victoria's Secret in order to prevail and that this means that Victoria's Secret carries the burden of proving an actual "lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs." Id. In the new law Congress rejected the Court's view that a simple "likelihood" of an association in the consumer's mind of the Victoria's Secret mark with the sexually-oriented videos and toys of "Victor's Secret" is insufficient for liability.

The House Judiciary Committee Report states the purpose of the new 2006 legislation as follows:

> The Moseley standard *creates an undue burden* for trademark holders who contest diluting uses and should be revised.
>
> ....
>
> The new language in the legislation [provides] ... specifically that the standard for proving a dilution claim is "likelihood of dilution" and that both dilution by blurring and dilution by tarnishment are actionable.

(Emphasis added.) U.S. Code Cong. & Adm. News, 109th Cong.2d Sess.2006, Vol. 4, pp. 1091, 1092, 1097. . . . The drafters of the Committee Report also called special attention to the "burden" of proof or persuasion placed on "trademark

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Any designation that is distinctive under the criteria established in § 13 is eligible for protection against disparaging or tarnishing use by others. Whenever the subsequent use brings to mind the goods, services, business, or mark of the prior user, there is potential for interference with the positive images associated with the mark. To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to come to the attention of the prior user's prospective purchasers and that the use is likely to undermine or damage the positive associations evoked by the mark.

Illustration:

3. *A*, a bank, uses the designation "Cookie Jar" to identify its automatic teller machine. *B* opens a topless bar across the street from *A* under the trade name "Cookie Jar." Although prospective customers of *A* are unlikely to believe that *A* operates or sponsors the bar, *B* is subject to liability to *A* for tarnishment under an applicable antidilution statute if the customers are likely to associate *A's* mark or *A's* business with the images evoked by *B's* use.

holders" by the Supreme Court's opinion in Moseley, suggesting a possible modification in the burden of proof. The question for us then is whether "Victor's Little Secret" with its association with lewd sexual toys creates a "likelihood of dilution by tarnishment" of Victoria's Secret mark.

II. Application of Statutory Standard

The specific question in this case is whether, without consumer surveys or polls or other evidence, a semantic "association" is equivalent to a liability-creating mental "association" of a junior mark like "Victor's Little Secret" with a famous mark like "Victoria's Secret" that constitutes dilution by tarnishment when the junior mark is used to sell sexual toys, videos and similar soft-core pornographic products. There appears to be a clearly emerging consensus in the case law, aided by the language of § 25 of the Restatement of Trademarks 3d, quoted in footnote 4, *supra,* that the creation of an "association" between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power. This consensus stems from an economic prediction about consumer taste and how the predicted reaction of conventional consumers in our culture will affect the economic value of the famous mark.

There have been at least eight federal cases in six jurisdictions that conclude that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products. We find no exceptions in the case law that allow such a new mark associated with sex to stand. *See* *Pfizer Inc. v. Sachs,* 652 F.Supp.2d 512, 525 (S.D.N.Y.2009) (defendants' display at an adult entertainment exhibition of two models riding a VIAGRA-branded missile and distributing condoms would likely harm the reputation of Pfizer's trademark); *Williams-Sonoma, Inc. v. Friendfinder, Inc.,* No. C 06-6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (defendants' use of POTTERY BARN mark on their sexually-oriented websites likely to tarnish "by associating those marks for children and teenager furnishings"); *Kraft Foods Holdings, Inc. v. Helm,* 205 F.Supp.2d 942, 949-50 (N.D.Ill.2002) (pornographic website's use of "VelVeeda" tarnishes VELVEETA trademark); *Victoria's Cyber Secret Ltd. P'ship v. V Secret Catalogue, Inc.,* 161 F.Supp.2d 1339, 1355 (S.D.Fla.2001) (defendants' internet trade names likely to tarnish famous mark when websites "will be used for entertainment of a lascivious nature suitable only for adults"); *Mattel, Inc. v. Internet Dimensions Inc.,* 2000 WL 973745, 55 U.S.P.Q.2d 1620, 1627 (S.D.N.Y. July 13, 2000) (linking BARBIE with pornography will adversely color the public's impressions of BARBIE); *Polo Ralph Lauren L.P. v. Schuman,* 46 U.S.P.Q.2d 1046, 1048 (S.D.Tex.1998) (defendants' use of "The Polo Club" or "Polo Executive Retreat" as an adult entertainment club tarnished POLO trademark); *Pillsbury Co. v. Milky Way Prods., Inc.,* 1981 WL 1402, 215 U.S.P.Q. 124, 135 (N.D.Ga. Dec. 24, 1981) (defendant's sexually-oriented variation of the PILLSBURY DOUGHBOY tarnished plaintiff's mark); Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 467 F.Supp. 366, 377 (S.D.N.Y.1979) (pornographic depiction of a Dallas Cowboys Cheerleader-style cheerleader in an adult film tarnished the professional mark of the Dallas Cowboys).

The phrase "likely to cause dilution" used in the new statute (see footnote 1) significantly changes the meaning of the law from "causes actual harm" under the preexisting law. The word "likely" or "likelihood" means "probably," WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1310 (1963); BLACK'S LAW DICTIONARY 1076 (1968). It is important to note also that the Committee Report quoted above seeks to reduce the "burden" of evidentiary production on the trademark holder. The burden-of-proof problem, the developing case law, and the Restatement (Third) of Trademarks in § 25 (particularly subsection g) should now be interpreted, we think, to create a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. This *res ipsa loquitur*-like effect is not conclusive but places on the owner of the new mark the burden of coming forward with evidence that there is no likelihood or probability of tarnishment. The evidence could be in the form of expert testimony or surveys or polls or customer testimony.

In the present case, the Moseleys have had two opportunities in the District Court to offer evidence that there is no real probability of tarnishment and have not done so. They did not offer at oral argument any suggestion that they could make such a showing or wanted the case remanded for that purpose. The fact that Congress was dissatisfied with the *Moseley* result and the *Moseley* standard of liability, as well as apparently the *Moseley* burden of proof, supports the view of Victoria's Secret that the present record-in the eyes of the legislative branch-shows a likelihood of tarnishment. Without evidence to the contrary or a persuasive defensive theory that rebuts the presumption, the defendants have given us no basis to reverse the judgment of the District Court. We do not find sufficient the defendants' arguments that they should have the right to use Victor Moseley's first name and that the effect of the association is *de minimis.* The Moseleys do not have a right to use the word "secret" in their mark. They use it only to make the association with the Victoria's Secret mark. We agree that the tarnishing effect of the Moseley's mark on the senior mark is somewhat speculative, but we have no evidence to overcome the strong inference created by the case law, the Restatement, and Congressional dissatisfaction with the burden of proof used in this case in the Supreme Court. The new law seems designed to protect trademarks from any unfavorable sexual associations. Thus, any new mark with a lewd or offensive-to-some sexual association raises a strong inference of tarnishment. The inference must be overcome by evidence that rebuts the probability that some consumers will find the new mark both offensive and harmful to the reputation and the favorable symbolism of the famous mark.

Our dissenting colleague, in relying on the Supreme Court treatment of the proof in this case-for example, the long quotation from the Supreme Court concerning the legal effect of the evidence-fails to concede what seems obvious: Congress overruled the Supreme Court's view of the burden of proof. As quoted above, it said, "the Moseley standard creates an undue burden for trademark holders who contest diluting uses" It seems clear that the new Act demonstrates that Congress intended that a court should reach a different result in this case if the facts remain the same. We do not necessarily disagree with our dissenting colleague that the policy followed by the Supreme Court in such cases may be better. We simply believe that the will of Congress is to the contrary with regard to the proof in this case and with regard to the method of allocating the burden of proof. . . .

JULIA SMITH GIBBONS, Circuit Judge, concurring.

I fully concur in the majority opinion with the exception of one small quibble. I would not use the term "rebuttable presumption" to describe the inference that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. Practically speaking, what the inference is called makes little difference. I agree with the majority opinion that the inference is a strong one and that, to counter it, some evidence that there is no likelihood or probability of tarnishment is required. But because we are endeavoring to interpret a new law and because the legislative history is not explicit on the point of modification of the burden of proof, I think it best to end our analysis by characterizing the inference as an inference.

KAREN NELSON MOORE, Circuit Judge, dissenting.

Because I believe that Victoria's Secret has failed to produce sufficient evidence to show that the Moseleys' use of the name "Victor's Little Secret" is likely to tarnish the VICTORIA'S SECRET mark, I would reverse the judgment of the district court and must respectfully dissent.

Under the Trademark Dilution Revision Act of 2006 ("TDRA"), Victoria's Secret is entitled to injunctive relief if the Moseleys' use of "Victor's Little Secret" as the name of their adult-oriented novelty store "is likely to cause dilution … by tarnishment of the" VICTORIA'S SECRET mark. 15 U.S.C. § 1125(c)(1). "[D]ilution by tarnishment" is defined as an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." *Id.* § 1125(c)(2)(C). Thus, under the terms of the statute, to determine whether the VICTORIA'S SECRET mark is likely to be tarnished by the Moseleys' use, this court must inquire as to both the "association" between the two marks and the "harm" that the association causes to the senior mark.

Because I agree that there is a clear association between the two marks, the determinative inquiry in this dilution-by-tarnishment case is whether that association is likely to harm Victoria's Secret's reputation. *See id.* § 1125(c)(2)(C) ("that harms the reputation of the famous mark"). Contrary to the majority's conclusion, however, given the record before the panel, I would hold that Victoria's Secret has failed to meet its burden to show that the Moseleys' use of "Victor's Little Secret" is likely to dilute Victoria's Secret's mark.[2]

Victoria's Secret's evidence of tarnishment includes nothing more than the following: (1) an affidavit from Army Colonel John E. Baker stating that he "was ... offended by [the] defendants' use of [Victoria's Secret's] trademark to promote ... unwholesome, tawdry merchandise," such as " 'adult' novelties and gifts," and that since his "wife ... and ... daughter ... shop at Victoria's Secret, [he] was further dismayed by [the] defendants' effort to associate itself with, trade off on the image of, and in fact denigrate a store frequented by members of [his] family,"; and (2) a statement from one of Victoria's Secret's corporate officers that Victoria's Secret strives to "maintain[ ] an image that is sexy and playful" and one that "avoid[s] sexually explicit or graphic imagery."

Reviewing Baker's affidavit, I believe that it is plain that Baker made a "mental association" between "Victor's Little Secret" and "Victoria's Secret." It is also clear that Baker held a negative impression of "Victor's Little Secret." But despite the clear negative association of this *one* individual when confronted with "Victor's Little Secret," Victoria's Secret has presented *no* evidence that Baker's, or anyone else's, distaste or dislike of "Victor's Little Secret" is likely to taint their positive opinion or perception of Victoria's Secret. Yet evidence that the junior mark is likely to undermine or alter the positive associations of the senior mark-i.e., evidence that the junior mark is likely to harm the reputation of the senior mark-is precisely the showing required under the plain language of 15 U.S.C. § 1125(c)(2)(C) to prove dilution by tarnishment. As the Second Circuit recently noted in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir.2009):

[2] I respectfully disagree with the majority's conclusion that in dilution-by-tarnishment cases involving new marks "with lewd or offensive-to-some sexual association[s]" the TDRA establishes a presumption or inference of tarnishment that the Moseleys must rebut. To be sure, the House Judiciary Committee Report highlights Congress's concern with the pre-TDRA actual-dilution standard, but I do not read its concern that the previous standard created "an undue burden" to mean that Congress envisioned a modification of the party that bears the burden of proof as opposed to simply a lightening of the evidentiary showing. *See* H.R.Rep. No. 109-23, at 5 (2005) ("Witnesses at the [ ] [legislative] hearings focused on the standard of harm threshold articulated in *Moseley* [sic].... The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised."). The burden to show tarnishment remains with Victoria's Secret.

> That a consumer may associate a negative-sounding junior mark with a famous mark says little of whether the consumer views the junior mark as harming the reputation of the famous mark. The more relevant question, for purposes of tarnishment, would have been how a hypothetical coffee [with a negative-sounding name] would affect the positive impressions about the coffee sold by Starbucks.

Starbucks Corp., 588 F.3d at 110; *see also* J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 24:89 (4th ed.) [hereinafter McCarthy on Trademarks] (discussing tarnishment claims as being premised on the notion that "positive associations" of the senior mark will be displaced or degraded by the negative associations of the junior mark); Restatement (Third) of Unfair Competition § 25 cmt. g (1995) ("To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to ... undermine or damage the positive associations evoked by the mark."). In fact, when reviewing the exact same evidentiary record, the Supreme Court explicitly noted that Victoria's Secret's offer of proof included no evidence that "Victor's Little Secret" affected Baker's positive impressions of Victoria's Secret:

> The record in this case establishes that an army officer ... did make the mental association with "Victoria's Secret," but it also shows that *he did not therefore form any different impression of the store that his wife and daughter had patronized.* There is a complete absence of evidence of any lessening of the capacity of the VICTORIA'S SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs. The officer was offended by the ad, *but it did not change his conception of Victoria's Secret.* His offense was directed entirely at [the Moseleys], not at [Victoria's Secret]. Moreover, the expert retained by respondents had nothing to say about the impact of [the Moseleys'] name on the strength of [Victoria's Secret's] mark.

Moseley, 537 U.S. at 434 (emphases added).[3]

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[3] The majority mischaracterizes my citation to the Supreme Court's decision as evidencing a refusal to follow the "will of Congress" and a desire to follow the pre-TDRA "policy [of the] ... Supreme Court." My citation to the Supreme Court's decision, however, does no such thing. First, as stated previously, I believe that the majority's conclusion that Congress intended to change which party has the burden of proof-i.e., the framework governing which party must put forth evidence in support of its position-as opposed to the standard of harm-i.e., actual harm versus a likelihood of harm-is not supported by the statute or the legislative history. In fact, the only evidence that the majority cites in support of its belief that Congress intended to place the burden of proof on the defendant is the House Committee Report, but even that Report undercuts the majority's argument. The full paragraph from which the majority draws its quotation states:

In short, Victoria's Secret has presented *no* probative evidence that anyone is likely to think less of Victoria's Secret as a result of "Victor's Little Secret" and cannot therefore prevail on its claim of dilution by tarnishment. Instead of developing a record on remand that contains at least some evidence that Victoria's Secret's reputation is likely to suffer because of the negative response that "Victor's Little Secret" engendered, the record before the panel indicates only that a single individual thinks poorly of "Victor's Little Secret." On this record, it is simply no more probable that Victoria's Secret will suffer reputational harm as a result of the Moseleys' use of "Victor's Little Secret" than it is probable that those who are offended by "Victor's Little Secret" will limit their negative impressions to the Moseleys and refrain from projecting those negative associations upon Victoria's Secret. Baker's affidavit does nothing to contradict this conclusion, and given the absence of any indication that his or his family's opinion of Victoria's Secret changed following the Moseleys' use of "Victor's Little Secret," his affidavit may, in fact, provide evidence that individuals are likely to confine their distaste to the

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> Witnesses at the[ ] [legislative] hearings focused on the *standard of harm threshold* articulated in Moseley [sic]. For example, a representative of the International Trademark Association observed that "[b]y the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective." The Committee endorses this position. The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised.

H.R.Rep. No. 109-23, at 5 (internal footnote omitted and emphasis added). It was the "standard of harm threshold," i.e., the showing of actual harm that the Supreme Court employed, that was Congress's concern, not the party bearing the burden of proof. This conclusion is supported by the hearings to which the Committee Report refers. During those hearings, the focus of both the House Representatives and the witnesses was whether Congress should "maintain an actual dilution standard, as the Supreme Court held in the Victoria's Secret case," or adopt a "likelihood of dilution standard." *Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary,* 109th Cong. 4 (2005) (statement of Rep. Berman); *see generally id.* at 1-54.

I certainly recognize that Congress changed the law concerning dilution in response to the Supreme Court's decision in *Moseley,* but the Supreme Court in *Moseley* said nothing about changing the party bearing the burden of proof and neither does the amended statute. Instead, the statute explicitly states that "dilution by tarnishment" is an "association arising from the similarity between a mark or trade name and a famous mark *that harms the reputation of the famous mark.*" 15 U.S.C. § 1125(c)(2)(C) (emphasis added). In concluding that Victoria's Secret has failed to prove a likelihood of tarnishment because it has failed to present evidence that Victor's Little Secret is likely to harm the reputation of its mark, I am doing nothing more than applying the plain language of the statute that Congress enacted after the Supreme Court's decision. This approach certainly reflects the "will of Congress."

Moseleys. *See* id. ("The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at [the Moseleys], not at [Victoria's Secret].").

Certainly, it is *possible* that the Moseleys' use of "Victor's Little Secret" to sell adult-oriented material and other novelties could reflect poorly on the VICTORIA'S SECRET mark and could cause Victoria's Secret to suffer damage to its "sexy and playful" reputation, but the evidentiary standard set forth in the statute is one of likelihood *not* mere possibility. Likelihood is based on probable consequence and amounts to more than simple speculation as to what might possibly happen. *See* McCarthy on Trademarks § 24:115 n. 2 (indicating that " 'likelihood' in the dilution part of the Lanham Act has the same meaning as it does in the traditional infringement sections of the Lanham Act: as synonymous with 'probability' "); *see also* *Parks v. LaFace Records*, 329 F.3d 437, 446 (6th Cir.2003) ("A 'likelihood' means a 'probability' rather than a 'possibility' of confusion."). Yet, as the majority notes, on the instant record, the "tarnishing effect of the Moseley's mark on the senior mark" is nothing more than "speculative."

Despite the absence of evidence, the majority is willing to assume that Victoria's Secret has met its burden to prove the essential element of "harm to reputation" based on the fact that numerous cases from other jurisdictions conclude, without much inquiry, "that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products." I do not agree. Although it is true that courts have concluded that a finding of tarnishment is likely when a mark's "likeness is placed in the context of sexual activity, obscenity, or illegal activity," *Hormel Foods Corp.*, 73 F.3d at 507, a court cannot ignore the showing of reputational harm that the statute requires.[4]

[4] Nor can the court ignore the character of the senior mark when applying the majority's "rule." Victoria's Secret sells women's lingerie, and, as Victoria's Secret readily admits, its own mark is already associated with sex, albeit not with sex novelties. *See* ROA at 90 (Kriss Aff.) (noting that Victoria's Secret attempts to maintain a "sexy and playful" image); *see also, e.g., id.* at 156-57 (depicting Victoria's Secret advertisements for "sexy little things" lingerie, which urge customers to "[b]e bad for goodness sake[ ] [i]n peek-a-boo's, bras and sexy Santa accessories," to "[g]ive flirty panties" as gifts, and participate in the store's "panty fantasy," which it describes as "Very racy. Very lacy"); *id.* at 209 (reproducing an article in Redbook magazine entitled "46 Things to Do to a Naked Man," which highlights Victoria's Secret's role in the sexual activities of one of the contributors).

In essence, the VICTORIA'S SECRET mark is not entirely separate from the sexual context within which the junior mark, "Victor's Little Secret," operates. This fact makes the instant case unlike many of the cases that the majority cites. *Cf.* *Williams-Sonoma, Inc. v. Friendfinder, Inc.*, No. C 06-6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (likelihood of tarnishment where "marks for children and teenager furnishings" were associated "with pornographic websites"); *Kraft Foods Holdings, Inc. v. Helm*, 205 F.Supp.2d

Even assuming that "Victor's Little Secret" is plainly unwholesome when compared to Victoria's Secret and that this case is completely analogous to those cases on which the majority relies, I still maintain that it is improper simply to assume likelihood of harm to the reputation of a senior mark when dealing with a junior mark of sexual character. As recounted above, there is *no* evidence connecting Victor's Little Secret's "unwholesome" or "tawdry" sexual character to the senior mark's reputation, and there is nothing in the language of the TDRA that would allow the court to forgive a party's obligation present proof as to an element of the tarnishment cause of action-i.e., the likelihood of harm to reputation.[5] *See* McCarthy on Trademarks § 24:115 ("Even after the 2006 revision when only a likelihood of dilution is required, ... judges should demand persuasive evidence that dilution is likely to occur. Even the probability of dilution should be proven by evidence, not just by theoretical assumptions about what possibly could occur or might happen.").

With its conclusion that there is sufficient evidence of harm to the reputation of the VICTORIA'S SECRET mark based solely on the sexual nature of

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942, 949 (N.D.Ill.2002) (likelihood of dilution where the mark for cheese products was associated with websites that "depict[ ] graphic sexuality and nudity, as well as illustrations of drug use and drug paraphernalia"); *Mattel Inc. v. Internet Dimensions Inc.*, 2000 WL 973745, 55 U.S.P.Q.2d (BNA) 1620, 1627 (S.D.N.Y. July 13, 2000) (likelihood of tarnishment when the BARBIE mark was linked to adult-entertainment websites); *Polo Ralph Lauren L.P. v. Schuman*, 1998 WL 110059, 46 U.S.P.Q.2d (BNA) 1046, 1048 (S.D.Tex. Feb. 9, 1998) (dilution likely where Polo Ralph Lauren's mark was associated with "an adult entertainment business"); *Toys "R" Us Inc. v. Akkaoui*, 1996 WL 772709, 40 U.S.P.Q.2d (BNA) 1836, 1838 (N.D.Cal. Oct. 29, 1996) (likelihood of tarnishment where children's toy store was associated with "a line of sexual products"); *Hasbro, Inc. v. Internet Entm't Group Ltd.*, 1996 WL 84853, 40 U.S.P.Q.2d (BNA) 1479, 1480 (W.D.Wash. Feb. 9, 1996) (dilution likely where the children's game Candyland was linked to "a sexually explicit Internet site"); *Am. Express Co. v. Vibra Approved Labs. Corp.*, 10 U.S.P.Q.2d (BNA) 2006, 2014 (S.D.N.Y.1989) (tarnishment likely where an American Express charge card was linked to condoms and a sex-toy store); *Pillsbury Co. v. Milky Way Prods., Inc.*, 1981 WL 1402, 215 U.S.P.Q. (BNA) 124, 126, 135 (N.D.Ga. Dec. 24, 1981) (likelihood of dilution where the Pillsbury dough figures were portrayed as "engaging in sexual intercourse and fellatio"); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366, 377 (S.D.N.Y.1979), *affirmed by* 604 F.2d 200, 205 (2d Cir.1979) (tarnishment likely where NFL cheerleaders were portrayed in a pornographic film).

[5] The potential problem with simply assuming tarnishment when the junior mark places the senior mark in a sexual context becomes apparent if one considers a different case. What if the holder of a sex-related senior mark levied a claim of dilution by tarnishment against the holder of a junior mark that was similarly associated with sex? Would the court be willing to assume without further proof that despite their similar sexual origins the junior mark necessarily tarnishes the senior mark? Under the majority's reasoning, such an assumption would be appropriate. This cannot be the law.

the junior mark, the majority sanctions an almost non-existent evidentiary standard and, in the process, essentially eliminates the requirement that a plaintiff provide some semblance of proof of likelihood of reputational harm in order to prevail on a tarnishment claim, despite the plain language of 15 U.S.C. § 1125(c)(2). Because I believe that Victoria's Secret has not met its burden to show that "Victor's Little Secret" is likely to dilute the famous mark by way of tarnishment, I respectfully dissent.

Defenses

Mattel, Inc. v. MCA Records, Inc.
296 F.3d 894 (9th Cir. 2002)

KOZINSKI, Circuit Judge:

If this were a sci-fi melodrama, it might be called Speech–Zilla meets Trademark Kong. . . .

Barbie was born in Germany in the 1950s as an adult collector's item. Over the years, Mattel transformed her from a doll that resembled a "German street walker,"[1] as she originally appeared, into a glamorous, long-legged blonde. Barbie has been labeled both the ideal American woman and a bimbo. She has survived attacks both psychic (from feminists critical of her fictitious figure) and physical (more than 500 professional makeovers). She remains a symbol of American girlhood, a public figure who graces the aisles of toy stores throughout the country and beyond. With Barbie, Mattel created not just a toy but a cultural icon.

With fame often comes unwanted attention. Aqua is a Danish band that has, as yet, only dreamed of attaining Barbie-like status. In 1997, Aqua produced the song Barbie Girl on the album *Aquarium.* In the song, one bandmember impersonates Barbie, singing in a high-pitched, doll-like voice; another bandmember, calling himself Ken, entices Barbie to "go party." (The lyrics are in the Appendix.) Barbie Girl singles sold well and, to Mattel's dismay, the song made it onto Top 40 music charts.

Mattel brought this lawsuit against the music companies who produced, marketed and sold Barbie Girl: MCA Records, Inc., Universal Music International Ltd., Universal Music A/S, Universal Music & Video Distribution, Inc. and MCA Music Scandinavia AB (collectively, "MCA"). MCA in turn challenged the district court's jurisdiction under the Lanham Act and its personal jurisdiction over the foreign defendants, Universal Music International Ltd., Universal Music A/S and MCA Music Scandinavia AB (hereinafter "foreign defendants"); MCA also brought

[1] M.G. Lord, FOREVER BARBIE: THE UNAUTHORIZED BIOGRAPHY OF A REAL DOLL 32 (1994).

a defamation claim against Mattel for statements Mattel made about MCA while this lawsuit was pending. The district court concluded it had jurisdiction over the foreign defendants and under the Lanham Act, and granted MCA's motion for summary judgment on Mattel's federal and state-law claims for trademark infringement and dilution. The district court also granted Mattel's motion for summary judgment on MCA's defamation claim. . . .

Mattel separately argues that, under the Federal Trademark Dilution Act ("FTDA"), MCA's song dilutes the Barbie mark in two ways: It diminishes the mark's capacity to identify and distinguish Mattel products, and tarnishes the mark because the song is inappropriate for young girls.

"Dilution" refers to the "whittling away of the value of a trademark" when it's used to identify different products. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24.67, at 24–120; § 24.70, at 24–122 (2001). For example, Tylenol snowboards, Netscape sex shops and Harry Potter dry cleaners would all weaken the "commercial magnetism" of these marks and diminish their ability to evoke their original associations. Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols,* 57 Yale L.J. 1165, 1187 (1948), *reprinted in* 108 Yale L.J. 1619 (1999). These uses dilute the selling power of these trademarks by blurring their "uniqueness and singularity," Frank I. Schechter, *The Rational Basis of Trademark Protection,* 40 Harv. L.Rev. 813, 831 (1927), and/or by tarnishing them with negative associations.

By contrast to trademark infringement, the injury from dilution usually occurs when consumers *aren't* confused about the source of a product: Even if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one. Whereas trademark law targets "interference with the source signaling function" of trademarks, dilution protects owners "from an appropriation of or free riding on" the substantial investment that they have made in their marks. *I.P. Lund Trading ApS v. Kohler Co.,* 163 F.3d 27, 50 (1st Cir.1998).

Originally a creature of state law, dilution received nationwide recognition in 1996 when Congress amended the Lanham Act by enacting the FTDA.[3] . . . Dilutive uses are prohibited unless they fall within one of the . . . statutory exemptions discussed below. . . . Barbie easily qualifies under the FTDA as a famous and distinctive mark, and reached this status long before MCA began to market the

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[3] Even at the state level, dilution is of relatively recent vintage. The first anti-dilution statute was enacted in Massachusetts in 1947, see Mass. Gen. Laws Ann. Ch. 110B, § 12 (West 1992). By the time the FTDA was enacted in 1996, only twenty-six states had anti-dilution statutes on the books. See 4 McCarthy § 24:80, at 24–136.2 n. 2; H.R.Rep. No. 104–374, at 3–4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030–31.

Barbie Girl song. The commercial success of Barbie Girl establishes beyond dispute that the Barbie mark satisfies each of these elements.

We are also satisfied that the song amounts to a "commercial use in commerce." Although this statutory language is ungainly, its meaning seems clear: It refers to a use of a famous and distinctive mark to sell goods other than those produced or authorized by the mark's owner. That is precisely what MCA did with the Barbie mark: It created and sold to consumers in the marketplace commercial products (the Barbie Girl single and the *Aquarium* album) that bear the Barbie mark.

MCA's use of the mark is dilutive. MCA does not dispute that, while a reference to Barbie would previously have brought to mind only Mattel's doll, after the song's popular success, some consumers hearing Barbie's name will think of both the doll and the song, or perhaps of the song only. This is a classic blurring injury and is in no way diminished by the fact that the song itself refers back to Barbie the doll. To be dilutive, use of the mark need not bring to mind the junior user alone. The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user alone.[5]

[The court then turned to the statutory exemption for noncommercial uses.]

A "noncommercial use" exemption, on its face, presents a bit of a conundrum because it seems at odds with the earlier requirement that the junior use be a "commercial use in commerce." If a use has to be commercial in order to be dilutive, how then can it also be noncommercial so as to satisfy the exception of section 1125(c)(4)(B)? If the term "commercial use" had the same meaning in both provisions, this would eliminate one of the three statutory exemptions defined by this subsection, because any use found to be dilutive would, of necessity, not be noncommercial.

Such a reading of the statute would also create a constitutional problem, because it would leave the FTDA with no First Amendment protection for dilutive speech other than comparative advertising and news reporting. This would be a serious problem because the primary (usually exclusive) remedy for dilution is an injunction.[6] As noted above, tension with the First Amendment also exists in the trademark context, especially where the mark has assumed an expressive function beyond mere identification of a product or service. These concerns apply with greater force in the dilution context because dilution lacks two very significant

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[5] Because we find blurring, we need not consider whether the song also tarnished the Barbie mark.

[6] The FTDA provides for both injunctive relief and damages, but the latter is only available if plaintiff can prove a willful intent to dilute. 15 U.S.C. § 1125(c)(2).

limitations that reduce the tension between trademark law and the First Amendment.

First, depending on the strength and distinctiveness of the mark, trademark law grants relief only against uses that are likely to confuse. A trademark injunction is usually limited to uses within one industry or several related industries. Dilution law is the antithesis of trademark law in this respect, because it seeks to protect the mark from association in the public's mind with wholly unrelated goods and services. The more remote the good or service associated with the junior use, the more likely it is to cause dilution rather than trademark infringement. A dilution injunction, by contrast to a trademark injunction, will generally sweep across broad vistas of the economy.

Second, a trademark injunction, even a very broad one, is premised on the need to prevent consumer confusion. This consumer protection rationale—averting what is essentially a fraud on the consuming public—is wholly consistent with the theory of the First Amendment, which does not protect commercial fraud. *Cent. Hudson Gas & Elec. v. Pub. Serv. Comm'n,* 447 U.S. 557, 566 (1980); *see Thompson v. W. States Med. Ctr.,* 535 U.S. 357 (2002) (applying *Central Hudson*). Moreover, avoiding harm to consumers is an important interest that is independent of the senior user's interest in protecting its business.

Dilution, by contrast, does not require a showing of consumer confusion, 15 U.S.C. § 1127, and dilution injunctions therefore lack the built-in First Amendment compass of trademark injunctions. In addition, dilution law protects only the distinctiveness of the mark, which is inherently less weighty than the dual interest of protecting trademark owners and avoiding harm to consumers that is at the heart of every trademark claim.

Fortunately, the legislative history of the FTDA suggests an interpretation of the "noncommercial use" exemption that both solves our interpretive dilemma and diminishes some First Amendment concerns: "Noncommercial use" refers to a use that consists entirely of noncommercial, or fully constitutionally protected, speech. *See* 2 Jerome Gilson et al., *Trademark Protection and Practice* § 5.12[1][c][vi], at 5–240 (this exemption "is intended to prevent the courts from enjoining speech that has been recognized to be [fully] constitutionally protected," "such as parodies"). Where, as here, a statute's plain meaning "produces an absurd, and perhaps unconstitutional, result[, it is] entirely appropriate to consult all public materials, including the background of [the statute] and the legislative history of its adoption." *Green v. Bock Laundry Mach. Co.,* 490 U.S. 504, 527 (1989) (Scalia, J., concurring).

The legislative history bearing on this issue is particularly persuasive. First, the FTDA's sponsors in both the House and the Senate were aware of the potential collision with the First Amendment if the statute authorized injunctions against protected speech. Upon introducing the counterpart bills, sponsors in each house explained that the proposed law "will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction." 141 Cong. Rec. S19306–10, S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch); 141 Cong. Rec. H14317–01, H14318 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead). The House Judiciary Committee agreed in its report on the FTDA. H.R.Rep. No. 104–374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031 ("The bill will not prohibit or threaten 'noncommercial' expression, as that term has been defined by the courts.").[7]

The FTDA's section-by-section analysis presented in the House and Senate suggests that the bill's sponsors relied on the "noncommercial use" exemption to allay First Amendment concerns. H.R. Rep. No. 104–374, at 8, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (the exemption "expressly incorporates the concept of 'commercial' speech from the 'commercial speech' doctrine, and proscribes dilution actions that seek to enjoin use of famous marks in 'non-commercial' uses (such as consumer product reviews)"); 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995) (the exemption "is consistent with existing case law[, which] recognize[s] that the use of marks in certain forms of artistic and expressive speech is protected by the First Amendment"). At the request of one of the bill's sponsors, the section-by-section analysis was printed in the Congressional Record. 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995). Thus, we know that this interpretation of the exemption was before the Senate when the FTDA was passed, and that no senator rose to dispute it.

To determine whether Barbie Girl falls within this exemption, we look to our definition of commercial speech under our First Amendment caselaw. *See* H.R.Rep. No. 104–374, at 8, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (the exemption "expressly incorporates the concept of 'commercial' speech from the 'commercial speech' doctrine"); 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995) (the exemption "is consistent with existing [First Amendment] case law"). "Although the boundary between commercial and noncommercial speech has yet to be clearly delineated, the 'core notion of commercial speech' is that it 'does no more than propose a commercial transaction.' " *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1184 (9th Cir.2001) (quoting *Bolger v. Youngs Drug Prod's Corp.*, 463 U.S.

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[7] Our interpretation of the noncommercial use exemption does not eliminate all tension between the FTDA and the First Amendment because the exemption does not apply to commercial speech, which enjoys "qualified but nonetheless substantial protection." Bolger v. Youngs Drug Prod's Corp., 463 U.S. 60, 68 (1983) (applying Central Hudson Gas & Electric Corp. v. Pub. Serv. Comm'n, 447 U.S. 557 (1980)). It is entirely possible that a dilution injunction against purely commercial speech would run afoul of the First Amendment. Because that question is not presented here, we do not address it.

60, 66 (1983)). If speech is not "purely commercial"—that is, if it does more than propose a commercial transaction—then it is entitled to full First Amendment protection. *Id.* at 1185–86 (internal quotation marks omitted).

In *Hoffman*, a magazine published an article featuring digitally altered images from famous films. Computer artists modified shots of Dustin Hoffman, Cary Grant, Marilyn Monroe and others to put the actors in famous designers' spring fashions; a still of Hoffman from the movie "Tootsie" was altered so that he appeared to be wearing a Richard Tyler evening gown and Ralph Lauren heels. Hoffman, who had not given permission, sued under the Lanham Act and for violation of his right to publicity.

The article featuring the altered image clearly served a commercial purpose: "to draw attention to the for-profit magazine in which it appear[ed]" and to sell more copies. Nevertheless, we held that the article was fully protected under the First Amendment because it included protected expression: "humor" and "visual and verbal editorial comment on classic films and famous actors." Because its commercial purpose was "inextricably entwined with [these] expressive elements," the article and accompanying photographs enjoyed full First Amendment protection.

Hoffman controls: Barbie Girl is not purely commercial speech, and is therefore fully protected. To be sure, MCA used Barbie's name to sell copies of the song. However, as we've already observed, the song also lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA. For precisely the same reasons, use of the mark in the song's title is also exempted. . . .

After Mattel filed suit, Mattel and MCA employees traded barbs in the press. When an MCA spokeswoman noted that each album included a disclaimer saying that Barbie Girl was a "social commentary [that was] not created or approved by the makers of the doll," a Mattel representative responded by saying, "That's unacceptable.... It's akin to a bank robber handing a note of apology to a teller during a heist. [It n]either diminishes the severity of the crime, nor does it make it legal." He later characterized the song as a "theft" of "another company's property."

MCA filed a counterclaim for defamation based on the Mattel representative's use of the words "bank robber," "heist," "crime" and "theft." But all of these are variants of the invective most often hurled at accused infringers, namely "piracy." No one hearing this accusation understands intellectual property owners to be saying that infringers are nautical cutthroats with eyepatches and peg legs who board galleons to plunder cargo. In context, all these terms are nonactionable "rhetorical hyperbole," *Gilbrook v. City of Westminster*, 177 F.3d 839, 863 (9th Cir.1999). The parties are advised to chill.

AFFIRMED.

APPENDIX

"Barbie Girl" by Aqua

-Hiya Barbie!

-Hi Ken!

You wanna go for a ride?

-Sure, Ken!

-Jump in!

-Ha ha ha ha!

(CHORUS:)

I'm a Barbie girl, in my Barbie world

Life in plastic, it's fantastic

You can brush my hair, undress me everywhere

Imagination, life is your creation

Come on Barbie, let's go party!

(CHORUS)

I'm a blonde bimbo girl, in a fantasy world

Dress me up, make it tight, I'm your dolly

You're my doll, rock and roll, feel the glamour in pink

Kiss me here, touch me there, hanky-panky

You can touch, you can play

If you say "I'm always yours," ooh ooh

(CHORUS)

(BRIDGE:)

Come on, Barbie, let's go party, ah ah ah yeah

Come on, Barbie, let's go party, ooh ooh, ooh ooh

Come on, Barbie, let's go party, ah ah ah yeah

Come on, Barbie, let's go party, ooh ooh, ooh ooh

Make me walk, make me talk, do whatever you please

I can act like a star, I can beg on my knees

Come jump in, be my friend, let us do it again

Hit the town, fool around, let's go party

You can touch, you can play

You can say "I'm always yours"

You can touch, you can play

You can say "I'm always yours"

(BRIDGE)

(CHORUS x2)

(BRIDGE)

-Oh, I'm having so much fun!

-Well, Barbie, we're just getting started!

-Oh, I love you Ken!

Notes

Defenses. The case was decided under older language of the dilution statute. Today, the statute provides for the following defenses:

> (3) Exclusions The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:
>
> > (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—
> >
> > > (i) advertising or promotion that permits consumers to compare goods or services; or
> > >
> > > (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

15 U.S.C. § 1125(c)(3).

Did it really matter? Years later Mattel licensed the song from Aqua and used it to *promote* Barbie products. As reported by the *Wall Street Journal*:

> Fast forward to 2009, the year of Barbie's 50th birthday. During February's New York fashion shows, the Barbie runway show was among the hottest fashion week tickets, and the show's exuberance was memorable among a season of mostly somber presentations. The pumping Barbie runway soundtrack, included ELO, Madonna and… Aqua. In fact, Aqua closed out the final runway strut as pink heart confetti rained down on guests.
>
> It was no fluke. "There's nothing more iconic than that song," Barbie Senior Vice President of Marketing, Stephanie Cota says. "Yes, there's an interesting history with Mattel and Aqua. But one of the things that's great about Barbie is that she's had 50 years to figure herself out. "
>
> The song "is such the epitome of Barbie. It's a fun, kicky upbeat song," she added. "We've re-written the lyrics ever so slightly. There's a bit of girl empowerment that gets infused in there."

