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III. Defenses to Trademark Infringement and Related Limitations on Trademark Rights

A. Descriptive Fair Use

In a typical descriptive fair use situation, the plaintiff uses a term as a trademark (e.g., SWEETARTS for candy) that the defendant also uses merely to describe its own goods (e.g., “sweet-tart” to describe the taste of OCEAN SPRAY cranberry juice). See *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7th Cir. 1995) (finding defendant’s descriptive, non-trademark use of the term “sweet-tart” to be a descriptive fair use). The affirmative defense of descriptive fair use (sometimes called “classic” fair use) is based on Lanham Act § § 33(b)(4), 15 U.S.C. § 1115(b)(4), which establishes a defense to trademark infringement on the ground:

(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;

We begin our review of descriptive fair use in Part III.A.1 with *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004). Note importantly that *KP Permanent* does not apparently set forth any specific test that the circuits should apply to adjudicate a descriptive fair use claim. The opinion is included here primarily because of the importance of the Court’s clear holding that in determining descriptive fair use, a court may find the defendant’s conduct to be a descriptive fair use even if that conduct causes some degree of consumer confusion as to source.

We then turn In Part III.A.2 to the basic three-step test that most courts apply to evaluate a claim of descriptive fair use.

1. Descriptive Fair Use and Consumer Confusion

In *KP Permanent*, the declaratory plaintiff used the term “microcolor” in advertisements for its “permanent makeup” (shown below on the left). The defendant had previously registered the trademark MICRO COLORS at the PTO (on the right). In the excerpt that follows, the Supreme Court finally overruled the Ninth Circuit’s bizarre doctrine that any likelihood of consumer confusion defeats a defense of descriptive fair use.



KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.
543 U.S. 111 (2004)

SOUTER, J., delivered the opinion of the Court, in which REHNQUIST, C.J., and STEVENS, O'CONNOR, KENNEDY, THOMAS, and GINSBURG, JJ., joined, in which SCALIA, J., joined as to all but footnotes 4 and 5 [footnotes 1 and 2 in this excerpt], and in which BREYER, J., joined as to all but footnote 6 [footnote 3 in this excerpt].

...

[1] On appeal, 328 F.3d 1061 (2003), the Court of Appeals for the Ninth Circuit thought it was error for the District Court to have addressed the fair use defense without delving into the matter of possible confusion on the part of consumers about the origin of KP's goods. The reviewing court took the view that no use could be recognized as fair where any consumer confusion was probable, and although the court did not pointedly address the burden of proof, it appears to have placed it on KP to show absence of consumer confusion. *Id.*, at 1072 ("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"). Since it found there were disputed material facts relevant under the Circuit's eight-factor test for assessing

the likelihood of confusion, it reversed the summary judgment and remanded the case.

[2] We granted KP's petition for certiorari, 540 U.S. 1099 (2004), 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. Compare 328 F.3d, at 1072 (likelihood of confusion bars the fair use defense); *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (C.A.6 2003) (“[A] finding of a likelihood of confusion forecloses a fair use defense”); and *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (C.A.5 1983) (alleged infringers were free to use words contained in a trademark “in their ordinary, descriptive sense, so long as such use [did] not tend to confuse customers as to the source of the goods”), with *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30–31 (C.A.2 1997) (the fair use defense may succeed even if there is likelihood of confusion); *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (C.A.4 1997) (“[A] determination of likely confusion [does not] preclud[e] considering the fairness of use”); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (C.A.7 1995) (finding that likelihood of confusion did not preclude the fair use defense). We now vacate the judgment of the Court of Appeals.

II

A.

...

[3] Two points are evident [from this review of the relevant statutory sections]. 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).

[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).¹

[5] 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, 20 L.Ed. 581 (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* § 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.

[6] 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

¹ 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).

(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

[7] 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. *Canal Co. v. Clark*, 13 Wall., at 323–324, 327. 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").² 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

² 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").

given legal protection is that penumbra or fringe of secondary meaning which surrounds the old descriptive word”).

[8] 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.

[9] 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 plaintiff’s mark. Restatement § 28. As to them, it is enough to say here that the door is not closed.

III

[10] In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the *prima facie* case, 15 U.S.C. § 1115(b), while the defendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, § 1115(b)(4).

[11] Because we read the Court of Appeals as requiring KP to shoulder a burden on the issue of confusion, we vacate the judgment and remand the case for further proceedings consistent with this opinion.³

³ The record indicates that on remand the courts should direct their attention in particular to certain factual issues bearing on the fair use defense, properly applied. The District Court said that Lasting’s motion for summary adjudication conceded

2. The Three-Step Test for Descriptive Fair Use

Dessert Beauty, Inc. v. Fox

568 F.Supp.2d 416 (S.D.N.Y. 2008)

CHIN, District Judge:

[1] At the heart of this litigation are two words: “love potion.” Defendant and third-party plaintiff Mara Fox registered the trademark LOVE POTION for perfumed essential oils in 1995 and filed a declaration of incontestability for the LOVE POTION mark in 2001. In 2004, plaintiff Dessert Beauty, Inc. (“DBI”) launched a line of beauty products that included two fragrance products described as “love potion fragrance” and “belly button love potion fragrance.” At issue is whether DBI’s use of the words “love potion” infringed Fox’s LOVE POTION trademark, or whether the use was fair use, immune from liability.

[2] DBI seeks a declaratory judgment that it did not violate Fox’s trademark; it also seeks to cancel the LOVE POTION trademark registration on the ground that it is generic....

[3] The parties cross-move for summary judgment. For the reasons that follow, I conclude that DBI’s use of “love potion” constituted fair use. Thus, DBI’s motion is granted to the extent that judgment will be entered declaring that DBI did not engage in trademark infringement....

BACKGROUND

A. The Facts

[4] The following facts are drawn from affidavits, attached exhibits, and deposition testimony submitted by the parties. For purposes of these cross-motions, the facts are construed in the light most favorable to Fox, except with respect to DBI’s intentional interference with business relations claim.

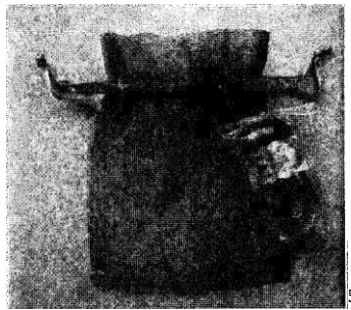
that KP used “microcolor” descriptively and not as a mark. Case No. SA CV 00-276-GLT (EEx), at 8, App. to Pet. for Cert. 29a. We think it is arguable that Lasting made those concessions only as to KP’s use of “microcolor” on bottles and flyers in the early 1990’s, not as to the stylized version of “microcolor” that appeared in KP’s 1999 brochure. See Opposition to Motion for Summary Judgment/Adjudication in Case No. SA CV 00-276-GLT (EEx) (CD Cal.), pp. 18-19; Appellants’ Opening Brief in No. 01-56055(CA9), pp. 31-32. We also note that the fair use analysis of KP’s employment of the stylized version of “microcolor” on its brochure may differ from that of its use of the term on the bottles and flyers.

1. Fox's Love Potion Perfume

[5] Fox created the "Love Potion Perfume" in 1990. In 1995, she registered the words "love potion" for "perfumed essential oils for personal use" with the U.S. Patent and Trademark Office ("USPTO"). In 2001, Fox filed a declaration of incontestability with the USPTO for the mark LOVE POTION.

[6] Fox concocted the Love Potion Perfume for a friend who "was having no luck in finding a relationship." According to Fox's website www.lovepotionperfume.com, entitled "Love Potion: Magickal Perfumerie & Gift Shoppe," her Love Potion Perfume is the "first Magical, Mystical, Wearable Love Potion," "[c]omprised from Ancient Aphrodisiac Recipes." Fox claims that she uses "the strongest ingredients known to inspire feelings of Love, Lust, Passion and Desire" and that her Love Potion Perfume "REALLY IS A *Love Potion*."

[7] The Love Potion Perfumes are sold in a clear bottle and packaged in a clear plastic bag and an organza⁴ pouch:



A label with the words "Love Potion Perfume" is affixed to the bottle.