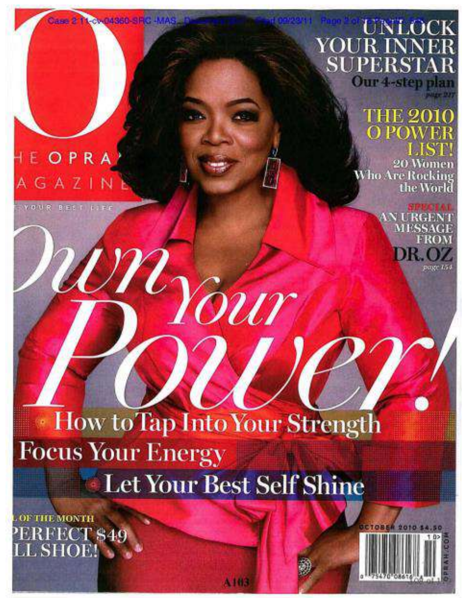
Elva Ramirez, "Barbie's First Music Video Turns the Aqua Original on Its Head," *Wall St. Journal Speakeasy Blog*, Aug. 28, 2009, *available at* http://blogs.wsj.com/speakeasy/2009/08/28/barbie-model-astronaut-rock-star-marxist-theorist/.

What does this outcome tell you about the merits of the original case?

21. Fair Use

Problem

Philippa Donahue is a motivational speaker offering services under the OWN YOUR POWER mark, which has received a registration. She has learned that an issue of O (Oprah Winfrey's magazine) used the words "Own Your Power" on its front cover in an issue that had several articles built around the concept of tapping one's inner abilities. In addition, the magazine hosted a similarly themed "Own Your Power" event. Images from the event were hosted on Winfrey's website:



If Donahue can prove a likelihood of confusion, may Winfrey assert any fair use defenses?

"Classic" Fair Use

Section 33(b) of the Lanham Act (15 U.S.C. § 1115)

> [providing that an incontestable mark] "shall be subject to the following defenses or defects . . .
>
> (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith

only to describe the goods or services of such party, or their geographic origin"

The "classic" fair use defense is a long recognized one in trademark law (as evidenced by its explicit incorporation into the Lanham Act). Recall the *Zatarain's* case we read near the beginning of the course. As you will recall, the court held that the plaintiff's FISH-FRI mark had obtained secondary meaning necessary for trademark protection. But winning protection was a pyrrhic victory for the trademark holder, as the court explained:

> Zatarain's term "Fish-Fri" is a descriptive term that has acquired a secondary meaning in the New Orleans area. Although the trademark is valid by virtue of having acquired a secondary meaning, only that penumbra or fringe of secondary meaning is given legal protection. Zatarain's has no legal claim to an exclusive right in the original, descriptive sense of the term; therefore, Oak Grove and Visko's are still free to use the words "fish fry" in their ordinary, descriptive sense, so long as such use will not tend to confuse customers as to the source of the goods.
>
> The record contains ample evidence to support the district court's determination that Oak Grove's and Visko's use of the words "fish fry" was fair and in good faith. Testimony at trial indicated that the appellees did not intend to use the term in a trademark sense and had never attempted to register the words as a trademark. Oak Grove and Visko's apparently believed "fish fry" was a generic name for the type of coating mix they manufactured. In addition, Oak Grove and Visko's consciously packaged and labelled their products in such a way as to minimize any potential confusion in the minds of consumers. The dissimilar trade dress of these products prompted the district court to observe that confusion at the point of purchase-the grocery shelves-would be virtually impossible. Our review of the record convinces us that the district court's determinations are correct. We hold, therefore, that Oak Grove and Visko's are entitled to fair use of the term "fish fry" to describe their products; accordingly, Zatarain's claim of trademark infringement must fail.

Is the defendants' fair use a defense? Or does it simply mean that the plaintiff did not prove its case? In other words, do we say that the plaintiff loses regardless of whether there was a likelihood of confusion because of the fair use? Or do we say that the plaintiff loses because there was no likelihood of confusion as evidenced by the fair use?

The question of the status of the fair use defense provoked a split in the circuits that was resolved by *KP Permanent*.

KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.
543 U.S. 111 (2004)

Justice SOUTER delivered the opinion of the Court.

The question here is whether a party raising the statutory affirmative defense of fair use to a claim of trademark infringement, 15 U.S.C. § 1115(b)(4), has a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected. We hold it does not.

[The case involved competing makers of permanent makeup over the right to use the term "micro color." Lasting Impression had an incontestable registration for "Micro Colors" and claimed KP Permanent infringed it by producing an advertising brochure with the term in a large typeface. In the ensuing litigation, the district court concluded that KP had established fair use. The Ninth Circuit held that the district court erred because it had not determined whether KP's use was likely to cause confusion. ("Therefore, KP can only benefit from the fair use defense if there is no likelihood of confusion between KP's use of the term 'micro color' and Lasting's mark").]

We granted KP's petition for certiorari to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim, and the obligation of a party defending on that ground to show that its use is unlikely to cause consumer confusion. . . .

II

A

. . . . Although an incontestable registration is "conclusive evidence … of the registrant's exclusive right to use the … mark in commerce," § 1115(b), the plaintiff's success is still subject to "proof of infringement as defined in section 1114," *ibid.* And that, as just noted, requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question. This plaintiff's burden has to be kept in mind when reading the relevant portion of the further provision for an affirmative defense of fair use, available to a party whose

> "use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, … of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin …." § 1115(b)(4).

Two points are evident. Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration. And Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in § 1115(b)(4).

Starting from these textual fixed points, it takes a long stretch to claim that a defense of fair use entails any burden to negate confusion. It is just not plausible that Congress would have used the descriptive phrase "likely to cause confusion, or to cause mistake, or to deceive" in § 1114 to describe the requirement that a markholder show likelihood of consumer confusion, but would have relied on the phrase "used fairly" in § 1115(b)(4) in a fit of terse drafting meant to place a defendant under a burden to negate confusion. " '[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.' " *Russello v. United States*, 464 U.S. 16, 23 (1983) (quoting *United States v. Wong Kim Bo*, 472 F.2d 720, 722 (C.A.5 1972); alteration in original).[4]

Nor do we find much force in Lasting's suggestion that "used fairly" in § 1115(b)(4) is an oblique incorporation of a likelihood-of-confusion test developed in the common law of unfair competition. Lasting is certainly correct that some unfair competition cases would stress that use of a term by another in conducting its trade went too far in sowing confusion, and would either enjoin the use or order the defendant to include a disclaimer. See, *e.g.*, *Baglin v. Cusenier Co.*, 221 U.S. 580, 602 (1911) ("[W]e are unable to escape the conclusion that such use, in the manner shown, was to serve the purpose of simulation ..."); *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559 (1908) ("[T]he rights of the two parties have been reconciled by allowing the use, provided that an explanation is attached"). But the common law of unfair competition also tolerated some degree of confusion from a descriptive use of words contained in another person's trademark. See, *e.g.*, *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924) (as to plaintiff's trademark claim, "[t]he use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product"); *Canal Co. v. Clark*, 13 Wall. 311, 327 (1872) ("Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth"); see also 3 L. Altman, Callmann on Unfair Competition, Trademarks and Monopolies §

[4] Not only that, but the failure to say anything about a defendant's burden on this point was almost certainly not an oversight, not after the House Subcommittee on Trademarks declined to forward a proposal to provide expressly as an element of the defense that a descriptive use be " '[un]likely to deceive the public.' " Hearings on H.R. 102 et al. before the Subcommittee on Trade-Marks of the House Committee on Patents, 77th Cong., 1st Sess., 167-168 (1941) (hereinafter Hearings) (testimony of Prof. Milton Handler).

18:2, pp. 18-8 to 18-9, n. 1 (4th ed.2004) (citing cases). While these cases are consistent with taking account of the likelihood of consumer confusion as one consideration in deciding whether a use is fair, see Part II-B, *infra,* they do not stand for the proposition that an assessment of confusion alone may be dispositive. Certainly one cannot get out of them any defense burden to negate it entirely.

Finally, a look at the typical course of litigation in an infringement action points up the incoherence of placing a burden to show nonconfusion on a defendant. If a plaintiff succeeds in making out a prima facie case of trademark infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both. But it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element (like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. A defendant has no need of a court's true belief when agnosticism will do. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense, but under Lasting's theory the defense would be foreclosed in such a case. "[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant." *Shakespeare Co. v. Silstar Corp.,* 110 F.3d, at 243. Nor would it make sense to provide an affirmative defense of no confusion plus good faith, when merely rebutting the plaintiff's case on confusion would entitle the defendant to judgment, good faith or not. . . .

B

Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals's view) that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first. The Lanham Act adopts a similar leniency, there being no indication that the statute was meant to deprive commercial speakers of the ordinary utility of descriptive words. "If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.,* 125 F.3d, at 30. See also *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.,* 469 U.S. 189, 201 (1985) (noting safeguards in Lanham Act to prevent commercial monopolization of language); *Car-*

Freshner Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 269 (C.A.2 1995) (noting importance of "protect[ing] the right of society at large to use words or images in their primary descriptive sense").[5] This right to describe is the reason that descriptive terms qualify for registration as trademarks only after taking on secondary meaning as "distinctive of the applicant's goods," 15 U.S.C. § 1052(f), with the registrant getting an exclusive right not in the original, descriptive sense, but only in the secondary one associated with the markholder's goods, 2 McCarthy, *supra,* § 11:45, p. 11-90 ("The only aspect of the mark which is given legal protection is that penumbra or fringe of secondary meaning which surrounds the old descriptive word").

While we thus recognize that mere risk of confusion will not rule out fair use, we think it would be improvident to go further in this case, for deciding anything more would take us beyond the Ninth Circuit's consideration of the subject. It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and *amici* here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant's use of it cannot realistically be called descriptive. See *Shakespeare Co. v. Silstar Corp.,* 110 F.3d, at 243 ("[T]o the degree that confusion is likely, a use is less likely to be found fair ..." (emphasis deleted)); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.,* 64 F.3d, at 1059; Restatement § 28; Brief for American Intellectual Property Law Association as *Amicus Curiae* 13-18; Brief for Private Label Manufacturers Association as *Amicus Curiae* 16-17; Brief for Society of Permanent Cosmetic Professionals et al. as *Amici Curiae* 8-11.

Since we do not rule out the pertinence of the degree of consumer confusion under the fair use defense, we likewise do not pass upon the position of the United States, as *amicus,* that the "used fairly" requirement in § 1115(b)(4) demands only that the descriptive term describe the goods accurately. Tr. of Oral Arg. 17. Accuracy of course has to be a consideration in assessing fair use, but the proceedings in this case so far raise no occasion to evaluate some other concerns that courts might pick as relevant, quite apart from attention to confusion. The Restatement raises possibilities like commercial justification and the strength of the

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[5] See also Hearings 72 (testimony of Wallace Martin, Chairman, American Bar Association Committee on Trade-Mark Legislation) ("Everybody has got a right to the use of the English language and has got a right to assume that nobody is going to take that English language away from him").

plaintiff's mark. Restatement § 28. As to them, it is enough to say here that the door is not closed....

Notes

Not so clear. As you may have noticed, the defendants' victory was hardly unqualified. The Court left open the possibility that the presence of likely confusion might affect the merits of whether a use is fair. 543 U.S. at 123 ("It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."). The Ninth Circuit ran with this suggestion on remand and held that likelihood of confusion matters in determining whether the defense is successfully established, leaving open as a fact issue whether the defendants could assert it. See *KP Permanent Make-Up*, 408 F.3d at 609.

Use as a mark? For a use to be fair it must be "otherwise than as a mark." But many uses could be two things at once. *See, e.g.*, Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 954 (7th Cir. 1992) (suit by holder of THIRST AID mark against GATORADE for latter's slogan, "GATORADE is Thirst Aid for that deep down body thirst" and upholding district court's conclusion that defendant used phrase as a mark). In a similar vein, recall the Ninth Circuit's rejection of the prospect of treating West Coast's use of MOVIEBUFF as being potentially descriptive (insofar as it might have meant, "this service is like Brookfields") because "moviebuff" without a space did not have the dictionary meaning that "movie buff" would have. *Brookfield*, 174 F.3d at 1066 ("Even though ['MovieBuff'] differs from 'Movie Buff' by only a single space, that difference is pivotal. The term 'Movie Buff' is a descriptive term, which is routinely used in the English language to describe a movie devotee. 'MovieBuff' is not. . . ."). The court's inflexibility with defenses is noticeable when juxtaposed with its willingness to broaden the scope of actionable confusion (via its enthusiasm for a broadened conception of the initial interest confusion doctrine).

Packman v. Chicago Tribune Co.

267 F.3d 628 (7th Cir. 2001)

RIPPLE, Circuit Judge.

On June 15, 1998, in recognition of the Chicago Bulls' sixth National Basketball Association ("NBA") championship, the headline of the front page of the Chicago Tribune read "The joy of six." As it has done on several other historic occasions, the *Chicago Tribune* Company reproduced its entire front page on t-shirts, posters, plaques and other memorabilia. The Tribune contracted with Front Page News, Inc., to print on t-shirts a collage comprised of the Tribune masthead and six headlines describing each of the Bulls' NBA victories, including "The joy of six" headline.

Diana Packman holds federal and Illinois trademarks for the phrase "the joy of six," for use in relation to football and basketball games. She brought this action against the Tribune and Front Page under the Lanham Act for trademark infringement and unfair competition and Illinois law. The district court granted the defendants' joint motion for summary judgment, holding that the "fair use" defense defeated Ms. Packman's claims, and, in the alternative, that there was no evidence that consumers were likely to be confused as to the source of the defendants' products. Ms. Packman appeals from the district court's summary judgment ruling, as well as from the court's denial of her motion to compel discovery. For the reasons set forth in the following opinion, we affirm the district court in both respects.

I
BACKGROUND

The phrase "the joy of six" is a play on the 1970s book series *The Joy of Sex*. It has been used to describe positive feelings associated with six of anything, e.g., the birth of sextuplets, a six-run inning in a baseball game, six characters on a television show, and, in this case, six championships in a sporting event.

A. The History of Ms. Packman's Trademark

Ms. Packman's husband, Richard Packman, began using the phrase "the joy of six" in the mid-1980s to describe a group with whom he exercised at a local health club at 6:00 a.m. In 1994, the Packmans began printing the phrase on flyers to advertise occasional gatherings of family and friends to watch football games. On July 1, 1997, Ms. Packman obtained a federal trademark for "the joy of six" for use in connection with "entertainment services in the nature of football games."[2] Beginning in September 1996, the Packmans began using "the joy of six" to promote outings to watch or attend basketball games and on February 3, 1998, Ms. Packman obtained a federal trademark to use the phrase in connection with "entertainment services in the nature of basketball games."[3] Ms. Packman also printed "the joy of six" on small quantities of hats and t-shirts to promote the gatherings, in connection with National Football League teams pursuing a possible sixth Super Bowl championship, in particular the San Francisco 49ers and the

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[2] The trademark was registered in Ms. Packman's name for estate planning purposes.

[3] On May 5, 1997, Ms. Packman registered "the joy of six" as a servicemark for use in connection with basketball games under Illinois law.

Dallas Cowboys and in relation to the Chicago Bulls' pursuit of a sixth NBA championship.

Ms. Packman did not produce evidence of the number of gatherings or outings, the number of attendees, or the profit, if any, they generated. The record does not contain any documentary evidence of the Packmans' sales of hats and t-shirts bearing "the joy of six" mark. Taking the Packmans' deposition testimony as true, however, a small quantity of t-shirts and hats were given away, sold to friends and family, or sold at one Ohio retail outlet and generated little, if any, profit. In addition, Mr. Packman sold an unknown number of "The Joy of Six is Coming ... Chicago Basketball" t-shirts at cost to a homeless street vendor, who presumably resold them. In addition, the Packmans attempted, without success, to negotiate contracts to license "the joy of six" for use in connection with National Football League and NBA teams. Just prior to the Bulls' sixth NBA championship, the Packmans began negotiating a deal for t-shirts bearing "the joy of six" mark to be produced by a Chicago retailer. The Packmans claim, however, that the retailer backed out of the deal after the Tribune introduced its t-shirts bearing the June 15, 1998 front page and "The joy of six" headline.

B. The Tribune's Use of "the joy of six"

As early as 1996, sportswriters at the Tribune and the *Chicago Sun-Times* began using "the joy of six" to describe the Bulls' anticipated sixth NBA championship. The Packmans did not protest the use of the phrase they had trademarked, but instead sent a letter, hat and t-shirt to the writers, encouraging them to use the phrase:

> Recently granted the registered trademark for "The Joy of Six" slogan, I encourage you to employ this catchy tag line in your writings and reports throughout the 1997-1998 NBA season as the Bulls shoot for their sixth straight year of stellar success.

Mr. Packman admitted that, based on this letter, he would not have objected to the writers' using the phrase in a column headline.

On June 15, 1998, the Tribune printed, on its front page directly beneath its masthead, a banner headline that read "The joy of six," describing the sixth NBA championship won by the Bulls the previous night. The headline included a graphic listing the six years in which the Bulls had won championships and the names of the defeated teams. The font and size of the phrase in the Tribune headline are visibly distinct from the font and size used by the Packmans on their flyers, hats and t-shirts. At least eight other newspapers in the United States used the phrase "the joy of six" in their headlines that day.

As it has done with other historic front pages, the Tribune reproduced its front page, including "The joy of six" headline, on t-shirts, posters, plaques, and other memorabilia, to promote the Tribune and memorialize its coverage of the Bulls' historic victory. The manager of the Chicago Tribune Store, Mary Tremont, decided, without input from the Tribune's editorial board, to reproduce the entire June 15 front page onto these promotional items. The items were sold at the Michigan Avenue Tribune Store, at a storefront of the Tribune's offices in Vernon Hills, and, for one month in 1999, at the Tribune's kiosk in Woodfield Mall. The Tribune also instructed one of its vendors, Front Page News, to create a t-shirt bearing the Tribune masthead amidst a collage of the actual headlines reporting all of the Bulls' championships: "Two for Two: Bulls Still Champs," "Three-mendous," "Ringmasters," "The Jackson Five," and "The joy of six." Anticipating the Bulls' winning the championship and the Tribune's printing a catchy phrase to describe the victory, Ms. Tremont and Front Page designed this shirt before June 15, without knowledge of the exact wording of the headline. The collage t-shirt was sold in the Tribune store and, for four days in 1998, by Front Page to wholesalers.

Shortly after the Tribune's June 15 headline appeared, several of the Packmans' friends and family members contacted them to congratulate them on their "deal" with the Tribune. These individuals had seen the Tribune's headline and knew of Ms. Packman's trademark on "the joy of six," but there is no evidence that they purchased or attempted to purchase either the Tribune's memorabilia or the Packmans' hats and t-shirts. . . .

1. The Lanham Act

. . . . In this case, defendants asserted the fair use defense in addition to arguing that there was no likelihood of confusion and that Ms. Packman's mark was invalid. The district court did not rule on the validity of the mark, nor shall we, because the fair use defense and likelihood of confusion analysis dispose of Ms. Packman's claims in their entirety.

2. The Fair Use Defense

To prevail on the fair use defense, defendants must show that: (1) they used "The joy of six" in a non-trademark use; (2) the phrase is descriptive of their goods or services; and (3) they used the phrase "fairly and in good faith" only to describe their goods or services. 15 U.S.C. § 1115(b)(4).

a. Non-Trademark Use

The district court held that, because Ms. Packman did not rebut evidence that defendants used "the joy of six" only in a descriptive manner, she failed to raise a genuine issue of material fact as to the nature of defendants' use of the phrase. Ms. Packman contends that, in reaching this conclusion, the district court ignored facts showing that defendants' use of "The joy of six" was a traditional trademark use: (1) defendants applied the mark directly to the goods; (2) defendants labeled the items with the phrase; and (3) the phrase is the most prominent text on all the items and, in her view, was used as "an attention-getting symbol." We agree with the district court that Ms. Packman failed to rebut the evidence of defendants' descriptive, non-trademark use of "The joy of six."

First, the record does not support Ms. Packman's argument that the Tribune used "The joy of six" to identify itself as the source of the newspaper or the championship memorabilia. Rather, the Tribune's distinctive masthead, which appears prominently on the front page and on each piece of memorabilia containing the phrase, identifies the source of the products. In addition, the Tribune masthead also prominently appears on one side of the products' tags, plainly indicating the Tribune as the source. The masthead signifies that the products come from the Tribune and not any of the other newspapers that ran the same headline on June 15, 1998. The Tribune's use of its well-known masthead also identifies the phrase as a newspaper headline reporting on an event, and not as a Tribune trademark. *Cf.* *M.B.H. Enter.*, 633 F.2d at 54 (radio station's call letters and frequency, not slogan, identified source of advertising). The phrase "The joy of six" does not identify the source of any of the defendants' memorabilia, and thus, the defendants' use was "otherwise than as a [trade]mark." 15 U.S.C. § 1115(b)(4); *cf.* *Platinum Home Mortgage Corp. v. Platinum Fin. Group, Inc.*, 149 F.3d 722, 728 (7th Cir.1998) (because "platinum" described quality of mortgage services and did not identify particular source or designate specific origin of services, it was not entitled to trademark protection absent proof of secondary meaning); *M.B.H. Enter.*, 633 F.2d at 55 (defendant's "I LOVE YOU" slogans attributed quality of civic involvement and words, by themselves, did not designate source of services and thus did not constitute trademark use).

Second, Ms. Packman ignores her own deposition testimony, in which she admitted that, in the context of the Bulls, "the joy of six" referred to happiness about their six championships and that the phrase is widely used to describe the joy of six of anything. The Tribune used the phrase "The joy of six" to describe the happiness associated with six Bulls' championships. On the front page of the Tribune and the championship memorabilia, "The joy of six" reflects that very emotion. *See* *Sunmark*, 64 F.3d at 1059 (word or mark is considered descriptive if it merely refers to a characteristic of the product).

Our decision in *Sunmark* supports the district court's finding that the Tribune did not employ "The joy of six" as a trademark. In *Sunmark*, the maker of "*Swee*TARTS" candy sought to enjoin Ocean Spray from using the phrase "sweet-tart" to describe its cranberry juice drinks. In addition to finding that Ocean Spray had used "sweet-tart" merely to describe the taste of its drinks, this court noted that Ocean Spray had not claimed exclusive use of the phrase and could not object if other juice-makers used it. Nor could these defendants have objected to wide use of the phrase, as evidenced by several other newspapers' printing "the joy of six" headline on June 15, 1998, to describe the Bulls' championships and the varied use of the phrase to describe positive emotions associated with six of anything, such as sextuplets.

Sands, Taylor & Wood, on which Ms. Packman relies, is distinguishable. The fair use defense was unavailable in that case because the defendant's slogan, "Gatorade is Thirst-Aid," used the plaintiff's "Thirst Aid" mark as a trademark. *Sands, Taylor & Wood*, 978 F.2d at 954. Integral to the court's conclusion was evidence that "Thirst Aid" appeared more prominently than "Gatorade" in the advertisements and that the rhyming quality of the two words created a "memorable slogan ... uniquely associated" with the defendant's "Gatorade" product. Here, the Tribune used its masthead, not "The joy of six," to foster the association between the products (the memorabilia) and their source (the Tribune). *Cf. M.B.H. Enter.*, 633 F.2d at 54 (defendant's prominent display of its call letters and frequency in connection with "I LOVE YOU" slogans indicated defendant as source of advertisements and thus was non-trademark use). Furthermore, the wide and varied use of "the joy of six" bars a conclusion that any association between the Tribune and the phrase is unique. *Cf. Sunmark*, 64 F.3d at 1059 (descriptive use of common phrase was unlikely to constitute trademark use). And, the masthead and the phrase appear in proximity to each other, but not as part of a "memorable slogan," rendering any association between the two weaker than was present in *Sands, Taylor & Wood*.

Accordingly, because Ms. Packman failed to raise a genuine issue of material fact as to the nature of defendants' use of "The joy of six," we agree with the district court that defendants employed the phrase in a non-trademark use.

b. Defendants Used the Phrase Descriptively

Descriptive terms " 'impart information directly.' " *M.B.H. Enter.*, 633 F.2d at 54 (citation omitted). The defendants used "The joy of six" as a headline to describe a newsworthy event and the happiness associated with the Bulls' sixth NBA championship. This use did not change with the reproduction of the Tribune's front page onto championship memorabilia. As Ms. Packman herself admitted, "the joy of six" is a phrase commonly used to describe the emotions associated with six of anything. Ms. Packman cannot appropriate the phrase to herself and thereby prevent others from using the phrase in a descriptive sense, as defendants did here. *See Blau Plumbing*, 781 F.2d at 609-10 (a person "cannot appropriate the English language" and thereby render others inarticulate); *M.B.H. Enter.*, 633 F.2d at 55 (owner of registered mark " 'may not appropriate to itself common English slang terms and thus prevent others from using such phrases in their descriptive sense' ") (citation omitted). The district court correctly concluded that no genuine issue of material fact existed as to defendants' descriptive use of the phrase.

Furthermore, the record lacks any evidence that "the joy of six" had acquired a secondary meaning as used by Ms. Packman, and she does not point to any evidence in rebuttal. Secondary meaning is "a *mental association* in buyers' minds between the alleged mark and a single source of the product." 2 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 15:5, at 15-9 (4th ed.2001) (emphasis in original). A mark acquires secondary meaning when it has been used so long and so exclusively by one company in association with its goods or services that the word or phrase has come to mean that those goods or services are the company's trademark. *Id.* § 15:5, at 15-10; *see Platinum Home Mortgage,* 149 F.3d at 728. Proof of secondary meaning can be established through direct consumer testimony, consumer surveys, length and manner of use, amount and manner of advertising, volume of sales, place in the market, and evidence of intentional copying. *See Platinum Home Mortgage,* 149 F.3d at 728; *Spraying Sys. Co. v. Delavan, Inc.,* 975 F.2d 387, 393 (7th Cir.1992). Ms. Packman's assertion of secondary meaning is purely speculative. She does not tell us how many shirts or hats the Ohio store or the Chicago street vendor sold, how many items she produced, who purchased them, or whether she advertised her products. *See Platinum Home Mortgage,* 149 F.3d at 729 (rejecting plaintiff's circumstantial evidence of advertising and sales). Thus, the record confirms the absence of a secondary meaning altogether. Ms. Packman used the mark primarily in connection with small group outings to sporting events, did not commercially advertise her outings or her products, and used the phrase in connection with the Bulls for less than three years. *See id.,* 149 F.3d at 728 (plaintiff who used mark for only three years could not demonstrate that mark had secondary meaning). The phrase "the joy of six" did not achieve a level of distinctiveness with respect to Ms. Packman's goods or services, nor does it exclusively relate to the Bulls' sixth championship. *See Spraying Sys.,* 975 F.2d at 393 (evidence of third-party use of mark cast further doubt on plaintiff's assertion of secondary meaning). Accordingly, the record supports only one conclusion, that "the joy of six" is merely a descriptive phrase without a secondary meaning, a phrase which defendants, or any other person, may rightfully use. *See Blau Plumbing,* 781 F.2d at 610 (descriptive mark without secondary meaning was unworthy of trademark protection).

c. Defendants Used the Phrase in Good Faith

Ms. Packman maintains that the Tribune's knowledge of her trademark (as a result of Mr. Packman's letter to the sportswriters) before running the "The joy of six" headline and its failure to cease its sale of the championship memorabilia after she threatened legal action are evidence of the defendants' bad faith. The district court determined that this evidence did not give rise to an inference of bad faith because Mr. Packman's letter encouraged rather than discouraged use of the phrase, and the Tribune used the phrase in the very manner suggested: as a headline to celebrate the Bulls' success in winning a sixth championship.

Mere knowledge of Ms. Packman's trademark on the phrase is insufficient to establish that the Tribune acted in bad faith and to preclude summary judgment. *See* M.B.H. *Enter.*, 633 F.2d at 54. The defendants' good faith "can be judged only by inquiry into [their] subjective purpose in using the slogan[ ]." *Id.*, 633 F.2d at 54. In *M.B.H. Enter.*, the plaintiff had a registered trademark for the words "I LOVE YOU" for use in entertainment services related to radio programs and had licensed a promotion using the phrase "I LOVE YOU MILWAUKEE" to radio station WISN in Milwaukee. When radio station WOKY began its own campaign professing its love for Milwaukee, using the phrases "WOKY LOVES MILWAUKEE" and "I LOVE MILWAUKEE" signed by WOKY, the plaintiff sought to enjoin WOKY's efforts. Addressing the issue of WOKY's good faith, the court found that WOKY's intent to reap commercial advantage from its declarations of love for the city did not demonstrate that WOKY intended to use the phrase as a trademark. Rather, WOKY's use of its call letters and radio frequency-its trademarks identifying WOKY as the source-in each of the ads suggested that WOKY lacked the intent to use the slogans as trademarks. Accordingly, the court found that WOKY had not acted in bad faith or with the intent to confuse the public about the source of the affection for Milwaukee.

Similarly, the presence of the Tribune's distinctive masthead above "The joy of six" headline and on each piece of championship memorabilia will not support an inference that the Tribune acted in bad faith. Nor does the defendants' receipt of commercial benefit from promoting the newspaper or selling championship memorabilia demonstrate use of "The joy of six" in bad faith. Ms. Tremont, manager of the Tribune Store, testified that she selected the June 15, 1998 front page for reproduction onto memorabilia consistent with the Tribune's practice of capturing historical events reported by the newspaper. This decision was made without editorial input and without knowledge of the exact wording of the headline for that day. Therefore the syntax of the headline played no part in the decision to produce and market the Tribune's products in celebration of the Bulls' sixth championship, and therefore will not support any inference that the defendants acted in bad faith.

Ms. Packman failed to adduce evidence creating a genuine issue of fact as to any of the three elements of the fair use defense. Accordingly, the district court did not err in finding that defendants' use of "The joy of six" was a nontrademark use, in good faith, to describe a characteristic or quality of their goods. . . .

Marketquest Group, Inc. v. BIC Corp.
862 F.3d 927 (9th Cir. 2017)

M. SMITH, Circuit Judge:

Marketquest Group, Inc. (Marketquest) appeals the district court's grant of summary judgment in favor of Norwood Promotional Products, LLC (Norwood), BIC Corp., and BIC USA, Inc. (collectively, Defendants) on Marketquest's trademark infringement claims. The district court held that Defendants' uses of Marketquest's trademarks "All-in-One" and "The Write Choice" were completely protected by the fair use defense. We reverse and remand. . . .

Marketquest produces and sells promotional products, and has used its United States Patent and Trademark Office registered trademarks "All-in-One" and "The Write Choice" since 1999 and 2000, respectively. In 2009, BIC Corp. and BIC USA, Inc. (collectively, BIC) acquired Norwood, a promotional products company, and in 2010 Norwood published a promotional products catalogue for 2011 that featured the phrase "All-in-One" on the cover of and in the catalogue. The 2011 catalogue consolidated all of Norwood's eight "hard goods" catalogues "in one" catalogue, whereas they were previously published in separate catalogues. In 2010, BIC also used the phrase "The WRITE Pen Choice for 30 Years" in advertising and packaging for its pens, in connection with its thirtieth anniversary promotion.

[Marketquest alleged infringement of Marketquest's "All-in-One" and "The Write Choice" trademarks. It moved for a preliminary injunction and submitted evidence with respect to the defendants' use of the "All-in-One" mark, but not "The Write Choice." The court denied the injunction, concluding that the defendants were likely to succeed on a fair use defense. After discovery, both sides moved for summary judgment.]

. . . . The district court granted summary judgment for Defendants, holding that there was "some likelihood of confusion and therefore the potential for trademark infringement liability," but that further analysis of likelihood of confusion was unnecessary because fair use provided Defendants a complete defense to allegations of infringement of both the "All-in-One" and "The Write Choice" trademarks. Marketquest timely appealed. . . .

III. The district court erred by granting summary judgment in favor of Defendants based upon on the fair use defense regarding their use of "All-in-One."

Applying the "classic fair use" defense, "[a] junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark." *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002). A defendant must show that its use is (1) other than as a trademark, (2) descriptive of the defendant's goods, and (3) in good faith. 15 U.S.C. § 1115(b)(4). Additionally, "the degree of customer confusion [is] a factor in evaluating fair use." *KP Permanent II*, 408 F.3d at 609.

The district court considered the elements of the fair use defense, and concluded that Defendants' use of "All-in-One" in connection with the 2011 catalogue was completely protected by the fair use defense. As discussed below, genuine issues of material fact exist regarding the elements of fair use in this case, thereby precluding summary judgment. While summary judgment on the fair use defense in a trademark case is *possible*, we reiterate that "summary judgment is generally disfavored" in trademark cases, due to "the intensely factual nature of trademark disputes." *Fortune Dynamic*, 618 F.3d at 1031.

A. Non-catalogue uses of All-in-One

Marketquest first argues that the district court erred by not specifically analyzing all of the uses of "All-in-One" employed by Defendants, since the fair use analysis often varies when a defendant uses the same mark in different ways. The "other uses" of "All-in-One" included (1) promotional materials that featured an image of the 2011 catalogue; (2) promotional materials that directed customers to look for products or information in "the 2011 Norwood All in ONE catalogue"; and (3) an online advertisement that said "Put Your Drinkware Needs ... in a Norwood ALL in ONE Basket," which included a photo of a basket containing several different types of drinkware. Defendants respond that there was no need to conduct a design-by-design review because all of these uses connected to the 2011 catalogue, and there is no basis for the claim that the district court did not consider all the evidence, even if other uses were not specifically referenced by the district court.

It appears from its summary judgment order that the district court focused on Defendants' use of "All-in-One" on the 2011 catalogue, and perhaps did not consider other uses. While a design-by-design review of promotional materials that merely included a picture of the 2011 catalogue was not required, references to "the 2011 Norwood All in ONE catalogue" and "a Norwood ALL in ONE Basket" are sufficiently distinct to require analysis for fair use. These uses are considered below, along with the 2011 catalogue use.

B. Use other than as a trademark.

A fair use must be a use other than as a trademark. 15 U.S.C. § 1115(b)(4). A trademark is used "to identify and distinguish ... goods ... from those manufactured or sold by others and to indicate the source of the goods." *Id.* § 1127. "To determine whether a term is being used as a mark, we look for indications that the term is being used to associate it with a manufacturer," and "whether the term is used as a symbol to attract public attention." *Fortune Dynamic*, 618 F.3d at 1040 (internal quotation marks omitted). We also consider "whether the allegedly infringing user undertook precautionary measures … to minimize the risk that the term will be understood in its trademark sense." *Id.* (internal quotation marks omitted).

A genuine issue of fact exists regarding whether Defendants used "All-in-One" as a trademark. Defendants did take "precautionary measures" when featuring "All-in-One" on the 2011 catalogue: Norwood was printed at the top in large, bold, capital letters with a trademark symbol, while "All-in-One" was located further down on the page, in smaller letters, without a trademark symbol, and positioned as a heading over a list of all the products consolidated "in one" catalogue. This suggests that Norwood was used to indicate the source of the goods, rather than "All-in-One" (although it is possible for more than one trademark to appear on a catalogue cover). However, when considering all of Defendants' uses of "All-in-One," a jury could potentially find trademark use. The "precautionary measures" listed above were *not* present when Defendants referred to "the 2011 Norwood All in ONE catalogue" and "a Norwood ALL in ONE Basket." In these uses, there is no obvious distinction between Norwood and "All-in-One," and both could reasonably be understood to indicate source.

C. Descriptive use.

To prevail on fair use, a defendant must show that it used the mark "in its primary, descriptive sense." *Fortune Dynamic*, 618 F.3d at 1041 (quoting *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 906 (9th Cir. 2003) (alteration omitted)); *see* 15 U.S.C. § 1115(b)(4). While "we accept some flexibility in what counts as descriptive," *Fortune Dynamic*, 618 F.3d at 1042, "the scope of the fair use defense varies with … the descriptive purity of the defendant's use and whether there are other words available to do the describing." *Id.* at 1041. Even when "there [is] some evidence of descriptive use, [a jury] could still reasonably conclude that [a defendant's] lack of 'precautionary measures' " outweighs such evidence. *Id.* at 1042.

There is a strong argument that Defendants' use of "All-in-One" on the 2011 catalogue was descriptive, because it was used as a heading for a list of the products consolidated "all in one" catalogue. Moreover, as discussed above, Defendants took "precautionary measures" on their catalogue cover by using a design that indicated descriptive use. However, Defendants' other uses of "All-in-One" were arguably not descriptive, and "precautionary measures" were not taken with these uses. While Defendants' use of "All-in-One" as a heading on the 2011 catalogue strongly indicates descriptive use, such use is not apparent in decontextualized references to "the 2011 Norwood All in ONE catalogue." Additionally, "Put Your Drinkware Needs … in a Norwood ALL in ONE Basket" does not fall under the descriptive use explanation that Defendants advance because it does not refer to a consolidated catalogue. It may descriptively refer to consolidating drinkware in a basket, but the "descriptive purity" of such use is questionable because it is unclear if the basket is literal or suggestive. Uses of "All-in-One" in ways that stripped it of its possible descriptive meaning undermine Defendants' descriptive use argument, such that a finder of fact could determine that the use was not descriptive. Moreover, a finder of fact could determine that Defendants "had at [their] disposal a number of alternative words [or phrases] that could adequately capture [their] goal," limiting the scope of the fair use defense in this case. *Id.* at 1042.

D. In good faith.

A defendant asserting fair use must also show that it used the mark in good faith. 15 U.S.C. § 1115(b)(4). When considering forward confusion, this element "involves the same issue as the intent factor in the likelihood of confusion analysis"; that is, "whether defendant in adopting its mark intended to capitalize on plaintiff's good will." *Fortune Dynamic*, 618 F.3d at 1043. . . . [T]he good faith inquiry differs somewhat from the *Sleekcraft* intent factor, regardless of the underlying theory of confusion. In fair use, good faith is an element of the defense, not merely a factor to consider when it is relevant in a given case.

As with intent in *Sleekcraft*, there is no bright-line rule or required piece of evidence to establish good or bad faith. While the focus may differ when considering forward or reverse confusion, generally the same types of evidence will be relevant to this inquiry. This includes evidence such as whether the defendant intended to create confusion, whether forward or reverse; intended to push the plaintiff out of the market; remained ignorant of the plaintiff's mark when it reasonably should have known of the mark; knew of the mark and showed bad faith in its disregard of the plaintiff's rights; or any other evidence relevant to whether the defendant's claimed "objectively fair" use of the mark was done in good faith. *See KP Permanent I*, 543 U.S. at 123; *see also, e.g., Fortune Dynamic*, 618 F.3d at 1043 (holding that a material question of fact existed regarding defendant's good faith when the plaintiff introduced evidence that the defendant carelessly failed to investigate the trademark at issue, along with expert testimony that a trademark search would have been standard practice in the relevant industry).

Marketquest argues that because this case presents reverse confusion, mere knowledge of Marketquest's ownership and use of the "All-in-One" mark establishes bad faith on the part of Defendants, and fair use is thus unavailable as a matter of law. That is incorrect. An inference of bad faith does not arise from mere knowledge of a mark when the use is otherwise objectively fair, even in a case presenting reverse confusion. Marketquest also argues that Defendants' use of two of its marks in the same year supports an inference of bad faith. This fact by itself, coupled with Marketquest's knowledge of the marks, is thin evidence of bad faith. However, we cannot say on summary judgment that no reasonable finder of fact could infer bad faith from these facts.

E. Degree of consumer confusion.

"The fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely." *KP Permanent II*, 408 F.3d at 608–09. This is because if there is no likelihood of consumer confusion, then there is no trademark infringement, making an affirmative defense to trademark infringement irrelevant. *KP Permanent I*, 543 U.S. at 120. After the plaintiff meets the threshold showing, in the fair use analysis "the degree of customer confusion [is] a factor" to consider. *KP Permanent II*, 408 F.3d at 609. However, a defendant raising the defense does not have the burden to negate any likelihood of consumer confusion. *KP Permanent I*, 543 U.S. at 114. Some consumer confusion is compatible with fair use, and when a plaintiff chooses "to identify its product with a mark that uses a well known descriptive phrase" it assumes the risk of some confusion. *Id.* at 121–22.

The district court held that Marketquest met the threshold requirement for fair use by showing that there is some likelihood of confusion, relying upon its previous *Sleekcraft* analysis in the order denying Marketquest's motion for a preliminary injunction. However, the district court held that any further *Sleekcraft* analysis was "unnecessary" because fair use provided Defendants a complete defense.

Marketquest argues that the district court's holding was incomplete because it did not conduct a full *Sleekcraft* analysis, nor did it consider the additional factors that we stated in *KP Permanent II* would be relevant to the jury's consideration of fair use in that case.[2] Defendants counter that a court may grant summary judgment on the fair use defense without deciding the likelihood of confusion because confusion is not the focus of fair use; the focus is objective fairness, and some confusion is accepted.

We emphasize that the degree of consumer confusion is a *factor* in the fair use analysis, not an *element* of fair use. *See KP Permanent I*, 543 U.S. at 118 ("Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense."). This factor is useful in considering whether, overall, the use was objectively fair. A use that is likely to confuse consumers, or that has caused actual confusion, is less likely to be objectively fair (although some confusion is permissible). *Accord Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) ("While it is true that *to the degree* that confusion is likely, a use is less

[2] These factors included "the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by [the defendant] and the availability of alternate descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which [the defendant] has used the term." *KP Permanent II*, 408 F.3d at 609.

likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use."). The *Sleekcraft* factors and additional factors that we identified as relevant in *KP Permanent II* may also be relevant in a given case where fair use is at issue. A court is not required in every case to recite and analyze all the factors identified in *Sleekcraft* and *KP Permanent II* one-by-one for a fair use analysis to be complete. A court *may* do so, but these are merely factors to facilitate a court's analysis, to the degree they are relevant in a given case.

In this case, the district court referenced its previous *Sleekcraft* analysis at the preliminary injunction phase. The district court was not required to conduct this analysis again and determine all potential issues of fact as a matter of law before considering summary judgment on fair use. However, because we reverse summary judgment on fair use for the reasons indicated above, we leave it to the district court to determine on remand the relevance of the degree of consumer confusion in this case.

IV. The district court erred by applying the fair use analysis to Defendants' use of "The Write Choice" after determining that Marketquest presented no evidence of likely confusion.

The district court found that there was "no evidence of actual or potential confusion" resulting from Defendants' use of "The Write Choice," and then concluded that Defendants had shown fair use. That fair use analysis was in error because "[t]he fair use defense only comes into play once the party alleging infringement has shown by a preponderance of the evidence that confusion is likely." *KP Permanent II*, 408 F.3d at 608–09. The district court could not properly find here that there was no evidence of confusion, fail to conduct a *Sleekcraft* analysis, and still conclude that the Defendants qualified for the fair use defense. Thus, we remand for the district court to consider Marketquest's trademark infringement claim regarding Defendants' use of "The Write Choice."

22. Nominative Fair Use

Toyota Motor Sales, U.S.A., Inc. v. Tabari
610 F.3d 1171 (9th Cir. 2010)

KOZINSKI, Chief Judge:

In this trademark infringement case, we consider the application of the nominative fair use doctrine to internet domain names.

Facts

Farzad and Lisa Tabari are auto brokers-the personal shoppers of the automotive world. They contact authorized dealers, solicit bids and arrange for customers to buy from the dealer offering the best combination of location, availability and price. Consumers like this service, as it increases competition among dealers, resulting in greater selection at lower prices. For many of the same reasons, auto manufacturers and dealers aren't so keen on it, as it undermines dealers' territorial exclusivity and lowers profit margins. Until recently, the Tabaris offered this service at buy-a-lexus.com and buyorleaselexus.com.

Toyota Motor Sales U.S.A. ("Toyota") is the exclusive distributor of Lexus vehicles in the United States, and jealous guardian of the Lexus mark. A Toyota marketing executive testified at trial that Toyota spends over $250 million every year promoting the Lexus brand. In the executive's estimation, "Lexus is a very prestigious luxury brand and it is an indication of an exclusive luxury experience." No doubt true.

Toyota objected to the Tabaris' use on their website of copyrighted photography of Lexus vehicles and the circular "L Symbol Design mark." Toyota also took umbrage at the Tabaris' use of the string "lexus" in their domain names, which it believed was "likely to cause confusion as to the source of [the Tabaris'] web site." The Tabaris removed Toyota's photography and logo from their site and added a disclaimer in large font at the top. But they refused to give up their domain names. Toyota sued, and the district court found infringement after a bench trial. It ordered the Tabaris to cease using their domain names and enjoined them from using the Lexus mark in any other domain name. Pro se as they were at trial, the Tabaris appeal.

Nominative Fair Use

When customers purchase a Lexus through the Tabaris, they receive a genuine Lexus car sold by an authorized Lexus dealer, and a portion of the proceeds ends up in Toyota's bank account. Toyota doesn't claim the business of brokering Lexus cars is illegal or that it has contracted with its dealers to prohibit selling through a broker. Instead, Toyota is using this trademark lawsuit to make it more difficult for consumers to use the Tabaris to buy a Lexus.

The district court applied the eight-factor test for likelihood of confusion articulated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir.1979), and found that the Tabaris' domain names-buy-a-lexus.com and buyorleaselexus.com-infringed the Lexus trademark. But we've held that the *Sleekcraft* analysis doesn't apply where a defendant uses the mark to refer to the trademarked good itself. *See Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir.2002); *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir.1992). The Tabaris are using the term Lexus to describe their business of brokering Lexus automobiles; when they say Lexus, they mean Lexus. We've long held that such use of the trademark is a fair use, namely nominative fair use. And fair use is, by definition, not infringement. The Tabaris did in fact present a nominative fair use defense to the district court.

In cases where a nominative fair use defense is raised, we ask whether (1) the product was "readily identifiable" without use of the mark; (2) defendant used more of the mark than necessary; or (3) defendant falsely suggested he was sponsored or endorsed by the trademark holder. *Welles*, 279 F.3d at 801 (quoting *New Kids*, 971 F.2d at 308-09). This test "evaluates the likelihood of confusion in nominative use cases." *Id.* It's designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder. The third factor speaks directly to the risk of such confusion, and the others do so indirectly: Consumers may reasonably infer sponsorship or endorsement if a company uses an unnecessary trademark or "more" of a mark than necessary. But if the nominative use satisfies the three-factor *New Kids* test, it doesn't infringe. If the nominative use does not satisfy all the *New Kids* factors, the district court may order defendants to modify their use of the mark so that all three factors are satisfied; it may not enjoin nominative use of the mark altogether.

A. The district court enjoined the Tabaris from using "any ... domain name, service mark, trademark, trade name, meta tag or other commercial indication of origin that includes the mark LEXUS." A trademark injunction, particularly one involving nominative fair use, can raise serious First Amendment concerns because it can interfere with truthful communication between buyers and sellers in the marketplace. *See Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 763-64 (1976). Accordingly, "we must [e]nsure that [the injunction] is tailored to eliminate only the specific harm alleged." *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1297 (9th Cir.1992). To uphold the broad injunction entered in this case, we would have to be convinced that consumers are likely to believe a site is sponsored or endorsed by a trademark holder whenever the domain name contains the string of letters that make up the trademark.

In performing this analysis, our focus must be on the " 'reasonably prudent consumer' in the marketplace." *Cf. Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142

F.3d 1127, 1129 (9th Cir.1998) (describing the test for likelihood of confusion in analogous *Sleekcraft* context). The relevant marketplace is the online marketplace, and the relevant consumer is a reasonably prudent consumer accustomed to shopping online; the kind of consumer who is likely to visit the Tabaris' website when shopping for an expensive product like a luxury car. *See, e.g.,* *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir.2002). Unreasonable, imprudent and inexperienced web-shoppers are not relevant.

The injunction here is plainly overbroad-as even Toyota's counsel grudgingly conceded at oral argument-because it prohibits domain names that on their face dispel any confusion as to sponsorship or endorsement. The Tabaris are prohibited from doing business at sites like independent-lexus-broker.com and we-are-definitely-not-lexus.com, although a reasonable consumer wouldn't believe Toyota sponsors the websites using those domains. Prohibition of such truthful and non-misleading speech does not advance the Lanham Act's purpose of protecting consumers and preventing unfair competition; in fact, it undermines that rationale by frustrating honest communication between the Tabaris and their customers.

Even if we were to modify the injunction to exclude domain names that expressly disclaim sponsorship or endorsement (like the examples above), the injunction would still be too broad. The Tabaris may not do business at lexusbroker.com, even though that's the most straightforward, obvious and truthful way to describe their business. The nominative fair use doctrine allows such truthful use of a mark, even if the speaker fails to expressly disavow association with the trademark holder, so long as it's unlikely to cause confusion as to sponsorship or endorsement. *See* *Welles*, 279 F.3d at 803 n.26. In *New Kids,* for instance, we found that use of the "New Kids on the Block" mark in a newspaper survey did not infringe, even absent a disclaimer, because the survey said "nothing that expressly or by fair implication connotes endorsement or joint sponsorship." 971 F.2d at 309. Speakers are under no obligation to provide a disclaimer as a condition for engaging in truthful, non-misleading speech.

Although our opinion in *Volkswagenwerk Aktiengesellschaft v. Church* remarked on that defendant's "prominent use of the word 'Independent' whenever the terms 'Volkswagen' or 'VW' appeared in his advertising," 411 F.2d 350, 352 (9th Cir.1969), it isn't to the contrary. The inclusion of such words will usually negate any hint of sponsorship or endorsement, which is why we mentioned them in concluding that there was no infringement in *Volkswagenwerk.* *Id.* But that doesn't mean such words are required, and *Volkswagenwerk* doesn't say they are. Our subsequent cases make clear they're not. *See* *Welles*, 279 F.3d at 803 n.26; *New Kids,* 971 F.2d at 309.

The district court reasoned that the fact that an internet domain contains a trademark will "generally" suggest sponsorship or endorsement by the trademark holder. When a domain name consists *only* of the trademark followed by .com, or some other suffix like .org or .net, it will typically suggest sponsorship or endorsement by the trademark holder. *Cf.* *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir.1998).[4] This is because "[a] customer who is unsure about a company's domain name will often guess that the domain name is also the company's name." *Id.* (quoting *Cardservice Int'l v. McGee*, 950 F.Supp. 737, 741 (E.D.Va.1997)) (internal quotation marks omitted); *see also* *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1045 (9th Cir.1999). If customers type in trademark.com and find the site occupied by someone other than the trademark holder, they may well believe it *is* the trademark holder, despite contrary evidence on the website itself. Alternatively, they may become discouraged and give up looking for the trademark holder's official site, believing perhaps that such a website doesn't exist. *Panavision*, 141 F.3d at 1327.

But the case where the URL consists of nothing but a trademark followed by a suffix like .com or .org is a special one indeed. *See* *Brookfield*, 174 F.3d at 1057. The importance ascribed to trademark.com in fact suggests that far less confusion will result when a domain making nominative use of a trademark includes characters in addition to those making up the mark. *Cf.* *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1146-47 (9th Cir.2002). Because the official Lexus site is almost certain to be found at lexus.com (as, in fact, it is), it's far less likely to be found at other sites containing the word Lexus. On the other hand, a number of sites make nominative use of trademarks in their domains but are not sponsored or endorsed by the trademark holder: You can preen about your Mercedes at mercedesforum.com and mercedestalk.net, read the latest about your double-skim-no-whip latte at starbucksgossip.com and find out what goodies the world's greatest electronics store has on sale this week at fryselectronics-ads.com. Consumers who use the internet for shopping are generally quite sophisticated about such matters

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[4] Of course, not every trademark.com domain name is likely to cause consumer confusion. *See* *Interstellar Starship*, 304 F.3d at 944-46. For instance, we observed in *Interstellar Starship* that an apple orchard could operate at the website apple.com without risking confusion with Apple Computers, in light of the vast difference between their products. "If, however, the apple grower ... competed directly with Apple Computer by selling computers, initial interest confusion probably would result," as the apple grower would be using the apple.com domain to appropriate the goodwill Apple Computer had developed in its trademark.

When a website deals in goods or services related to a trademarked brand, as in this case, it is much closer to the second example, where apple.com competes with Apple Computers. If a company that repaired iPods, iPads and iPhones were to set up at apple.com, for instance, consumers would naturally assume that the company was sponsored or endorsed by Apple (or, more likely, that it *was* Apple). Where a site is used to sell goods or services related to the trademarked brand, a trademark.com domain will therefore suggest sponsorship or endorsement and will not generally be nominative fair use.

and won't be fooled into thinking that the prestigious German car manufacturer sells boots at mercedesboots.com, or homes at mercedeshomes.com, or that comcastsucks.org is sponsored or endorsed by the TV cable company just because the string of letters making up its trademark appears in the domain.

When people go shopping online, they don't start out by typing random URLs containing trademarked words hoping to get a lucky hit. They may start out by typing trademark.com, but then they'll rely on a search engine or word of mouth. If word of mouth, confusion is unlikely because the consumer will usually be aware of who runs the site before typing in the URL. And, if the site is located through a search engine, the consumer will click on the link for a likely-relevant site without paying much attention to the URL. Use of a trademark in the site's domain name isn't materially different from use in its text or metatags in this context; a search engine can find a trademark in a site regardless of where exactly it appears. In *Welles,* we upheld a claim that use of a mark in a site's metatags constituted nominative fair use; we reasoned that "[s]earchers would have a much more difficult time locating relevant websites" if the law outlawed such truthful, non-misleading use of a mark. 279 F.3d at 804. The same logic applies to nominative use of a mark in a domain name.

Of course a domain name containing a mark cannot be nominative fair use if it suggests sponsorship or endorsement by the trademark holder. We've already explained why trademark.com domains have that effect. Sites like trademark-USA.com, trademark-of-glendale.com or e-trademark.com will also generally suggest sponsorship or endorsement by the trademark holder; the addition of "e" merely indicates the electronic version of a brand, and a location modifier following a trademark indicates that consumers can expect to find the brand's local subsidiary, franchise or affiliate. *See Visa Int'l Serv. Ass'n v. JSL Corp.*, No. 08-15206, 2010 WL 2559003, 610 F.3d 1088 (9th Cir. June 28, 2010). For even more obvious reasons, domains like official-trademark-site.com or we-are-trademark.com affirmatively suggest sponsorship or endorsement by the trademark holder and are not nominative fair use. But the district court's injunction is not limited to this narrow class of cases and, indeed, the Tabaris' domain names do not fall within it. . . .

Toyota argues it is entitled to exclusive use of the string "lexus" in domain names because it spends hundreds of millions of dollars every year making sure everyone recognizes and understands the word "Lexus." But "[a] large expenditure of money does not in itself create legally protectable rights." *Smith v. Chanel, Inc.*, 402 F.2d 562, 568 (9th Cir.1968); *see also Ty Inc. v. Perryman*, 306 F.3d 509, 513 (7th Cir.2002); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 Yale L.J. 1687, 1714-15 (1999). Indeed, it is precisely because of Toyota's investment in the Lexus mark that "[m]uch useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to [Lexus] by using its trademark." New Kids, 971 F.2d at 307.[8]

It is the wholesale prohibition of nominative use in domain names that would be unfair. It would be unfair to merchants seeking to communicate the nature of the service or product offered at their sites. And it would be unfair to consumers, who would be deprived of an increasingly important means of receiving such information. As noted, this would have serious First Amendment implications. The only winners would be companies like Toyota, which would acquire greater control over the markets for goods and services related to their trademarked brands, to the detriment of competition and consumers. The nominative fair use doctrine is designed to prevent this type of abuse of the rights granted by the Lanham Act.

B. Toyota asserts that, even if the district court's injunction is overbroad, it can be upheld if limited to the Tabaris' actual domain names: buyorleaselexus.com and buy-a-lexus.com. We therefore apply the three-part *New Kids* test to the domain names, and we start by asking whether the Tabaris' use of the mark was "necessary" to describe their business. Toyota claims it was not, because the Tabaris could have used a domain name that did not contain the Lexus mark. It's true they could have used some other domain name like autobroker.com or fastimports.com, or have used the text of their website to explain their business. But it's enough to satisfy our test for necessity that the Tabaris needed to communicate that they specialize in Lexus vehicles, and using the Lexus mark in their domain names accomplished this goal. While using Lexus in their domain names wasn't the only way to communicate the nature of their business, the same could be said of virtually any choice the Tabaris made about how to convey their message: Rather than using the internet, they could publish advertisements in print; or, instead of taking out print ads, they could rely on word of mouth. We've never adopted such a draconian definition of necessity, and we decline to do so here. In *Volkswagenwerk,* for instance, we affirmed the right of a mechanic to put up a sign advertising that he specialized in repairing Volkswagen cars, although he could have used a sandwich board, distributed leaflets or shouted through a megaphone. 411 F.2d at 352.[9] One way or the other, the

[8] "Words ... do not worm their way into our discourse by accident." Alex Kozinski, *Trademarks Unplugged,* 68 N.Y.U. L.Rev. 960, 975 (1993). Trademark holders engage in "well-orchestrated campaigns intended to burn them into our collective consciousness." *Id.* Although trademark holders gain something by pushing their trademark into the lexicon, they also inevitably lose a measure of control over their mark.

[9] The Seventh Circuit has similarly upheld the right of a seller of Beanie Babies to operate at "bargainbeanies.com" on the grounds that "[y]ou can't sell a branded product without using its brand name." *Ty Inc.,* 306 F.3d at 512. In a prophetic choice of examples, Judge Posner remarked that prohibiting such a domain name "would amount to saying that if a used car dealer truthfully advertised that it sold Toyotas, or if

Tabaris need to let consumers know that they are brokers of Lexus cars, and that's nearly impossible to do without mentioning Lexus, *cf.* *Monte Carlo Shirt, Inc. v. Daewoo Int'l (Am.) Corp.*, 707 F.2d 1054, 1058 (9th Cir.1983), be it via domain name, metatag, radio jingle, telephone solicitation or blimp.

The fact that the Tabaris also broker other types of cars does not render their use of the Lexus mark unnecessary.[10] Lisa Tabari testified: "I in my conviction and great respect for the company always try to convince the consumer to first purchase a Lexus or Toyota product." If customers decide to buy some other type of car, the Tabaris may help with that, but their specialty is Lexus. The Tabaris are entitled to decide what automotive brands to emphasize in their business, and the district court found that the Tabaris do in fact specialize in Lexus vehicles. Potential customers would naturally be interested in that fact, and it was entirely appropriate for the Tabaris to use the Lexus mark to let them know it.

Nor are we convinced by Toyota's argument that the Tabaris unnecessarily used domain names containing the Lexus trademark as their trade name. *See* *Volkswagenwerk*, 411 F.2d at 352. The Tabaris' business name is not buyorleaselexus.com or buy-a-lexus.com; it's Fast Imports. Toyota points out that the Tabaris' domain names featured prominently in their advertising, but that by no means proves the domain names were synonymous with the Tabaris' business. The Tabaris may have featured their domain names in their advertisements in order to tell consumers where to find their website, as well as to communicate the fact that they can help buy or lease a Lexus. Toyota would have to show significantly more than "prominent" advertisement to establish the contrary. We therefore conclude that the Tabaris easily satisfy the first *New Kids* factor.

As for the second and third steps of our nominative fair use analysis, Toyota suggests that use of the stylized Lexus mark and "Lexus L" logo was more use of the mark than necessary and suggested sponsorship or endorsement by Toyota. This is true: The Tabaris could adequately communicate their message without using the visual trappings of the Lexus brand. *New Kids*, 971 F.2d at 308 n.7. Moreover, those visual cues might lead some consumers to believe they were dealing with an authorized Toyota affiliate. Imagery, logos and other visual markers may be particularly significant in cyberspace, where anyone can convincingly recreate the

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a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement." *Id.*

[10] Toyota doesn't suggest that the Tabaris used the Lexus mark to refer to those other cars, or that the Tabaris used the Lexus mark in order to redirect customers to those cars. *See, e.g.*, *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1019 (9th Cir.2004). Everyone seems to concede the Tabaris are bona fide Lexus brokers. We therefore do not consider whether the Tabaris used the Lexus mark in conjunction with brokering vehicles other than Lexus, or whether such use would be infringing.

look and feel of a luxury brand at minimal expense. It's hard to duplicate a Lexus showroom, but it's easy enough to ape the Lexus site.

But the Tabaris submitted images of an entirely changed site at the time of trial: The stylized mark and "L" logo were gone, and a disclaimer appeared in their place. The disclaimer stated, prominently and in large font, "We are not an authorized Lexus dealer or affiliated in any way with Lexus. We are an Independent Auto Broker." While not required, such a disclaimer is relevant to the nominative fair use analysis. *See* Welles, 279 F.3d at 803. Toyota claims the Tabaris' disclaimer came too late to protect against confusion caused by their domain names, as such confusion would occur before consumers saw the site or the disclaimer. *See* *Brookfield,* 174 F.3d at 1057. But nothing about the Tabaris' domains would give rise to such confusion; the Tabaris did not run their business at lexus.com, and their domain names did not contain words like "authorized" or "official." *See* pp. 1178-79 *supra.* Reasonable consumers would arrive at the Tabaris' site agnostic as to what they would find. Once there, they would immediately see the disclaimer and would promptly be disabused of any notion that the Tabaris' website is sponsored by Toyota. Because there was no risk of confusion as to sponsorship or endorsement, the Tabaris' use of the Lexus mark was fair.

This makeover of the Tabaris' site is relevant because Toyota seeks only forward-looking relief. In *Volkswagenwerk,* we declined to order an injunction where the defendant had likewise stopped all infringing activities by the time of trial, 411 F.2d at 352, although we've said that an injunction may be proper if there's a risk that infringing conduct will recur, *Polo Fashions, Inc. v. Dick Bruhn, Inc.,* 793 F.2d 1132, 1135-36 (9th Cir.1986). Even assuming some form of an injunction is required to prevent relapse in this case, the proper remedy for infringing use of a mark on a site generally falls short of entirely prohibiting use of the site's domain name, as the district court did here. *See* *Interstellar Starship,* 304 F.3d at 948. "[O]nly upon proving the rigorous elements of cyber-squatting ... have plaintiffs successfully forced the transfer of an infringing domain name." *Id.* Forced relinquishment of a domain is no less extraordinary.

The district court is in a better position to assess in the first instance the timing and extent of any infringing conduct, as well as the scope of the remedy, if any remedy should prove to be required. We therefore vacate the injunction and remand for reconsideration. The important principle to bear in mind on remand is that a trademark injunction should be tailored to prevent ongoing violations, not punish past conduct. Speakers do not lose the right to engage in permissible speech simply because they may have infringed a trademark in the past.

C. When considering the scope and timing of any infringement on remand, the district court must eschew application of *Sleekcraft* and analyze the case solely under the rubric of nominative fair use. The district court treated nominative fair use as an affirmative defense to be established by the Tabaris only after Toyota showed a likelihood of confusion under Sleekcraft. This was error; nominative fair use "replaces" Sleekcraft as the proper test for likely consumer confusion whenever defendant asserts to have referred to the trademarked good itself.

On remand, Toyota must bear the burden of establishing that the Tabaris' use of the Lexus mark was *not* nominative fair use. A finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion as to sponsorship or endorsement. *See* *Welles*, 279 F.3d at 801; *New Kids*, 971 F.2d at 308 ("Because [nominative fair use] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition.").[11] And, as the Supreme Court has unambiguously instructed, the Lanham Act always places the "burden of proving likelihood of confusion ... on the party charging infringement." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004). In this case, that party is Toyota. "[A]ll the [Tabaris] need[ ] to do is to leave the factfinder unpersuaded." *Id.* at 120.

We have previously said the opposite: "[T]he nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion." *Brother Records, Inc.*, 318 F.3d at 909 n.5. But that rule is plainly inconsistent with *Lasting Impression* and has been "effectively overruled." *Miller v. Gammie*, 335 F.3d 889, 893 (9th Cir.2003) (en banc); *see also* 4 *McCarthy on Trademarks and Unfair Competition* § 23:11 at 82 n.5 (4th ed.2010). A defendant seeking to assert nominative fair use as a defense need only show that it used the mark to refer to the trademarked good, as the Tabaris undoubtedly have here. The burden then reverts to the plaintiff to show a likelihood of confusion. . . .

We vacate and remand for proceedings consistent with this opinion. At the very least, the injunction must be modified to allow some use of the Lexus mark in domain names by the Tabaris. Trademarks are part of our common language, and we all have some right to use them to communicate in truthful, non-misleading ways. . . . .

FERNANDEZ, Circuit Judge, concurring:

I concur in the majority's conclusion that the district court erred in its handling of the nominative fair use defense. I write separately, however, because I cannot concur in all that is said by the majority.

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[11] This is necessarily so because, unlike classic fair use, nominative fair use is not specifically provided for by statute. A court may find classic fair use despite "proof of infringement" because the Lanham Act authorizes that result. *See* 15 U.S.C. § 1115(b)(4). Nominative fair use, on the other hand, represents a finding of no liability under that statute's basic prohibition of infringing use. *See id.* § 1114.

First, and principally, I feel compelled to disassociate myself from statements by the majority which are not supported by the evidence or by the district court's findings. I simply cannot concur in essentially factual statements whose provenance is our musings rather than the record and determinations by trier of fact. For example, on this record I do not see the basis for the majority's assertion that the "relevant consumer is … accustomed to shopping online"; or that "[c]onsumers who use the internet for shopping are generally quite sophisticated" so that they are not likely to be misled; or that "the worst that can happen is that some consumers may arrive at [a] site uncertain as to what they will find"; or that, in fact, consumers are agnostic and, again, not likely to be misled; or that "[r]easonable consumers would arrive at the Tabaris' site agnostic as to what they would find."

. . . . To the extent that the majority sees [the defendants'] activities as especially socially worthy and above reproach, I do not agree. . . .

Notes

How do you solve a riddle like nominative use? The view that nominative uses should not give rise to trademark liability is a venerable one but there are different ways to formalize it. Some courts treat nominative fair use as a defense. Is that what the Ninth Circuit does? Check footnote 11. How else might courts treat nominative uses?

For those courts recognizing nominative fair use as a distinct doctrine (rather than as an issue that may be addressed in basic likelihood of confusion analysis, as discussed below) there is a divide as to whether it is a defense. The Ninth Circuit, as you read in the *Toyota* case, treats nominative fair use analysis as a replacement for the ordinary multifactor test where nominative uses are at issue. Its test is therefore a test for likelihood-of-confusion and not, properly speaking, a "defense."

In contrast, the Third Circuit treats nominative fair use as a true defense to be considered after a court uses a modified version of the multifactor test to find the existence of a likelihood of confusion. Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 223 n.3 (3d Cir. 2005) ("A nominative use defendant need only prove fairness and is not required to negate confusion.").

What are the advantages of the Third Circuit's approach? Disadvantages? What is the legal source of the nominative fair use doctrine? Does that help with determining whether it should be treated as a defense or not?

Other ways of handling nominative uses. Another way of handling nominative fair use situations is to treat them like ordinary infringement claims, addressing the specifics of the nominative use in context of disposing of the claim. See, e.g., Century 21, 425 F.3d at 232 (Fisher, J., concurring in part and dissenting in part) (criticizing modification because "to the extent the majority places any burden on plaintiffs at all, it is so watered-down that plaintiffs might prove likely confusion on one *Lapp* factor alone"). Or courts may just deal with nominative fair use in a more rough and ready manner. For example, recall the *Tiffany* case (the jeweler's litigation against eBay). In addition to rejecting Tiffany's contributory infringement claim against eBay, the Second Circuit turned aside a direct infringement claim based on eBay's display of the Tiffany mark in its listings. The court explained (Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102-03 (2d Cir. 2010)):

> We need not address the viability of the [nominative fair use] doctrine to resolve Tiffany's claim, however. We have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant. "While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product." Dow Jones & Co. v. Int'l Sec. Exch., Inc., 451 F.3d 295, 308 (2d Cir.2006) . . . cf. Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) (when a "mark is used in a way that does not deceive the public," there is "no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.").
>
> We agree with the district court that eBay's use of Tiffany's mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website.

And now for something even more complicated. For reasons known only to themselves, a panel of the Second Circuit decided to further complicate nominative fair use in a 2016 opinion.

> Because we believe that the nominative fair use factors will be helpful to a district court's analysis, we hold that, in nominative use cases, district courts are to consider the Ninth Circuit and Third Circuit's nominative fair use factors, in addition to the *Polaroid* factors. When considering a likelihood of confusion in nominative fair use cases, in addition to discussing each of the *Polaroid* factors, courts are to consider: (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not

readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship between plaintiff's and defendant's products or services.

When assessing the second nominative fair use factor, courts are to consider whether the alleged infringer "step[ped] over the line into a likelihood of confusion by using the senior user's mark too prominently or too often, in terms of size, emphasis, or repetition." McCarthy § 23:11; see, e.g., PACCAR Inc. v. TeleScan Technologies, L.L.C., 319 F.3d 243, 256 (6th Cir.2003) ("Using [the plaintiff's] trademarks in its domain names, repeating the marks in the main titles of the web sites and in the wallpaper underlying the web sites, and mimicking the distinctive fonts of the marks go beyond using the marks 'as is reasonably necessary to identify' [the plaintiff's] trucks, parts, and dealers."), *abrogated on other grounds by* KP Permanent Make–Up, Inc., 543 U.S. at 116–17; Brother Records, Inc. v. Jardine, 318 F.3d 900, 908 (9th Cir.2003) (considering the fact that the defendant used the mark " 'The Beach Boys' more prominently and boldly" than the rest of its name "The Beach Boys Family and Friends" such that event organizers and members of the audience were confused about who was performing); Playboy Enters., Inc. v. Welles, 279 F.3d 796, 804 (9th Cir.2002) (holding that defendant's repeated use of the abbreviation "PMOY '81" meaning "Playmate of the Year 1981" on the background/wallpaper of her website failed to establish nominative fair use because "[t]he repeated depiction of "PMOY '81" is not necessary to describe [the defendant]"), *abrogated on other grounds by* Miller v. Gammie, 335 F.3d 889 (9th Cir.2003); cf. Swarovski Aktiengesellschaft v. Building No. 19, Inc., 704 F.3d 44, 51–52 (1st Cir.2013) (reversing preliminary injunction restricting discount retailer from using large size font in advertising sale of "Swarovski" crystal figurines because lower court erred by assuming that retailer used "more of the mark than necessary" without determining if large size font was likely to cause consumer confusion).

Additionally, when considering the third nominative fair use factor, courts must not, as the district court did here, consider only source confusion, but rather must consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder. See Courtenay Commc'ns Corp. v. Hall, 334 F.3d 210, 213 n. 1 (2d Cir.2003) (vacating dismissal of Lanham Act

> claims and holding nominative fair use did not supply alternative grounds for dismissal because defendant's "hyperlink connection to a page of endorsements suggests affiliation, sponsorship, or endorsement by" the plaintiff (internal quotation marks omitted)).
>
> We therefore remand for reconsideration of the Polaroid factors in addition to the nominative fair use factors, keeping in mind the numerous types of confusion that are relevant to an infringement analysis other than mere source confusion and the numerous ways in which a certification mark may be infringed.

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 168–69 (2d Cir. 2016). Worse, the court emphasized, in an omitted footnote, that "with reference to the *Polaroid* factors, this combination of factors is not exclusive, and other factors may be considered where relevant." Cert was, sadly, denied.

23. First Sale

Problems

1. In *Au-Tomotive Gold*, the Ninth Circuit remanded for consideration of the defendant's first-sale defense. For some of its products, the defendant purchased lawfully made badges depicting the marks of the plaintiffs and incorporated these badges into some of its products. Does that use qualify for the exhaustion defense?

2. Coca-Cola generally uses high-fructose corn syrup as its sweetener in the United States. In other parts of the world, it may use real sugar. Some are big fans of versions of Coke made with the real thing. Suppose you're visiting a country and you buy several cases of Coke with sugar. Should you be able to sell it in the United States?

3. Our client, Green Field Recreation, sells reconditioned golf balls, which are found in the bottom of ponds that serve as water hazards at a local club. Green Field repaints the balls and fills gashes with a plastic material. The original trademark remains visible. When Green Field sells the reconditioned balls, it does so under its own label. It includes a conspicuous disclaimer that says "Reconditioned balls; repaired by Green Field, which is not affiliated with the original manufacturer." Some of the balls are warped from past use, so they are not of equal quality to newly purchased balls. Is Green Field vulnerable to suit from the original manufacturers?

The "first-sale" or "exhaustion" doctrine

Patent, copyright, and trademark law all have a version of the first-sale or exhaustion doctrine. The principle is simple: the ability of an IP holder to control the sale of a protected product is exhausted after its first authorized sale. So, in the copyright context, JK Rowling can control the sale of Harry Potter novels. But once you purchase an authorized copy, she cannot stop you from selling your copy.

This principle extends to trademark law. Under trademark's first-sale doctrine, the resale of a genuine trademarked good does not create liability for trademark infringement (in other words, the trademark holder cannot claim that the second sale by its customer would create confusion as to source or sponsorship). "It is the essence of the 'first sale' doctrine that a purchaser who does no more than stock, display, and resell a producer's product under the producer's trademark violates no right conferred upon the producer by the Lanham Act. When a purchaser resells a trademarked article under the producer's trademark, and nothing more, there is no actionable misrepresentation under the statute." Sebastian Intern., Inc. v. Longs Drug Stores Corp., 53 F.3d 1073, 1076 (9th Cir. 1995). We can see here an accommodation of trademark's tensions. After all, it is possible that consumers might believe that the reseller of a trademarked good is affiliated with the original seller, Mary Kay, Inc. v. Weber, 601 F. Supp. 2d 839, 849 (N.D. Tex. 2009) (rejecting survey that measured evidence of consumers confused by defendant's resale of plaintiff's branded product as measuring "irrelevant confusion"). Such an approach would stifle competition, raising prices for consumers and undermining expectations about what may be done with purchased property.

> The "first sale" rule provides a sensible and stable accommodation between strong and potentially conflicting forces. By guaranteeing that a product will be identified with its producer, it serves the legitimate purposes of trademark law—the producer gains the good will associated with the quality of its product, and the consumer gets exactly what the consumer bargains for, the genuine product of the particular producer. On the other hand, the "first sale" rule preserves an area for competition by limiting the producer's power to control the resale of its product.

Sebastian, 53 F.3d at 1075 (footnote omitted). Of course, if a reseller *removed* the trademark (to avoid a claim of false sponsorship) one could expect a reverse passing off claim to follow. Thus the need for a defense for resale activities. Interestingly, the defense is not statutory (this is also the case with patent, but not copyright, law). If not in the statute, what is its doctrinal basis?

Exceptions. The first-sale doctrine is not absolute. For example, just because one may resell a good does not mean that one may falsely represent that one is an authorized dealer. The reseller also may not alter the goods in a material way without disclosure, or transform them into another product altogether that retains the original mark. There is therefore potential infringement where a defendant rebuilds or modifies the goods in some manner. Case law fights over what material differences are.

Likelihood of confusion remains the touchstone for analysis. So long as consumers are not confused, refurbishing trademarked products is legal. Prestonettes, Inc. v. Coty, 264 U.S. 359, 369 (1924) (Holmes, J.) ("If the defendant's rebottling the plaintiff's perfume deteriorates it and the public is adequately informed who does the rebottling, the public, with or without the plaintiff's assistance, is likely to find it out."). Of course, as we've seen, it can be hard to predict when a court will conclude consumers will be confused. Labels play a large role in avoiding such findings, as Professor McCarthy explains:

> Under the authority of the COTY case, the courts have required a repacker and rebottler to use a label closely following the label approved in the COTY case. That is, the label, if it is to use the trademark of the original manufacturer, must clearly state: (1) that the trademarked product has been rebottled or repacked; (2) that the rebottler or repacker is wholly separate and distinct from the original manufacturer; (3) the name of the rebottler or repacker. A fourth requirement is that the label not emphasize the original manufacturer's trademark by putting it in larger type, different color or size, etc.

4 McCarthy § 25:35 (footnote omitted). *See also* Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947) (allowing sales of reconditioned, but so labeled, spark plugs). *But see id.* at 129 ("Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added."). This latter qualification is a frequent battleground. *See generally* 4 McCarthy § 25:40 (collecting cases).

Some cases emphasize the trademark holders' right to exercise quality control as opening the door to infringement claims based on the resale of wholesale goods at the retail level under the original marks. Shell Oil Co. v. Commercial Petroleum, Inc., 733 F. Supp. 40 (W.D.N.C. 1989), aff'd, 928 F.2d 104 (4th Cir. 1991). Cases in this line may be in tension with the principles of first sale. Polymer Technology Corp. v. Mimran, 37 F.3d 74, 80 (2d Cir. 1994) ("[A]lthough consumers may wonder why they are able to buy a product that is labeled 'For Professional Distribution Only' in a retail store, they are certainly not being deceived about what they are receiving.").