2. DBI's Beauty Products

[8] In 2004, DBI launched a line of beauty products that were endorsed by celebrity Jessica Simpson. As part of DBI's advertising and marketing campaign, Simpson told the story that "every time [her then husband] would kiss [her] lips or skin, he would taste [her] lipstick, body lotion, and perfume—and hate it." Thus, the DBI products were created to "smell and taste good" and were advertised as "lickable, tasteable, and ... kissable." Products such as the "Whipped Body Cream with Candy Sprinkles," "Chocolicious Body Gloss," and "Powdered Sugar Body Shimmer" were named after ingredients used to make desserts to suggest their "edible nature."

⁴ "Organza" is a "sheer, stiff fabric of silk or synthetic material." *The American Heritage Dictionary* 876 (2d College Ed.1991).

⁵ [This is the image as-is from the federal opinion].

[9] In a catalogue entitled “Menu,” DBI listed its products available in the Dessert Beauty line, such as “Bath Bubbles” and “Sugar Scrub.” Two fragrance products are included. The “Love Potion Fragrance” was offered in three varieties: “Creamy, Juicy & Dreamy.” The “Belly Button Love Potion Fragrance,” offered in “Creamy” and “Juicy,” was intended to be applied to the navel and sold in a “roll-on” container. The packages and bottles referred to the fragrance products as the “deliciously kissable love potion fragrance” or the “deliciously kissable belly button love potion.”



[10] DBI’s trademark was DESSERT, which was indicated as such by the trademark symbol “TM” next to the word “Dessert” on all of its packaging and advertising materials. Its logo consisted of a pink lipstick stain and the mark DESSERT inside a black circle. Beneath the circle was the phrase “Sexy Girls Have Dessert” in script. The DESSERT trademark, in conjunction with the lipstick stain logo and catch phrase (the DBI “indicia”), was displayed prominently on every DBI product and used in all advertising materials.

3. Fox’s Actions to Protect Her Trademark

[11] Fox’s lawyer routinely issued cease and desist letters to manufacturers and retailers that sold perfume products containing the term “love potion.” The record

contains approximately 80 such letters sent to different vendors between 2000 and 2006.

[12] After learning in April 2004 that DBI was using the words “love potion” for its fragrance products, Fox’s lawyer demanded that Randi Schinder, co-creator of the Dessert Beauty products, and David Suliteanu, president of Sephora USA LLC, “[c]ease and desist from any further use of the [LOVE POTION] mark” and “[p]rovide an accounting of any and all sales made to date.” DBI’s lawyer, on behalf of both DBI and Sephora, responded in a letter dated April 23, 2004, stating that DBI’s “use of the term ‘love potion’ is fair use within § 33(b)(4) of the Lanham Act.” After exchanging several letters regarding whether DBI’s use of “love potion” was fair use, DBI voluntarily agreed to “cease and desist from the use of the term ‘love potion,’ ” “change its website as soon as possible,” and “delete the term ‘love potion’ from all bottles, packaging and advertising.” DBI steadfastly maintained, however, that its “use of ‘love potion’ in phrases like ‘deliciously kissable love potion fragrance’ [was] merely descr[i]ptive.” Despite DBI’s agreement not to use “love potion,” the parties continued to dispute the sufficiency of DBI’s actions in removing the words “love potion” from its fragrance products.

[13] In addition to direct communication with DBI and Sephora, Fox filed a report with eBay’s Verified Rights Owner (“VeRO”) Program, which allows intellectual property owners to flag listings on eBay that purportedly infringe their trademark rights.

[14] Fox also waged a public campaign on her website, which contained the following message:

WE ARE A SMALL COMPANY DEFENDING OUR RIGHTFUL
INCONTESTABLE TRADEMARKS AGAINST A CORPORATION THAT
THINKS THEY CAN BULLY U.S. BECAUSE THEY CAN AFFORD IT. IF YOU
FEEL YOU MUST SEND AN ANGRY LETTER, PLEASE DIRECT IT TO
THEM FOR THEIR ILLEGAL, IMMORAL, UNETHICAL BUSINESS
PRACTICE.

She hired a public relations company, which issued a press release in January 2006 about this lawsuit and DBI’s alleged infringement of Fox’s trademark. The press release, quoting Fox’s third-party complaint, stated that DBI “willfully and maliciously initiate[d] a campaign to flood the major internet search engines with key word spamming to direct any inquiries of LOVE POTION to their retailers.” Fox was quoted, stating that “in the first month following [DBI]’s launch, her sales were reduced by 96%. The following month, they were down 97%.” (*Id.*). The press release also indicated that DBI “reported sales exceeding \$120 million dollars.” This press release was reported by numerous media publications, including the New York Post, which wrote that “the bimbonic blonde and her business partners ripped off [Fox’s] trademarked cosmetics brand.”

B. Procedural History

[15] DBI commenced this action against Fox and Love Potion LLC for: (1) a judgment declaring that DBI did not infringe Fox's trademark, (2) cancellation of Fox's LOVE POTION registration.... Fox filed counterclaims against DBI...asserting: (1) trademark infringement under the Lanham Act and state law, (2) false designation of origin under the Lanham Act....

[16] Both parties now cross-move for summary judgment. DBI and Sephora move again to dismiss Fox's remaining claims on the ground that there is no trademark infringement or, in the alternative, that DBI's use of the term "love potion" is fair use. Fox moves to dismiss DBI's complaint in its entirety. I heard argument on July 15, 2008 and reserved decision.

DISCUSSION

[17] For the following reasons, I conclude that DBI's use of the term "love potion" is fair use within the meaning of section 33(b)(4) of the Lanham Act.⁶ Accordingly, I do not address the parties' cross-motions with respect to the trademark infringement claims and proceed directly to the fair use analysis....

B. Fair Use

[18] The fair use doctrine permits the use of protected marks to describe certain aspects of goods, but not as marks to identify the goods. Even if a party's conduct would otherwise constitute infringement of another's trademark, fair use provides an absolute defense to liability. *See* 15 U.S.C. § 1115(b)(4); *see also Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir.1997); *Something Old, Something New, Inc. v. QVC, Inc.*, No. 98 Civ. 7450(SAS), 1999 WL 1125063, at *6 (S.D.N.Y. Dec.8, 1999). Section 33(b)(4) of the Lanham Act defines fair use as "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 [a] party." § 1115(b)(4). Accordingly, to avail itself of the fair use defense, DBI must have made use of Fox's LOVE POTION mark "(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith." *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 64 (2d Cir.2000). I address these elements in turn.

1. Non-Trademark Use

⁶ There is "substantial congruence in California trademark law and the Lanham Act," and the fair use analysis for claims under the Lanham Act applies to claims under California law as well. *Bell v. Harley Davidson Motor Co.*, 539 F.Supp.2d 1249, 1261 (S.D.Cal.2008). Accordingly, I address only the federal claim.

[19] A trademark use occurs when a mark indicates the source or origin of consumer products. *See Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F.Supp.2d 410, 414 (S.D.N.Y.2002) (defining non-trademark use in the context of trademark parody). Here, DBI did not use “love potion” as a trademark because the source of its fragrance products was not identified by that term. Instead, the source was indicated by its own trademark DESSERT in conjunction with the lip stain logo and catch phrase “Sexy Girls Have Dessert,” which were prominently displayed on all DBI products. Words on a product’s packaging generally do not serve as a trademark where there is also a conspicuously visible trademark that clearly serves that function. *See Cosmetically Sealed*, 125 F.3d at 30–31 (the “non-trademark use of the challenged phrase [is] evidenced by the fact that the source of [plaintiffs’] product is clearly identified by the prominent display of [their] own trademarks”). Moreover, DBI placed a TM symbol only next to the word “Dessert,” highlighting the non-trademark use of “love potion.” The TM symbol was not placed next to the words “love potion.”

[20] Moreover, DBI used the words “love potion” within the phrase “Love Potion Fragrance” or “Belly Button Love Potion Fragrance” to identify particular products within the DBI line. These names are listed in the “Menu” of beauty products along with the descriptive or generic names of other products such as “Bath Bubbles” and “Sugar Scrub.” The product names served to distinguish the love potion fragrance products from other DBI products rather than to distinguish them from non-DBI products.