"Gray" goods

Hokto Kinoko Co. v. Concord Farms, Inc.
738 F.3d 1085 (9th Cir. 2013)

WARDLAW, Circuit Judge:

. . . . Hokuto Japan is a Japanese corporation that produces mushrooms in Japan. These mushrooms include maitake, white beech (marketed as "Bunapi"), and brown beech (marketed as "Bunashimeji") mushrooms, and are sold in 3.5 ounce packages. Hokuto Japan's mushrooms are grown in nonorganic conditions throughout Japan and sold in Japanese-language packaging.

In 2006, Hokuto Japan incorporated Hokto USA, also a Japanese corporation, to produce and market mushrooms in the United States. Hokto USA is a wholly owned subsidiary of Hokuto Japan. Like Hokuto Japan, Hokto USA produces white beech, brown beech, and maitake mushrooms. Unlike Hokuto Japan's mushrooms, however, Hokto USA's mushrooms are certified organic and produced in a state-of-the-art facility in San Marcos, California. Hokto USA's mushrooms are robotically transported within the facility in plastic bottles, and its entire process is computer controlled. While most mushroom-growing techniques involve manure and compost, Hokto USA uses a sterilized culture medium made of sawdust, corn cob pellets, vegetable protein, and other nutrients. Hokto USA also enforces strict temperature controls and other quality control standards, both in its San Marcos facility and during the transportation and storage of its mushrooms, to ensure that the mushrooms stay fresh for as long as possible.

The production of mushrooms in the United States did not start off quite as smoothly as planned. Although Hokto USA was incorporated in 2006, its San Marcos growing facility was not completed until 2009. While the facility was under construction, Hokto USA resorted to importing mushrooms from Hokuto Japan. Because U.S. consumers have different preferences than Japanese consumers, Hokuto Japan grew mushrooms for Hokto USA in special conditions. Most significantly, Hokuto Japan used a special growing medium that met U.S. Certified Organic standards. Hokuto Japan also worked with Hokto USA to develop English-language packaging for the U.S. market. The packaging identified the mushrooms as "Certified Organic" and provided nutritional information geared toward U.S. consumers.

When the San Marcos facility finally opened in 2009, Hokto USA began producing its own mushrooms and stopped importing Hokuto Japan's mushrooms. But in 2010, there was a shortfall of white beech mushrooms. To meet its customers' demand, Hokto USA imported two shipments of Hokuto Japan's inferior white beech mushrooms, which were produced in Japan and sold in Hokuto Japan's usual Japanese-language packaging. Before selling these mushrooms to U.S. consumers, Hokto USA affixed a white sticker to every package, which clearly identified the mushrooms as a product of Japan and identified the product as "white beech mushrooms." The white stickers also identified the "distributor" as Hokto USA and provided U.S. customer service information.

B. The Trademarks

In 2003, Hokuto Japan acquired Japanese trademark registrations for a series of marks ("Hokto marks"), including variations on its logo and several mushroom-shaped cartoon characters with faces, arms, and legs. These registrations protected

Hokuto Japan's rights to use the marks to market a wide variety of goods, ranging from mushrooms to live fish to bonsai trees.

Hokuto Japan also sought U.S. trademark registrations on the same marks . . . . The United States Patent and Trademark Office (USPTO) issued registrations for the cartoon-character marks (Reg. Nos. 3182866, 3179700, and 3182867) in December 2006 and for the Hokto logo (Reg. No. 3210268) on February 20, 2007, for use in connection with all of the listed goods . . . .

In August 2008, Hokuto Japan granted Hokto USA a license for the exclusive use of the marks in the United States. In 2010, Hokuto Japan assigned all of its rights under the American trademark registrations to Hokto USA. Both the mushrooms sold by Hokuto Japan in Japan and those sold by Hokto USA in the United States are marketed in packaging that prominently features the Hokto marks . . . .

C. Concord Farms

Meanwhile, Concord Farms, a U.S. corporation that grows and imports mushrooms, has been importing Hokuto Japan's mushrooms from Japan since 2003. From 2003 to 2009, Concord Farms imported Hokuto Japan's maitake, brown beech, and white beech mushrooms. Since 2009, it has imported only the maitake mushrooms. Because Concord Farms purchases these products through a series of wholesalers, Hokuto Japan was initially unaware that Concord Farms was importing its mushrooms. The mushrooms Concord Farms imports into the United States are the nonorganic mushrooms that Hokuto Japan produces in Japan for Japanese consumption and are packaged in the Japanese packaging, which features the Hokto marks. Concord Farms's warehouse is not temperature controlled, and Concord Farms does not impose formal limits on how long mushrooms are kept in the warehouse.

In July 2009, Hokto USA learned that Concord Farms imports Hokuto Japan's mushrooms when Hokto USA's representative saw packages of Hokuto Japan's Japanese-packaged, nonorganic maitake mushrooms mixed with packages of Hokto USA's maitake mushrooms in a grocery store display. All of the mushrooms were under a sign that said "organic" and "made in USA," but the Japanese products under the sign were neither. There was too much moisture in the Hokuto Japan packages, and the mushrooms were going bad. The store's manager told Hokto USA's representative that he had purchased the Hokuto Japan mushrooms from Concord Farms. At a produce exposition three months later, Hokto USA's representative requested that Concord Farms refrain from importing, selling, or distributing Hokuto Japan's mushrooms. Concord Farms refused. . . .

III. Discussion

A. Gray–Market Goods

The crux of Hokto USA's claim is that when Concord Farms imported mushrooms bearing the Hokto marks from Hokuto Japan and sold those mushrooms in the United States, it infringed Hokto USA's rights to those marks. This case thus implicates the set of trademark principles governing so-called "gray-market goods": goods that are legitimately produced and sold abroad under a particular trademark, and then imported and sold in the United States in competition with the U.S. trademark holder's products.

The Supreme Court has explained that a gray-market good is "a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the United States trademark holder." *K Mart Corp. v. Cartier, Inc.,* 486 U.S. 281, 285 (1988). The mushrooms at issue here fit comfortably within the Supreme Court's definition. Some commentators apply the term "gray market" only where both the trademark owner and the alleged infringer import their product from foreign countries, *see* J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:46 (4th ed.2005), or only where the U.S. trademark owner also owns foreign rights in the disputed mark, *see* 1 Jerome Gilson, *Trademark Protection and Practice* § 4.05[6] (2004). Regardless of whether we categorize the mushrooms here as gray-market goods, however, the fundamental nature of the infringement claim is the same as that in gray-market cases: Hokto USA alleges that Concord Farms violated its trademarks by importing legitimately produced goods sold under those same marks.

B. Genuine Goods

In general, the sale of gray-market goods may infringe on the U.S. trademark holder's rights, subject to the consumer confusion analysis that generally governs trademark infringement claims. An exception to this rule, however, is that trademark law does not extend to the sale of "genuine goods." If the Japanese-produced Hokuto Japan mushrooms that Concord Farms imported were "genuine" Hokto USA goods, then Concord Farms would not be liable for trademark infringement. The district court correctly concluded that the mushrooms were not "genuine goods."

We have approached the "genuine good" inquiry both as a threshold question for the applicability of trademark law, and as part of the test for consumer confusion. *Compare NEC Elecs. v. CAL Circuit Abco,* 810 F.2d 1506, 1509 (9th Cir.1987) ("Trademark law generally *does not reach* the sale of genuine goods...." (emphasis added)), *with Am. Circuit Breaker,* 406 F.3d at 585 (analyzing genuineness within discussion of the absence of the likelihood of confusion). Here, because we confront a classic gray-market case, we must analyze the genuine goods question as a threshold matter, for if Concord Farms's mushrooms are "genuine," it is not subject to liability for trademark infringement.

1. The No–Material–Difference Requirement

"Genuine," in the trademark context, is a term of art: a gray-market good is "genuine" only if it does not materially differ from the U.S. trademark owner's product. *See, e.g.,* McCarthy, *supra,* § 29:51.75 ("[I]f there are material differences between the gray market imports and the authorized imports, then the gray market imports are not 'genuine' goods and can create a likelihood of confusion."); *see also Iberia Foods Corp. v. Romeo,* 150 F.3d 298, 303 (3d Cir.1998) (explaining that where goods are marketed under "identical marks but are materially different ... the alleged infringer's goods are considered 'non-genuine' and the sale of the goods constitutes infringement" (citations omitted)); *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.,* 982 F.2d 633, 638 (1st Cir.1992) ("It follows that the Venezuelan chocolates purveyed by Casa Helvetia were not 'genuine' ... if they (a) were not authorized for sale in the United States and (b) differed materially from the authorized (Italian-made) version.").

We first established that trademark law does not extend to the sale of genuine goods in *NEC Electronics.* There, the question before us was whether a U.S. subsidiary of a foreign manufacturer may sue for trademark infringement where another company "buys the parent's *identical* goods abroad and then sells them here using the parent's true mark." 810 F.2d at 1508–09 (emphasis added). In *American Circuit Breaker*, applying the *NEC Electronics* rule, we explained that a genuine-goods exception "makes good sense and comports with the consumer protection rationale of trademark law" because a consumer who purchases a genuine good receives essentially the product he expected. 406 F.3d at 585. In both *NEC Electronics* and *American Circuit Breaker*, exemption from trademark law turned on whether the allegedly infringing product differed materially from the U.S. trademark holder's product.

Because the likelihood of confusion increases as the differences between products become more subtle, the threshold for determining a material difference is low. The key question is whether a consumer is likely to consider a difference relevant when purchasing a product. Courts have found a wide range of differences "material" in this context. The Second Circuit, for instance, held that Cabbage Patch dolls were not "genuine" when accompanied with fictitious "birth certificates" and "adoption papers" written in a foreign language. *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.,* 816 F.2d 68, 73 (2d Cir.1987). The D.C. Circuit held that there were material differences between the British and American versions of dishwasher detergent where the chemical composition of the detergents differed slightly, and the British detergent was labeled "washing up liquid" rather than "dishwashing liquid" and included a "royal emblem." *Lever Bros. v. United States,* 877 F.2d 101, 103 (D.C.Cir.1989). Along the same lines, a district court in the Central District of California, comparing the Mexican and U.S. versions of Pepsi, held that differences in quality control and the use of Spanish, rather than English, on the soda cans were material differences. *PepsiCo, Inc. v. Reyes,* 70 F.Supp.2d 1057, 1059 (C.D.Cal.1999). We agree that differences in language, quality control, and packaging may each be sufficiently material to render imported goods not "genuine."

2. Concord Farms's Mushrooms

Whether the mushrooms that Concord Farms imports from Hokuto Japan are genuine goods thus turns on whether they materially differ from Hokto USA's mushrooms. Concord Farms's mushrooms are not organic, are grown under Hokuto Japan's less extensive quality control standards, and are sold in packaging designed for domestic Japanese consumers. The Hokuto Japan packaging is in Japanese, and the packages' weights are measured in grams, not ounces. The Hokuto Japan packaging identifies the mushrooms as the "product of" the specific Japanese prefecture in which they were produced. It also displays Hokuto Japan's website and telephone number. To determine whether these Concord Farms mushrooms are "genuine" Hokto USA goods, we must compare them to the three categories of Hokto USA's mushrooms: (1) the mushrooms that Hokto USA imported from Hokuto Japan prior to the opening of Hokto USA's San Marcos, California plant; (2) the mushrooms that Hokto USA produces at its California plant; (3) and the white beech mushrooms that Hokto USA imported from Hokuto Japan in May and November 2010 to supplement its supply.

The mushrooms that Hokto USA imported from Hokuto Japan prior to the opening of the San Marcos facility materially differed from Concord Farms's mushrooms both in their production and in their packaging. Hokto USA submitted uncontradicted evidence that certified organic status is more important to American consumers than to Japanese consumers, and that Hokuto Japan used a special growing medium to ensure that the mushrooms intended for sale by Hokto USA in the United States met U.S. Certified Organic standards. In contrast, Hokuto Japan does not use this special growing medium to produce mushrooms intended for Japanese consumption; so, when Concord Farms imported Hokuto Japan's mushrooms for sale in the United States, they did not meet Certified Organic standards. Hokuto Japan and Hokto USA also developed packaging in both English and Japanese, in contrast to the packaging developed for Japanese consumers. The dual-language packaging described in English the mushrooms' recommended serving size, calorie count, and other nutritional information. We agree with the district court that these differences in production and packaging are material, rendering these imports not "genuine."

Concord Farms's mushrooms materially differ even more from the mushrooms that Hokto USA produces in its San Marcos facility. Like the pre–2009 imports, Hokto USA's mushrooms are certified organic and sold in dual-language packaging. At its San Marcos facility, Hokto USA uses a hygienic, computer-controlled cultivation process, which includes the robotic transport of mushrooms in plastic bottles; a sterile culture medium composed of sawdust, corn cob pellets, and other nutrients; and aggressive sterilization and temperature controls to ensure a longer shelf life. The packaging on the domestically produced mushrooms identifies them as a "Product of USA," provides weights in grams and ounces, and displays Hokto USA's website.

Concord Farms's mushrooms are also materially different from the white beech mushrooms that Hokto USA imported from Hokuto Japan in May and November 2010. When Hokto imported Hokuto Japan's mushrooms because of problems at Hokto USA's San Marcos facility, it ensured that a label was affixed to each imported package. The label included the English name for the mushrooms, listed the packages' weights in ounces rather than grams, clearly identified the mushrooms' origin, and provided a U.S. address for customer service inquiries. It is more than likely that consumers would consider these clarifying English-language labels relevant when purchasing the mushrooms. *See Bourdeau Bros. v. Int'l Trade Comm'n,* 444 F.3d 1317, 1323–24 (Fed.Cir.2006) (explaining that "there need only be one material difference between a domestic and a foreign product" to support the conclusion that the product is not genuine). Concord Farms's mushrooms are therefore not "genuine goods" in relation to any of the three separately sold and packaged Hokto USA products. . . . . Because Concord Farms's mushrooms are not "genuine" Hokto USA goods, Concord Farms is not exempt from potential liability under trademark law. [The court then upheld the finding of a likelihood of consumer confusion.]

24. Expressive Uses and the First Amendment

Anheuser-Busch, Inc. v. Balducci Publications
28 F.3d 769 (8th Cir. 1994)

JOHN R. GIBSON, Senior Circuit Judge.

Anheuser-Busch, Inc., appeals from the judgment of the district court dismissing its federal and state trademark infringement, trademark dilution, and unfair competition claims against Balducci Publications and its publishers, Richard and Kathleen Balducci, for the use of registered Anheuser-Busch trademarks in a fictitious advertisement for "Michelob Oily." We have carefully reviewed the record before us, and we reverse.

Anheuser-Busch operates a brewery in St. Louis. Its products include the Michelob family of beers: Michelob, Michelob Dry, Michelob Light and Michelob Classic Dark. For use in its marketing of these products, Anheuser-Busch owns several federally-registered trademarks: (1) Michelob; (2) Michelob Dry; (3) A & Eagle Design; (4) Bottle and Label Configuration; (5) Bottle Configuration; (6) Vertical Stripe Design; (7) the phrase "ONE TASTE AND YOU'LL DRINK IT DRY;" and (8) Vertical Stripe and A & Eagle Design. Of these, (1) and (3) are also registered Missouri trademarks.

Balducci Publications is a publishing business owned by Richard and Kathleen Balducci, also defendants in this case. Balducci Publications has published *Snicker,* a humor magazine, since April 1987. The back cover of issue 5 1/2 , published in April 1989, contains a mock advertisement for the fictitious product "Michelob Oily." A reduced copy of the advertisement is attached as Appendix A. The advertisement states in bold type, "ONE TASTE AND YOU'LL DRINK IT OILY" immediately above "MICHELOB OILY®." The accompanying graphics include a partially-obscured can of Michelob Dry pouring oil onto a fish, an oil-soaked rendition of the A & Eagle design (with the eagle exclaiming "Yuck!") below a Shell Oil symbol, and various "Michelob Oily" products bearing a striking resemblance to appellants' Michelob family. This resemblance was quite intentional, as evidenced by the admitted use of actual Anheuser-Busch "clip-art"[1] in replicating several of the protected trademarks. In smaller text the ad opines, "At the rate it's being dumped into our oceans, lakes and rivers, you'll drink it oily sooner or later,

[1] Clip-art consists of collections of pictures which may be inserted into a new publishing application, such as an advertisement. Anheuser-Busch distributes clip-art to ensure accurate and consistent representation of its marks.

anyway." Finally, the following disclaimer is found in extremely small text running vertically along the right side of the page: "Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life)." A full-size reproduction of this part of the ad is contained in Appendix B.

Balducci continues to sell back issues of *Snicker*-including Issue 5 1/2 . Advertising for back issues of the magazine has included the words "Michelob Oily" and a blue ribbon design associated with Anheuser-Busch.

Mr. Balducci stated at trial that he used the parody to comment on: (1) the effects of environmental pollution, including a specific reference to the then-recent Shell oil spill in the Gasconade River-a source of Anheuser-Busch's water supply; (2) Anheuser-Busch's subsequent decision to temporarily close its St. Louis brewery; and (3) the proliferation of Anheuser-Busch beer brands and advertisements. The defendants concede they possessed no knowledge that any Anheuser-Busch product actually contained oil.

Anheuser-Busch, displeased with Balducci's extensive use of its trademarks and the possible implication that its products were tainted with oil, brought this suit in May 1989. It asserted five causes of action: (1) infringement of federally-registered trademarks, 15 U.S.C. § 1114(1); (2) federal unfair competition, 15 U.S.C. § 1125(a); (3) state trademark infringement, Mo.Rev.Stat. § 417.056; (4) common law unfair competition; and (5) state law trademark dilution, Mo.Rev.Stat. § 417.061. It sought one dollar in nominal damages and injunctive relief.

Other than the Balducci ad itself, the primary evidence offered by Anheuser-Busch was a study designed by Jacob Jacoby, Ph.D., and conducted under the supervision of Leon B. Kaplan, Ph.D. This survey, conducted in St. Louis shopping malls, involved 301 beer drinkers or purchasers who claimed to periodically review magazines or newspapers. The surveyors showed the Balducci ad to 200 participants and a Michelob Dry ad to the remaining 101. Of those viewing the Balducci ad, many expressed an impression of Anheuser-Busch's role in its creation. For example, fifty-eight percent felt the creators "did have to get permission to use the Michelob name." Fifty-six percent believed permission would be required for the various symbols and logos. Six percent of the classified[2] responses construed the Balducci ad to be an actual Anheuser-Busch advertisement. Almost half (45%) found nothing about the parody which suggested it was an editorial, and seventy-five percent did not perceive it as satirical. Virtually none (3.5%) noticed the tiny disclaimer on the side of the ad. Fifty-five percent construed the parody as suggesting that Michelob beer is or was in some way contaminated with oil. As a

[2] The staff at Princeton Research & Data Consulting Center, Inc. classified the answers to open-ended questions. Balducci objects to this classification process generally, but offers no persuasive evidence that any significant number of responses have been erroneously classified.

result, twenty-two percent stated they were less likely to buy Michelob beer in the future.

After a bench trial, the district court ruled in favor of Balducci on each of the five theories. Although the court found that "Defendants clearly used Plaintiff's marks in their ad parody, they used some of those marks without alteration, and they did so without Plaintiff's permission," it dismissed the trademark claims because "Defendants' use of [the] marks did not create a likelihood of confusion in the marketplace." In reaching this decision, the court expressed the need to give "special sensitivity" to the First Amendment aspects of the case. Accordingly, the court concluded that although "Plaintiff's statistical evidence [might] well be persuasive in the context of a classic trademark infringement case,.... where the allegedly infringing use occurs in an editorial context," more persuasive evidence of confusion is required. The court similarly dismissed the state law dilution claim, stating that "because Defendant's use of Plaintiff's marks occurred in an editorial context, there is no threat of tarnishment through association with shoddy or disharmonious products." Finally, the court rejected the unfair competition claims because the "parody was not in any way connected with the sale of a product and because Plaintiff has failed to establish a likelihood of confusion in the marketplace."

On appeal, Anheuser-Busch contends the district court gave inordinate weight to Balducci's First Amendment claims and erred in finding no likelihood of confusion. Balducci contends the court correctly found no likelihood of confusion and, furthermore, argues the ad parody is absolutely protected by the First Amendment.

I.

This case involves the tension between the protection afforded by the Lanham Act to trademark owners and the competing First Amendment rights of the parodist. Our analysis of the district court's decision encompasses two related, but distinct steps. We begin by considering whether the district court erred in finding no likelihood of confusion. Since a trademark infringement action requires a likelihood of confusion, this finding, if upheld, decides this case. If we conclude the court erred in finding no likelihood of confusion, we must consider Balducci's additional argument that the First Amendment protects it from liability.

Section 32(1) of the Lanham Act protects owners of registered trademarks from uses "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1). The determination of whether "likelihood of confusion" exists is a factual determination which we review under the clearly erroneous standard. *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 398 (8th Cir.1987); *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir.1980). However, our review is not so limited when, as here, the district court's "conclusions are inextricably bound up in its view of the law." Calvin Klein Cosmetics Corp. v. Lenox Labs., 815 F.2d 500, 504 (8th Cir.1987). Rather than first considering whether Balducci's ad parody was likely to confuse the public and then considering the scope of First Amendment protection, the district court conflated the two. The court essentially skewed its likelihood of confusion analysis in an attempt to give "special sensitivity" to the First Amendment, holding Anheuser Busch to a higher standard than required in a "classic trademark infringement case." Since we cannot separate the court's factual finding of confusion from its legal conclusions, we conduct a de novo review of the well-developed record before us.

Many courts have applied, we believe correctly, an expansive interpretation of likelihood of confusion, extending "protection against use of [plaintiff's] mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner." McCarthy, *Trademarks and Unfair Competition* § 24.03, at 24-13 (3d ed. 1992); *Novak*, 836 F.2d at 398; *Nike, Inc. v. "Just Did It" Enters.*, 6 F.3d 1225, 1228 (7th Cir.1993); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir.1979); *Jordache Enters., Inc. v. Levi Strauss*, 841 F.Supp. 506, 514-15 (S.D.N.Y.1993). This approach seems consistent with congressional intent, as evidenced by the express inclusion during the 1989 revision of the Lanham Act of protection against confusion as to "origin, sponsorship, or approval." 15 U.S.C. § 1125(a). This court enumerated several factors pertinent to the finding of likelihood of confusion in *SquirtCo*, 628 F.2d at 1091: (1) the strength of the trademark; (2) the similarity between the plaintiff's and defendant's marks; (3) the competitive proximity of the parties' products; (4) the alleged infringer's intent to confuse the public; (5) evidence of any actual confusion; and (6) the degree of care reasonably expected of the plaintiff's potential customers. These factors are not a distinct test, but represent the sort of considerations which a court should consider in determining whether likelihood of confusion exists. We briefly consider the application of these factors to this case.

Anheuser-Busch possessed several very strong trademarks that Balducci displayed virtually unaltered in the ad parody. Thus, the first two *SquirtCo* factors weigh heavily in favor of Anheuser-Busch. The third factor, competitive proximity, is less one-sided. Balducci does not directly compete with Anheuser-Busch. Confusion, however, may exist in the absence of direct competition. Moreover, Balducci published the parody on the back cover of a magazine-a location frequently devoted to real ads, even in *Snicker*. This location threatens to confuse consumers accustomed to seeing advertisements on the back cover of magazines.

Our analysis of Balducci's intent relies, of necessity, on circumstantial evidence. According to Richard Balducci, he sought to comment on certain social conditions through parody. "An intent to parody is not an intent to confuse."

Jordache Enters., Inc. v. Hogg Wyld, Ltd., 828 F.2d 1482, 1486 (10th Cir.1987). Other factors, however, suggest Balducci had, if not an intent to confuse, at least an indifference to the possibility that some consumers might be misled by the parody. For example, no significant steps were taken to remind readers that they were viewing a parody and not an advertisement sponsored or approved by Anheuser-Busch. Balducci carefully designed the fictitious ad to appear as authentic as possible. Several of Anheuser-Busch's marks were used with little or no alteration. The disclaimer is virtually undetectable. Balducci even included a ® symbol after the words Michelob Oily. These facts suggest that Balducci sought to do far more than just "conjure up" an image of Anheuser-Busch in the minds of its readers. *Cf.* *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 758 (9th Cir.1978), *cert. denied*, 439 U.S. 1132 (1979) (in copyright context, "fair use" doctrine does not entitle parodist to copy everything needed to create the "best parody;" rather, the parodist may copy only that portion of the protected work necessary to "conjure up the original"). These factors limit the degree to which Balducci's intent to parody weighs in favor of a finding of no likelihood of confusion.

Balducci's desired message, or humor, presumably hinged on consumers' ultimate realization that although this "advertisement" was based on the painstaking duplication of Anheuser-Busch's marks, it was in fact a parody or editorial parody. We have significant doubt as to whether many consumers would develop this understanding of Balducci's true purpose. There is a distinct possibility, accepted by the district court, "that a superficial observer might believe that the ad parody was approved by Anheuser-Busch." The back cover of magazines is frequently used for advertisements and cannot be expected to command the thoughtful deliberation of all or even most of the viewing public. The district court downplayed this fact, observing that "[o]nce again ... the First Amendment concerns at issue in this litigation require a closer examination of Plaintiff's claims." When objectively viewed, the fourth and sixth *SquirtCo* factors (i.e., intent and degree of care) may not fully support Anheuser-Busch, but they are consistent with a finding that the parody presented a significant likelihood of confusing consumers.

The survey evidence, whether considered as direct or indirect evidence of actual confusion, tilts the analysis in favor of Anheuser-Busch. Over half of those surveyed thought Balducci needed Anheuser-Busch's approval to publish the ad. Many of these presumably felt that such approval had in fact been obtained. Six percent thought that the parody was an actual Anheuser-Busch advertisement. Other courts have accepted similar survey findings. *See* *Novak*, 836 F.2d at 400; *Nat'l Football League Props., Inc. v. New Jersey Giants, Inc.*, 637 F.Supp. 507, 517 (D.N.J.1986) (citing decisions relying on surveys showing 8.5% to 15% confusion); *Schieffelin & Co. v. Jack Company of Boca*, 850 F.Supp. 232, 247-48 (S.D.N.Y.1994). In *Novak*, for example, "approximately ten percent of all the persons surveyed thought that Mutual 'goes along' with Novak's product." 836 F.2d at 400. The court found this persuasive despite the existence of "some ambiguity" in the survey question. Thus, we are left with evidence, obtained by means of a valid consumer survey, that strongly indicates actual consumer confusion.

Our review of the record before the district court, including the Balducci ad and the survey evidence,[4] convinces us that the court erred in finding no likelihood of confusion. The court reached its finding only after it mistakenly weighted its analysis in favor of Balducci in an effort to satisfy the limits set by the First Amendment. We believe the better course would have been to analyze the likelihood of confusion first and then proceed to an analysis of the First Amendment issues.

Having determined that a likelihood of confusion exists, we must next consider Balducci's argument that the First Amendment protects it from liability for its ad parody. Parody does implicate the First Amendment's protection of artistic expression. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Group,* 886 F.2d 490, 493 (2d Cir.1989). Based on this, Balducci argues it has an absolute First Amendment right to use plaintiff's trademarks in its parody. No such absolute right exists. *See id.* at 493-94 ("Trademark protection is not lost simply because the allegedly infringing use is in connection with a work of artistic expression.") (quoting *Silverman v. CBS Inc.,* 870 F.2d 40, 49 (2d Cir.), *cert. denied,* 492 U.S. 907 (1989)); *Nike,* 6 F.3d at 1228; *Dallas Cowboys Cheerleaders,* 604 F.2d at 206 (defendant liable for using cheerleader uniform in X-rated film); *Pillsbury Co. v. Milky Way Productions, Inc.,* 215 U.S.P.Q. 124, 135 (N.D.Ga.1981) (defendant liable for dilution for publishing cartoon of "Poppin' Fresh" and "Poppie Fresh" doughpersons engaging in sexual intercourse and fellatio); *Edgar Rice Burroughs, Inc. v. Manns Theaters,* 195 U.S.P.Q. 159, 162 (C.D.Cal.1976) (defendant liable for using TARZAN mark in X-rated film).

In arguing against the reasoning of these many cases, Balducci relies on this court's opinion in *Mutual of Omaha Ins. Co. v. Novak,* 836 F.2d 397 (8th Cir.1987), *cert. denied,* 488 U.S. 933 (1988). In *Novak,* a panel of this court upheld an injunction against Novak's continued sale of anti-war T-shirts, coffee mugs and other products containing words such as "Mutants of Omaha" and bearing symbols with a likeness to plaintiff's Indian head logo. In dicta, the court stated that the injunction "in no way infringes upon the constitutional protection the First Amendment would provide were Novak to present an editorial parody in a book, magazine, or film." This language does not support absolute protection for editorial

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[4] We have considered Balducci's argument attacking the survey's findings because of alleged shortcomings in its methodology; however, like the district court, we have "no quarrel with the [survey's] design or execution."

parody, but merely reflects the fact that a parody contained in an obvious editorial context is less likely to confuse, and thus more deserving of protection than those displayed on a product. A parody creating a likelihood of confusion may be subject to a trademark infringement action. *Cliffs Notes,* 886 F.2d at 494 (confusing parodies are "vulnerable under trademark law"); *L.L. Bean, Inc. v. Drake Publishers, Inc.,* 811 F.2d 26, 32 n. 3 (1st Cir.) (confusing parodies "implicate[ ] the legitimate commercial and consumer protection objectives of trademark law"), *cert. denied and appeal dismissed,* 483 U.S. 1013 (1987).

There is no simple, mechanical rule by which courts can determine when a potentially confusing parody falls within the First Amendment's protective reach. Thus, "in deciding the reach of the Lanham Act in any case where an expressive work is alleged to infringe a trademark, it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion." *Cliffs Notes,* 886 F.2d at 494. "This approach takes into account the ultimate test in trademark law, namely, the likelihood of confusion as to the source of the goods in question." *Id.* at 495 (internal quotations omitted).

In applying this balancing test, we begin with the recognition that parody serves as a "humorous form of social commentary and literary criticism that dates back as far as Greek antiquity." *Bean,* 811 F.2d at 28. Balducci purports to comment on several matters, including environmental pollution and Anheuser-Busch's brand proliferation. The First Amendment's protection of social commentary generally, and parody in particular, is certainly implicated in this case. "The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line." *Campbell v. Acuff-Rose Music, Inc.,* 510 U.S. 569, ----, 114 S.Ct. 1164, 1172 (1994). "The benefit to the one making the parody ... arises from the humorous association, not from public confusion as to the source of the marks." *Jordache Enters.,* 828 F.2d at 1486. Thus, we must weigh the public interest in protecting Balducci's expression against the public interest in avoiding consumer confusion.

Applying this standard, we are convinced that the First Amendment places no bar to the application of the Lanham Act in this case. As we have discussed, Balducci's ad parody was likely to confuse consumers as to its origin, sponsorship or approval. This confusion might have to be tolerated if even plausibly necessary to achieve the desired commentary-a question we need not decide. In this case, the confusion is wholly unnecessary to Balducci's stated purpose. By using an obvious disclaimer, positioning the parody in a less-confusing location, altering the protected marks in a meaningful way, or doing some collection of the above, Balducci could have conveyed its message with substantially less risk of consumer confusion. Other courts have upheld the use of obvious variations of protected marks. *See, e.g., Cliffs Notes,* 886 F.2d at 496 ("Spy Notes" held not to infringe "Cliffs Notes" mark);

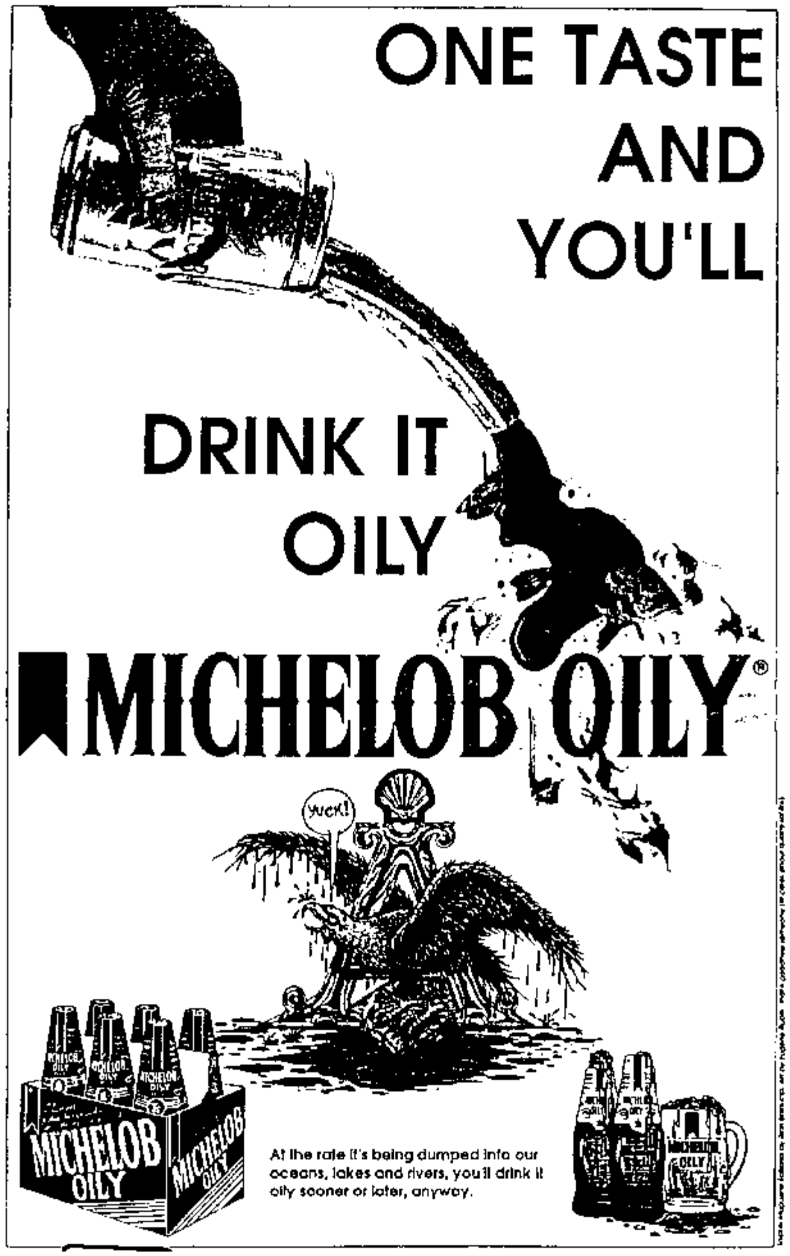
Jordache Enters., 828 F.2d at 1485-88 (comparing "Jordache" and "Lardashe" jeans). The First Amendment does not excuse Balducci's failure to do so. As the Second Circuit observed:

> A parody must convey two simultaneous-and contradictory-messages: that it is the original, but also that it is *not* the original and is instead a parody. To the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused.

Cliffs Notes, 886 F.2d at 494; *see* *Nike*, 6 F.3d at 1228. Balducci's ad, developed through the nearly unaltered appropriation of Anheuser-Busch's marks, conveys that it is the original, but the ad founders on its failure to convey that it is not the original. Thus, it is vulnerable under trademark law since the customer is likely to be confused, as the record before the district court demonstrated.

We believe it is important to acknowledge the limits of our holding today. We do not hold that Balducci's extensive borrowing of Anheuser-Busch's trademarks amounts to a per se trademark violation. Unlike copyright and patent owners, trademark owners have no right in gross. By taking steps to insure that viewers adequately understood this was an unauthorized editorial, Balducci might have avoided or at least sharply limited any confusion, and thereby escaped from liability. Absent such measures, Balducci's ad parody was likely to confuse consumers and fall subject to federal trademark law. . . .

Reduced-size reproduction. Original is on 11-1/4 x 17-1/2 inch page.



APPENDIX B

Full-size reproduction of lower-right corner of Appendix A.

Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC
507 F.3d 252 (4th Cir. 2007)

NIEMEYER, Circuit Judge:

[recall the facts from the dilution reading]

LVM contends first that Haute Diggity Dog's marketing and sale of its "Chewy Vuiton" dog toys infringe its trademarks because the advertising and sale of the "Chewy Vuiton" dog toys is likely to cause confusion. *See* 15 U.S.C. § 1114(1)(a). LVM argues:

> The defendants in this case are using almost an exact imitation of the house mark VUITTON (merely omitting a second "T"), and they painstakingly copied Vuitton's Monogram design mark, right down to the exact arrangement and sequence of geometric symbols. They also used the same design marks, trade dress, and color combinations embodied in Vuitton's Monogram Multicolor and Monogram Cerises [Cherry] handbag collections. Moreover, HDD did not add any language to distinguish its products from Vuitton's, and its products are not "widely recognized."[1]

Haute Diggity Dog contends that there is no evidence of confusion, nor could a reasonable factfinder conclude that there is a likelihood of confusion, because it successfully markets its products as parodies of famous marks such as those of LVM. It asserts that "precisely because of the [famous] mark's fame and popularity ... confusion is avoided, and it is this lack of confusion that a parodist depends upon to achieve the parody." Thus, responding to LVM's claims of trademark infringement, Haute Diggity Dog argues:

> The marks are undeniably similar in certain respects. There are visual and phonetic similarities. [Haute Diggity Dog] admits that the product name and design mimics LVM's and is based on the LVM marks. It is necessary for the pet products to conjure up the original designer mark for there to be a parody at all. However, a parody also relies on "equally obvious dissimilarit[ies] between the marks" to produce its desired effect.

Concluding that Haute Diggity Dog did not create any likelihood of confusion as a matter of law, the district court granted summary judgment to Haute Diggity Dog. We review its order *de novo.*

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[1] We take this argument to be that Haute Diggity Dog is copying too closely the marks and trade dress of LVM. But we reject the statement that LVM has a trademark consisting of the one word VUITTON. At oral argument, counsel for LVM conceded that the trademark is "LOUIS VUITTON," and it is always used in that manner rather than simply as "VUITTON." It appears that LVM has employed this technique to provide a more narrow, but irrelevant, comparison between its VUITTON and Haute Diggity Dog's "Vuiton." In resolving this case, however, we take LVM's arguments to compare "LOUIS VUITTON" with Haute Diggity Dog's "Chewy Vuiton."