[21] Fox argues that a product name can constitute trademark use. Product names, however, generally do not amount to trademark use because such names, as a “common descriptive name of a product,” are generic, *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 532 n. 7 (1987), and generic terms cannot be trademarked under the Lanham Act, *see, e.g., PaperCutter, Inc. v. Fay’s Drug Co.*, 900 F.2d 558, 562 (2d Cir.1990). Product names identify a category or class of goods, but do not indicate the source of the goods. For instance, “perfume” is a product name that indicates that the product emits a fragrant scent when sprayed, but the word “perfume” does not indicate who manufactured the particular product. Accordingly, at least two courts in this Circuit have held that “regardless of whether or not a person knows that [a given word] is a trade-mark, if he uses the trade-mark word as the name of the product, it is used in a descriptive sense and is therefore generic.” *Am. Thermos Prods. Co. v. Aladdin Indus., Inc.*, 207 F.Supp. 9, 20 (D.C.Conn.1962); *see also W.R. Grace & Co. v. Union Carbide Corp.*, 581 F.Supp. 148, 154–55 (S.D.N.Y.1983) (holding that a product name is not a trademark use, but is generic). Hence, because DBI used the words “love potion” not to describe the source of the product but as a product name in a generic, descriptive sense, the use was not trademark use.

2. Descriptive Use

[22] Fox argues that “love potion” can never be used in a descriptive sense when referring to perfume products because “love potion” is “a liquid consumable that is drunk” and “has not been used in its common parlance to describe [or] refer to a fragrance.” Fox thus raises the question whether the term “love potion” can describe a product that is not, in actuality, a love potion. I conclude that it may for purposes of the fair use defense.

[23] A use of a mark is descriptive if “the words were used to describe the ‘ingredients, quality or composition’ of a product, not the source of the product.” *JA Apparel Corp. v. Abboud*, No. 07 Civ. 7787(THK), 2008 WL 2329533, at *19 (S.D.N.Y. Jun.5, 2008) (citing *In Re Colonial Stores Inc.*, 55 C.C.P.A. 1049, 394 F.2d 549, 551 (C.C.P.A.1968)). Though the Lanham Act recognizes the fair use defense where the name or term is used “to describe the goods,” § 1115(b)(4), the Second Circuit has explained that the statute “has not been narrowly confined to words that describe a characteristic of the goods, such as size or quality. Instead, [the Second Circuit has] recognized that the phrase permits use of words or images that are used, in Judge Leval’s helpful expression, in their ‘descriptive sense.’” *Cosmetically Sealed*, 125 F.3d at 30 (citing *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir.1995)).

[24] For instance, the Second Circuit has held the fair use defense applicable to a clothing manufacturer’s use of the phrase “Come on Strong” as “describing a presumably desirable effect” of its menswear, even though articles of clothing do not literally “come on strong.” *B & L Sales Assocs. v. H. Daroff & Sons, Inc.*, 421 F.2d 352, 354 (2d Cir.1970). The Second Circuit has also held that even though “the words ‘Seal it with a Kiss’ do not describe a characteristic of the defendants’ [lipstick], they surely are used in their ‘descriptive sense’—to describe an action that the sellers hope consumers will take, using their product.” *Cosmetically Sealed*, 125 F.3d at 30. In *Jean Patou, Inc. v. Jacqueline Cochran, Inc.*, 201 F.Supp. 861 (S.D.N.Y.1962), *aff’d*, 312 F.2d 125 (2d Cir.1963), the plaintiff was the owner of the registered trademark JOY for use on perfumes and sought to enjoin the defendant from using the phrase “Joy of Bathing” on its bath products. But the court concluded that the challenged phrase was “designed to suggest the pleasure which will accompany the use of defendant’s product in one’s bath, and thus performs a descriptive function.” *Jean Patou*, 201 F.Supp. at 865. Accordingly, when determining whether a use is descriptive, courts in the Second Circuit consider not only “whether the mark used describes certain aspects of the alleged infringer’s own goods,” but also “whether the mark as used describes an action the alleged infringer hopes consumers will make of its product.” *EMI Catalogue*, 228 F.3d at 64–65.

[25] Viewed in this broad sense, it is clear that DBI used “love potion” descriptively. First, the words, by themselves, are descriptive. Dictionary.com defines “love potion” as a product “believed to arouse love or sexual passion toward a specified person.” See *Radio Channel Networks, Inc. v. Broadcast.Com, Inc.*, No. 98 Civ. 4799(RPP), 1999 WL 124455, at *3 (S.D.N.Y. Mar.8, 1999) (consulting dictionary definitions when determining whether term “radio channel” was used in

the descriptive sense). Although the words “love potion” do not describe an actual quality of DBI’s fragrance products, they are used to describe the effects that the products may have on whoever “kisses” or “tastes” the products worn by the wearer, or at least to describe the purpose with which consumers will use the product.

[26] Second, the term “love potion” is a common term in the English language. The very fact that “love potion” is defined in several dictionaries as a product used for the purpose of attracting the opposite sex reflects the ordinary usage of the term to describe products used for those purposes. Moreover, the record contains approximately 80 cease and desist letters that were sent by Fox, indicating that “love potion” was commonly used by many sellers in the cosmetics industry to describe a product’s purported effect on others.

[27] Third, that many merchants received warning letters from Fox for using “love potion” demonstrates that there is no other reasonably available word to describe the meaning captured by the term “love potion,” namely, that the opposite sex will be attracted to the wearer of the product. Descriptive use is evident in such situations “[w]here a mark incorporates a term that is the only reasonably available means of describing a characteristic of another’s goods.” *EMI Catalogue*, 228 F.3d at 65; *see also New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir.1992); 2 McCarthy on Trademarks and Unfair Competition § 10:14 (4th Ed.1999) (“Since the use of a descriptive title cannot serve to prevent others from using the title in a descriptive, non-trademark sense, others may be able to use the title as the only term available.”). “To expect [plaintiffs] to use unwieldy or long terms would be contrary to the purpose of the fair use defense, [and Fox] cannot monopolize words and images that are used descriptively.” *Something Old*, 1999 WL 1125063, at *7.

[28] Finally, descriptive use is often evident in the manner of use, such as the “physical nature of the use in terms of size, location, and other characteristics in comparison with the appearance of other descriptive matter or other trademarks,” *EMI Catalogue*, 228 F.3d at 65 (quoting Restatement (Third) of Unfair Competition § 28 cmt. c. (1995)), as well as “the presence of the defendant’s own trademark in conjunction with the descriptive term,” § 28 cmt. c; *see also Something Old*, 1999 WL 1125063, at *6 (“In determining descriptive use, the total context of the allegedly infringing term is considered, including lettering, type style, size and placement.”). The factors noted above that indicated non-trademark usage—such as the prominent use of the DESSERT brand name—also demonstrate DBI’s descriptive use of “love potion.” For instance, the presence of a TM symbol next to DESSERT, contrasted with the absence of the symbol next to the words “love potion,” suggests not only that “love potion” on the DBI products was a non-trademark use, but also that it constituted descriptive use. Moreover, on all the packaging, the words “love potion” were placed off-center and printed in a smaller font size than the trademark DESSERT. Most indicative of descriptive use is that “love potion” was used with other words to form a phrase describing the products.

3. Good Faith

[29] Fair use analysis also requires a finding that defendants used the protected mark in good faith. A “lack of good faith [is equated] with the subsequent user’s intent to trade on the good will of the trademark holder by creating confusion as to source or sponsorship.” *EMI Catalogue*, 228 F.3d at 66. In analyzing the good faith element, “the focus of the inquiry is ... whether defendant in adopting its mark intended to capitalize on plaintiff’s good will.” *Id.* Furthermore, “[b]ecause the good faith inquiry in a fair use analysis necessarily concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship, ... the same contextual considerations [evaluated in a likelihood of confusion analysis for a trademark infringement claim] apply to a court’s analysis of good faith in the fair use defense.” *Id.* at 66–67. Thus, “a court must take into account the overall context in which the marks appear and the totality of factors that could cause consumer confusion” just as it would “[w]hen considering the likelihood of confusion and assessing the similarity of two marks.” *Id.* at 66. In addition, the court, on a motion for summary judgment, must consider all evidence in the record pointing to the alleged infringer’s both good and bad faith. *Id.* at 76.