To prove trademark infringement, LVM must show (1) that it owns a valid and protectable mark; (2) that Haute Diggity Dog uses a "re-production, counterfeit, copy, or colorable imitation" of that mark in commerce and without LVM's consent; and (3) that Haute Diggity Dog's use is likely to cause confusion. 15 U.S.C. § 1114(1)(a); *CareFirst*, 434 F.3d at 267. The validity and protectability of LVM's marks are not at issue in this case, nor is the fact that Haute Diggity Dog uses a colorable imitation of LVM's mark. Therefore, we give the first two elements no further attention. To determine whether the "Chewy Vuiton" product line creates a likelihood of confusion, we have identified several nonexclusive factors to consider: (1) the strength or distinctiveness of the plaintiff's mark; (2) the similarity of the two marks; (3) the similarity of the goods or services the marks identify; (4) the similarity of the facilities the two parties use in their businesses; (5) the similarity of the advertising used by the two parties; (6) the defendant's intent; and (7) actual confusion. *See* *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir.1984). These *Pizzeria Uno* factors are not always weighted equally, and not all factors are relevant in every case.

Because Haute Diggity Dog's arguments with respect to the *Pizzeria Uno* factors depend to a great extent on whether its products and marks are successful parodies, we consider first whether Haute Diggity Dog's products, marks, and trade dress are indeed successful parodies of LVM's marks and trade dress.

For trademark purposes, "[a] 'parody' is defined as a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner." *People for the Ethical Treatment of Animals v. Doughney* (" *PETA* "), 263 F.3d 359, 366 (4th Cir.2001) (internal quotation marks omitted). "A parody must convey two simultaneous-and contradictory-messages: that it is the original, but also that it is *not* the original and is instead a parody." *Id.* (internal quotation marks and citation omitted). This second message must not only differentiate the alleged parody from the original but must also communicate some articulable element of satire, ridicule, joking, or amusement. Thus, "[a] parody relies upon a difference from the original mark, presumably a humorous difference, in order to produce its desired effect." *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir.1987) (finding the use of "Lardashe" jeans for larger women to be a successful and permissible parody of "Jordache" jeans).

When applying the *PETA* criteria to the facts of this case, we agree with the district court that the "Chewy Vuiton" dog toys are successful parodies of LVM handbags and the LVM marks and trade dress used in connection with the marketing and sale of those handbags. First, the pet chew toy is obviously an irreverent, and indeed intentional, representation of an LVM handbag, albeit much smaller and coarser. The dog toy is shaped roughly like a handbag; its name "Chewy Vuiton" sounds like and rhymes with LOUIS VUITTON; its monogram CV mimics LVM's LV mark; the repetitious design clearly imitates the design on the LVM handbag; and the coloring is similar. In short, the dog toy is a small, plush imitation of an LVM handbag carried by women, which invokes the marks and design of the handbag, albeit irreverently and incompletely. No one can doubt that LVM handbags are the target of the imitation by Haute Diggity Dog's "Chewy Vuiton" dog toys.

At the same time, no one can doubt also that the "Chewy Vuiton" dog toy is not the "idealized image" of the mark created by LVM. The differences are immediate, beginning with the fact that the "Chewy Vuiton" product is a dog toy, not an expensive, luxury LOUIS VUITTON handbag. The toy is smaller, it is plush, and virtually all of its designs differ. Thus, "Chewy Vuiton" is not LOUIS VUITTON ("Chewy" is not "LOUIS" and "Vuiton" is not "VUITTON," with its two Ts); CV is not LV; the designs on the dog toy are simplified and crude, not detailed and distinguished. The toys are inexpensive; the handbags are expensive and marketed to be expensive. And, of course, as a dog toy, one must buy it with pet supplies and cannot buy it at an exclusive LVM store or boutique within a department store. In short, the Haute Diggity Dog "Chewy Vuiton" dog toy undoubtedly and deliberately conjures up the famous LVM marks and trade dress, but at the same time, it communicates that it is not the LVM product.

Finally, the juxtaposition of the similar and dissimilar-the irreverent representation and the idealized image of an LVM handbag-immediately conveys a joking and amusing parody. The furry little "Chewy Vuiton" imitation, as something to be *chewed by a dog,* pokes fun at the elegance and expensiveness of a LOUIS VUITTON handbag, which must *not* be chewed by a dog. The LVM handbag is provided for the most elegant and well-to-do celebrity, to proudly display to the public and the press, whereas the imitation "Chewy Vuiton" "handbag" is designed to mock the celebrity and be used by a dog. The dog toy irreverently presents haute couture as an object for casual canine destruction. The satire is unmistakable. The dog toy is a comment on the rich and famous, on the LOUIS VUITTON name and related marks, and on conspicuous consumption in general. This parody is enhanced by the fact that "Chewy Vuiton" dog toys are sold with similar parodies of other famous and expensive brands-"Chewnel No. 5" targeting "Chanel No. 5"; "Dog Perignonn" targeting "Dom Perignon"; and "Sniffany & Co." targeting "Tiffany & Co."

We conclude that the PETA criteria are amply satisfied in this case and that the "Chewy Vuiton" dog toys convey "just enough of the original design to allow the consumer to appreciate the point of parody," but stop well short of appropriating the entire marks that LVM claims. PETA, 263 F.3d at 366 (quoting *Jordache*, 828 F.2d at 1486).

Finding that Haute Diggity Dog's parody is successful, however, does not end the inquiry into whether Haute Diggity Dog's "Chewy Vuiton" products create a likelihood of confusion. *See* 6 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 31:153, at 262 (4th ed. 2007) ("There are confusing parodies and non-confusing parodies. All they have in common is an attempt at humor through the use of someone else's trademark"). The finding of a successful parody only influences the way in which the *Pizzeria Uno* factors are applied. *See, e.g.,* *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 321 (4th Cir.1992) (observing that parody alters the likelihood-of-confusion analysis). Indeed, it becomes apparent that an effective parody will actually diminish the likelihood of confusion, while an ineffective parody does not. We now turn to the *Pizzeria Uno* factors.

A

As to the first *Pizzeria Uno* factor, the parties agree that LVM's marks are strong and widely recognized. They do not agree, however, as to the consequences of this fact. LVM maintains that a strong, famous mark is entitled, as a matter of law, to broad protection. While it is true that finding a mark to be strong and famous usually favors the plaintiff in a trademark infringement case, the opposite may be true when a legitimate claim of parody is involved. As the district court observed, "In cases of parody, a strong mark's fame and popularity is precisely the mechanism by which likelihood of confusion is avoided."

We agree with the district court. It is a matter of common sense that the strength of a famous mark allows consumers immediately to perceive the target of the parody, while simultaneously allowing them to recognize the changes to the mark that make the parody funny or biting. *See* *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F.Supp.2d 410, 416 (S.D.N.Y.2002) (noting that the strength of the "TOMMY HILFIGER" fashion mark did not favor the mark's owner in an infringement case against "TIMMY HOLEDIGGER" novelty pet perfume). In this case, precisely because LOUIS VUITTON is so strong a mark and so well recognized as a luxury handbag brand from LVM, consumers readily recognize that when they see a "Chewy Vuiton" pet toy, they see a parody. Thus, the strength of LVM's marks in this case does not help LVM establish a likelihood of confusion.

B

With respect to the second *Pizzeria Uno* factor, the similarities between the marks, the usage by Haute Diggity Dog again converts what might be a problem for Haute Diggity Dog into a disfavored conclusion for LVM.

Haute Diggity Dog concedes that its marks are and were designed to be somewhat similar to LVM's marks. But that is the essence of a parody-the invocation of a famous mark in the consumer's mind, so long as the distinction between the marks is also readily recognized. While a trademark parody necessarily copies enough of the original design to bring it to mind as a target, a successful parody also distinguishes itself and, because of the implicit message communicated by the parody, allows the consumer to appreciate it.

In concluding that Haute Diggity Dog has a successful parody, we have impliedly concluded that Haute Diggity Dog appropriately mimicked a part of the LVM marks, but at the same time sufficiently distinguished its own product to communicate the satire. The differences are sufficiently obvious and the parody sufficiently blatant that a consumer encountering a "Chewy Vuiton" dog toy would not mistake its source or sponsorship on the basis of mark similarity.

This conclusion is reinforced when we consider how the parties actually use their marks in the marketplace. The record amply supports Haute Diggity Dog's contention that its "Chewy Vuiton" toys for dogs are generally sold alongside other pet products, as well as toys that parody other luxury brands, whereas LVM markets its handbags as a top-end luxury item to be purchased only in its own stores or in its own boutiques within department stores. These marketing channels further emphasize that "Chewy Vuiton" dog toys are not, in fact, LOUIS VUITTON products.

C

Nor does LVM find support from the third *Pizzeria Uno* factor, the similarity of the products themselves. It is obvious that a "Chewy Vuiton" plush imitation handbag, which does not open and is manufactured as a dog toy, is not a LOUIS VUITTON handbag sold by LVM. Even LVM's most proximate products-dog collars, leashes, and pet carriers-are fashion accessories, not dog toys. As Haute Diggity Dog points out, LVM does not make pet chew toys and likely does not intend to do so in the future. Even if LVM were to make dog toys in the future, the fact remains that the products at issue are not similar in any relevant respect, and this factor does not favor LVM.

D

The fourth and fifth *Pizzeria Uno* factors, relating to the similarity of facilities and advertising channels, have already been mentioned. LVM products are sold exclusively through its own stores or its own boutiques within department stores. It also sells its products on the Internet through an LVM-authorized website. In contrast, "Chewy Vuiton" products are sold primarily through traditional and Internet pet stores, although they might also be sold in some department stores. The record demonstrates that both LVM handbags and "Chewy Vuiton" dog toys are sold at a Macy's department store in New York. As a general matter, however, there is little overlap in the individual retail stores selling the brands.

Likewise with respect to advertising, there is little or no overlap. LVM markets LOUIS VUITTON handbags through high-end fashion magazines, while "Chewy Vuiton" products are advertised primarily through pet-supply channels.

The overlap in facilities and advertising demonstrated by the record is so minimal as to be practically nonexistent. "Chewy Vuiton" toys and LOUIS VUITTON products are neither sold nor advertised in the same way, and the *de minimis* overlap lends insignificant support to LVM on this factor.

E

The sixth factor, relating to Haute Diggity Dog's intent, again is neutralized by the fact that Haute Diggity Dog markets a parody of LVM products. As other courts have recognized, "An intent to parody is not an intent to confuse the public." *Jordache*, 828 F.2d at 1486. Despite Haute Diggity Dog's obvious intent to profit from its use of parodies, this action does not amount to a bad faith intent to create consumer confusion. To the contrary, the intent is to do just the opposite-to evoke a humorous, satirical association that *distinguishes* the products. This factor does not favor LVM.

F

On the actual confusion factor, it is well established that no actual confusion is required to prove a case of trademark infringement, although the presence of actual confusion can be persuasive evidence relating to a likelihood of confusion.

While LVM conceded in the district court that there was no evidence of actual confusion, on appeal it points to incidents where retailers misspelled "Chewy Vuiton" on invoices or order forms, using two Ts instead of one. Many of these invoices also reflect simultaneous orders for multiple types of Haute Diggity Dog parody products, which belies the notion that any actual confusion existed as to the source of "Chewy Vuiton" plush toys. The misspellings pointed out by LVM are far more likely in this context to indicate confusion over how to spell the product name than any confusion over the source or sponsorship of the "Chewy Vuiton" dog toys. We conclude that this factor favors Haute Diggity Dog.

In sum, the likelihood-of-confusion factors substantially favor Haute Diggity Dog. But consideration of these factors is only a proxy for the ultimate statutory test of whether Haute Diggity Dog's marketing, sale, and distribution of "Chewy

Vuiton" dog toys is likely to cause confusion. Recognizing that "Chewy Vuiton" is an obvious parody and applying the *Pizzeria Uno* factors, we conclude that LVM has failed to demonstrate any likelihood of confusion. Accordingly, we affirm the district court's grant of summary judgment in favor of Haute Diggity Dog on the issue of trademark infringement. . . .

E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.
547 F.3d 1095 (9th Cir. 2008)

O'SCANNLAIN, Circuit Judge:

We must decide whether a producer of a video game in the "Grand Theft Auto" series has a defense under the First Amendment against a claim of trademark infringement.

I

A

Rockstar Games, Inc. ("Rockstar"), a wholly owned subsidiary of Take-Two Interactive Software, Inc., manufactures and distributes the Grand Theft Auto series of video games (the "Series"), including Grand Theft Auto: San Andreas ("San Andreas" or the "Game"). The Series is known for an irreverent and sometimes crass brand of humor, gratuitous violence and sex, and overall seediness.

Each game in the Series takes place in one or more dystopic, cartoonish cities modeled after actual American urban areas. The games always include a disclaimer stating that the locations depicted are fictional. Players control the game's protagonist, trying to complete various "missions" on a video screen. The plot advances with each mission accomplished until the player, having passed through thousands of cartoon-style places along the way, wins the game.

Consistent with the tone of the Series, San Andreas allows a player to experience a version of West Coast "gangster" culture. The Game takes place in the virtual cities of "Los Santos," "San Fierro," and "Las Venturas," based on Los Angeles, San Francisco, and Las Vegas, respectively.

Los Santos, of course, mimics the look and feel of actual Los Angeles neighborhoods. Instead of "Hollywood," "Santa Monica," "Venice Beach," and "Compton," Los Santos contains "Vinewood," "Santa Maria," "Verona Beach," and "Ganton." Rockstar has populated these areas with virtual liquor stores, ammunition dealers, casinos, pawn shops, tattoo parlors, bars, and strip clubs. The brand names, business names, and other aspects of the locations have been changed to fit the irreverent "Los Santos" tone. Not especially saintly, Los Santos is complete with gangs who roam streets inhabited by prostitutes and drug pushers while random gunfire punctuates the soundtrack.

To generate their vision for Los Santos, some of the artists who drew it visited Los Angeles to take reference photographs. The artists took pictures of businesses, streets, and other places in Los Angeles that they thought evoked the San Andreas theme. They then returned home (to Scotland) to draw Los Santos, changing the images from the photographs as necessary to fit into the fictional world of Los Santos and San Andreas. According to Nikolas Taylor ("Taylor"), the Lead Map Artist for Los Santos, he and other artists did not seek to "re-creat[e] a realistic depiction of Los Angeles; rather, [they] were creating 'Los Santos,' a fictional city that lampooned the seedy underbelly of Los Angeles and the people, business and places [that] comprise it." One neighborhood in the fictional city is "East Los Santos," the Game's version of East Los Angeles. East Los Santos contains variations on the businesses and architecture of the real thing, including a virtual, cartoon-style strip club known as the "Pig Pen."

B

ESS Entertainment 2000, Inc. ("ESS"), operates a strip club, which features females dancing nude, on the eastern edge of downtown Los Angeles under the name Play Pen Gentlemen's Club ("Play Pen"). ESS claims that Rockstar's depiction of an East Los Santos strip club called the Pig Pen infringes its trademark and trade dress associated with the Play Pen.

The Play Pen's "logo" consists of the words "the Play Pen" (and the lower- and upper-case letters forming those words) and the phrase "Totally Nude" displayed in a publicly available font, with a silhouette of a nude female dancer inside the stem of the first "P." Apparently, ESS has no physical master or precise template for its logo. Different artists draw the nude silhouette in Play Pen's logo anew for each representation, although any final drawing must be acceptable to Play Pen's owners. There are several different versions of the silhouette, and some advertisements and signs for the Play Pen do not contain the nude silhouettes.

Although the artists took some inspiration from their photographs of the Play Pen, it seems they used photographs of other East Los Angeles locations to design other aspects of 15148 the Pig Pen. The Pig Pen building in Los Santos, for instance, lacks certain characteristics of the Play Pen building such as a stone facade, a valet stand, large plants and gold columns around the entrance, and a six-foot black iron fence around the parking lot. The Play Pen also has a red, white, and blue pole sign near the premises, which includes a trio of nude silhouettes above the logo and a separate "Totally Nude" sign below. The Pig Pen does not.

C

On April 22, 2005, ESS filed the underlying trademark violation action in district court against Rockstar. . . . The heart of ESS's complaint is that Rockstar has used Play Pen's distinctive logo and trade dress without its authorization and has created a likelihood of confusion among consumers as to whether ESS has endorsed, or is associated with, the video depiction. . . .

[Rockstar moved for summary judgment, arguing nominative fair use, the First Amendment, and claiming the absence of a likelihood of confusion. The district court ruled in its favor on First Amendment grounds.]

II

Rockstar argues that, regardless of whether it infringed ESS's trademark under the Lanham Act or related California law, it is entitled to two defenses: one under the nominative fair use doctrine and one under the First Amendment.

A

"Unlike a traditional fair use scenario, [nominative fair use occurs when] the defendant ... us[es] the trademarked term to describe not its own product, but the plaintiff's." *Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 801 (9th Cir.2002). The doctrine protects those who deliberately use another's trademark or trade dress "for the 'purposes of comparison, criticism [,] or point of reference.' " *Walking Mountain,* 353 F.3d at 809 (alteration omitted) (quoting *New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 306 (9th Cir.1992)). In this case, however, Rockstar's use of "Pig Pen" is not "identical to the plaintiff's [Play Pen] mark." Furthermore, the district court observed that Rockstar's Lead Map Artist "testified the goal in designing the Pig Pen was ... not to comment on Play Pen *per se.*" Since Rockstar did not use the trademarked logo to describe ESS's strip club, the district court correctly held that the nominative fair use defense does not apply in this case.

B

Rockstar's second defense asks us to consider the intersection of trademark law and the First Amendment. The road is well traveled. We have adopted the Second Circuit's approach from *Rogers v. Grimaldi,* which "requires courts to construe the Lanham Act 'to apply to artistic works *only* where the public interest in avoiding consumer confusion *outweighs* the public interest in free expression.' " *Walking Mountain,* 353 F.3d at 807 (emphasis in original) (quoting *Rogers v. Grimaldi,* 875 F.2d 994, 999 (2d Cir.1989)). The specific test contains two prongs. An artistic work's use of a trademark that otherwise would violate the Lanham Act is not actionable " 'unless the [use of the mark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless [it] explicitly misleads as to the source or the content of the work.' " *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir.2002) (quoting *Rogers,* 875 F.2d at 999). Although this test traditionally applies to uses of a trademark in the title of an artistic work, there is no principled reason why it ought not also apply to the use of a trademark in the body of the work. *See* Walking Mountain, 353 F.3d at 809 n. 17 (implying that it would be acceptable to apply the Rogers test to non-titular trade dress claim). The parties do not dispute such an extension of the doctrine.

1

We first adopted the Rogers test in MCA Records, a case which is instructive for that reason. MCA Records, 296 F.3d at 902 ("We agree with the Second Circuit's analysis and adopt the Rogers standard as our own."). In MCA Records, the maker of the iconic "Barbie" dolls sued MCA for trademark infringement in the title of a song the record company had released, called "Barbie Girl." The song was a commentary "about Barbie and the values ... she [supposedly] represents." Applying Rogers, the court held that the First Amendment protected the record company. The first prong was straightforward. Because the song was about Barbie, "the use of Barbie in the song title clearly is relevant to the underlying work."

Moving to the second prong, we made an important point. "The *only* indication," we observed, "that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the Rogers test, it would render Rogers a nullity." MCA Records, 296 F.3d at 902 (emphasis in original). This makes good sense. After all, a trademark infringement claim presupposes a use of the mark. If that necessary element in every trademark case vitiated a First Amendment defense, the First Amendment would provide no defense at all.

2

Keeping MCA Records and related cases in mind, we now turn to the matter before us. ESS concedes that the Game is artistic and that therefore the Rogers test applies. However, ESS argues both that the incorporation of the Pig Pen into the Game has no artistic relevance and that it is explicitly misleading. It rests its argument on two observations: (1) the Game is not "about" ESS's Play Pen club the way that "Barbie Girl" was "about" the Barbie doll in MCA Records; and (2) also unlike the Barbie case, where the trademark and trade dress at issue was a cultural icon (Barbie), the Play Pen is not a cultural icon.

ESS's objections, though factually accurate, miss the point. Under MCA Records and the cases that followed it, only the use of a trademark with " '*no* artistic relevance to the underlying work *whatsoever* ' " does not merit First Amendment protection. Id. (emphasis added) (quoting Rogers, 875 F.2d at 999). In other words, the level of relevance merely must be above zero. It is true that the Game is not "about" the Play Pen the way that Barbie Girl was about Barbie. But, given the low threshold the Game must surmount, that fact is hardly dispositive. It is also true that Play Pen has little cultural significance, but the same could be said about most of the individual establishments in East Los Angeles. Like most urban neighborhoods, its distinctiveness lies in its "look and feel," not in particular destinations as in a downtown or tourist district. And that neighborhood, with all that characterizes it, *is* relevant to Rockstar's artistic goal, which is to develop a cartoon-style parody of East Los Angeles. Possibly the only way, and certainly a reasonable way, to do that is to recreate a critical mass of the businesses and buildings that constitute it. In this context, we conclude that to include a strip club that is similar in look and feel to the Play Pen does indeed have at least "some artistic relevance." *See id.*

3

ESS also argues that Rockstar's use of the Pig Pen " 'explicitly misleads as to the source or the content of the work.' " *Id.* (quoting Rogers, 875 F.2d at 999). This prong of the test points directly at the purpose of trademark law, namely to "avoid confusion in the marketplace by allowing a trademark owner to prevent others from duping consumers into buying a product they mistakenly believe is sponsored by the trademark owner." *Walking Mountain*, 353 F.3d at 806 (internal quotation marks and alteration omitted). The relevant question, therefore, is whether the Game would confuse its players into thinking that the Play Pen is somehow behind the Pig Pen or that it sponsors Rockstar's product. In answering that question, we keep in mind our observation in *MCA Records* that the mere use of a trademark alone cannot suffice to make such use explicitly misleading.

Both San Andreas and the Play Pen offer a form of low-brow entertainment; besides this general similarity, they have nothing in common. The San Andreas Game is not complementary to the Play Pen; video games and strip clubs do not go together like a horse and carriage or, perish the thought, love and marriage. Nothing indicates that the buying public would reasonably have believed that ESS produced the video game or, for that matter, that Rockstar operated a strip club. A player can enter the virtual strip club in Los Santos, but ESS has provided no evidence that the setting is anything but generic. It also seems far-fetched that someone playing San Andreas would think ESS had provided whatever expertise, support, or unique strip-club knowledge it possesses to the production of the game. After all, the Game does not revolve around running or patronizing a strip club. Whatever one can do at the Pig Pen seems quite incidental to the overall story of the Game. A reasonable consumer would not think a company that owns one strip club in East Los Angeles, which is not well known to the public at large, also produces a technologically sophisticated video game like San Andreas.

Undeterred, ESS also argues that, because players are free to ignore the storyline and spend as much time as they want at the Pig Pen, the Pig Pen can be considered a significant part of the Game, leading to confusion. But fans can spend all nine innings of a baseball game at the hot dog stand; that hardly makes Dodger Stadium a butcher's shop. In other words, the chance to attend a virtual strip club is unambiguously *not* the main selling point of the Game.

III

Considering all of the foregoing, we conclude that Rockstar's modification of ESS's trademark is not explicitly misleading and is thus protected by the First Amendment. Since the First Amendment defense applies equally to ESS's state law claims as to its Lanham Act claim, the district court properly dismissed the entire case on Rockstar's motion for summary judgment.

Note

Accommodating the First Amendment. In general, courts treat trademark law, with its roots in fraud prevention, as not raising First Amendment concerns. But as these cases indicate, matters are more difficult where the speech at issue concerns a non-traditional trademark use. How should trademark law provide breathing room for First Amendment interests? Should it tailor the multifactor test? Come up with a distinct test for expressive situations? Or is the speech we are worried about protecting unlikely to be confusing in the first instance? Which of the preceding cases take the best approach?

Problems

1. Chris Webber was a famous basketball player. One of his more notorious moments came in college when his team, the University of Michigan Wolverines, was playing for the national championship. Late in the game, Webber called for a timeout, but Michigan was out of timeouts, which resulted in a technical foul (a penalty) against the team that ended its chance of winning.[*]

Arrow is a rock band. They recently released a largely instrumental track in the "shoegaze" style (think My Bloody Valentine—youtube[**] the group if you don't know them) called "Michigan Wolverines." The lyrics on the song are hard to make out, as they exist largely as accompaniment to the music. Most of the lyrics that can be deciphered sound like recipes for cake. The only reference in the song that evokes Michigan at all is the following verse:

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[*] Side note, the first paragraph is true. What follows is a made-up hypothetical.

[**] Is that a generic use?

Timeout on the floor
List on the door
Apple's got a core
No flour can pour

The University of Michigan threatens suit. What advice can we give Arrow?

2. Speaking of the University of Michigan, suppose the following: Bilinda Butcher is an artist. She paints a picture of the Michigan football team taking the field. The University threatens suit for use of the team's trademarked colors and uniforms. Do they have a case?

25. Trademark Procedure

The previous readings have detailed many of the issues that come up in trademark litigation, but there remain several important practice-related matters—most notably remedies—that we have yet to address. The purpose of this reading is to provide an overview of some practice-related topics that we have not yet covered.

Remedies

So you've won your case. What can you get? The law of remedies under the Lanham Act has a variety of complications. They come from somewhat messy statutory wording, but also from the fundamental tension of trademark litigation—the consumer interest in accurate information is being vindicated by someone other than the consumer. The remedies sought by the consumers' champions (i.e., the trademark holders) do not necessarily serve the interests of consumers.

15 U.S.C. § 1117. Section 35 of the Lanham Act provides, in part, that one who prevails in litigation under sections 32, 43(a),[1] 43(d), or establishes a willful violation of § 43(d):

> shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover
>
> > (1) defendant's profits,
> >
> > (2) any damages sustained by the plaintiff, and
> >
> > (3) the costs of the action.
>
> The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for

[1] Remember that section 43(a) also includes the false advertising cause of action.

such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Monetary Remedies

Monetary remedies are a bit of a mess in the Lanham Act. Note that the excerpt quoted above contemplates two types of monetary remedies: damages and defendant's profits. The latter is a traditional remedy at equity (damages, of course, being the standard remedy at law). Both remedies are to be awarded, however, "subject to the principles of equity," suggesting that equitable principles apply generally. Although both damages *and* profits may be awarded, there should not be a double recovery. *See, e.g.*, Restatement (Third) of Unfair Competition § 36, cmt. c (1995).

Damages. A damages remedy requires, well, damage to the plaintiff, typically in the form of lost sales. *See, e.g.*, Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, Inc., 926 F.2d 134, 139 (2d Cir. 1991) ("When a plaintiff seeks money damages in either a product infringement case or a false advertising case asserted under section 43(a), the plaintiff must introduce evidence of actual consumer confusion. This requirement must be distinguished from cases brought under the Lanham Act in which only injunctive relief is sought; in those cases the plaintiff need only prove a likelihood of confusion among consumers." (citations omitted)). This makes the remedy a tricky one insofar as lost sales are hard to prove.

Courts sometimes accept circumstantial evidence, like a survey, as proof of actual confusion. Restatement (Third) of Unfair Competition § 36 cmt. i (1995) ("direct proof of actual confusion or deception is often unavailable, and the proof may consist instead of circumstantial evidence such as consumer surveys, market analysis, or the nature of the defendant's misconduct. In trademark infringement cases involving directly competing goods, proof of actual confusion may permit the further inference that sales have been diverted from the plaintiff to the defendant." (internal citation omitted)). Several cases accept proof of intentionally deceptive conduct as a substitute for evidence of actual confusion, or at least as a way to shift the burden to the defendant by creating a rebuttable presumption of damage. Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co., 145 F.3d 481, 493 (2d Cir. 1998) ("Our case law is well settled that in order for a Lanham Act plaintiff to receive an award of *damages* the plaintiff must prove either actual consumer confusion or deception resulting from the violation, ... or that the defendant's actions were intentionally deceptive thus giving rise to a rebuttable presumption of consumer confusion." (internal quotations omitted)). The plaintiff still bears the burden of causation. Restatement (Third) of Unfair Competition § 36 cmt. h (1995). Professor McCarthy notes that courts, analogizing to antitrust law, are more strict about requiring a plaintiff to show that there has been damage than they are about being precise as to how much damage there was. 5 McCarthy § 30:76.

There are other compensable damages beyond lost sales. A court may find harm to a markholder's goodwill resulting from the defendant's conduct. The defendant may have interfered with the plaintiff's ability to develop a market. Sometimes courts will find that the plaintiff is due a reasonable royalty to reflect what it might have received had the mark been licensed. This latter remedy is particularly germane in the franchise setting. On these and other measures of damages, including the possibility of corrective advertising, *see generally* 5 McCarthy §§ 30:77-87.

Punitive damages. "In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." In other words, precision is not required. That said, the treble damages remedy cannot be punitive, as the award "shall constitute compensation and not a penalty." Although Lanham Act damages awards are not punitive, damages for analogous state causes of action may be. In Adidas-America, Inc. v. Payless ShoeSource, Inc., 2008 WL 4279812 (D. Or. 2008), a jury ruled in favor of Adidas on a mix of state and federal claims that Payless sold confusingly similar shoes and sportswear. The damage award totaled $305 million, of which $137 million were punitive damages based on the state claims. The district judge ordered a remittitur of the punitive award to $15 million (or a new trial if Adidas did not accept the reduction).[2]

Statutory damages. Plaintiffs under ACPA and in counterfeiting cases have the option to elect statutory damages in lieu of proving actual damages. Section 35 provides:

[2] Relatedly, the jury award of $137 million in profits, which included the federal claims, was reduced to $19.7 million on the grounds that so high an award would be punitive in violation of the Lanham Act. Adidas also received $30.6 million in damages calculated as a reasonable royalty.

(c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of–

> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) Statutory damages for violation of section 1125(d)(1)

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

Defendant's profits. Accounting of profits is a traditional equitable remedy. The profits remedy in trademark is naturally only a rough (at best) measure of damages for the plaintiff as it would require both competition and the prospect that every sale accrued by the defendant would have gone to the plaintiff. At the same time, it offers another route for calculation in contexts in which the damages to the plaintiff are hard to ascertain. Venture Tape Corp. v. McGills Glass Warehouse, 540 F.3d 56, 63 (1st Cir. 2008) ("When a mark owner cannot prove actual damages attributable to the infringer's misconduct (e.g., specific instances of lost sales), its recovery of an equitable share of the infringer's profits serves, inter alia, as a "rough measure" of the likely harm that the mark owner incurred because of the infringement, while also preventing the infringer's unjust enrichment and deterring further infringement." (internal citation omitted)). But as an equitable remedy (and recall again that the statute directs that its remedies be applied in accord with equitable principles), it is applied in a flexible manner by the courts. This includes situations in which the defendant has not caused lost sales, but the remedy is ordered to protect unjust enrichment. *See, e.g.*, Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 177–78 (3d Cir. 2005) (accounting appropriate "if the defendant is unjustly enriched, if the plaintiff has sustained damages, or if an accounting is necessary to deter infringement"). This suggests that actual confusion should not be required in cases in which the court aims to deter, but a minority of cases considering the issue so require. 5 McCarthy § 30:63.

Romag Fasteners, Inc v. Fossil, Inc.
140 S. Ct. 1492 (2020)

Justice GORSUCH delivered the opinion of the Court.

When it comes to remedies for trademark infringement, the Lanham Act authorizes many. A district court may award a winning plaintiff injunctive relief, damages, or the defendant's ill-gotten profits. Without question, a defendant's state of mind may have a bearing on what relief a plaintiff should receive. An innocent trademark violator often stands in very different shoes than an intentional one. But some circuits have gone further. These courts hold a plaintiff can win a profits remedy, in particular, only after showing the defendant *willfully* infringed its trademark. The question before us is whether that categorical rule can be reconciled with the statute's plain language.

The question comes to us in a case involving handbag fasteners. Romag sells magnetic snap fasteners for use in leather goods. Fossil designs, markets, and distributes a wide range of fashion accessories. Years ago, the pair signed an agreement allowing Fossil to use Romag's fasteners in Fossil's handbags and other products. Initially, both sides seemed content with the arrangement. But in time Romag discovered that the factories Fossil hired in China to make its products were using counterfeit Romag fasteners—and that Fossil was doing little to guard against the practice. Unable to resolve its concerns amicably, Romag sued. The company alleged that Fossil had infringed its trademark and falsely represented that its fasteners came from Romag. After trial, a jury agreed with Romag, and found that Fossil had acted "in callous disregard" of Romag's rights. At the same time, however, the jury rejected Romag's accusation that Fossil had acted willfully, as that term was defined by the district court.

For our purposes, the last finding is the important one. By way of relief for Fossil's trademark violation, Romag sought (among other things) an order requiring Fossil to hand over the profits it had earned thanks to its trademark violation. But the district court refused this request. The court pointed out that controlling

Second Circuit precedent requires a plaintiff seeking a profits award to prove that the defendant's violation was willful. Not all circuits, however, agree with the Second Circuit's rule. We took this case to resolve that dispute over the law's demands.

Where does Fossil's proposed willfulness rule come from? The relevant section of the Lanham Act governing remedies for trademark violations, § 35, 15 U.S.C. § 1117(a), says this:

> "When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established ..., the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action."

Immediately, this language spells trouble for Fossil and the circuit precedent on which it relies. The statute does make a showing of willfulness a precondition to a profits award when the plaintiff proceeds under § 1125(c). That section, added to the Lanham Act some years after its initial adoption, creates a cause of action for trademark dilution—conduct that lessens the association consumers have with a trademark. But Romag alleged and proved a violation of § 1125(a), a provision establishing a cause of action for the false or misleading use of trademarks. And in cases like that, the statutory language has *never* required a showing of willfulness to win a defendant's profits. Yes, the law tells us that a profits award is subject to limitations found in §§ 1111 and 1114. But no one suggests those cross-referenced sections contain the rule Fossil seeks. Nor does this Court usually read into statutes words that aren't there. It's a temptation we are doubly careful to avoid when Congress has (as here) included the term in question elsewhere in the very same statutory provision.

A wider look at the statute's structure gives us even more reason for pause. The Lanham Act speaks often and expressly about mental states. Section 1117(b) requires courts to treble profits or damages and award attorney's fees when a defendant engages in certain acts *intentionally* and with specified *knowledge*. Section 1117(c) increases the cap on statutory damages from $200,000 to $2,000,000 for certain *willful* violations. Section 1118 permits courts to order the infringing items be destroyed if a plaintiff proves any violation of § 1125(a) or a *willful* violation of § 1125(c). Section 1114 makes certain *innocent* infringers subject only to injunctions. Elsewhere, the statute specifies certain *mens rea* standards needed to establish liability, before even getting to the question of remedies. See, *e.g.*, §§ 1125(d)(1)(A)(i), (B)(i) (prohibiting certain conduct only if undertaken with "bad faith intent" and listing nine factors relevant to ascertaining bad faith intent). Without doubt, the Lanham Act exhibits considerable care with *mens rea* standards. The absence of any such standard in the provision before us, thus, seems all the more telling.

So how exactly does Fossil seek to conjure a willfulness requirement out of § 1117(a)? Lacking any more obvious statutory hook, the company points to the language indicating that a violation under § 1125(a) can trigger an award of the defendant's profits "subject to the principles of equity." In Fossil's telling, equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes. Admittedly, equity courts didn't require so much in patent infringement cases and other arguably analogous suits. See, *e.g., Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 644, 650–651 (1915). But, Fossil says, trademark is different. There alone, a willfulness requirement was so long and universally recognized that today it rises to the level of a "principle of equity" the Lanham Act carries forward.

It's a curious suggestion. Fossil's contention that the term "principles of equity" includes a willfulness requirement would not directly contradict the statute's other, express *mens rea* provisions or render them wholly superfluous. But it would require us to assume that Congress intended to incorporate a willfulness requirement here obliquely while it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act. That might be possible, but on first blush it isn't exactly an obvious construction of the statute.

Nor do matters improve with a second look. The phrase "principles of equity" doesn't readily bring to mind a substantive rule about *mens rea* from a discrete domain like trademark law. In the context of this statute, it more naturally suggests fundamental rules that apply more systematically across claims and practice areas. A principle is a "fundamental truth or doctrine, as of law; a comprehensive rule or doctrine which furnishes a basis or origin for others." Black's Law Dictionary 1417 (3d ed. 1933); Black's Law Dictionary 1357 (4th ed. 1951). And treatises and handbooks on the "principles of equity" generally contain transsubstantive guidance on broad and fundamental questions about matters like parties, modes of proof, defenses, and remedies. See, *e.g.*, E. Merwin, Principles of Equity and Equity Pleading (1895); J. Indermaur & C. Thwaites, Manual of the Principles of Equity (7th ed. 1913); H. Smith, Practical Exposition of the Principles of Equity (5th ed. 1914); R. Megarry, Snell's PRINCIPLES OF EQUITY (23d ed. 1947). Our precedent, too, has used the term "principles of equity" to refer to just such transsubstantive topics. See, *e.g.*, *eBay Inc. v. MercExchange, L. L. C.*, 547 U.S. 388, 391, 393 (2006); *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946). Congress itself has elsewhere used "equitable principles" in just this way: An amendment to a different section of the Lanham Act lists "laches, estoppel, and acquiescence" as examples of "equitable principles." 15 U.S.C. § 1069. Given all this, it seems a little unlikely Congress meant "principles of equity" to direct us to a narrow rule about a profits remedy within trademark law.

But even if we were to spot Fossil that first essential premise of its argument, the next has problems too. From the record the parties have put before us, it's far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy. The Trademark Act of 1905—the Lanham Act's statutory predecessor which many earlier cases interpreted and applied—did not mention such a requirement. It's true, as Fossil notes, that some courts proceeding before the 1905 Act, and even some later cases following that Act, did treat willfulness or something like it as a prerequisite for a profits award and rarely authorized profits for purely good-faith infringement. See, *e.g., Horlick's Malted Milk Corp. v. Horluck's, Inc.*, 51 F.2d 357, 359 (W.D. Wash. 1931) (explaining that the plaintiff "cannot recover defendant's profits unless it has been shown beyond a reasonable doubt that defendant was guilty of willful fraud in the use of the enjoined trade-name"); see also *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42–43 (1900) (holding that one defendant "should not be required to account for gains and profits" when it "appear[ed] to have acted in good faith"). But Romag cites other cases that expressly rejected any such rule. See, *e.g., Oakes v. Tonsmierre*, 49 F. 447, 453 (C.C.S.D. Ala. 1883); see also *Stonebraker v. Stonebraker*, 33 Md. 252, 268 (1870); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (C.A.6 1931).

The confusion doesn't end there. Other authorities advanced still different understandings about the relationship between *mens rea* and profits awards in trademark cases. See, *e.g.*, H. Nims, Law of Unfair Competition and Trade-Marks § 424 (2d ed. 1917) ("An accounting will not be ordered where the infringing party acted innocently and in ignorance of the plaintiff's rights"); N. Hesseltine, Digest of the Law of Trade-Marks and Unfair Trade 305 (1906) (contrasting a case holding "[n]o account as to profits allowed except as to user after *knowledge* of plaintiff's right to trademark" and one permitting profits "although defendant did not know of infringement" (emphasis added)). And the vast majority of the cases both Romag and Fossil cite simply failed to speak clearly to the issue one way or another. See, *e.g., Hostetter v. Vowinkle*, 12 F.Cas. 546, 547 (No. 6,714) (C.C.D. Neb. 1871);

Graham v. Plate, 40 Cal. 593, 597–599 (1871); *Hemmeter Cigar Co. v. Congress Cigar Co.*, 118 F.2d 64, 71–72 (C.A.6 1941).

At the end of it all, the most we can say with certainty is this. *Mens rea* figured as an important consideration in awarding profits in pre-Lanham Act cases. This reflects the ordinary, transsubstantive principle that a defendant's mental state is relevant to assigning an appropriate remedy. That principle arises not only in equity, but across many legal contexts. See, *e.g., Smith v. Wade*, 461 U.S. 30, 38–51 (1983) (42 U.S.C. § 1983); *Morissette v. United States*, 342 U.S. 246, 250–263 (1952) (criminal law); *Wooden-Ware Co. v. United States*, 106 U.S. 432, 434–435 (1882) (common law trespass). It's a principle reflected in the Lanham Act's text, too, which permits greater statutory damages for certain willful violations than for other violations. 15 U.S.C. § 1117(c). And it is a principle long reflected in equity practice where district courts have often considered a defendant's mental state, among other factors, when exercising their discretion in choosing a fitting remedy. See, *e.g., L. P. Larson, Jr., Co. v. Wm. Wrigley, Jr., Co.*, 277 U.S. 97, 99–100 (1928); *Lander v. Lujan*, 888 F.2d 153, 155–156 (C.A.D.C. 1989); *United States v. Klimek*, 952 F.Supp. 1100, 1117 (E.D. Pa. 1997). Given these traditional principles, we do not doubt that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances.

With little to work with in the statute's language, structure, and history, Fossil ultimately rests on an appeal to policy. The company tells us that stouter restraints on profits awards are needed to deter "baseless" trademark suits. Meanwhile, Romag insists that its reading of the statute will promote greater respect for trademarks in the "modern global economy." As these things go, *amici* amplify both sides' policy arguments. Maybe, too, each side has a point. But the place for reconciling competing and incommensurable policy goals like these is before policymakers. This Court's limited role is to read and apply the law those policymakers have ordained, and here our task is clear. The judgment of the court of appeals is vacated, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Notes and Questions

Other views. Justice Alito, joined by Justices Breyer and Kagan, concurred, noting that although pre-Lanham Act case law "show[s] that willfulness is a highly important consideration in awarding profits," it is "not an absolute precondition." Justice Sotomayor concurred in the judgment, expressing concern that the majority opinion might open the door to punishing innocent infringement. She argued that "the weight of authority . . . indicates that profits were hardly, if ever, awarded for innocent infringement." This reluctance comports with "longstanding equitable principles which, after all, seek to deprive only wrongdoers of their gains from misconduct." As a result, "a district court's award of profits for innocent or good-faith trademark infringement would not be consonant with the "principles of equity" referenced in § 1117(a) and reflected in the cases the majority cites."

Lazy textualism. *Romag*'s statutory interpretation raises some potentially troubling issues. Note the opinion's confidence that the fact that the statute requires willfulness for dilution monetary remedies implies that willfulness is *not* required for recovering profits in an infringement action. The opinion treats the Lanham Act as an integrated whole that Congress enacted all at once (e.g., "Without doubt, the Lanham Act exhibits considerable care with *mens rea* standards."). Were this true, then it might make sense to assume that references to *mens rea* in some provisions impliedly excludes such consideration in others. But of course that's not how today's Lanham Act came to be; it has been amended multiple times. This demands attentiveness on the part of judges in interpreting how provisions enacted decades apart may interact. *See, e.g.*, Rescuecom Corp. v. Google Inc., 562 F.3d 123, 131-141 (2d Cir. 2009) (tracing varying use of the term "use in commerce" in the Lanham Act over the decades).

That attentiveness is lacking here. 15 U.S.C. § 1117's reference to principles of equity was part of the original Lanham Act of 1946. The dilution damages language was only added in 1999. Does that tell us anything about Congress's view of background principles in place fifty years before? Put another way, suppose the Court had been persuaded that principles of equity did indeed require willfulness for a profits remedy when the Lanham Act was initially enacted. Would it be proper to read the 1999 enactment as implicitly repealing that understanding? Would that possibility have been on Congress's mind? The legislative history indicates that Congress's purpose was focused on the availability of dilution remedies generally, as the initial federal dilution statute neglected to include remedies for dilution in § 1117 despite referring to them elsewhere. "Therefore, in an attempt to clarify Congress' intent and to avoid any confusion by courts trying to interpret the statute, [the amendment] makes the appropriate changes . . . to allow for injunctive relief and damages." H.R. Rep. 106-250, 6 (July 22, 1999); *id.* (the provision seeks "to clarify that in passing the Dilution Act, Congress did intend to allow for injunctive relief and/or damages against a defendant found to have wilfully intended to engage in commercial activity that would cause dilution of a famous trademark."; *id.* at 10 (the provision "clarif[ies] that recovery of profits, damages and costs, and attorneys fees *are also* available for a willful violation" of the dilution statute (emphasis added)).

Should Congress have been aware of the possibility that a provision about *dilution* remedies might lead a court to reinterpret the law on *infringement* remedies? Is it plausible to expect Congress to think about such matters (after all, wouldn't omitting the willfulness language open the door to another kind of misinterpretation)? Does this mode of interpretation create any risks?

To be sure, of course, the Court disagreed that the background principles in favor of a willfulness requirement were in fact clear. Fair enough. But that is a question of history independent of unrelated legislative activity in the 1990s.

Trademark policy. Is it a good idea to allow the possibility of profits for innocent infringement? What does the opinion do to the incentives of potential plaintiffs? Defendants? Recall the Court's admonition in *Wal-Mart* that "[c]ompetition is deterred, however, not merely by successful suit but by the plausible threat of successful suit." Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 214 (2000). Is it fair to say that *Romag* raises the uncertainty costs for trademark defendants?

What is bad faith? Bad faith is a slippery concept, capable of a variety of formulations. Professor McCarthy boils it down to the observation that "[t]o put it bluntly, courts are not willing to grant an accounting of profits unless the judge "gets mad" at the defendant. Ringing epithets . . . are often used as justification for the granting of an accounting of profits." 5 McCarthy § 30:62

The defendant's burden. If a court determines that profits are appropriate, the statute places the burden on the defendant to prove any offsets. The plaintiff need only prove the defendant's sales.

Profits and jury trials. Should a request for profits require a trial by jury? You may recall from other courses that the right to a jury trial for a civil federal matter exists only for legal, but not equitable, remedies.[3] That said, some courts say that the

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[3] The Seventh Amendment provides: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be

remedy is effectively a damages remedy, requiring a jury trial absent waiver of the right. *Compare, e.g.*, Daisy Group, Ltd. v. Newport News, Inc., 999 F. Supp. 548, 551 (S.D.N.Y. 1998) ("[A] claim for profits under the Lanham Act gives rise to a right to trial by jury."), *with* G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp., 888 F. Supp. 44, 45 (S.D.N.Y. 1995) ("As to Plaintiffs' claim for an accounting and disgorgement of profits, the law in the Second Circuit is clear that this is an equitable remedy.").

Special remedies for counterfeiting. Section 35(b) provides:

> In assessing damages under subsection (a) for any violation of section 32(1)(a) of this Act or section 220506 of title 36, United States Code, [Olympic Symbols Act] in a case involving use of a counterfeit mark or designation (as defined in section 34(d) of this Act), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of—
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> > (1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this

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otherwise re-examined in any Court of the United States, than according to the rules of the common law." At an early stage, the Supreme Court explained that "common law" had a broader meaning than just suits based on judge-made law. The term means:

> not merely suits, which the common law recognized among its old and settled proceedings, but suits in which legal rights were to be ascertained and determined, in contradistinction to those where equitable rights alone were recognized, and equitable remedies were administered. . . . In a jury sense, the amendment then may well be construed to embrace all suits, which are not of equity and admiralty jurisdiction, whatever may be the peculiar form which they may assume to settle legal rights.

Parsons v. Bedford, Breedlove & Robeson, 3 Pet. 433, 447, 7 L.Ed. 732 (1830). "The Seventh Amendment thus applies not only to common-law causes of action but also to statutory causes of action analogous to common-law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity or admiralty." City of Monterey v. Del Monte Dunes at Monterey, Ltd., 526 U.S. 687, 708-09 (1999) (internal quotation and citation omitted)).

> Act), in connection with the sale, offering for sale, or distribution of goods or services; or
>
> (2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.

Counterfeiting activities may also prompt criminal charges under 18 U.S.C. § 2320.

Attorney fees. Section 35 authorizes them for "exceptional cases." Judge Posner has described the various standards for determining what is "exceptional" as a "jumble." Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC, 626 F.3d 958, 961 (7th Cir. 2010). For the Seventh Circuit, the court concluded "that a case under the Lanham Act is 'exceptional,' in the sense of warranting an award of reasonable attorneys' fees to the winning party, if the losing party was the plaintiff and was guilty of abuse of process in suing, or if the losing party was the defendant and had no defense yet persisted in the trademark infringement or false advertising for which he was being sued, in order to impose costs on his opponent." *Id.* at 963-64.

The Supreme Court has since issued a ruling in the patent context that promises to bring order to the jumble identified by Judge Posner. The Patent and Lanham Acts contain identical fee shifting language, so the Court's interpretation of the patent provision is easily applied to the Lanham Act. As explained by the Fourth Circuit:

> [W]e adopted the Supreme Court's interpretation of an "exceptional case" in an identical provision of the Patent Act in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, --- U.S. ----, 134 S.Ct. 1749 (2014). Relying on *Octane Fitness*, we concluded that
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>> a district court may find a case 'exceptional' and therefore award attorneys fees to the prevailing party under § 1117(a) when it determines, in light of the totality of the circumstances, that (1) there is an unusual discrepancy in the merits of the positions taken by the parties, based on the non-prevailing party's position as either frivolous or objectively unreasonable; (2) the non-prevailing party has litigated the case in an unreasonable manner; or (3) there is otherwise the need

> in particular circumstances to advance considerations of compensation and deterrence.

Verisign, Inc. v. XYZ.COM LLC, 891 F.3d 481, 483–84 (4th Cir. 2018) (citation omitted); *see also* Tobinick v. Novella, 884 F.3d 1110 (11th Cir. 2018); 5 McCarthy § 30:99 (collecting cases). In *Verisign*, the Fourth Circuit explained, again following the *Octane Fitness* approach, that fee determinations should be made under a preponderance of the evidence standard. 891 F.3d at 485.

Injunctions

Injunctions are, of course, a standard (equitable) remedy against future infringing activity. Conceptually, it is hard to understand how to avoid an injunction as a remedy. To rely solely on damages would effectively serve as a compulsory license. This is forbidden by international agreements. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) art. 21. More directly, it would frustrate the ability of the plaintiff's mark to identify and distinguish the source of a product or service. That said, courts have discretion to tailor injunctive remedies to balance the equities between the parties and require defendants to take steps to avoid or ameliorate consumer confusion.

Preliminary relief. Issues sometimes arise when a preliminary injunction is at stake. Should courts enjoin the defendant prior to a finding of infringement? The question boils down to whether the alleged infringement will cause irreparable harm that a future award of damages cannot fully remedy.[4]

Courts have traditionally been inclined to find that infringement causes irreparable harm, justifying both preliminary and prospective injunctive relief. In

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[4] The Seventh Circuit has summarized its preliminary injunction standard as follows.

> To obtain a preliminary injunction, [the plaintiff must show that he or she] is likely to succeed on the merits, that [plaintiff] is likely to suffer irreparable harm in the absence of preliminary relief, that the "balance of equities" tips in [plaintiff's] favor (i.e., denying an injunction poses a greater risk to [plaintiff] than granting an injunction poses to the [defendant]), and that issuing an injunction is in the public interest.

Smith v. Executive Director of Indiana War Memorials Com'n, 742 F.3d 282 (7th Cir. 2014). In some cases, particularly where counterfeiting operations are ongoing, a temporary restraining order may be appropriate. *See* 5 McCarthy § 30:34.

2006, however, the Supreme Court issued the landmark patent case, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which threatened to disrupt this understanding. In *eBay*, the Supreme Court took issue with the Federal Circuit's "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." 401 F.3d 1323, 1339 (2005). Like trademark remedies, the patent statute directs that injunctions be given "in accordance with the principles of equity." 35 U.S.C. § 283. The Supreme Court determined that the Federal Circuit's presumption in favor of injunctions ignored traditional principles of equity (the backdrop against which Congress legislated and which the patent statute implicitly incorporated).

> According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion.
>
> These familiar principles apply with equal force to disputes arising under the Patent Act. As this Court has long recognized, "a major departure from the long tradition of equity practice should not be lightly implied." Nothing in the Patent Act indicates that Congress intended such a departure. To the contrary, the Patent Act expressly provides that injunctions "may" issue "in accordance with the principles of equity." 35 U.S.C. § 283.

eBay, 547 U.S. at 391-92 (citations omitted). The Court held "the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *Id.* at 394.

Courts had applied *eBay* to trademark law. *See, e.g.*, North American Medical Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211, 1228 (11th Cir. 2008). One could still argue, however, that threats to goodwill or loss of a mark's distinctiveness are hard to address via future monetary remedies alone. As one district judge explained:

> Regardless of whether the presumption [of irreparable harm] still applies, in this case it is clear that [plaintiff] will suffer irreparable harm if [defendant] is not enjoined from using its trademarks. While "economic injury alone does not support a finding of irreparable harm, because such injury can be remedied by a damage award," Rent–A–Center, Inc. v. Canyon Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir.1991), the Ninth Circuit has recognized that damage to goodwill is an irreparable harm. *Id*. Business goodwill includes a company's reputation. See WMX Techs. v. Miller, 80 F.3d 1315, 1325 (9th Cir.1996).

Century 21 Real Estate LLC v. All Professional Realty, Inc., 2011 WL 221651 at *12 (E.D. Cal. 2011).

In 2020, Congress enacted a statute to undo the effect of *eBay* on trademark law. The Trademark Modernization Act of 2020 amended 15 U.S.C. § 1116(a) to provide that:

> A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.

Destruction orders. Section 36 of the Lanham Act (15 U.S.C. § 1118) gives the court the ability to

> order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or, in the case of a violation of section 1125(a) of this title or a willful violation under section 1125(c) of this title, the word, term, name, symbol, device, combination thereof, designation, description, or representation that is the subject of the violation, or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed.

Ex parte seizure orders. Section 34(d) (15 U.S.C. § 1116(d)) provides that a court "may, upon ex parte application, grant an order . . . providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation." *See also* In re Lorillard Tobacco Co., 370 F.3d 982, 989

(9th Cir. 2004) (noting that the remedy is an extraordinary one that must be carried out in accordance with the exact provisions of section 34(d)).

Other procedural and litigation matters

Statutes of limitations and laches. When must a trademark suit be brought? The issue can be complicated. The Lanham Act has no statute of limitations, but the federal statute providing a catchall statute of limitations is limited to actions commencing after the date of enactment (December 1, 1990). 28 U.S.C. § 1658 ("Except as otherwise provided by law, a civil action arising under an Act of Congress enacted after the date of enactment of this section may not be commenced later than 4 years after the cause of action accrues."). The last major amendments to the infringement cause of action came in the late 1980s.[5] The McCarthy treatise therefore concludes that § 1658 "probably" does not apply to section 43(a) claims. 5 McCarthy § 27:48 (citing Jones v. R.R. Donnelley & Sons Co., 541 U.S. 369 (2004) ("We conclude that a cause of action 'aris[es] under an Act of Congress enacted' after December 1, 1990—and therefore is governed by § 1658's 4-year statute of limitations—if the plaintiff's claim against the defendant was made possible by a post-1990 enactment."); *see also id.* §§ 31:23, 31:33.

Where there is no applicable federal limitations period, the normal course is for the federal court to "borrow" the limitations period from the most analogous state cause of action. 5 McCarthy § 27:48. This is often done under the rubric of the doctrine of laches, for there is a clear statutory hook to apply equitable principles to Lanham Act remedies. *See* 15 U.S.C. §§ 1116, 1117 (providing for both injunctive and monetary remedies subject to the "principles of equity"). To determine a reasonable period for acting, courts may look to analogous state law causes of action that have actual limitations periods. *See, e.g.*, Au-Tomotive Gold Inc. v. Volkswagen of America, Inc., 603 F.3d 1133, 1139-40 (9th Cir. 2010) ("If a Lanham Act claim 'is filed within the analogous state limitations period, the strong presumption is that laches is inapplicable; if the claim is filed after the analogous limitations period has expired, the presumption is that laches is a bar to suit.' Because the Lanham Act does not have its own statute of limitations, we borrow the most analogous statute of limitations from state law in order to determine whether the plaintiff's delay in filing suit was reasonable." (quoting *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835-36 (9th Cir. 2002)). Battles over which is the

[5] Note, however, that the dilution provisions of section 43(a) were first enacted in 1996 (and received major amendments in 2006). ACPA is similarly a post-1990 cause of action.

analogous state law cause of action naturally follow. *Id.* at 1140 (applying state statute of limitations for fraud).

Challenging trademark validity. How does one obtain a judicial declaration that a mark is valid or invalid? One obvious way is in the course of defending a trademark suit. Trademark defendants often challenge the validity of the plaintiff's mark as a defense to infringement. The Lanham Act also authorizes courts to order the cancellation of a registered mark. 15 U.S.C. § 1119. Rather than wait to be sued, potential trademark defendants sometimes bring declaratory judgment actions of trademark invalidity, though these suits may face standing hurdles, as noted in the next note.

Ripeness and mootness. A general problem of trademark owners is that they may overassert rights not only in litigation, but in the use of cease-and-desist letters. These letters may overclaim, but they still have an *in terrorem* effect. Suppose, however, that the recipient wishes not only to continue the challenged use but to go on the offensive. The junior user may bring a declaratory judgment action, seeking to adjudicate the legality of its use, but users of the declaratory judgment statute generally must show the existence of a genuine dispute. As the First Circuit explained:

> The more difficult question is whether [plaintiff] could reasonably have anticipated a claim against it under section 43(a) of the Lanham Act and therefore brought a declaratory judgment to forestall it. . . . [S]uch reasonable anticipation is a settled requirement in a federal declaratory judgment action of this character. A federal court will not start up the machinery of adjudication to repel an entirely speculative threat. . . . [T]he conduct of [plaintiff], as described by the [defendant's] letters, could easily amount to a violation of section 43(a); the second letter alleged that [plaintiff's] alleged use was "misleading, confusing, and will result in irreparable harm"—language typical of a claim under section 43(a). The first letter threatened to seek recovery of damages, as well as an injunction. Damages are a standard remedy under section 43(a). In all events, the question under the case law on declaratory judgments is not whether the Pioneer companies made a specific threat to bring a section 43(a) claim or even had such a claim in mind. The federal declaratory judgment statute aims at resolving potential disputes, often commercial in character, that can reasonably be feared by a potential target in light of the other side's conduct. No competent lawyer advising

> PHC could fail to tell it that, based on the threatening letters and the surrounding circumstances, a section 43(a) suit was a likely outcome.

PHC, Inc. v. Pioneer Healthcare, Inc., 75 F.3d 75, 79 (1st Cir. 1996) (citations and paragraph breaks omitted).

What if the declaratory judgment defendant disclaims (in a sufficiently binding way) any intent to sue over the conduct at issue. Will this allow it to moot the litigation? The Supreme Court said yes in *Nike, Inc. v. Already, LLC*, 133 S. Ct. 721 (2013). There, Nike brought an infringement action against Already and drew a counterclaim of invalidity. Nike then issued a covenant not to sue and moved to dismiss the case (and the counterclaim) as moot. The Court held that it could do so. Note that Nike's tactics allow it to evade a potential challenge to its mark while allowing it to continue to assert it against other potential defendants who might not be similarly inclined to fight back. On the other hand, the covenant not to sue granted Already may weaken its mark if Already's use would have been infringing in some way.

Preclusion and the PTO. Recall from our discussion of trademark registration that the Trademark Office may pass on any number of issues that might be relevant to future litigation. It may, for example, declare a mark functional or likely to cause confusion with a previously used or registered mark. Should such a decision have preclusive effect in future litigation raising the same issues? When the ruling comes from the TTAB, the issue is a difficult one. Even if a court were inclined to defer to an administrative finding, there is the issue of determining whether the factual questions are consistent (and whether the earlier decision was ex parte or part of an adjudication involving both litigating parties). For example, when the TTAB determines whether a mark is likely to cause confusion, it may lack evidence of market context if the mark has yet to be used in commerce (as would be the case for an intent-to-use-based application).

The issue came before the Supreme Court in a 2015 case. In *B & B Hardware, Inc. v. Hargis Industries, Inc*., 716 F.3d 1020 (8th Cir. 2013), the Eighth Circuit concluded, over a dissent, that a TTAB determination that confusion was likely would not receive preclusive effect. The court noted that the factors used by the TTAB differed from those of the Eighth Circuit, and that while they were similar, the administrative body did not place the same emphasis on marketplace context as would have the court. *Id.* at 1025 ("[T]he TTAB placed greater emphasis on the appearance and sound when spoken of the two marks and ultimately determined that there was a likelihood of confusion. While this approach may be appropriate when determining issues of registration, it ignores a critical determination of trademark infringement, that being the marketplace usage of the marks and products."); *compare id.* at 1029 (Colloton, J., dissenting) ("That this court might disagree with the balance struck by the Trademark Board in a particular case is not reason to deny its decision preclusive effect.").

The Supreme Court reversed, holding that agency decisions may be the basis of issue preclusion and that the likelihood of confusion standards in a registration and infringement setting were sufficiently alike for preclusion purposes. "It is incredible to think that a district court's adjudication of particular usages would not have preclusive effect in another district court. Why would unchallenged TTAB decisions be different?" B & B Hardware, Inc. v. Hargis Indus., Inc., 135 S. Ct. 1293, 1310 (2015). Justice Ginsburg concurred, but noted that preclusion will often be inappropriate because the TTAB, unlike the courts, often only considers marks in the abstract and without evidence of marketplace use. *Id.* (Ginsburg, J., concurring).

Insurance. A frequent form of trademark litigation is derivative of infringement issues—insurance. Liability policies have language that may, or may not, cover trademark infringement claims, creating litigation over policy scope. *See, e.g.*, CGS Industries, Inc. v. Charter Oak Fire Ins. Co., 720 F.3d 71 (2d Cir. 2013).

26. False Advertising

Section 43(a)(1) of the Lanham Act (15 U.S.C. § 1125(a)(1)):

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
>
> (B)
>
> in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Church & Dwight Co., Inc. v. SPD Swiss Precision Diagnostics, GmBH
843 F.3d 48 (2d Cir. 2016)

LEVAL, Circuit Judge:

In an exceptionally well argued case, Defendant SPD Swiss Precision Diagnostics GmbH, a marketer of over-the-counter pregnancy test kits, appeals from the judgment of the United States District Court for the Southern District of New York (Nathan, *J.*), in favor of Plaintiff Church & Dwight Co. Inc., a leading competing marketer of over-the-counter pregnancy test kits. After a bench trial, the district court found Defendant liable for false advertising, in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The pregnancy tests of both Plaintiff and Defendant detect pregnancy by the presence in the woman's urine of the hormone human chorionic gonadotropin ("hCG"), which is produced upon the implantation of a fertilized egg in a woman's uterus. In August 2013, following a Food and Drug Administration ("FDA") approval process, Defendant released its new product, the Clearblue Advanced Pregnancy Test with Weeks Estimator (the "Product"). Defendant's Product, in addition to telling the woman whether she is pregnant, is the first such product to also furnish information as to how long (how many weeks) she has been pregnant, which it does by measuring the *amount* of hCG in her urine.

Plaintiff's claims focus on how Defendant's Product packaging characterized the advancement of pregnancy. The information communicated by Defendant's Product was the number of weeks passed *since the woman's ovulation*. (An egg is ripe and capable of fertilization only for twenty-four hours following ovulation. Implantation of the fertilized egg in the uterine lining, which causes the release of hCG, occurs between six and nine days after ovulation.)

For a number of reasons—partially historical, partially because of the desirability of conformity—the metric commonly used by the medical profession to describe how long a woman has been pregnant (notwithstanding its obvious literal inaccuracy) speaks in terms of the number of weeks elapsed not since ovulation, fertilization, or implantation of the egg, but since the woman's last menstrual period (the "LMP"). A pregnant woman's LMP normally occurs approximately *two weeks prior to her ovulation*. Thus, the medical profession's conventional formula to describe how many weeks a woman has been pregnant yields a number two weeks higher than the number furnished by the Product, which measures weeks since ovulation. It is an uncontested given in this litigation that, when the Defendant's Product and the woman's doctor are in complete agreement in estimating how long the woman has been pregnant, the Product would announce a number of weeks that is about two weeks lower than what the doctor would say.[3]

The gist of Plaintiff's claim is that, in informing the user as to how long her pregnancy had been in effect, Defendant's Product communicated the false impression that it uses the same metric and gives the same number of weeks of pregnancy as a medical professional would do. . . .

Plaintiff and Defendant are leading manufacturers of home, over-the-counter pregnancy tests and direct competitors in the U.S. market. Plaintiff uses the brand name "First Response," while Defendant uses the "Clearblue" brand. Plaintiff's First Response products have generally led the home pregnancy test market, and Defendant's Clearblue products have been Plaintiff's closest competitor. . . .

The issues raised in this case involve the biology of the reproductive cycle and, relatedly, the medical conventions used by doctors to measure and describe the duration of pregnancy. The district court described these issues with a clarity on which we cannot improve. We set forth the district court's explanation here:

The Reproductive Cycle

[3] For example, if a doctor would tell a woman she is three weeks pregnant, then the Product would indicate that the same woman is one week pregnant.

. . . . The typical menstrual cycle lasts 28 days and is marked by two key events: the menstrual period and ovulation. The latter is the release of a ripe egg (or ovum) from the ovary. The time from [LMP] to ovulation, known as the follicular phase of the menstrual cycle, is generally two weeks, but variance in the length of the follicular phase can be "significant." The time from ovulation to the next menstrual period, known as the luteal phase of the menstrual cycle, is two weeks and is subject to much less variance than the follicular phase.

For a successful pregnancy to proceed, the following steps must take place. First, either through sexual intercourse or assisted reproductive technology, sperm must fertilize an egg within 24 hours of ovulation because a ripe egg can survive outside the ovary for only about 12 to 24 hours. In the case of sexual intercourse, fertilization may occur several days after intercourse, but it will not occur more than one day after ovulation. Second, the fertilized egg, now referred to as a blastocyst, must travel down the fallopian tube to the uterus. Third, the blastocyst must adhere to the endometrium (part of the lining of the uterus), a process called implantation, which occurs approximately six to nine days after ovulation. Once implantation occurs, the blastocyst begins secreting [hCG], a hormone that, among other things, signals to a woman's body that she is pregnant and prevents menses.

Home pregnancy tests, including [Defendant's] Clearblue brand and [Plaintiff's] First Response brand, determine whether a woman is pregnant by detecting the presence (or absence) of hCG—the hormone released following implantation—in urine.

The Multiple Methods Used to Determine Pregnancy Duration

Prior to advances in modern medicine, doctors had only one way to determine a woman's estimated date of delivery: the date of her LMP, which occurs, on average, 40 weeks prior to delivery. Before the development of more advanced medical technology, such as ultrasound, a woman's LMP provided the most readily available and reliable estimate of pregnancy duration, which is also known as gestational age. One of the disadvantages of using LMP for determining pregnancy duration is that it assumes a standard 28-day menstrual cycle and that ovulation occurs on day 14; [however], the follicular phase of the menstrual cycle is prone to vary. In addition, women often have a poor recollection of their LMP. These two shortcomings mean that an estimate based on LMP may provide an inaccurate prediction of the date of delivery.

Ultrasound technology provides doctors with a more sophisticated way to determine pregnancy duration, and it is now "standard practice to take an ultrasound scan of the developing fetus about 8 to 12 weeks after the reported LMP." An ultrasound scan is used to measure a fetus's crown-rump length, which, using a formula, can be converted into an estimate of "embryonic age" (the number of weeks that have passed since fertilization). Because fertilization occurs, on average, two weeks after a woman's LMP, a woman's estimated date of delivery is generally 38 weeks after fertilization. Although ultrasound results are more accurate, "the date of the LMP… remains the most commonly used method for estimating gestational age and assigning a due date."

. . . .

The Standard Convention for Expressing Pregnancy Duration

Although there are multiple ways to determine a woman's estimated date of delivery, and thus the duration of her pregnancy, there is a separate issue of how to express it—i.e., what words to use to describe "how far along" the pregnancy is. And on this point, which is the point that truly matters for resolution of this case, there is little genuine dispute. Doctors and others use a standard convention to express pregnancy duration. It is stated in terms of the number of weeks since a woman's LMP. As [Defendant]'s medical expert, Dr. Kurt Barnhart, testified: "While doctors have long known that women are not, and cannot be, pregnant at their LMP because ovulation does not occur, on average, for another two weeks, LMP has continued to be a reference point because, until relatively recently, it was either impossible or impractical to estimate when ovulation occurred." He further noted that "even after the advent of ultrasound scanning technology, the methods for estimating when ovulation (and hence fertilization) occurred were generally intrusive, expensive, and/or impractical, and obviously could not be self-administered by a woman at home prior to becoming pregnant." Thus, for both historical and practical reasons, *dating a woman's pregnancy from her LMP has been and remains a widely used method for determining pregnancy duration. But more importantly, it has continued to be the standard—indeed, universal—convention for expressing pregnancy duration*.

> In fact, even when pregnancy duration is determined using other methods, such as ultrasound scans, most medical professionals still convert to the LMP convention when communicating pregnancy duration to patients and other medical providers. Ultrasound machines are even programmed to automatically convert an estimate of embryonic age based on crown-rump length into an estimate of pregnancy duration based on weeks since LMP....
>
> "[D]octors typically will date the pregnancy according to the ultrasound results, but they will (by convention) express the duration of pregnancy in terms of the time since LMP would have been expected to occur in a normal menstrual cycle." ... In short, while doctors may have multiple ways to arrive at the convention—e.g., LMP, ultrasound, date of embryo transfer—they use a standard and uniform convention for expressing pregnancy duration: weeks since LMP.

S.P.A. 5-9 (footnotes, citations, and original brackets omitted) (original emphases omitted and emphasis added).

III. Defendant's Product

a. The Weeks Estimator

Before Defendant's Product was released, most pregnancy tests were binary, expressing only whether or not a woman is pregnant, which was detected by the presence of hCG in her urine. Defendant's Product, by measurement of the *amount* of hCG rather than only its presence, additionally estimates time elapsed since implantation. The number of weeks stated by Defendant's Product as having passed is the number of weeks since ovulation. Depending on the Product's hCG measurement, its message to the user reads either "Not Pregnant" or "Pregnant" and "1-2 [weeks]"; "2-3 [weeks]"; or "3+ [weeks]." If the result reads Pregnant, 1-2 weeks, 2-3 weeks, or 3+ weeks, that means that the user is pregnant and that her hCG levels indicate that the stated number of weeks have passed *since ovulation*. . . .

c. The Launch Package and Advertising Campaign

Defendant launched the Product in August 2013. The Launch Package contained the Product's name—Clearblue Advanced Pregnancy Test with Weeks Estimator—in large font, along with a picture of the Product. The Launch Package also exhibited four windows, designed to appear similar to the window that appears on the Product itself. One window showed the word "Pregnant" on the first line and "1-2 weeks" on the second; the second showed the word "Pregnant" on the first line and "2-3 weeks" on the second; the third showed the word "Pregnant" on the first line and "3+ weeks" on the second; and the fourth read "Not Pregnant." (See image below.) The word "ovulation" did not appear on the front or back of the

Launch Package to describe the Product. One side panel of the Launch Package contained the full FDA-required Indications for Use Statement in small font. (See image below.)

The Product launch was accompanied by a marketing campaign. One feature of the campaign was a fifteen-second television commercial that ran from August 28, 2013 to December 2, 2013 (the "TV Commercial"). The commercial showed two women sitting at a kitchen table, engaging in the following dialogue:

Woman 1: I'm pregnant.

Woman 2: Really?

Woman 1: Two weeks.

Woman 2: You already went to the doctor?

Woman 1: Not yet, but I took this new Clearblue test. It's like two tests in one.

Woman 2: Oh my God, I think I'm going to cry!

During and after this dialogue, the screen shifted to examples of the various results that can appear on the device, such as "Pregnant / 1-2 Weeks." For two seconds of the commercial, the words "ESTIMATED WEEKS SINCE OVULATION" appeared on the screen, and for nine seconds the following appeared at the bottom of the screen:

> Word "weeks" on display is for illustration only. For home use only. Always consult a doctor if you suspect you are pregnant and to confirm, date and monitor pregnancy. Not for multiple pregnancies. Estimates weeks since ovulation up to 3+ weeks. Do not use to monitor pregnancy progress or duration.

The commercial closed with a voiceover: "The new Clearblue pregnancy test also estimates how many weeks. Weeks Estimator. Only from Clearblue."

Defendant maintained a webpage dedicated to promoting the Product. A banner at the top of the page stated: "The ONLY Pregnancy Test that Estimates Weeks." A large photo of the Product appeared with the window reading "Pregnant

/ 1-2 weeks." The webpage stated that the Product "is the FIRST and ONLY pregnancy test that not only tests you if you are pregnant but also estimates the number of weeks. It's like 2 tests in 1!"

Defendant also promoted the Product through product placement in the television program "The Doctors." Additionally, Defendant marketed the Product in retailer presentations, web banners, retailer circulars and websites, and in-store advertising. For example, one advertisement that appeared in Walgreens stated "How Far Along Am I? Clearblue Advanced Pregnancy Test with Weeks Estimator tells you in words if you are pregnant, and estimates how many weeks by measuring the pregnancy hormone level."

d. The FDA's Response

[The Plaintiff complained to the FDA, which concluded that the Defendant's marketing violated restrictions the agency imposed in approving the product.] During a November 18, 2013 conference call with Defendant, the FDA related its concerns. Among other things, the FDA complained that the Launch Package included display windows with the word "weeks." It instructed Defendant to remove the word "weeks" from the windows and replace it with "weeks along" outside the windows.

After some back and forth with the FDA, Defendant submitted a "mitigation proposal" to address the FDA's concerns, which ultimately resulted in the Revised Package and advertising.

e. The Revised Package and Advertising Campaign

The Revised Package, which was launched in February 2014, differed from the Launch Package in several ways. The Revised Package included a gray strip in the top right corner with the phrase "Only Test That Estimates Weeks Since Ovulation*". The asterisk linked to the Indications for Use Statement on the side panel. The four screens on the front of the package no longer contained the word "weeks"; instead, "weeks along" was printed below the screens, as specified by the FDA. (See image below.)

Defendant stopped airing the TV Commercial and replaced it with an Internet-Only Commercial. The Internet-Only Commercial was similar to the TV Commercial, but the dialogue was changed to remove the discussion of a doctor and Woman 1's declaration of how far along she was. Defendant also launched a new webpage which essentially made the same changes as those made in the Revised

Package. The first paragraph on the webpage was also modified to read: "Clearblue Advanced Pregnancy Test with Weeks Estimator is the FIRST and ONLY pregnancy test that not only tells you if you are pregnant but also estimates the number of weeks since ovulation. It's like 2 tests in 1!"

. . . .

[Litigation commenced on Plaintiff's false advertising claim.] At the parties' request, the district court bifurcated trial, as between liability and damages. It then conducted a two-week bench trial on liability in April 2015. The court issued an opinion on July 1, 2015 finding Defendant liable for falsely advertising in the Launch Package and its associated advertising, as well as in the Revised Package. The court also determined that, at least around the time the Launch Package was created, Defendant had deliberately set out to deceive consumers into believing that the Product could provide a measure of weeks-pregnant consistent with what doctors provide. . . .

The district court concluded that Plaintiff was entitled to an injunction because, among other things, it had demonstrated irreparable harm—the parties were clearly competitors and there was a logical causal connection between Defendant's false advertising and Plaintiff's sales.

On August 26, 2015, the district court entered a permanent injunction. The court's order: (a) enjoined Defendant from communicating in any advertising that the Product provides an estimate of weeks pregnant that is the same as a doctor's estimate; (b) enjoined Defendant from distributing or communicating any of the Launch or Revised Packaging or advertising and required Defendant to remove all current products from points of sale within forty-five days; (c) required Defendant to include with the Product a specified forty-one-word statement clarifying the difference in the estimates, in a particular position and font size; (d) prohibited Defendant from using several phrases in its advertising, such as "weeks pregnant," "weeks along," or "Weeks Estimator"; (e) required Defendant to deliver within seven days to all retailers and distributors a specified written notice ("Corrective Notice") with a copy of the injunction; (f) required Defendant, for one year, to make available copies of the Corrective Notice with copies of the injunction in prominent locations at all U.S. trade shows and professional meetings attended by Defendant or any of its representatives; (g) required Defendant within seven days to set up and maintain for a year a stand-alone page on its website with a specified messaging about the lawsuit and what the court found to be Defendant's history of providing misleading information about the Product; (h) required Defendant to publish a statement in retailer circulars to the same effect; (i) required Defendant to publish Internet-banner advertising prominently displaying its logo and stating that a federal court has determined that Defendant "engaged in false advertising"; (j) required Defendant to publish in three parenting magazines full-page advertisements including a statement similar to the one on the standalone webpage; and (k) required Defendant to produce a video explaining the difference between the Product's and medical profession's pregnancy length estimates and stating that "a federal court found the manufacturer … to have engaged in false advertising," and to make it prominently available on Defendant's webpages, YouTube channels, and Facebook page.

DISCUSSION

. . . .

II. Lanham Act Liability

a. Falsity

Defendant contends that the district court erred in finding falsity in its packaging and advertising. To prevail on a Lanham Act false advertising claim, a plaintiff must establish that the challenged message is (1) either literally or impliedly false, (2) material, (3) placed in interstate commerce, and (4) the cause of actual or likely injury to the plaintiff.