[30] Turning to the evidence in the record, Fox argues that the following facts raise a material issue for trial concerning plaintiffs’ alleged bad faith: first, DBI did not conduct a trademark search prior to the launch of its beauty products; and second, ... DBI ... failed to take necessary action to discontinue the sale of allegedly infringing products after receiving Fox’s cease and desist letters.

[31] With respect to DBI’s failure to conduct a trademark search, it is well established that “failure to perform an official trademark search ... does not, standing alone, prove ... bad faith.” *Savin Corp. v. Savin Group*, 391 F.3d 439, 460 (2d Cir.2004) (citing *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 746 (2d Cir.1998)) (internal citations omitted); see also *EMI Catalogue*, 228 F.3d at 67; *Car-Freshner*, 70 F.3d at 270. Even if plaintiffs had prior knowledge of Fox’s trademark, that fact would not demonstrate lack of good faith without additional evidence supporting an inference of bad faith. See, e.g., *Savin Corp.*, 391 F.3d at 460; *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 397 (2d Cir.1995); *EMI Catalogue*, 228 F.3d at 67; *Car-Freshner*, 70 F.3d at 270. Thus, as a matter of law, DBI’s failure to conduct a trademark search prior to using “love potion,” standing alone, does not demonstrate bad faith.

[32] Fox also points to DBI’s alleged failure to discontinue the sale of products with the words “love potion” after she provided notice of the alleged trademark infringement. But the “failure to completely abandon the use after receiving a cease and desist letter is insufficient to support an allegation of bad faith” as a matter of law. *Something Old*, 1999 WL 1125063, at *7; see also *Wonder Labs, Inc. v. Procter & Gamble Co.*, 728 F.Supp. 1058, 1064 (S.D.N.Y.1990) (failure to abort advertising campaign upon receipt of cease and desist letter “is absolutely no proof that the

defendant acted in bad faith to capitalize on the plaintiff's trademark"). Notice of Fox's trademark rights—either by her trademark registration or the cease and desist letters—“does not preclude use of the words contained in [Fox's] registered mark in their primary [, descriptive] sense,” *Wonder Labs*, 728 F.Supp. at 1064, especially where DBI believed that its use was descriptive, *see Something Old*, 1999 WL 1125063, at *7. Indeed, the numerous letters exchanged between the parties indicate that DBI had maintained the position that its use of “love potion” was fair use. (See, e.g., 4/23/04 Letter (“our client's use of the term ‘love potion’ is fair use”); 5/24/04 Letter (same)).⁶ In its June 4, 2004 letter to Fox, DBI “for business reasons, [agreed] to cease and desist from the use of the term ‘love potion,’ ” but nevertheless maintained that its “use of ‘love potion’ in phrases like ‘deliciously kissable love potion fragrance’ [was] merely descr[i]ptive.” (6/4/04 Letter). These letters show that DBI believed that its use of “love potion” was descriptive.

[33] On the record before the Court, no reasonable jury could find bad faith; to the contrary, a reasonable jury could only conclude that DBI acted in good faith. An indication of good faith is “the display of defendant's own name or trademark in conjunction with the mark it allegedly infringes.” *EMI Catalogue*, 228 F.3d at 67, citing *Cosmetically Sealed*, 125 F.3d at 30. This is so because the use of a distinct trademark minimizes any likelihood of confusion as to the source or sponsorship of a product. See *W.W.W. Pharmaceutical Co., Inc. v. Gillette Co.*, 984 F.2d 567, 573 (2d Cir.1993) (“Where a similar mark is used in conjunction with a company name, the likelihood of confusion may be lessened.”). As discussed above, all DBI products had the DESSERT trademark and indicia, reflecting DBI's efforts to differentiate its products in the marketplace rather than to trade on Fox's, or any other seller's, good will.

[34] Furthermore, in light of “the overall context in which the marks appear and the totality of factors that could cause consumer confusion,” *EMI Catalogue*, 228 F.3d at 66–67, the dissimilarities between the products are patently obvious as to dispel any inference that DBI was trying to pass its products as one of Fox's Love Potion Perfumes or to confuse consumers as to source or sponsorship. The only similarity is the term “love potion,” which alone is insufficient to establish a likelihood of confusion. See *Clairol, Inc. v. Cosmair, Inc.*, 592 F.Supp. 811, 815 (S.D.N.Y.1984) (“the mere fact that two marks may share words in common is not determinative” in assessing likelihood of confusion).

[35] The differences between the products and their marks, however, are manifest—a fact that Fox herself concedes. “Love potion” is written in different fonts on the parties' products; on the DBI labels, “deliciously kissable love potion fragrance” is written in sans serif font, but “Love Potion Perfume” is written in cursive. In addition, “Love Potion Perfume” is written on a white label strung to the perfume bottle. In contrast, the DBI product names and trademark are emblazoned directly on the bottles and packaging. Moreover, Fox's Love Potion Perfumes are sold in a diamond-shaped bottle and packaged in a clear plastic bag and organza pouch. On the other hand, DBI's love potion fragrance is packaged in a long,

cylindrical tube with a pumping device; its belly button love potion fragrance is sold in a roll-on container and packaged in a rectangular box.

[36] Notwithstanding both parties' usage of the words "love potion," a reasonable jury could only find that it was not likely that consumers would be confused. In short, no reasonable jury could conclude that plaintiff acted in bad faith to capitalize on Fox's trademark. Indeed, the evidence only shows plaintiff's good faith. Because there is no material issue warranting trial with respect to the fair use defense, plaintiff's motion for summary judgment on the trademark claims is granted and Fox's cross motion is denied.

...

Sorensen v. WD-40 Company

792 F.3d 712 (7th Cir. 2015)

[Plaintiff Jeffrey Sorensen produces, through a corporate entity, a line of rust-inhibiting products containing a substance called volatile corrosion inhibitor ("VCI"). This line of products is branded with the federally registered trademark THE INHIBITOR, which was registered on the PTO's Principal Register on August 6, 2002 and became incontestable in August 2008. Some of Sorensen's line of THE INHIBITOR products are shown below:



Items in THE INHIBITOR Line

In 2011, the WD-40 Company, a very well-known maker of spray lubricant, introduced a new sub-brand of products known as the WD-40 Specialist product line (shown below). One of these products is called WD-40 Specialist Long-Term Corrosion Inhibitor (shown below). It contains VCI and has a purpose similar to that of Sorensen's products. Sorensen sued on the grounds that WD-40 created a likelihood of consumer confusion in (1) its use of the term "inhibitor" and (2) its use of a crosshair design similar to Sorensen's.

The district court granted summary judgment in favor of WD-40 on all counts. The Seventh Circuit affirmed. Excerpted here is the Seventh Circuit's analysis of WD-40's claim that it made a descriptive fair use of the term "inhibitor."]



FLAUM, Circuit Judge.

...

II. Discussion

A. Descriptive fair use

[1] The district court found that no reasonable jury could conclude that WD-40 is liable for infringing Sorensen’s THE INHIBITOR word mark because WD-40’s use of the word “inhibitor” in the name of its Long-Term Corrosion Inhibitor is a

descriptive fair use of the word. Under 15 U.S.C. § 1115(b)(4), a defendant in a trademark infringement action may invoke the fair use defense by demonstrating that the alleged infringement “is a use, otherwise than as a mark ... which is descriptive of and used fairly and in good faith only to describe the goods or services of such party.” This defense “is based on the principle that no one should be able to appropriate descriptive language through trademark registration.” *Packman v. Chi. Tribune Co.*, 267 F.3d 628, 639 (7th Cir.2001). The hypothetical producer of “Crunchy” brand potato chips, for example, cannot block its competitors from describing their chips as crunchy. It may, though, be able to block its competitors from selling chips that are *branded* “Crunchy.”

[2] To prevail on a fair use defense, a defendant must show that: (1) it did not use the mark as a trademark; (2) the use is descriptive of its goods or services; and (3) it used the mark fairly and in good faith. *Id.* The fair use defense is available even against federally registered trademarks that are incontestable, such as Sorensen’s THE INHIBITOR mark. *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1058 (7th Cir.1995).

i. Non-trademark use

[3] “A word or phrase functions as a trademark when it is used by a source of a product to identify itself to the public as the source of its product and to create in the public consciousness an awareness of the uniqueness of the source and of its products.” *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 953 (7th Cir.1992) (internal quotation marks omitted).

[4] In finding that there was no genuine factual dispute that WD-40’s use of “inhibitor” was a non-trademark use, the district court reasoned that the word could not function as a source indicator because the Long-Term Corrosion Inhibitor bottle also displays the famous WD-40 shield, and it is the shield that serves as the source indicator for customers. That reasoning is in some tension with our analysis in *Sands, Taylor & Wood Co.* There, the defendant—the producer of Gatorade—argued that the words “Thirst Aid” could not function as a trademark because they were used in conjunction with the well-known “Gatorade” mark. *Id.* We disagreed, noting that, in the related context of determining likelihood of confusion, “some courts have observed that the conjunction of defendant’s trademark and the allegedly infringed term ‘may actually increase the misappropriation by linking defendant’s name to plaintiff’s goodwill.’” *Id.* at 954 (quoting *Banff, Ltd. v. Federated Dep’t Stores, Inc.*, 841 F.2d 486, 492 (2d Cir.1988)). “Clearly, then,” we held, “the fact that the Gatorade trademark always appears in Quaker’s ‘Thirst Aid’ advertisements does not preclude a finding that those advertisements also use ‘Thirst Aid’ as a trademark.” *Id.*

[5] Moreover, the district court’s reasoning rested on the premise that a given product can only contain *one* indicator of source. That, we know, is incorrect—WD-40’s Specialist products contain at least three registered trademarks: the WD-40

shield, the word mark “Specialist,” and the WD-40 crosshair mark. The fact that the WD-40 shield serves as a source indicator, therefore, does not mean that the word “inhibitor” does not also serve to indicate the product’s source.

[6] The district court supported its conclusion in three other ways that we think are worth mentioning. First, it pointed out that WD-40 did not use the words “the inhibitor” on its product, but rather just the word “inhibitor.” This fact, however, goes to whether Sorensen’s trademark was *infringed*, not whether WD-40 used the word as a mark. Had WD-40 called its product “Inhibitor” and placed that word in large, bold letters on its can, we think it probable that a jury would find that to be trademark use, despite the lack of the word “the.” Whether that trademark use infringed upon *Sorensen’s* mark would be a separate question. Next, the district court, citing to *McCarthy on Trademarks*, noted that there are competing products on the market that also use the word “inhibitor” to describe their products. But, as McCarthy makes clear, the use of a term by other sellers of similar goods is an indicia of the *descriptiveness* of the term, not of its being used in a non-trademark manner. *See 2 McCarthy on Trademarks and Unfair Competition* § 11:20 (4th ed.). In *Sands, Taylor & Wood Co.*, we cautioned against conflating these two elements of the fair use defense. 978 F.2d at 954. Descriptive terms, after all, are protectable as a trademark if they have developed secondary meaning. *See id.* Finally, the district court said that the fact that WD-40 uses the word “inhibitor” on only one of its Specialist line of products, rather than on every product in the line, is an indicia that the word is not being used as a mark. That is partially correct: Sorensen’s argument would be much stronger if “inhibitor” appeared on all of the products in the Specialist line. However, a mark that is used on only one product within a larger line can nevertheless be a source indicator, not for the whole line, but for *that* product in particular. For example, Gatorade, which we mentioned above, has a line of “Gatorade Frost” energy drinks, in five different flavors. The names of two of those flavors—“Glacier Freeze” and “Glacier Cherry”—are registered as separate trademarks. *See* GLACIER FREEZE, Registration No. 2,098,324; GLACIER CHERRY, Registration No. 4,401,610.

[7] Nonetheless, we agree with the district court’s ultimate conclusion that WD-40’s use of the word “inhibitor” is a non-trademark use. Simply put, we believe that no reasonable juror looking at a bottle of Long-Term Corrosion Inhibitor could conclude that the word is used as an indicator of source. Compared to other features in the bottle’s design, the word “inhibitor” is much less prominent or noticeable. It is much smaller than the bright and eye-catching WD-40 shield. It is also smaller than the stylized and colored word “Specialist” and the colorful crosshair mark. Finally, the word “inhibitor”—which is written in relatively small, white type—is less attention-grabbing than even the word “Corrosion,” which is larger and colored in orange. Due to the word’s small size, plain color, and non-privileged placement on the bottle, we find that “inhibitor” is not an “attention-getting symbol,” and does not function as a source indicator. *See Sands, Taylor & Wood Co.*, 978 F.2d at 954 (quoting 1 *McCarthy*, *supra* § 11:17, at 476 (1991 Supp.)).

[8] Sorensen argues in response that WD-40's communications guide requires that employees and advertisements only refer to the product at issue as "WD-40 Specialist Long-Term Corrosion Inhibitor;" no shorter name is acceptable. We do not agree with Sorensen that this fact is relevant. He seems to suggest that, because the word "inhibitor" must be included whenever WD-40 mentions the product, it must be a trademark. But though the guideline's requirement that the full name be used may suggest that the name *as a whole* is an indicator of source, it does not mean that each individual word in the name serves as a mark. We doubt that Sorensen would argue that the word "term" is a trademark for WD40's product.

ii. Descriptive of the product

[9] A descriptive term ordinarily names a characteristic of a product or service. *H-D Mich., Inc. v. Top Quality Serv., Inc.*, 496 F.3d 755, 759 (7th Cir.2007). There can be no dispute here that the word "inhibitor," following the word "corrosion," describes a characteristic of WD-40's product, which contains VCI and is meant to inhibit corrosion for a long period of time. Multiple competing products made by third parties use the word "inhibitor" to describe their products, and WD-40 uses the word multiple times on its bottle in a manner that is clearly non-source identifying.

[10] Sorensen offers little resistance to this aspect of the district court's opinion, though he does argue that the word "inhibitor" is suggestive rather than merely descriptive because it requires "some operation of the imagination" to make the connection between the term "inhibitor" and a rust preventative oil product. *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 996 (7th Cir.1989). We disagree, but, regardless, this framing of the issue is incorrect. The WD-40 product is called a "Corrosion Inhibitor," not just an "Inhibitor." It takes no operation of the imagination to make a connection between the term "Corrosion Inhibitor" and a product that inhibits rust and other forms of corrosion.

[11] Sorensen points to the case *Fortune Dynamic, Inc. v. Victoria's Secret*, 618 F.3d 1025, 1035 (9th Cir.2010), in which the Ninth Circuit held that a jury—and not a judge on summary judgment—should decide whether the trademarked term DELICIOUS was being used in a descriptive sense. "Delicious," of course—like "inhibitor"—seems like an inherently descriptive word, which would seem to make for an easy case for the judge on summary judgment. But the key to *Fortune Dynamic* was that the word "Delicious" was a trademark for women's shoes, and not for a food or beverage. *Id.* at 1029. Whether or not a term is descriptive depends not only on the term itself, but also on the product for which it serves as a source indicator. "Corrosion Inhibitor," for example, is clearly descriptive of WD-40's VCI spray; if it appeared on a t-shirt, though, our conclusion very well might be different.

iii. Bad faith

[12] Finally, the proponent of a fair use defense must show that it used the plaintiff's mark fairly and in good faith. Sorensen's primary argument regarding this element is that the evidence shows that WD-40 had knowledge of Sorensen, his products, and his THE INHIBITOR word mark when it decided upon the name of its Long-Term Corrosion Inhibitor. Given that WD-40 had this knowledge, Sorensen argues, a jury could infer that WD-40 included the word "inhibitor" in a bad-faith attempt to siphon off business from Sorensen.