A plaintiff may establish falsity in two different ways. To establish literal falsity, a plaintiff must show that the advertisement either makes an express statement that is false or a statement that is "false by necessary implication," meaning that the advertisement's "words or images, considered in context, necessarily and unambiguously imply a false message." *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 158 (2d Cir. 2007). A message can only be literally false if it is unambiguous. If an advertising message is literally false, the "court may enjoin the use of the message without reference to the advertisement's impact on the buying public." *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 112 (2d Cir. 2010) (quoting *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.*, 938 F.2d 1544, 1549 (2d Cir. 1991)).

If a message is not literally false, a plaintiff may nonetheless demonstrate that it is impliedly false if the message leaves "an impression on the listener or viewer that conflicts with reality." *Time Warner Cable*, 497 F.3d at 153 (quoting *Schering Corp. v. Pfizer Inc.*, 189 F.3d 218, 229 (2d Cir. 1999), *as amended on reh'g* (Sept. 29, 1999) (brackets omitted)). Courts have, at times, required a claim of implied falsity to be supported by extrinsic evidence of consumer confusion. Alternatively, courts have allowed implied falsity to be supported by evidence that the defendant intended to deceive the public through "deliberate conduct" of an "egregious nature," in which case a rebuttable presumption of consumer confusion arises. *Merck Eprova*, 760 F.3d at 255–56.

The district court engaged in separate falsity analyses as between the Launch Package, together with its associated TV Commercial and additional advertising, and the Revised Package. As the district court relied on the same theories with respect to the Launch Package, TV Commercial, and additional advertising, we address those together before turning to the Revised Package.

i. The Launch Package, Television Commercial, and Other Advertising

The district court found that the Launch Package, TV Commercial, and other associated advertising were literally false by necessary implication, as well as impliedly false. The court found that although none of these materials expressly stated that the Product estimates weeks-pregnant using a metric consistent with the metric doctors would use, these materials included statements and images, which, when considered in context, unambiguously implied that false message.

Defendant primarily argues that the district court erred in finding literal falsity because these materials were "susceptible to more than one reasonable interpretation" and thus not unambiguous. Appellant's Br. at 45 (quoting *Time Warner Cable*, 497 F.3d at 158). Defendant argues that a reasonable ordinary person in the market for a home pregnancy test could understand Defendant's advertising regarding the Product's ability to measure "weeks" as weeks-since-ovulation/fertilization without forming a belief about whether that measure is the same or different from the convention used by doctors.

This argument is not persuasive. The issue is not whether Defendant's measure of weeks could have been understood to measure from LMP versus from ovulation/fertilization. The issue is whether Defendant's measurement of weeks would be understood by reasonable consumers to measure by a different metric than used by the medical profession. If an advertising message means something different from what reasonable consumers would understand it to mean, that message can be considered false. *Time Warner Cable*, 497 F.3d at 158 (citing *Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Pharm. Co.*, 290 F.3d 578, 586–87 (3d Cir. 2002) ("A 'literally false' message may be either explicit or 'conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.' ")). The district court found that the medical profession has a "standard—indeed universal—convention for expressing pregnancy duration." It was undisputed that Defendant's Product does not utilize the medical profession's standard, universal convention. The crucial point is that a reasonable consumer would have assumed from the text of the Launch Package, TV Commercial, and other associated advertising that the Product was not giving a different number than a medical professional would give. The district court concluded that message was false. We can see no error in the court's reasoning.

The Launch Package did not indicate in any visible or clear way that the Product provides a different measurement from a doctor's. The packaging referred to the Product as a "Weeks Estimator" and included sample windows listing possible results such as "Pregnant / 2-3 Weeks." No reference to ovulation was included on the front of the packaging. The only mention of ovulation and of the difference in dating conventions was contained in the small Indications for Use Statement on the side of the box, which, the district court found, was too wordy and "minuscule" to render ambiguous the Launch Package's message that the Product provides an estimate of weeks-pregnant that is consistent with the measurement provided by doctors.

Similarly, the TV Commercial unambiguously implied the false message that the Product provides a measurement of weeks-pregnant that is consistent with the metric used by medical professionals. Like the Launch Package, the commercial discussed the Product's ability to estimate "weeks" without clarifying that it measures weeks since ovulation—and, more importantly, without clarifying that it measures weeks differently from how a doctor would measure. A voiceover in the commercial states, "The new Clearblue pregnancy test also estimates how many weeks." The commercial also includes shots of the misleading digital screens from the Launch Package. Its references to ovulation in the disclaimers were too fleeting and small to affect a consumer's understanding, and, furthermore, made no reference to the fact that the Product uses a different metric from the medical profession's universal standard.

Finally, the additional associated advertising—including, among other things, the website, web banners, and in-store advertising—utilized the same misleading "weeks" language as the Launch Package and TV Commercial without revealing in any meaningful way that the number of weeks differs from the number a doctor would provide.

As the Launch Package, TV Commercial, and other advertising all unambiguously implied the false message that the Product provides a measurement of weeks-pregnant that is consistent with the measurement a doctor would provide, we find no error in the district court's findings of literal falsity.

It makes no difference, however, whether the Defendant's messages were literally false, because the district court also correctly found the messages to be impliedly false.[8] The court's finding of implied falsity was supported by actual evidence of consumer confusion (to the effect that consumers understood from the Defendant's messaging that the Product gives the same number of weeks as a doctor would give), and by evidence of Defendant's intent to deceive, which the court found sufficient to give rise to a presumption of consumer confusion. The court found that Defendant engaged in intentional deception because Defendant's "staff recognized and understood that the Weeks Estimator's result did not align with how doctors express pregnancy duration and that this misalignment could confuse consumers." The court cited to extensive evidence in the record supporting this conclusion. We briefly highlight some of the more significant evidence credited by the district court.

Some of this evidence showed that Defendant was clearly aware that LMP is the metric used by doctors. Dr. Sarah Johnson, Defendant's Head of Clinical and Medical Affairs, stated in a peer-reviewed article that pregnancy was historically dated in reference to LMP. Several studies and documents that Defendant submitted to the FDA stated that this was the traditional or conventional practice. Defendant's witnesses at trial, including Dr. Joanna Pike, Defendant's Senior Global Pregnancy Product Manager, and Mark Gittens, Defendant's Chief Compliance Officer, acknowledged the LMP convention. Some evidence also indicated that Defendant was aware that consumers would likely become confused if the distinction between the Product's ovulation metric and the conventional LMP metric was not made explicit. For example, Dr. Pike stated in an email: "I think FDA would NOT approve if we used 'Weeks Pregnant' in any materials and we are very likely to also confuse consumers and might end up with challenge/complaint." Similarly, one of Defendant's board members raised concerns at a board meeting about the digital display, and expressed that the Defendant "[n]eed[ed] to be clearer what this means i.e. from time of conception NOT LMP, we are Not saying what we are doing." [The court noted additional evidence supporting the finding of intent.]

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[8] Implied falsity should not be confused with literal falsity by necessary implication. A court may find a statement literally false by necessary implication, without considering extrinsic evidence, when the advertisement's "words or images, considered in context, necessarily and unambiguously imply a false message." *Time Warner Cable*, 497 F.3d at 158. A message—even a message that is ambiguous—is impliedly false if it leaves "an impression on the listener or viewer that conflicts with reality." *Id.* at 153. Implied falsity is often demonstrated through extrinsic evidence of consumer confusion, *id.* or through evidence of the defendant's deliberate deception, which creates a rebuttable presumption of consumer confusion. *Merck Eprova*, 760 F.3d at 255–56.

This evidence, together with other evidence noted by the district court, S.P.A. 19-27, supports the district court's finding that the Defendant, at least at the time the Launch Package, TV Commercial, and additional associated advertising were under development, intended to deceive the public into believing that the Product provides a measurement of weeks-pregnant consistent with the metric used by doctors. This evidence was sufficient to support a presumption of consumer confusion supporting a finding of implied falsity.

ii. The Revised Package

Defendant also challenges the district court's finding that the Revised Package was impliedly false. In the Revised Package, Defendant set forth more clearly that the Product measures weeks since ovulation. Among other things, the Revised Package added the phrase "Only Test That Estimates Weeks Since Ovulation*" (with the asterisk directing to the Indications for Use Statement on the side) at the corner. The package also replaced the windows that said "Pregnant" and "1-2 weeks," "2-3 weeks," or "3+ weeks" with windows that said "Pregnant" and "1-2," "2-3," or "3+," with the phrase "Weeks Along" placed below the windows.

To support its finding of implied falsity, the district court relied, in part, on the consumer surveys of Plaintiff's expert witness, Hal Poret. With respect to the Revised Package, "Poret concluded that 16.0% or 17.3% of participants … answered both that the [P]roduct estimates the number of weeks a woman is pregnant and that the [P]roduct's estimate of weeks is the same as a doctor's estimate of weeks-pregnant." The district court found this to be sufficient evidence of consumer confusion to support finding the Revised Package impliedly false.

Defendant's most forceful argument is that the Poret survey was flawed because the main survey questions at issue failed to test whether survey respondents were confused into thinking that the Product's measurements were the same as a doctor's because of the Product's packaging or because of the survey respondents' preexisting erroneous beliefs about the way pregnancy is measured.

We agree that the consumer confusion revealed by the survey could have been attributable to preexisting consumer ignorance about the conventional medical practice of dating the beginning of pregnancy from LMP. Poret derived his 16.0% or 17.3% deception rate by looking at the number of survey respondents who expressed the belief that the Product measures the number of weeks a woman is pregnant and also answered that "the [P]roduct's estimate of weeks is telling you … [t]he same thing as when a doctor gives you an estimate of weeks." J.A. 6680 (emphases omitted); *see also* J.A. 1576. A survey respondent might have given this answer not because the Revised Package confused her into believing that the Product provides the same measurement as provided by a doctor, but because she was already under the preexisting mistaken belief that a doctor measures pregnancy from the date of ovulation, rather than LMP, and, therefore, any product that purports to "Estimate[ ] Weeks Since Ovulation" would provide the same estimate as a doctor.

However, in light of the ample evidence that Defendant was aware of this widespread consumer ignorance and took no effective steps to guard against misunderstanding of Defendant's messages attributable to that ignorance, we find no error in the court's use of the Poret survey. Considering the counterintuitive nature of the LMP pregnancy measurement used by doctors (which includes about two weeks prior to ovulation, during which it is biologically impossible for a woman to be pregnant), it must have been obvious to Defendant, a seasoned manufacturer of home pregnancy tests, that many women are not aware that the medical profession measures pregnancy as starting approximately two weeks prior to ovulation and fertilization. The record demonstrates furthermore that Defendant was in fact aware that most consumers do not understand the nature of ovulation and its relation to pregnancy duration. For example, in an email exchange, Brand Manager Suarez stated that "American women just aren't that in tune" with the concept of ovulation, that the concept "doesn't really make sense to them," and that American women "don't have a knowledge of the right days, poor understanding of the details, etc. and it's not common vernacular of how we would talk [*sic*] anything." J.A. 4709-10. Similarly, a document summarizing a meeting involving Dr. Johnson, notes as an "[a]dditional discussion point[ ]" that the "[o]verall lack of consumers' understanding of ovulation may cause confusion" and points to the "[n]eed to address the reason why [doctor]s use [a] different method." J.A. 4506.

Defendant misses the point in its argument that the court should not have relied on Poret's survey because the survey failed to test for whether consumer confusion resulted from preexisting ignorance, rather than Defendant's message. Widespread consumer ignorance as to how the medical profession measures the advancement of a pregnancy was the fact—a fact that was known by the Defendant. In the face of consumer ignorance as to how the medical profession measures the advancement of a pregnancy, Defendant's message that the Product estimates weeks since ovulation did nothing to tell ignorant consumers that weeks since ovulation is a different measurement from that used by doctors. It makes no difference whether the widespread consumer ignorance predated the Defendant's Revised Package or was caused by it. The message of the Revised Package—that the Product tells you the degree of advancement of your pregnancy in terms of "weeks since ovulation"—implies a message that this is how the advancement of a pregnancy is measured by medical professionals. The Revised Package did not adequately communicate that its measurement was not consistent with the metric used by doctors. We therefore conclude that the evidence, including the Poret Survey, amply supported the district court's finding of falsity.

b. Materiality and Injury

Defendant contends the district court failed to make findings necessary to support the court's conclusion that Defendant's misrepresentations were material to Plaintiff's claim. Defendant also contends that the district court failed to find a logical causal connection between any falsity in Defendant's messages and injury to Plaintiff.

Plaintiff and Defendant disagree about what exactly is required to satisfy the materiality requirement for a Lanham Act false advertising claim. They agree that for a false message to be material, the defendant must have at least "misrepresented an inherent quality or characteristic of the product." *Merck Eprova*, 760 F.3d at 255. Defendant argues, however, that, according to our precedents, there is an additional requirement that the deception be "likely to influence [consumer] purchasing decisions," citing *NBA v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997). The district court expressly found that "[t]he Weeks Estimator's ability to estimate weeks is, as the [P]roduct's name conveys, an inherent quality or characteristic of the [P]roduct as it is the key feature that differentiates it from the many other home pregnancy tests on the market." Defendant points out, however, that, in its discussion of the *materiality* element, the court made no express finding that Defendant's misrepresentation was likely to influence purchasing decisions.

Although the essential elements of the materiality standard indeed appear to be somewhat unsettled in our circuit,[10] we need not resolve the issue now.[11] We assume for purposes of this ruling that a defendant's false advertising is not material to a plaintiff's Lanham Act claim unless that falsity had the capacity to adversely affect the plaintiff's business by influencing consumer purchasing decisions. While

[10] In *NBA*, we defined "material" as "an inherent quality or characteristic of the product." 105 F.3d at 855 (internal quotation marks omitted). In so doing, we cited three other circuits and a treatise, and included parentheticals for each citation that defined "material" as "likely to influence purchasing decisions." *Id.* However, our post-*NBA* cases do not mention this "likely to influence purchasing decision" feature of the standard; they focus instead on the "inherent quality or characteristic" descriptor.

[11] *Apotex Inc. v. Acorda Therapeutics, Inc.*, 823 F.3d 51 (2d Cir. 2016), recently settled the materiality standard in this Circuit, explaining that the standard is whether the deception is "likely to influence purchasing decisions." *Id.* at 63. Consideration of the *Apotex* decision has no effect on our determination, as our analysis above assumes that the standard is exactly as *Apotex* decided.

the materiality of the falsity and the likelihood of injury to the plaintiff resulting from the defendant's falsity are separate essential elements, in many cases the evidence and the findings by the court that a plaintiff has been injured or is likely to suffer injury will satisfy the materiality standard—especially where the defendant and plaintiff are competitors in the same market and the falsity of the defendant's advertising is likely to lead consumers to prefer the defendant's product over the plaintiff's. *See Johnson & Johnson v. Carter–Wallace, Inc.*, 631 F.2d 186, 190 (2d Cir. 1980) (In Lanham Act claims, the injury "standard is whether it is likely that [defendant]'s advertising has caused or will cause a loss of [plaintiff's] sales," which can be established when defendant and plaintiff "are competitors in a relevant market" and plaintiff demonstrates a "logical causal connection between the alleged false advertising and its own sales position."). In discussing the essential element of likelihood of harm to Plaintiff's business resulting from Defendant's false advertising, the district court expressly found that Plaintiff "lost sales on account of [Defendant's] false advertising." S.P.A. The court concluded its discussion of likelihood of injury stating, "[Plaintiff] established a logical causal connection between [Defendant]'s false advertising and its market harm that is sufficient to establish [Defendant]'s liability for false advertising under the Lanham Act."

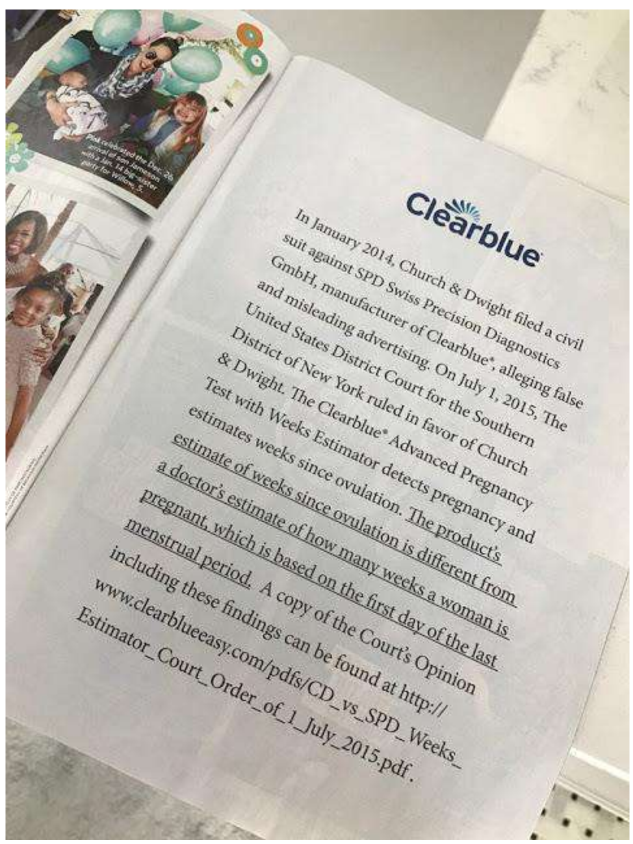
In our view, the district court's conclusion, although uttered in connection with the element of likely injury, also constituted a finding that Defendant's misrepresentations were likely to influence purchasing decisions and were therefore material to Plaintiff's claim. If consumers, faced with the choice to purchase either the plaintiff's product or the defendant's, are likely to prefer the defendant's product by reason of the defendant's false advertising, the falsity of the defendant's advertising is material to the plaintiff's Lanham Act claim.

The evidence furthermore amply supported the conclusion that the falsity of Defendant's advertising was both material and likely to cause injury to Plaintiff. It is entirely reasonable to expect that, for a significant number of women interested in learning whether they are pregnant—especially those who have not previously been pregnant or are otherwise ignorant of the details of the reproductive cycle—the information that Defendant's Product will tell them something different from what a doctor would provide would make them less likely to trust Defendant's Product, and more likely to purchase from Plaintiff, Defendant's closest competitor. The district court's finding is further supported by the evidence that this was precisely the risk that motivated Defendant to avoid making clear to consumers that its Weeks Estimator gave information different from what a doctor would give.

We conclude that both the evidence and the district court's findings, to the effect that Plaintiff likely suffered a loss of sales by reason of Defendant's false advertising, adequately supported both the materiality element and the likely injury element. With respect to the injury element, Defendant argues that the district court's reasoning was fallacious because the court relied in part on statistics showing that Plaintiff's share of the market decreased, while the Defendant's share increased upon Defendant's introduction of the Product. Defendant argues that this redistribution of consumer preference was attributable to the important new feature Defendant was offering, and that there is no reason to attribute any diminution in Plaintiff's market share to the falsity of Defendant's advertising. Even assuming, however, that Defendant is correct in discrediting an aspect of the district court's reasoning, the district court's finding that Plaintiff likely lost market share to Defendant attributable to the falsity of Defendant's concealment was amply supported by the evidence, as explained above. . . .

Notes

Remedy. You may have noticed that one of the remedies above was corrective advertising. Here is the corrective ad (from http://tushnet.blogspot.com/2017/03/clearblues-corrective-advertising-not.html):



"[A]n exceptionally well argued case." Clearblue was represented by Seth Waxman, who was Solicitor General for Bill Clinton. The plaintiff was represented by Paul Clement, who served in the same role for George W. Bush.

False by necessary implication. As you can tell, a lot rides on whether the advertisement is alleged to be false or impliedly false, as the latter requires a substantially greater showing from the plaintiff. The shift to recognizing "false by necessary implication" claims blurs the line separating the categories. The Second Circuit adopted the doctrine in Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144 (2d Cir. 2007), a case involving ads by DirecTV touting the superiority of satellite television over cable. The opinion describes one such ad:

> DIRECTV debuted another commercial in October 2006, featuring actor William Shatner as Captain James T. Kirk, his character from the popular Star Trek television show and film series. The following conversation takes place on the Starship Enterprise:
>
> Mr. Chekov: Should we raise our shields, Captain?
>
> Captain Kirk: At ease, Mr. Chekov.
>
> Again with the shields. I wish he'd just relax and enjoy the amazing picture clarity of the DIRECTV HD we just hooked up.
>
> With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical.
>
> Mr. Spock: [Clearing throat.]
>
> Captain Kirk: What, I can't use that line?
>
> The original version ended with the announcer saying, "For picture quality that beats cable, you've got to get DIRECTV.".

Id. at 150. The court upheld the conclusion that the ad was false by necessary implication:

> [We] now formally adopt what is known in other circuits as the "false by necessary implication" doctrine. Under this doctrine, a district court evaluating whether an advertisement is literally false must analyze the message conveyed in full context,, i.e., it must consider the advertisement in

> its entirety and not ... engage in disputatious dissection. If the words or images, considered in context, necessarily imply a false message, the advertisement is literally false and no extrinsic evidence of consumer confusion is required. See Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Pharm. Co., 290 F.3d 578, 586–87 (3d Cir.2002) ("A 'literally false' message may be either explicit or 'conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.' " (quoting Clorox Co. Puerto Rico, 228 F.3d at 35)). However, only an unambiguous message can be literally false. Therefore, if the language or graphic is susceptible to more than one reasonable interpretation, the advertisement cannot be literally false. See Scotts Co., 315 F.3d at 275 (stating that a literal falsity argument fails if the statement or image "can reasonably be understood as conveying different messages"); Clorox Co. Puerto Rico, 228 F.3d at 35 ("[A] factfinder might conclude that the message conveyed by a particular advertisement remains so balanced between several plausible meanings that the claim made by the advertisement is too uncertain to serve as the basis of a literal falsity claim...."). There may still be a basis for a claim that the advertisement is misleading, but to resolve such a claim, the district court must look to consumer data to determine what "the person to whom the advertisement is addressed find[s] to be the message," Am. Home Prods., 577 F.2d at 166 (citation omitted). In short, where the advertisement does not unambiguously make a claim, "the court's reaction is at best not determinative and at worst irrelevant." Id.
>
> Here, the District Court found that Shatner's assertion that "settling for cable would be illogical," considered in light of the advertisement as a whole, unambiguously made the false claim that cable's HD picture quality is inferior to that of DIRECTV's. We cannot say that this finding was clearly erroneous, especially given that in the immediately preceding line, Shatner praises the "amazing picture clarity of DIRECTV HD." We accordingly affirm the District Court's conclusion that TWC established a likelihood of success on its claim that the Revised Shatner Commercial is literally false.

Id. at 158 (multiple citations and quotations omitted).

Statutory standing. Who may sue under § 43(a)(1)(B)? The plain language of the text seems to suggest that a consumer injured by misleading advertising may sue, but most courts to consider the issue reject consumer standing. *See, e.g.*, Serbin v.

Ziebart Int'l Corp., 11 F.3d 1163, 1179 (3d Cir. 1993) ("[W]e join the Second Circuit in holding that Congress, when authorizing federal courts to deal with claims of false advertising, did not contemplate that federal courts should entertain claims brought by consumers.").

What about those with a commercial interest? For a time, the courts were divided on the precise test for statutory standing, some of them incorporating prudential and antitrust law considerations. The Supreme Court reset everything by issuing *Lexmark Intern., Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014). The Court declared that "a plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." *Id.* at 1395.

Materiality. Courts require materiality as an element of the false advertising cause of action. As you know, this is not similarly a requirement for a trademark infringement suit. Is there a reason to require materiality for false advertising claims, but not trademark infringement? Does it have to do with the traditional scope of the infringement action (i.e., that it is reasonable to presume materiality in the passing off context?). What effect does the expansion of the trademark infringement action have?

Can you think of advertising claims that are false, not material, but still in the interest of advertisers to make?

"Tests prove" claims. An advertiser may invite trouble when claiming that tests prove the superiority of its products, as that may shift the attention of litigation not to the claim of superiority, but to whether objective tests establish it. As the Second Circuit has explained:

> A plaintiff's burden in proving literal falsity thus varies depending on the nature of the challenged advertisement. Where the defendant's advertisement claims that its product is superior, plaintiff must affirmatively prove defendant's product equal or inferior. Where, as in the current case, defendant's ad explicitly or implicitly represents that tests or studies prove its product superior, plaintiff satisfies its burden by showing that the tests did not establish the proposition for which they were cited. We have held that a plaintiff can meet this burden by demonstrating that the tests were not sufficiently reliable to permit a conclusion that the product is superior.

Castrol, Inc. v. Quaker State Corp., 977 F.2d 57, 63 (2d Cir. 1992) (citations omitted).

Puffery. Is it false advertising to claim that your product is the "best" if a competitor can establish that by certain criteria it is not? No. Such statements are classified as non-actionable "puffery." "Puffery exists in two general forms: (1) exaggerated statements of bluster or boast upon which no reasonable consumer would rely; and (2) vague or highly subjective claims of product superiority, including bald assertions of superiority." Am. Italian Pasta Co. v. New World Pasta Co., 371 F.3d 387, 390–91 (8th Cir. 2004). The question is sometimes whether puffery is juxtaposed with objective statements that take it into the realm of a factual claim.

The plaintiff in the above-cited case made that claim of the following: "For over 130 years, pasta lovers have enjoyed the great taste of Mueller's. Our pasta cooks to perfect tenderness every time because it's made from 100% pure semolina milled from the highest quality durum wheat. Taste why Mueller's is America's favorite pasta." The Second Circuit rejected the claim:

> The Paragraph does not suggest a benchmark by which the veracity of American's statement can be verified. The Paragraph generally declares the brand has existed for 130 years, Mueller's tastes great, cooks to perfect tenderness, and is manufactured from high quality grain. We assume, arguendo, the sentence "Taste why Mueller's is America's favorite pasta" incorporates the attributes listed in the Paragraph into American's claim. Two attributes listed in the Paragraph are subject to verification: Mueller's is made from 100% pure semolina, and the brand is more than 130 years old. New World does not contend these claims are false. The remaining attributes listed in the Paragraph are unquantifiable and subject to an individual's fancy.

Id. at 392. Likewise, "the Phrases do not convey a benchmark for 'America's Favorite Pasta.' The term 'quality' is vague, entirely subjective, and a bare assertion of product superiority." *Id.*

Why advertise? Why advertise falsely? What is the point of advertising? And what is the point of deceptive advertising? How does it help the advertiser? Consider three types of attributes for which the advertising might be targeted. A *search* good is a good whose attributes can be determined by the consumer before purchase. So, for example, a store may advertise Coca-Cola for $0.50 per can. The consumer is able to verify the claim before purchase, so there is an incentive for the advertiser to tell the truth about the attribute. An *experience* good is one whose attributes can only be determined with use. So Coca-Cola may advertise that it tastes great, but a consumer will be able to verify that only upon trying the drink. Here, too, there is a disincentive to waste money on false advertising as the false advertiser will not have the benefit of repeat business. Finally a *credence* good is one whose attributes are hard to verify, even with use. For example, suppose a soda advertises the ability to strengthen tooth enamel, or a lawyer promises the best legal representation possible. Consumers have no way to verify whether the claimed effect is real. On the one hand, this might seem to give advertisers an incentive to lie, but wouldn't rational consumers have an equal incentive to discount any unverifiable claims? Are you rational in this way?

If an extreme version of this account is correct, it casts the existence of false advertising actions in a different light. Instead of being about protecting consumers, the suits seem instead to be a form of competition via litigation.

But in fact we see advertising of credence goods all the time, just as we see false advertising. Why? What's missing from the above account? *See generally, e.g.*, Richard Craswell, *Interpreting Deceptive Advertising*, 65 B.U. L. REV. 657 (1985).

Federal Trade Commission. The FTC also plays a role in policing deceptive advertising. 15 U.S.C. § 45 prohibits "[u]nfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce" and authorizes the FTC to prevent such activities. The statute contains a provision calling on the commission to balance the harms of challenged activities against their benefits to consumers as the FTC is not to declare a practice unlawful "unless the act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition." 15 U.S.C. § 45(n).

The FTC may bring administrative complaints against its targets, or it may bring a direct federal action (that is, without first proceeding administratively). Although the commission also has rulemaking power, it is somewhat limited as compared to most other federal agencies. 15 U.S.C. § 57a. The agency also will recommend best practices in certain areas. *See, e.g.*, See, e.g., "FTC Issues Revised 'Green Guides': Will Help Marketers Avoid Making Misleading Environmental Claims," (Oct. 1, 2012), available at http://www.ftc.gov/opa/2012/10/greenguides.shtm.

Recall the requirement that an advertiser have some basis for touting that "tests prove" something or other. The FTC has a similar expectation regarding evidentiary claims:

> Many ads contain express or implied statements regarding the amount of support the advertiser has for the product claim. When the substantiation

> claim is express (e.g.., “tests prove”, “doctors recommend”, and “studies show”), the Commission expects the firm to have at least the advertised level of substantiation. Of course, an ad may imply more substantiation than it expressly claims or may imply to consumers that the firm has a certain type of support; in such cases, the advertiser must possess the amount and type of substantiation the ad actually communicates to consumers.

FTC Policy Statement Regarding Advertising Substantiation, Appended to Thompson Medical Co., 104 F.T.C. 648, 839 (1984), aff'd, 791 F.2d 189 (D.C. Cir. 1986), cert. denied, 479 U.S. 1086 (1987).

State law. Note that false advertising is also subject to state law regimes.

NAD. Market participants wishing to challenge false advertising by competitors may also avail themselves of a private option. The National Advertising Division of BBB National Programs offers voluntary arbitration of false advertising disputes. Though the arbitration is non-binding, the NAD notes that “pursuant to the NAD’s procedures, if an advertiser refuses to participate (or does not respond to NAD’s opening letter) or refuses to comply with NAD’s recommendations, NAD will refer the matter to the appropriate regulatory agency, usually the Federal Trade Commission (FTC), and issue a press release.” Details of NAD procedures can be found at https://bbbprograms.org/programs/all-programs/national-advertising-division. For a popular account, *see* http://www.slate.com/id/2221968/.

Problems

1. Papa John’s engages in advertising with the slogan “Better Ingredients, Better Pizza.” Suppose Pizza Hut convinces a fact finder that Papa John’s purportedly better ingredients do not, in fact, lead to better pizza. Would a violation of section 43(a) be established?

2. Consider the following:

> “In August 1999, Clorox introduced a 15-second and a 30-second television commercial (“Goldfish I”), each depicting an S.C. Johnson Ziploc Slide-Loc resealable storage bag side-by-side with a Clorox Glad-Lock bag. The bags are identified in the commercials by brand name. Both commercials show an animated, talking goldfish in water inside each of the bags. In the commercials, the bags are turned upside-down, and the Slide-Loc bag leaks

rapidly while the Glad-Lock bag does not leak at all. In both the 15- and 30-second Goldfish I commercials, the Slide-Loc goldfish says, in clear distress, "My Ziploc Slider is dripping. Wait a minute!," while the Slide Loc bag is shown leaking at a rate of approximately one drop per one to two seconds. In the 30-second Goldfish I commercial only, the Slide-Loc bag is shown leaking while the Slide-Loc goldfish says, "Excuse me, a little help here," and then, "Oh, dripping, dripping." At the end of both commercials, the Slide Loc goldfish exclaims, "Can I borrow a cup of water!!!"

Competitor S.C. Johnson sued for false advertising. Its outside expert "conducted 'torture testing,' in which Slide-Loc bags were filled with water, rotated for 10 seconds, and held upside-down for an additional 20 seconds." He testified that "37 percent of all Slide-Loc bags tested did not leak at all. Of the remaining 63 percent that did leak, only a small percentage leaked at the rate depicted in the Goldfish I television commercials. The vast majority leaked at a rate between two and twenty times slower than that depicted in the Goldfish I commercials."

Is this actionable false advertising?

27. The Right of Publicity

The right of publicity is a right to one's commercial identity. The Sixth Circuit describes it as "an intellectual property right of recent origin which has been defined as the *inherent right* of every human being *to control the commercial use of his or identity*." ETW Corp. v. Jireh Publ'g, Inc., 332 F.3d 915, 928 (6th Cir. 2003) (emphases added). Whoa. Saying this is a matter of inherent human rights raises the stakes a bit, doesn't it? Especially for what is acknowledged to be a recent development. As you read on, think about whether a right to publicity is worth having and, if so, why. Think in particular about what it gives us that trademark law does not.

Roots of the right and its scope. The right of publicity has its origins in judge-made law, particularly in the privacy torts. Development of a right to privacy is often traced to the famous law review article *The Right to Privacy*, 4 Harv. L. Rev. 193 (1890), by (future Supreme Court Justice) Louis Brandeis and Charles Warren. The privacy tort generally takes one of four forms. As § 652A of the Restatement (Second) of Torts explains:

> The right of privacy is invaded by
>
> (a) unreasonable intrusion upon the seclusion of another, as stated in § 652B; or
>
> (b) appropriation of the other's name or likeness, as stated in § 652C; or
>
> (c) unreasonable publicity given to the other's private life, as stated in § 652D; or
>
> (d) publicity that unreasonably places the other in a false light before the public, as stated in § 652E.

According to Professor McCarthy, the first mention of a distinct right of publicity came in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866, 868 (2d Cir. 1953). Judge Frank wrote:

> We think that, in addition to and independent of that right of privacy (which in New York derives from statute), a man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing his picture, and that such a grant may validly be made 'in gross,'

> i.e., without an accompanying transfer of a business or of anything else. Whether it be labelled a 'property' right is immaterial; for here, as often elsewhere, the tag 'property' simply symbolizes the fact that courts enforce a claim which has pecuniary worth.
>
> This right might be called a 'right of publicity.' For it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways. This right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.
>
> We think the New York decisions recognize such a right.[*]

The view and terminology spread quickly. Today, the right of publicity is recognized in many jurisdictions as something distinct from the right of privacy.

Elements. Section 46 of the Restatement of Unfair Competition provides for liability for "[o]ne who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade." Many states have codified the right. As the home of much of the television and movie business, the California rules (like New York's) are particularly important. California Civil Code § 3344 provides:

> Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian, shall be liable for any damages sustained by the person or persons injured as a result thereof.

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[*] New York courts have since clarified that the state right is statutory and lacks a common law basis. Stephano v. News Group Publications, Inc., 474 N.E.2d 580, 584 (N.Y. 1984) ("Since the 'right of publicity' is encompassed under the Civil Rights Law as an aspect of the right of privacy, which, as noted, is exclusively statutory in this State, the plaintiff cannot claim an independent common-law right of publicity.").

The California statutory right is cumulative of other rights. California common law also recognizes a (broader) publicity right. Its elements are: "(1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury." White v. Samsung Electronics America, Inc., 971 F.2d 1395, 1397 (9th Cir. 1992).

What is the right of publicity for? Why do we need a right of publicity? To the extent the appropriation is of an authored work, copyright may protect the rightsholder. To the extent the complaint is that the use suggests sponsorship or endorsement of a product or service, Lanham Act remedies of false advertising or trademark infringement may apply. On the latter point, recall that section 43(a) prohibits any "false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval."[**]

Courts have addressed false endorsement claims under the framework for trademark infringement. Waits v. Frito-Lay, Inc., 978 F.2d 1093, 1110 (9th Cir. 1992) ("[U]nauthorized use of a celebrity's identity is a type of false association claim, for it alleges the misuse of a trademark ...."). At times, this means shoehorning claims into the multifactor test. *See, e.g.*, Abdul-Jabbar v. General Motors Corp., 85 F.3d 407, 413 (9th Cir. 1996) ("In considering celebrities' claims of violation under the Lanham Act, we have considered the following factors to determine whether a plaintiff has raised a genuine issue of material fact as to likelihood of confusion over endorsement: '(1) strength of the plaintiff's mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark.'"). As you can tell from the quote, this means treating the celebrity's identity as akin to a trademark, and the problems we have discussed previously about trying to adapt a test for source confusion concerning trademarks into other settings—in this case sponsorship involving names.

The case raises another issue. If a celebrity image is like a trademark, does that mean the whole of trademark law applies? To illustrate, *Abdul-Jabbar* involved an ad in which

[**] Use of false advertising remedies have generally not fared as well for a variety of doctrinal reasons, including a stricter requirement that there be a false representation.

> A disembodied voice asks, "How 'bout some trivia?" This question is followed by the appearance of a screen bearing the printed words, "You're Talking to the Champ." The voice then asks, "Who holds the record for being voted the most outstanding player of this tournament?" In the screen appear the printed words, "Lew Alcindor, UCLA, '67, '68, '69." Next, the voice asks, "Has any car made the 'Consumer Digest's Best Buy' list more than once? [and responds:] The Oldsmobile Eighty-Eight has." A seven-second film clip of the automobile, with its price, follows. During the clip, the voice says, "In fact, it's made that list three years in a row. And now you can get this Eighty-Eight special edition for just $18,995." At the end of the clip, a message appears in print on the screen: "A Definite First Round Pick," accompanied by the voice saying, "it's your money." A final printed message appears: "Demand Better, 88 by Oldsmobile."

Abdul-Jabbar, 85 F.3d at 409. As you may know, Kareem Abdul-Jabbar was once named Lew Alcindor; he changed his name in 1971. If trademark principles apply, does that the mark was abandoned? The court said no. *Id.* at 411 ("One's birth name is an integral part of one's identity; it is not bestowed for commercial purposes, nor is it 'kept alive' through commercial use."). Here, then we have potential for the breadth of trademark's powers, but without some of its limitations.

What does the viability of claims of this sort tell us about the need for the right of publicity? What does the latter give us that the former does not? Professor McCarthy's treatise notes several important doctrinal differences. For example, trademarks require use for protection; personas do not. Trademark infringement is established by likely confusion; a publicity claim, identification of the plaintiff's "persona." 5 McCarthy § 28:9. But do these differences justify a separate tort? If the right of publicity is here to stay, should the extension of trademark law to false endorsement claims be scaled back?

How long? Should the right to publicity survive death? The law varies from state to state, creating interesting choice-of-law and forum-shopping issues. For example, *Hebrew University of Jerusalem v. General Motors LLC*, 903 F. Supp. 2d 932 (C.D. Cal. 2012), considered how long the right in Albert Einstein's persona should last. Although the case was in California, which provides for a statutory 70-year post-mortem right, the court interpreted state law as not providing rights to those not domiciled in the state. Because Einstein died in New Jersey, the court held that Einstein's post-mortem rights, if any, arise under New Jersey law. It then predicted that New Jersey courts would not recognize a post-mortem right greater than 50 years (the plaintiff had argued for an indefinite period or, alternatively, a 70-year period). Einstein died in 1955. *See also* Milton H. Greene Archives, Inc. v. Marilyn Monroe LLC, 692 F.3d 983 (9th Cir. 2012) (concerning Marilyn Monroe's publicity right).