[13] The district court concluded that there was no evidence that WD-40 had knowledge of Sorensen's product and word mark, but we disagree. There are multiple documents in the record which were in WD-40's possession and which specifically reference Sorensen and his mark. The district court discounted the relevance of these documents, finding that there is no evidence that WD-40's *marketing department*, the entity that decided upon the name "Long-Term Corrosion Inhibitor," was provided with these documents or had any awareness of Sorensen's mark. Many people at the company, though, clearly did have this information, and a jury could reasonably infer that the marketing department—or at least someone with final decision-making authority—had this knowledge as well.

[14] WD-40's mere knowledge of Sorensen's mark, however, is insufficient to establish that WD-40 acted in bad faith. *Packman*, 267 F.3d at 642. To survive summary judgment, a plaintiff must point to something more that suggests subjective bad faith; Sorensen has not done so here. *See id.* All Sorensen can point to is the fact that WD-40 conducted no trademark search prior to using the word "inhibitor" on its product. A failure to investigate can, in some circumstances, support an inference of bad faith. *See Fortune Dynamic*, 618 F.3d at 1043. In this case, however, this fact cannot help Sorensen survive summary judgment. First, if WD-40 believed—correctly, as we have concluded—that it was not using the word "inhibitor" as a trademark, it had no reason to conduct a trademark search. Second, and more fundamentally, Sorensen's complaint that WD-40 failed to undertake a trademark search is inconsistent with his theory that WD-40 *knew* about his mark, and decided to copy it anyway. Because WD-40 already knew that Sorensen owned a trademark for THE INHIBITOR, a trademark search would have been useless.

[15] Other than pointing to WD-40's mere knowledge of Sorensen's mark, Sorensen has identified no evidence that it acted in subjective bad faith. Because WD-40's use of the word "inhibitor" was also a non-trademark, descriptive use, we therefore agree with the district court's conclusion that WD-40 is entitled to summary judgment on its fair use defense with regard to Sorensen's word mark claims.

3. Further Examples of Descriptive Fair Use Analyses

International Stamp Art v. U.S. Postal Service

456 F.3d 1270 (11th Cir. 2006)

In *International Stamp Art*, ISA produced cards, posters, and prints depicting postage stamps enclosed in a flat-edged perforated border design meant to invoke classic postage stamps. In 1996, it managed to get a registration for this design:

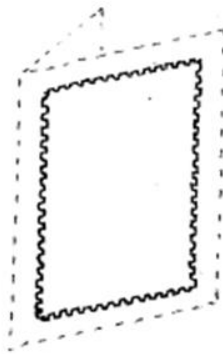
Int. Cl.: 16

Prior U.S. Cls.: 2, 5, 22, 23, 29, 37, 38 and 50

Reg. No. 1,985,056

United States Patent and Trademark Office Registered July 9, 1996

TRADEMARK
PRINCIPAL REGISTER



INTERNATIONAL STAMP ART, INC. (SOUTH
CAROLINA CORPORATION)
ART CRAFT & FRAME BUILDING
PINWOOD SHOPPING CENTER 1000 NORTH
PINE STREET
SPARTANBURG, SC 29303

FOR: PRINTED NOTE CARDS AND GREET-
ING CARDS, IN CLASS 16 (U.S. CLS. 2, 5, 22, 23,
29, 37, 38 AND 50).

FIRST USE 3-4-1987; IN COMMERCE
3-4-1987.

THE MARK CONSISTS OF A PERFORATION
DESIGN, PLACED ALONG THE EDGE OF
PRINTED NOTE CARDS AND GREETING
CARDS. THE MATTER SHOWN BY DOTTED
LINES IS NOT PART OF THE MARK AND
SERVES MERELY TO INDICATE THE POSI-
TION OF THE MARK ON THE GOODS.
SEC. 2(F).

SER. NO. 74-583,278, FILED 10-7-1994.

KATHLEEN COONEY-PORTER, EXAMINING
ATTORNEY

USPS licensed ISA among others to create merchandise incorporating USPS's images. "Stamp images were transmitted to licensees in the form of transparencies, each marked as copyright protected and depicting the entire stamp including any perforated edges." *Id.* at 1272. USPS eventually began to produce its own line of stamp art cards, some of which incorporated the flat-edged perforated border design. ISA sued for trademark infringement. USPS claimed descriptive fair use.

Affirming the district court's grant of summary judgment, the Eleventh Circuit found descriptive fair use. The court devoted the bulk of its analysis to the third step, whether USPS's use was in good faith, i.e., "whether the alleged infringer intended to trade on the good will of the trademark owner by creating confusion as to the source of the goods or services." *Id.* at 1275. The court noted that "the

overwhelming majority of stamps the Postal Service produces include perforated edges and have long done so,” *id.*; that USPS “prominently places its own familiar Eagle trademark on the backs of its stamp art products thereby identifying them as Postal Service products,” *id.*; and that “ISA has not identified any evidence that the Postal Service sought to mislead or confuse consumers into thinking that the source of the cards it produced was actually International Stamp Art,” *id.*

ISA claimed that USPS had a “non-infringing, commercially viable alternative” in the form of “cards depicting the art upon which its stamp designs was based, rather than the stamps themselves.” *Id.* at 1276. The Eleventh Circuit recognized that “[f]ailure to employ a non-infringing, commercially viable alternative can raise a genuine issue of material fact,” *id.*, but was ultimately unpersuaded: “This, however, is not an alternative manner of depicting the stamps, but rather a choice not to depict stamps.” *Id.*

Bell v. Harley Davidson Motor Co.

539 F.Supp.2d 1249 (S.D.C.A. 2008)

In *Bell v. Harley Davidson Motor Co.*, 539 F.Supp.2d 1249 (S.D. Cal. 2008), plaintiff Craig Bell owned three trademark registrations in the phrase RIDE HARD in connection with apparel, decals, and various merchandise (an example of which from Bell’s complaint is provided below on the left). Defendant Harley Davidson uses the phrase ride hard in advertising and various merchandise, always accompanied by a Harley Davidson trademark (an example of which below on the right). Bell sued for trademark infringement.

On cross motions for summary judgment, the court first applied the *Sleekcraft* multifactor test for the likelihood of consumer confusion to find no likelihood of confusion. The court then further found descriptive fair use. It cited *KP Permanent* for the proposition that “some possibility of consumer confusion must be compatible with fair use[.]” *KP Permanent*, at 121. It then applied the three-step test to find that Harley Davidson does not use the phrase as a trademark, “i.e., to identify the source of its products,” *Bell*, at 1258, and uses the phrase only descriptively. The Court explained: “Although Bell protests that such a use does not describe a specific characteristic of Harley’s products or goods, courts do not interpret the Lanham Act’s fair use language so narrowly. To the contrary, courts have applied the fair use doctrine in situations where the defendant’s use of the trademarked phrase described a feeling inherently associated with the phrase or typically experienced by the consumer upon using defendant’s product.” *Id.* The court further found good faith. “Harley–Davidson demonstrated its intent not to create confusion by including the Harley–Davidson name or bar- & -shield logo on every advertisement and piece of merchandise bearing the ‘Ride Hard’ phrase.” *Id.* at 1259. Though Bell pointed out that Wrangler Clothing Company abandoned

“Ride Hard” and substituted “Ride Rough” in response to Bell’s 1999 lawsuit, Harley Davidson was not obligated to use an alternative phrase under these facts.



T-Shirt Front Detail

Fortune Dynamic, Inc. v. Victoria's Secret
618 F.3d 1025 (9th Cir. 2010)

In *Fortune Dynamic, Inc. v. Victoria's Secret*, 618 F.3d 1025 (9th Cir. 2010), Fortune Dynamic sold women’s shoes under the registered mark DELICIOUS in the font shown below on the left. To market a new line of products under the trademark BEAUTY RUSH, Victoria’s Secret launched a promotion in which anyone who purchased more than \$35 worth of BEAUTY RUSH products would receive, among other things, a pink tank top across the chest of which, in silver typescript, was written the word Delicious as shown below on the right. “On the back, in much smaller lettering, there appeared the word “yum,” and the phrase “beauty rush” was written in the back collar.” *Id.* at 1025. Victoria’s Secret distributed 602,723 such tank top shirts. Fortune Dynamic sued for trademark infringement.

In a lengthy opinion reversing the lower court's grant of summary judgment to Victoria's Secret, the Ninth Circuit first considered the *Sleekcraft* factors for the likelihood of consumer confusion and found that a jury could reasonably find confusion. With respect to Victoria's Secret's fair use defense, the court concluded that a reasonable jury could find that Victoria's Secret was using the term "Delicious" as a trademark given the term's prominent placement on the front of the shirt, similar to where Victoria's Secret had placed two of its own trademarks PINK and VERY SEXY. The court also found issues of material fact on the question of whether Victoria's Secret was using the term "delicious" descriptively:

Victoria's Secret says that it used "Delicious" merely to "describe the flavorful attributes of Victoria's Secret's BEAUTY RUSH lip gloss and other products that feature the same popular fruit flavors." A jury, however, could reasonably conclude otherwise. For one thing, in its advertisements, Victoria's Secret described its BEAUTY RUSH lip gloss as "deliciously sexy," not delicious. For another, Victoria's Secret's executives testified that they wanted "Delicious" to serve as a "playful self-descriptor," as if the wearer of the pink tank top is saying, "I'm delicious." These examples suggest that a jury could reasonably decide that Victoria's Secret did not use "Delicious" "only to describe its goods." 15 U.S.C. § 1115(b)(4).... [A]lthough we accept some flexibility in what counts as descriptive, we reiterate that the scope of the fair use defense varies with the level of descriptive purity. Thus, as a defendant's use of a term becomes less and less purely descriptive, its chances of prevailing on the fair use defense become less and less likely.

Id. at 1041-42. The court also noted Victoria's Secret's lack of "precautionary measures" to dispel confusion and the "abundance of alternative words" that it could have used. *Id.* at 1042. On good faith, the court found that Victoria's Secret's failure to investigate whether anyone held a "delicious" trademark, combined with other evidence, suggested that a jury could reasonably find no good faith.

Delicious



B. Nominative Fair Use

1. The Three-Step Test for Nominative Fair Use



In *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992), the Ninth Circuit first developed the concept of nominative fair use. The defendants, two newspapers, conducted separate polls asking readers to call a 900 number to vote for their favorite member of the boy band New Kids on the Block. As *The Star* put it: “Which of the New Kids on the Block would you most like to move next door?” *Id.* at 305. The band sued for, among other things, trademark infringement. Affirming the district court’s grant of summary judgment to the defendants, Judge Kozinski held that a “*nominative use* of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law,” *id.* at 308 (emphasis in original), and set out three factors (discussed in the following opinion) that courts should consider to determine if a defendant’s use qualified as nominative fair use. The Lanham Act did not then explicitly include any basis for the defense of nominative fair use and even

¹ From briefcase8.com via seattletrademarklawyer.com.

now it only references nominative fair use in connection with dilution, see §43(c)(3)(A), 15 U.S.C. § 1125(c)(3)(A)). On the issue of confusion, the defense remains essentially judge-made law.

Note the conceptual distinction between descriptive (or “classic”) fair use and nominative fair use:

The nominative fair use analysis is appropriate where a defendant has used the plaintiff’s mark to describe the plaintiff’s product, even if the defendant’s ultimate goal is to describe his own product. Conversely, the classic fair use analysis is appropriate where a defendant has used the plaintiff’s mark only to describe his own product, and not at all to describe the plaintiff’s product.

Cairns v. Franklin Mint Co., 292 F.3d 1139, 1151 (9th Cir. 2002).

In the opinion below, Judge Kozinski returned to the concept of nominative fair use, this time in connection with domain names – and in light of *KP Permanent*. In reading through the opinion, consider the following questions:

- Why should the *New Kids* factors *replace* the *Sleekcraft* multifactor test for the likelihood of consumer confusion? Why shouldn’t a court first work through the *Sleekcraft* test to determine if plaintiff has even made out its case and, if it has, then turn to the defendant’s affirmative defense?
- What sense do you make of the final excerpted paragraphs of Judge Kozinski’s opinion? How exactly should a Ninth Circuit court now proceed to evaluate a nominative fair use “defense”?
- Do you find the concurrence’s concerns valid?

Toyota Motor Sales, U.S.A., Inc. v. Tabari
610 F.3d 1171 (2010)

KOZINSKI, Chief Judge:

[1] In this trademark infringement case, we consider the application of the nominative fair use doctrine to internet domain names.

Facts

[2] 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.

[3] 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.

[4] 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

[5] 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.

[6] 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).⁸ 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.

[7] 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.⁹

[8] A. The district court enjoined the Tabaris from using “any ... domain name, service mark, trademark, trade name, meta tag or other commercial indication of

⁸ This is no less true where, as here, “the defendant’s ultimate goal is to describe his own product.” *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir.2002) (emphasis omitted). In *Welles*, for instance, we applied our nominative fair use analysis to a former playmate’s use of the Playboy mark to describe herself and her website. 279 F.3d at 801. We observed that, in those circumstances, “application of the *Sleekcraft* test, which focuses on the similarity of the mark used by the plaintiff and the defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing.” *Id.*

⁹ If defendants are unable or unwilling to modify their use of the mark to comply with *New Kids*, then the district court’s order to modify may effectively enjoin defendants from using the mark at all.

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.

[9] 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.

[10] 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.

[11] 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.

[12] 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 309.¹⁰

[13] 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).¹¹ 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*,

¹⁰ The Sixth Circuit enjoined a domain name in part because it did "not include words like 'independent' or 'unaffiliated,' " but in that case there were additional factors indicating sponsorship or endorsement, including the use of stylized versions of the plaintiff's marks on the site. *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 256–57 (6th Cir. 2003). Where these or other factors suggest that nominative use is likely to cause confusion, a disclaimer may well be necessary. But a disclaimer is not required every time a URL contains a mark.

¹¹ 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. *Id.* at 944. "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. *Id.*

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.

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.

[14] 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 1057.¹² 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 starbucks-gossip.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.

[15] 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.¹³ If

¹² Citing our refusal to distinguish between "Golden Door," a spa, and a competing "Golden Door for Hair," the district court treated buyorleaselexus.com as legally indistinguishable from lexus.com. *Golden Door, Inc. v. Odisho*, 646 F.2d 347, 350 (9th Cir.1980); see also *PACCAR Inc.*, 319 F.3d at 252. According to Toyota, such "legally identical" phrases in a domain name can never be fair use. But there is no such rule; we look to context to determine how much weight to give the words accompanying a mark. See, e.g., *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 908 (9th Cir.2003). In *Golden Door*, we noted that the defendant answered the phone "Golden Door," not "Golden Door for Hair," and featured the words "Golden Door" prominently in its signs. 646 F.2d at 350.

¹³ By "word of mouth" we, of course, refer not merely to spoken recommendations from friends and acquaintances, but to the whole range of information available to online shoppers, including chat rooms, discussion forums, feedback and evaluation websites, and the like.

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.

[16] 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. *See* pp. 1177–78 *supra*. 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.¹⁴ 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.

[17] When a domain name making nominative use of a mark does not actively suggest sponsorship or endorsement, the worst that can happen is that some consumers may arrive at the site uncertain as to what they will find. But in the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. *Cf. Interstellar Starship*, 304 F.3d at 946. They skip from site to site, ready to hit the

¹⁴ Domain names containing trademarks may also be prohibited because they dilute the value of those marks—for instance, by creating negative associations with the brand. *Cf. Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1033 (9th Cir.2004). For example, the website People of Walmart, which publishes rude photos of Walmart shoppers at peopleofwalmart.com, might dilute the Walmart trademark by associating it with violations of customers' privacy and the idea that a visitor to Walmart stores risks being photographed and ridiculed on the internet. *See Jeffrey Zaslow, Surviving the Age of Humiliation*, Wall St. J., May 5, 2010, at D1. But Toyota does not allege that the Tabaris' site has any such effect.

back button whenever they're not satisfied with a site's contents. They fully expect to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary. Outside the special case of trademark.com, or domains that actively claim affiliation with the trademark holder, consumers don't form any firm expectations about the sponsorship of a website until they've seen the landing page—if then. This is sensible agnosticism, not consumer confusion. See Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 Cardozo L.Rev. 105, 122–24, 140, 158 (2005). So long as the site as a whole does not suggest sponsorship or endorsement by the trademark holder, such momentary uncertainty does not preclude a finding of nominative fair use.