How famous? Do you have to be famous to have your publicity right infringed? The majority view appears to be that fame is not a requirement. Restatement (Third) Unfair Competition § 49 cmt. b.

Famous for the part? A performer's fame may be hard to separate from the role that made him or her famous. Sometimes a court will see the two as so intertwined that the publicity right may extend to evocations of a character rather than its actor. *See, e.g.*, McFarland v. Miller, 14 F.3d 912 (3d Cir. 1994) (evocation of character may violate actor's right of publicity where role had become "inextricably intertwined" with actor's identity). *But compare, e.g.*, Lugosi v. Universal Pictures, 603 P.2d 425, 432 (Cal. 1979) (Mosk, J., concurring) ("Here it is clear that Bela Lugosi did not portray himself and did not create Dracula, he merely acted out a popular role that had been garnished with the patina of age, as had innumerable other thespians over the decades. His performance gave him no more claim on Dracula than that of countless actors on Hamlet who have portrayed the Dane in a unique manner.").

The problem of cumulating regimes. Suppose you want to use a famous song with your commercial. You negotiate with the copyright holder of both the composition and sound recording. Is that enough? Do you *also* have to find the singer and secure his or her permission? *See, e.g.*, Midler v. Ford Motor Co., 849 F.2d 460 (9th Cir. 1988). The problem often triggers the argument that copyright law preempts publicity claims.

Limits. Taken too far, the right of publicity threatens any number of referential uses of a celebrity's identity. Publicity law has a number of doctrinal tools to ameliorate this concern, particularly as they relate to the First Amendment. They are discussed below. One way of avoiding the problem is definitional. Many statutes contain explicit limitations on the right from interfering with activities like news reporting. *See, e.g.*, Cal. Civ. Code § 3344(d) ("For purposes of this section, a use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subdivision (a)."); *see also*

Restatement (Third) of Unfair Competition § 45 (noting that "use 'for purposes of trade' does not ordinarily include the use of a person's identity in news reporting, commentary, entertainment, works of fiction or nonfiction, or in advertising that is incidental to such uses").

Hart v. Electronic Arts, Inc.
717 F.3d 141 (3d Cir. 2013)

GREENAWAY, JR., Circuit Judge.

. . . . Hart was a quarterback, player number 13, with the Rutgers University NCAA Men's Division I Football team for the 2002 through 2005 seasons. As a condition of participating in college-level sports, Hart was required to adhere to the National Collegiate Athletic Association's ("NCAA") amateurism rules as set out in Article 12 of the NCAA bylaws. *See, e.g.,* NCAA, *2011–12 NCAA Division I Manual* § 12.01.1 (2011) ("Only an amateur student-athlete is eligible for inter-collegiate athletics participation in a particular sport."). In relevant part, these rules state that a collegiate athlete loses his or her "amateur" status if (1) the athlete "[u]ses his or her athletics skill (directly or indirectly) for pay in any form in that sport," or (2) the athlete "[a]ccepts any remuneration or permits the use of his or her name or picture to advertise, recommend or promote directly the sale or use of a commercial product or service of any kind." In comporting with these bylaws, Hart purportedly refrained from seizing on various commercial opportunities. On the field, Hart excelled. At 6′2″, weighing 197 pounds, and typically wearing a visor and armband on his left wrist, Hart amassed an impressive list of achievements as the Scarlet Knights' starting quarterback. As of this writing, Hart still holds the Scarlet Knights' records for career attempts, completions, and interceptions. . . .

Hart's participation in college football also ensured his inclusion in EA's successful *NCAA Football* videogame franchise. EA, founded in 1982, is "one of the world's leading interactive entertainment software companies," and "develops, publishes, and distributes interactive software worldwide" for consoles, cell phones, and PCs. EA's catalogue includes *NCAA Football,* the videogame series at issue in the instant case. . . .

A typical play session allows users the choice of two teams. "Once a user chooses two college teams to compete against each other, the video game assigns a stadium for the match-up and populates it with players, coaches, referees, mascots, cheerleaders and fans."[5] In addition to this "basic single-game format," EA has

[5] Appellee licenses, from the Collegiate Licensing Company (the NCAA's licensing agent), "the right to use member school names, team names, uniforms, logos, stadium fight songs, and other game

introduced a number of additional game modes that allow for "multi-game" play. Thus, with the release of *NCAA Football 98*, EA introduced the "Dynasty Mode," which allows users to "control[ ] a college program for up to thirty seasons," including "year-round responsibilities of a college coach such as recruiting virtual high school players out of a random-generated pool of athletes." Later, in *NCAA Football 2006*, EA introduced the "Race for the Heisman" (later renamed "Campus Legend"), which allows users to "control a single [user-made] virtual player from high school through his collegiate career, making his or her own choices regarding practices, academics and social activities."

In no small part, the *NCAA Football* franchise's success owes to its focus on realism and detail—from realistic sounds, to game mechanics, to team mascots. This focus on realism also ensures that the "over 100 virtual teams" in the game are populated by digital avatars that resemble their real-life counterparts and share their vital and biographical information. Thus, for example, in *NCAA Football 2006*, Rutgers' quarterback, player number 13, is 6′2″ tall, weighs 197 pounds and resembles Hart. Moreover, while users can change the digital avatar's appearance and most of the vital statistics (height, weight, throwing distance, etc.), certain details remain immutable: the player's home state, home town, team, and class year.

Appellant filed suit against EA in state court for, among other things, violation of his right of publicity. . . .

We begin our analysis by noting the self-evident: video games are protected as expressive speech under the First Amendment. . . . [G]ames enjoy the full force of First Amendment protections. As with other types of expressive conduct, the protection afforded to games can be limited in situations where the right of free expression necessarily conflicts with other protected rights.

The instant case presents one such situation. Here, Appellee concedes, for purposes of the motion and appeal, that it violated Appellant's right of publicity; in essence, misappropriating his identity for commercial exploitation. However, Appellee contends that the First Amendment shields it from liability for this violation because *NCAA Football* is a protected work. To resolve the tension between the First Amendment and the right of publicity, we must balance the interests underlying the right to free expression against the interests in protecting the right of publicity. *See Zacchini v. Scripps–Howard Broad. Co.*, 433 U.S. 562 (1977). . . .

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elements." (App. at 532.) Unlike certain of its other videogame franchises, EA does not license the likeness and identity rights for intercollegiate players.

[Over time, courts developed "more systematized balancing tests for resolving conflicts between the right of publicity and the First Amendment."] Of these, three tests are of particular note: the commercial-interest-based Predominant Use Test, the trademark-based *Rogers* Test, and the copyright-based Transformative Use Test. The *Rogers* and Transformative Use tests are the most well-established, while the Predominant Use Test is addressed below only because Appellant argues in favor of its adoption. We consider each test in turn, looking at its origins, scope of application, and possible limitations. For the reasons discussed below, we adopt the Transformative Use Test as being the most appropriate balancing test to be applied here.

a. Predominant Use Test

Appellant urges us to adopt the Predominant Use Test, which first appeared in *Doe v. TCI Cablevision,* 110 S.W.3d 363 (Mo.2003) (en banc), a case that considered a hockey player's right of publicity claim against a comic book publishing company. In *TCI,* Anthony "Tony" Twist, a hockey player, brought suit against a number of individuals and entities involved in producing and publishing the *Spawn* comic book series after the introduction of a villainous character named Anthony "Tony Twist" Twistelli.

In balancing Twist's property interests in his own name and identity against the First Amendment interests of the comic book creators, the *TCI* court . . . . applied what it called a "sort of predominant use test":

> If a product is being sold that predominantly exploits the commercial value of an individual's identity, that product should be held to violate the right of publicity and not be protected by the First Amendment, even if there is some 'expressive' content in it that might qualify as 'speech' in other circumstances. If, on the other hand, the predominant purpose of the product is to make an expressive comment on or about a celebrity, the expressive values could be given greater weight.

(quoting Mark S. Lee, *Agents of Chaos: Judicial Confusion in Defining the Right of Publicity–Free Speech Interface,* 23 LOY. L.A. ENT. L. REV.V. 471, 500 (2003)). The *TCI* court considered this to be a "more balanced balancing test [particularly for] cases where speech is both expressive and commercial." After applying the test, the court ruled for Twist, holding that "the metaphorical reference to Twist, though a literary device, has very little literary value compared to its commercial value."

We decline Appellant's invitation to adopt this test. By our reading, the Predominant Use Test is subjective at best, arbitrary at worst, and in either case calls upon judges to act as both impartial jurists and discerning art critics. These two roles cannot co-exist. . . . Such reasoning, however, leads down a dangerous and rightly-shunned road: adopting Appellant's suggested analysis would be tantamount to admitting that it is proper for courts to analyze select elements of a work to determine how much they contribute to the entire work's expressiveness. Moreover, as a necessary (and insidious) consequence, the Appellant's approach would suppose that there exists a broad range of seemingly expressive speech that has no First Amendment value. . . .

b. The *Rogers* Test

The *Rogers* Test looks to the relationship between the celebrity image and the work as a whole.[17] As the following discussion demonstrates, however, adopting this test would potentially immunize a broad swath of tortious activity. We therefore reject the *Rogers* Test as inapposite in the instant case.

i. Origins and Scope of the *Rogers* Test

Various commentators have noted that right of publicity claims—at least those that address the use of a person's name or image in an advertisement—are akin to trademark claims because in both instances courts must balance the interests in protecting the relevant property right against the interest in free expression. It is little wonder, then, that the inquiry championed by Appellee originated in a case that also focused upon alleged violations of the trademark-specific Lanham Act. *Rogers v. Grimaldi,* 875 F.2d 994 (2d Cir.1989).

In that case, Ginger Rogers brought suit against the producers and distributors of, *Ginger and Fred,* a film that was alleged to infringe on Rogers' right of publicity and confuse consumers in violation of the Act. (Despite its title, the film was not about either Ginger Rogers or Fred Astaire.) In analyzing the right of publicity claim under Oregon law, the Second Circuit noted Oregon's "concern for the protection of free expression," and held that Oregon would not "permit the right of publicity to bar the use of a celebrity's name in a movie title unless the title was wholly unrelated to the movie or was simply a disguised commercial advertisement for the sale of goods or services." After applying this test, the *Rogers* court concluded that the right of publicity claim merited dismissal because "the title 'Ginger and Fred' is clearly related to the content of the movie and is not a disguised advertisement for the sale of goods and services or a collateral commercial product."

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[17] The various cases and scholarly sources refer to this test in three different ways: the Relatedness Test, the Restatement Test, and the *Rogers* Test. The "Relatedness" moniker should be self-explanatory even at this early point in our discussion; the propriety of the other two names will become clear shortly. For our purposes, we will refer to the test as the *Rogers* Test.

But while the test, as articulated in *Rogers,* arguably applied only to the use of celebrity identity in a work's title, Appellee suggests that the test can—and should—be applied more broadly. For support, Appellee looks to the Restatement (Third) of Unfair Competition, released in 1995, which characterizes the tort as follows:

> One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability for [appropriate relief].

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46. In explaining the term "use for purposes of trade," the Restatement notes that it does not "ordinarily include the use of a person's identity in news reporting, commentary, entertainment, works of fiction or nonfiction, or in advertising that is incidental to such uses." *Id.* § 47.

Moreover, the comments to Section 47 of the Restatement also note that:

> [t]he right of publicity as recognized by statute and common law is fundamentally constrained by *the public and constitutional interest in freedom of expression.* The use of a person's identity primarily for purpose of communicating information or expressing ideas is not generally actionable as a violation of the person's right of publicity.... Thus the use of a person's name or likeness in news reporting, whether in newspapers, magazines, or broadcast news, does not infringe the right of publicity. The interest in freedom of expression also extends to use in entertainment and other creative works, including both fiction and nonfiction. The use of a celebrity's name or photograph as part of an article published in a fan magazine or in a feature story broadcast on an entertainment program, for example, will not infringe the celebrity's right of publicity. Similarly, the right of publicity is not infringed by the dissemination of an unauthorized print or broadcast biography. Use of another's identity in a novel, play, or motion picture is also not ordinarily an infringement.... *However, if the name or likeness is used solely to attract attention to a work that is not related to the identified person, the user may be subject to liability for a use of the other's identity in advertising.*

Id. at § 47 cmt. c (emphasis added). Appellee argues that the above language adopts the *Rogers* Test and applies it to right of publicity claims dealing with any part of a work, not only its title. . . .

ii. Analysis of the *Rogers* Test

Ultimately, we find that the *Rogers* Test does not present the proper analytical approach for cases such as the one at bar. While the Test may have a use in trademark-like right of publicity cases, it is inapposite here. We are concerned that this test is a blunt instrument, unfit for widespread application in cases that require a carefully calibrated balancing of two fundamental protections: the right of free expression and the right to control, manage, and profit from one's own identity.

The potential problem with applying the *Rogers* Test in this case is demonstrated by the following statement from Appellee's brief:

> Because, as a former college football player, Hart's likeness is not 'wholly unrelated' to *NCAA Football* and the game is not a commercial advertisement for some unrelated product, Hart … does not try to meet the … test.

(Appellee's Br. at 24.) Effectively, Appellee argues that Appellant should be unable to assert a claim for appropriating his likeness as a football player precisely because his likeness was used for a game about football. Adopting this line of reasoning threatens to turn the right of publicity on its head.

Appellant's career as a college football player suggests that the target audience for his merchandise and performances (e.g., his actual matches) would be sports fans. It is only logical, then, that products appropriating and exploiting his identity would fare best—and thereby would provide ne'er-do-wells with the greatest incentive—when targeted at the sports-fan market segment. Given that Appellant played intercollegiate football, however, products targeting the sports-fan market would, as a matter of course, relate to him. Yet under Appellee's approach, all such uses would be protected. It cannot be that the very activity by which Appellant achieved his renown now prevents him from protecting his hard-won celebrity. We decline to endorse such a conclusion and therefore reject the *Rogers* test as inapplicable.

On the other hand, we do agree with the *Rogers* court in so far as it noted that the right of publicity does not implicate the potential for consumer confusion and is therefore potentially broader than the protections offered by the Lanham Act. Indeed, therein lies the weakness of comparing the right of publicity to trademark protections: the right of publicity is broader and, by extension, protects a greater swath of property interests. Thus, it would be unwise for us to adopt a test that hews so closely to traditional trademark principles. Instead, we need a broader, more nuanced test, which helps balance the interests at issue in cases such as the one at bar. The final test—the Transformative Use Test—provides just such an approach.

c. The Transformative Use Test

Looking to intellectual property law for guidance on how to balance property interests against the First Amendment has merit. We need only shift our gaze away from trademark, to the broader vista of copyright law. Thus, we come to the case of

Comedy III Prods., Inc. v. Gary Saderup, Inc., which imported the concept of "transformative" use from copyright law into the right of publicity context. 106 Cal.Rptr.2d 126 (2001). . . .

i. Genesis of the Transformative Use Test

The Transformative Use Test was first articulated by the Supreme Court of California in *Comedy III*. That case concerned an artist's production and sale of t-shirts and prints bearing a charcoal drawing of the Three Stooges. The California court determined that while "[t]he right of publicity is often invoked in the context of commercial speech," it could also apply in instances where the speech is merely expressive. The court also noted, however, that when addressing expressive speech, "the very importance of celebrities in society means that the right of publicity has the potential of censoring significant expression by suppressing alternative versions of celebrity images that are iconoclastic, irreverent or otherwise attempt to redefine the celebrity's meaning." Thus, while the "the right of publicity cannot, consistent with the First Amendment, be a right to control the celebrity's image by censoring disagreeable portrayals," the right, like copyright, nonetheless offers protection to a form of intellectual property that society deems to have social utility.

After briefly considering whether to import the "fair use" analysis from copyright, the *Comedy III* court decided that only the first fair use factor, "the purpose and character of the use," was appropriate. Specifically, the *Comedy III* court found persuasive the Supreme Court's holding in *Campbell v. Acuff–Rose Music, Inc.* that

> the central purpose of the inquiry into this fair use factor 'is to see ... whether the new work merely "supercede[s] the objects" of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is "*transformative.*"

Going further, the court explained that works containing "significant transformative elements" are less likely to interfere with the economic interests implicated by the right of publicity. For example, "works of parody or other distortions of the celebrity figure are not, from the celebrity fan's viewpoint, good substitutes for conventional depictions of the celebrity and therefore do not generally threaten markets for celebrity memorabilia that the right of publicity is designed to protect." The court was also careful to emphasize that "the transformative elements or creative contributions" in a work may include—under the right circumstances—factual reporting, fictionalized portrayal, heavy-handed lampooning, and subtle social criticism. ("The inquiry is in a sense more quantitative than qualitative, asking whether the literal and imitative or the creative elements predominate in the work.").

Restating its newly-articulated test, the Supreme Court of California held that the balance between the right of publicity and First Amendment interests turns on

> [w]hether the celebrity likeness is one of the "raw materials" from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question. We ask, in other words, *whether the product containing a celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness.* And when we use the word "expression," we mean expression of something other than the likeness of the celebrity.

(emphasis added).

Applying this test, the court concluded that charcoal portraits of the Three Stooges did violate the Stooges' rights of publicity, holding that the court could "discern no significant transformative or creative contribution" and that "the marketability and economic value of [the work] derives primarily from the fame of the celebrities depicted."

ii. Application of the Transformative Use Test

Given its relative recency, few courts have applied the Transformative Use Test, and consequently there is not a significant body of case law related to its application. Nonetheless, a handful of cases bear mention as they help frame our inquiry.

In 2003, the Supreme Court of California revisited the Transformative Use Test when two musicians, Johnny and Edgar Winter, who both possessed long white hair and albino features, brought suit against a comic book company over images of two villainous half-man, half-worm creatures, both with long white hair and albino features, named Johnny and Edgar Autumn. *Winter v. DC Comics,* 134 Cal.Rptr.2d 634 (2003). As the brothers' right of publicity claims necessarily implicated DC Comics' First Amendment rights, the *Winter* court looked to the Transformative Use Test. In summarizing the test, the court explained that "[a]n artist depicting a celebrity must contribute something more than a 'merely trivial' variation, [but must create] something recognizably 'his own,' in order to qualify for legal protection." Thus, in applying the test, the *Winter* court held that

> [a]lthough the fictional characters Johnny and Edgar Autumn are less-than-subtle evocations of Johnny and Edgar Winter, the books do not depict plaintiffs literally. Instead, plaintiffs are merely part of the raw materials from

> which the comic books were synthesized. To the extent the drawings of the Autumn brothers resemble plaintiffs at all, they are distorted for purposes of lampoon, parody, or caricature. And the Autumn brothers are but cartoon characters—half-human and half-worm—in a larger story, which is itself quite expressive.

The court therefore found that "fans who want to purchase pictures of [the Winter brothers] would find the drawing of the Autumn brothers unsatisfactory as a substitute for conventional depictions." Consequently, the court rejected the brothers' claims for a right of publicity violation. . . .

iv. Analysis of the Transformative Use Test

Like the Predominant Use and *Rogers* tests, the Transformative Use Test aims to balance the interest protected by the right of publicity against those interests preserved by the First Amendment. In our view, the Transformative Use Test appears to strike the best balance because it provides courts with a flexible—yet uniformly applicable—analytical framework. Specifically, the Transformative Use Test seems to excel precisely where the other two tests falter. Unlike the *Rogers* Test, the Transformative Use Test maintains a singular focus on whether the work sufficiently transforms the celebrity's identity or likeness, thereby allowing courts to account for the fact that misappropriation can occur in any market segment, including those related to the celebrity.

On the other hand, unlike the Predominant Use Test, applying the Transformative Use Test requires a more circumscribed inquiry, focusing on the specific aspects of a work that speak to whether it was merely created to exploit a celebrity's likeness. This test therefore recognizes that if First Amendment protections are to mean anything in right of publicity claims, courts must *begin* by considering the extent to which a work is the creator's own expression. . . .

C. Application

In applying the Transformative Use Test to the instant case, we must determine whether Appellant's identity is sufficiently transformed in *NCAA Football.* As we mentioned earlier, we use the term "identity" to encompass not only Appellant's likeness, but also his biographical information. It is the combination of these two parts—which, when combined, identify the digital avatar as an in-game recreation of Appellant—that must be sufficiently transformed.

Having thus cabined our inquiry to the appropriate form of Appellant's identity, we note that—based on the combination of both the digital avatar's appearance and the biographical and identifying information—the digital avatar does closely resemble the genuine article. Not only does the digital avatar match

Appellant in terms of hair color, hair style and skin tone, but the avatar's accessories mimic those worn by Appellant during his time as a Rutgers player. The information, as has already been noted, also accurately tracks Appellant's vital and biographical details. And while the inexorable march of technological progress may make some of the graphics in earlier editions of *NCAA Football* look dated or overly-computerized, we do not believe that video game graphics must reach (let alone cross) the uncanny valley to support a right of publicity claim. If we are to find some transformative element, we must look somewhere other than just the in-game digital recreation of Appellant.[39]. . .

Considering the context within which the digital avatar exists—effectively, looking at how Appellant's identity is "incorporated into and transformed by" NCAA Football, (Dissent Op.)—provides little support for Appellee's arguments. The digital Ryan Hart does what the actual Ryan Hart did while at Rutgers: he plays college football, in digital recreations of college football stadiums, filled with all the trappings of a college football game. This is not transformative; the various digitized sights and sounds in the video game do not alter or transform the Appellant's identity in a significant way. . . .

Even here, however, our inquiry is not at an end. For as much as the digital representation and context evince no meaningful transformative element in *NCAA Football*, a third avatar-specific element is also present: the users' ability to alter the avatar's appearance. . . . We must therefore consider to what extent the ability to alter a digital avatar represents a transformative use of Appellant's identity.

At the outset, we note that the mere presence of this feature, without more, cannot satisfy the Transformative Use Test. True, interactivity is the basis upon which First Amendment protection is granted to video games in the first instance. *See Brown*, 131 S.Ct. at 2733. However, the balancing test in right of publicity cases does not look to whether a particular work *loses* First Amendment protection. Rather, the balancing inquiry looks to see whether the interests protected by the right of publicity are sufficient to *surmount* the already-existing First Amendment protections. . . .

[39] It is no answer to say that digitizing Appellant's appearance in and of itself works a transformative use. Recreating a celebrity's likeness or identity in some medium other than photographs or video cannot, without more, satisfy the test; this would turn the inquiry on its head—and would contradict the very basis for the Transformative Use Test.

. . . . [W]e consider whether the type and extent of interactivity permitted is sufficient to transform the Appellant's likeness into the Appellee's own expression. We hold that it does not.

In *NCAA Football*, Appellee seeks to create a realistic depiction of college football for the users. Part of this realism involves generating realistic representations of the various college teams—which includes the realistic representations of the players. . . . Appellee seeks to capitalize on the respective fan bases for the various teams and players. . . . Moreover, the realism of the games—including the depictions and recreations of the players—appeals not just to home-team fans, but to bitter rivals as well. Games such as *NCAA Football* permit users to recreate the setting of a bitter defeat and, in effect, achieve some cathartic readjustment of history; realistic depictions of the players are a necessary element to this. . . . Given that Appellant's unaltered likeness is central to the core of the game experience, we are disinclined to credit users' ability to alter the digital avatars in our application of the Transformative Use Test to this case.

We are likewise unconvinced that *NCAA Football* satisfies the Transformative Use Test because Appellee created various in-game assets to support the altered avatars (*e.g.*, additional hair styles, faces, accessories, et al.). In the first instance, the relationship between these assets and the digital avatar is predicated on the users' desire to alter the avatar's appearance, which, as we have already noted, is insufficient to satisfy the Test. The ability to make minor alterations—which substantially maintain the avatar's resemblance to Appellant (e.g., modifying only the basic biographical information, playing statistics, or uniform accessories)—is likewise insufficient, for "[a]n artist depicting a celebrity must contribute something more than a 'merely trivial' variation." *Winter*, 134 Cal.Rptr.2d 634. Indeed, the ability to modify the avatar counts for little where the appeal of the game lies in users' ability to play "as, or alongside" their preferred players or team. Thus, even avatars with superficial modifications to their appearance can count as a suitable proxy or market "substitute" for the original. For larger potential changes, such as a different body type, skin tone, or face, Appellant's likeness is not transformed; it simply ceases to be. Therefore, once a user has made major changes to the avatar, it no longer represents Appellant, and thus it no longer qualifies as a "use" of the Appellant's identity for purposes of our inquiry. Such possibilities therefore fall beyond our inquiry into how *Appellant's likeness* is used in *NCAA Football*. That the game may lend itself to uses wholly divorced from the appropriation of Appellant's identity is insufficient to satisfy the Transformative Use Test.

In an attempt to salvage its argument, Appellee suggests that *other* creative elements of *NCAA Football*, which do not affect Appellant's digital avatar, are so numerous that the videogames should be considered transformative. We believe this to be an improper inquiry. Decisions applying the Transformative Use Test invariably look to how the *celebrity's identity* is used in or is altered by other aspects of a work. Wholly unrelated elements do not bear on this inquiry. Even *Comedy III*, in listing potentially "transformative or creative contributions" focused on elements or techniques that affect the celebrity identity. To the extent that any of these cases considered the broader context of the work (e.g., whether events took place in a "fanciful setting"), this inquiry was aimed at determining whether this context acted upon the celebrity identity in a way that transformed it or imbued it with some added creativity beyond providing a "merely trivial variation." Thus, while we recognize the creative energies necessary for crafting the various elements of *NCAA Football* that are not tied directly to reality, we hold that they have no legal significance in our instant decision.

To hold otherwise could have deleterious consequences for the state of the law. Acts of blatant misappropriation would count for nothing so long as the larger work, on balance, contained highly creative elements in great abundance. This concern is particularly acute in the case of media that lend themselves to easy partition such as video games. It cannot be that content creators escape liability for a work that uses a celebrity's unaltered identity in one section but that contains a wholly fanciful creation in the other, larger section.

For these reasons, we hold that the broad application of the Transformative Use Test represents an inappropriate application of the standard. Consequently, we shall not credit elements of *NCAA Football* that do not, in some way, affect the use or meaning of Appellant's identity.

As a final point, we note that the photograph of Appellant that appears in NCAA Football 2009 does not bear on our analysis above. On that subject, we agree with the District Court that the photograph is "but a fleeting component part of the montage" and therefore does not render the entire work nontransformative. . . .

IV. Conclusion

We therefore hold that the *NCAA Football 2004, 2005* and *2006* games at issue in this case do not sufficiently transform Appellant's identity to escape the right of publicity claim and hold that the District Court erred in granted summary judgment in favor of Appellee. . . .

AMBRO, Circuit Judge, dissenting.

. . . . Were this case viewed strictly on the public's perception of fairness, I have no doubt Hart's position would prevail.[2] . . .

To determine whether an individual's identity has been "transformed" for purposes of the Transformative Use Test, I believe it is necessary to review the likeness in the context of the work in its entirety, rather than focusing only on the individual's likeness. . . .

The infirmity of [the majority's] approach is highlighted by *ETW Corp. v. Jireh Publishing, Inc.,* 332 F.3d 915 (6th Cir.2003), in which the Sixth Circuit Court of Appeals concluded that an artist's use of several photographs of Tiger Woods in a commemorative collage was "transformative," and thus shielded from Woods' right-of-publicity suit. My colleagues do not—and, in my view, cannot—explain how the photographic images of Woods were transformed if they limit their analysis to "how the *celebrity's identity* is used." . . .

To me, a narrow focus on an individual's likeness, rather than how that likeness is incorporated into and transformed by the work as a whole, is a flawed formulation of the transformative inquiry. The whole—the aggregate of many parts (including, here, many individuals)—is the better baseline for that inquiry. . . .

Transformative use must mesh with existing constitutional protections for works of expression. The First Amendment extends protection to biographies, documentaries, docudramas, and other expressive works depicting real-life figures, whether the accounts are factual or fictional. . . .

The protection afforded by the First Amendment to those who weave celebrities into their creative works and sell those works for profit applies equally to video games. *See Brown v. Entm't Merchs. Ass'n,* 131 S.Ct. 2729, 2733 (2011). Thus EA's use of real-life likenesses as "characters" in its *NCAA Football* video game should be as protected as portrayals (fictional or nonfictional) of individuals in movies and books. I do not suggest that all digital portrayals of an individual are entitled to First Amendment protection. Rather, the work should be protected if that likeness, as included in the creative composition, has been transformed into

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[2] *See generally* Taylor Branch, *The Shame of College Sports*, The Atlantic, Oct. 2011, at 80–110 (lambasting NCAA "amateurism" and "student-athlete" policies as "legalistic confections propagated by the universities so they can exploit the skills and fame of young athletes," and discussing lawsuits challenging these policies); *see also* Alexander Wolff, *When Worlds Collide*, Sports Illustrated, Feb. 11, 2013, at 18; Joe Nocera, *Pay Up Now*, N.Y. Times Mag., Jan. 1, 2012, at 30–35 (advocating payment of college athletes to alleviate "[t]he hypocrisy that permeates big-money college sports" arising from amateurism rules).

something more or different than what it was before. And in any event the profit that flows from EA's realistic depiction of Hart (and the myriad other college football players portrayed in *NCAA Football*) is not constitutionally significant, nor even an appropriate consideration, when applying the Transformative Use Test.[7]

My colleagues' understanding of the Transformative Use Test underplays the creative elements of *NCAA Football* by equating its inclusion of realistic player likenesses to increase profits with the wrongful appropriation of Hart's commercial value. This approach is at odds with the First Amendment protection afforded to expressive works incorporating real-life figures. That protection does not depend on whether the characters are depicted realistically or whether their inclusion increases profits. *See Guglielmi,* 160 Cal.Rptr. 352, 603 P.2d at 460–62 (Bird, C.J., concurring) (concluding that acceptance of this argument would chill free expression and mean "the creation of historical novels and other works inspired by actual events and people would be off limits to the fictional author").

In sum, applying the Transformative Use Test in the manner done by my colleagues creates a medium-specific metric that provides less protection to video games than other expressive works. Because the Supreme Court's decision in *Brown* forecloses just such a distinction, *see* 131 S.Ct. at 2740, my colleagues' treatment of realism and profitability in their transformative use analysis puts us on a different course. . . .

With this understanding of the Transformative Use Test, I conclude EA's use of avatars resembling actual players is entitled to First Amendment protection. *NCAA Football* transforms Hart's mere likeness into an avatar that, along with the rest of a digitally created college football team, users can direct and manipulate in

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[7] In devising the Transformative Use Test, the California Supreme Court borrowed from "the purpose and character of the use" factor relevant to a copyright fair use defense, *see* 17 U.S.C. § 107(1), yet it rejected "a wholesale importation of the fair use doctrine into right of publicity law," *Comedy III*, 106 Cal.Rptr.2d 126, 21 P.3d at 807. Nonetheless, it appears my colleagues permit another fair use factor to creep into their transformative analysis. Namely, their focus on the marketability of *NCAA Football* seems colored by the factor considering "the effect of the use upon the potential market for or value of the copyrighted work," *see* 17 U.S.C. § 107(4), notwithstanding that this element was expressly excluded from *Comedy III*'s articulation of the Transformative Use Test, *see* 106 Cal.Rptr.2d 126, 21 P.3d at 808 n. 10. Further, even if consideration of "market effect" were appropriate in a transformative analysis, I do not believe this factor would weigh in favor of finding an infringing use here because . . . there is no contention that EA's inclusion of Hart's likeness in NCAA Football has caused a decline in the commercial value of his identity or persona.

fictional football games. With the many other creative features incorporated throughout the games, sufficient expressive transformation takes place to merit First Amendment protection.

NCAA Football involves myriad original graphics, videos, sound effects, and game scenarios. These artistic aspects permit a user to direct the play of a college football team whose players may be based on a current roster, a past roster, or an entirely imaginary roster comprised of made-up players. Users are not reenacting real games, but rather are directing the avatars in invented games and seasons. Further, the "Campus Legend" and "Dynasty Mode" features permit users to control virtual players and teams for multiple seasons, creating the means by which they can generate their own narratives. Such modes of interactive play are, I submit, imaginative transformations of the games played by real players.

As noted by the District Court, it is not only the user that contributes to the interactivity; EA has created "multiple permutations available for each virtual player image." This furthers the game's transformative interactivity. . . .

By limiting their inquiry to the realistic rendering of Hart's individual image, my colleagues misapply the Transformative Use Test. Contrary to their assertion that the other creative elements of *NCAA Football* are "[w]holly unrelated", those elements are, in fact, related to EA's use of Hart's likeness. If and when a user decides to select the virtual 2005 Rutgers' football team as a competitor in a game, and to the extent that user does not alter the characteristics of the avatar based on Hart's likeness, the numerous creative elements of the video games discussed above are part of every fictional play a user calls. Any attempt to separate these elements from the use of Hart's likeness disregards *NCAA Football*'s many expressive features beyond an avatar having characteristics similar to Hart. His likeness is transformed by the artistry necessary to create a digitally rendered avatar within the imaginative and interactive world EA has placed that avatar.

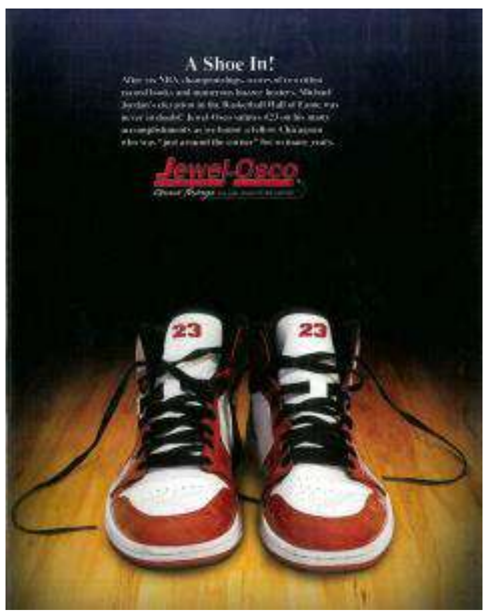
I am thus convinced that, as used in *NCAA Football,* Hart's "likeness is one of the 'raw materials' from which [the] original work is synthesized ... [rather than] the very sum and substance of the work in question." *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 809. EA bases its *NCAA Football* characters on countless real-life college football players, and it certainly seeks to depict their physical and biographical characteristics realistically. Yet these "are not just conventional depictions of [Hart] but contain significant expressive content other than [his] mere likeness[ ]." *Winter,* 134 Cal.Rptr.2d 634, 69 P.3d at 479. *NCAA Football* uses creative means to achieve its overall goal of realistically replicating a college football experience in which users may interact, direct, and control the players' avatars, including the one based on Hart's likeness. I find this use transformative.

* * * * * *

The Transformative Use Test I support would prevent commercial exploitation of an individual's likeness where the work at issue lacks creative contribution that transforms that likeness in a meaningful way. I sympathize with the position of Hart and other similarly situated college football players, and understand why they feel it is fair to share in the significant profits produced by including their avatar likenesses into EA's commercially successful video game franchise. I nonetheless remain convinced that the creative components of *NCAA Football* contain sufficient expressive transformation to merit First Amendment protection. Thus I respectfully dissent, and would affirm the District Court's grant of summary judgment in favor of EA.

Problems

1. After Michael Jordan was inducted into the Basketball Hall of Fame, the grocery retailer Jewell Osco produced the following ad:



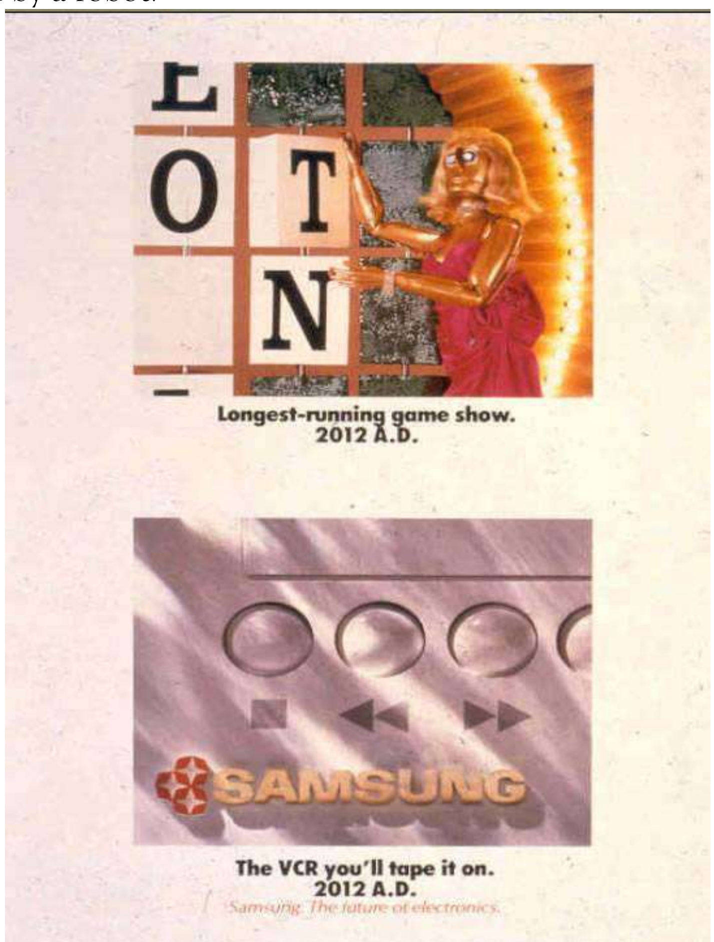
The text reads:

> After six NBA Championships, scores of rewritten record books and numerous buzzer beaters, Michael Jordan's elevation in the Basketball Hall of Fame was never in doubt! Jewel-Osco salutes #23 on his many accomplishments as we honor a fellow Chicagoan who was 'just around the corner' for so many years.

Does the ad violate Jordan's right of publicity?

2. *Wheel of Fortune* is a long-running game show in which contestants try to guess sentences and phrases based on a limited amount of revealed letters (e.g., if a contestant correctly guesses that the letter "D" appears in the puzzle, all the Ds will be revealed throughout the problem phrase). Vanna White is one of the co-stars of the show. She is the one who incrementally reveals letters in the puzzle.

Samsung is an electronics company. In an effort to claim that its products will stand the test of time, it produced an ad campaign built around the conceit that things will be different in the future, but Samsung's products will remain the choice of consumers. The campaign ran in the late 1980s and produced the following image. It evokes *Wheel of Fortune* and suggests that in 2012, Vanna White's part would be played by a robot.



It's amusing in retrospect how wrong the campaign was. In 2012, Vanna White was still on the show, and the VCR was a largely obsolete technology. As the saying goes, predictions are hard, especially about the future. But does the campaign infringe White's right of publicity?