[18] 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 307.¹⁵

[19] 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.

[20] 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”

¹⁵ “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.

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 352.¹⁶ One way or the other, the 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.

[21] The fact that the Tabaris also broker other types of cars does not render their use of the Lexus mark unnecessary.¹⁷ 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

¹⁶ 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 a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement." *Id.*

¹⁷ 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.

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.

[22] 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.

[23] 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 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.

[24] 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.

[25] 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.

[26] 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.

[27] 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. *Cairns*, 292 F.3d at 1151. 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. *Id.* (emphasis omitted); see also *Welles*, 279 F.3d at 801.

[28] 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.").¹⁸ 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); see also *id.* at 120–21. In this case, that party is Toyota. "[A]ll the [Tabaris] need[] to do is to leave the factfinder unpersuaded." *Id.* at 120.

¹⁸ 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.

[29] 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.

....

VACATED AND REMANDED

FERNANDEZ, Circuit Judge, concurring:

[1] 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.

[2] 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.”

...

[3] Thus, I respectfully concur in the result.

We have long awaited some statement from the Second Circuit as to whether the circuit recognizes the nominative fair use defense, and if it does, how courts should evaluate it. That statement finally came in the following opinion. Does Judge Pooler’s approach in the Second Circuit strike you as more sensible than Judge Kozinski’s in the Ninth?

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC
No. 14 Civ. 3456, 2016 WL 2893172 (2d Cir. May 18, 2016)

POOLER, Circuit Judge:

[The plaintiff developed a certification program and the certification mark CISSP to denote a “Certified Information Systems Security Professional” who has passed the plaintiff’s certification exam. The defendant offers various courses to prepare individuals for the plaintiff’s exam. It was undisputed that the defendant could use the plaintiff’s mark to indicate that these courses were directed towards preparing students to take the plaintiff’s exam. However, the defendant advertised its courses as taught by “Master CISSP Clement Dupuis”, allegedly suggesting that Mr. Dupuis had obtained some higher, “Master” level of certification from the plaintiff. On cross-motions for summary judgment, the district court applied the *New Kids* factors in place of the *Polaroid* factors and found, among other things, that the defendant’s use was a nominative fair use. The plaintiff appealed.]

II. Infringement Claims

C. Likelihood of Confusion in Nominative Use Cases

[1] [W]e turn to the question of how the district court should assess likelihood of confusion on remand.

[2] As discussed above, our Court’s test for assessing likelihood of confusion is the *Polaroid* test.... This Court has repeatedly urged district courts to apply the *Polaroid* factors even “where a factor is irrelevant to the facts at hand.” *Arrow Fastener Co.*, 59 F.3d at 400 (“[I]t is incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why.”).

[3] The district court, rather than applying the *Polaroid* factors, applied the Ninth Circuit’s test which applies in cases of nominative use of marks. Nominative use is a “use of another’s trademark to identify, not the defendant’s goods or services, but the plaintiff’s goods or services.” *McCarthy* § 23:11. It is called “nominative” use “because it ‘names’ the real owner of the mark.” *Id.* “The doctrine of nominative fair use allows a defendant to use a plaintiff’s trademark to identify the plaintiff’s goods so long as there is no likelihood of confusion about the source of the defendant’s product or the mark-holder’s sponsorship or affiliation.” *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir.2010) (alterations and internal quotation marks omitted). Because the *Polaroid* factors—or their analogues in other circuits—are not easily applied in cases of nominative use, various courts have created new tests to apply in such circumstances. The Ninth Circuit’s nominative fair use doctrine stems from its decision in *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir.1992).... Other circuits have adopted variations of this test. *See, e.g., Universal Commc’n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413, 424 (1st Cir.

2007); *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220–22 (3d Cir. 2005); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546–47 (5th Cir. 1998).

[4] In the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is, in fact, a likelihood of consumer confusion. Rather, the nominative fair use test replaces the multi-factor test that the Ninth Circuit typically employs to determine consumer confusion, i.e., it replaces the Ninth Circuit’s analogue to the *Polaroid* test. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150–51 (9th Cir. 2002); *accord Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175 (9th Cir. 2010); *see also* McCarthy § 23:11 (“The Ninth Circuit, in crafting a separate category of a ‘nominative fair use’ analysis, created a specialized tool to analyze a certain class of cases of alleged infringement.... The Ninth Circuit did not intend nominative fair use to constitute an affirmative defense.”).

[5] By contrast, the Third Circuit, another court to have developed a nominative fair use doctrine, affords defendants broader protection. The Third Circuit treats nominative fair use as an affirmative defense that may be asserted by the defendant despite a likelihood of consumer confusion. To be entitled to protection based on the affirmative defense, a defendant must show

- (1) that the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflect the true and accurate relationship between plaintiff and defendant’s products or services.

Century 21 Real Estate Corp., 425 F.3d at 222.

[6] To this point, this Court has not adopted either the Ninth Circuit or the Third Circuit’s rule on nominative fair use. Nonetheless, district courts within our Circuit frequently use the Ninth Circuit’s formulation. *See, e.g., Car-Freshner Corp. v. Getty Images, Inc.*, 822 F.Supp.2d 167, 177–78 (N.D.N.Y. 2011); *Audi AG v. Shokan Coachworks, Inc.*, 592 F.Supp.2d 246, 269–70 (N.D.N.Y. 2008) (collecting cases). Further, as discussed below we have endorsed the principles underlying the nominative fair use doctrine. *See Tiffany (NJ) Inc.*, 600 F.3d at 102–03; *Dow Jones & Co. v. Int’l Sec. Exch., Inc.*, 451 F.3d 295, 308 (2d Cir. 2006).

[7] Having considered the case law, as well as the positions of the United States Patent and Trademark Office, we reject the Third Circuit’s treatment of nominative fair use as an affirmative defense. The Lanham Act sets forth numerous affirmative defenses to infringement claims that can be asserted even if the plaintiff has established likelihood of confusion. *See* 15 U.S.C. § 1115(b). The Third Circuit’s basis for treating nominative fair use as an affirmative defense is that the Supreme Court has treated classic, or descriptive, fair use as an affirmative defense. *See Century 21 Real Estate Corp.*, 425 F.3d at 222 (citing *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118–20, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004)). But

in treating descriptive fair use as an affirmative defense, the Supreme Court was interpreting a provision of the Lanham Act which provided that claims of infringement are subject to various defenses, including

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....

15 U.S.C. § 1115(b)(4); see *KP Permanent Make-Up, Inc.*, 543 U.S. at 118–20, 125 S.Ct. 542 (analyzing 15 U.S.C. § 1115(b)(4) and ultimately concluding that Congress intended descriptive fair use to be an affirmative defense). That is, under the Supreme Court's interpretation, the Lanham Act explicitly provides that descriptive fair use is an affirmative defense. And nominative fair use cannot fall within § 1115(b)(4)'s language, as nominative fair use is not the use of a name, term, or device otherwise than as a mark which is descriptive of and used merely to describe the goods or services of the alleged infringer. See *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir.1997) (finding descriptive fair use when the alleged infringer engaged in a “non-trademark use of words in their descriptive sense”). Nominative use involves using the mark at issue *as a mark* to specifically invoke the mark-holder's mark, rather than its use, other than as a mark, to describe the alleged infringer's goods or services. If Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such. We therefore hold that nominative fair use is not an affirmative defense to an infringement claim.

[8] We turn next to the question of whether we should adopt a nominative fair use test, either to supplant or to replace the *Polaroid* test. Although we see no reason to replace the *Polaroid* test in this context, we also recognize that many of the *Polaroid* factors are a bad fit here and that we have repeatedly emphasized that the *Polaroid* factors are non-exclusive. And although we have not expressly rejected or accepted other circuits' nominative fair use tests, 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.” *Tiffany (NJ) Inc.*, 600 F.3d at 102–03....

[9] 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.

[10] 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).

[11] 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)).

[12] We therefore remand for reconsideration of the *Polaroid* factors in addition to the nominative fair use factors....

Questions and Comments

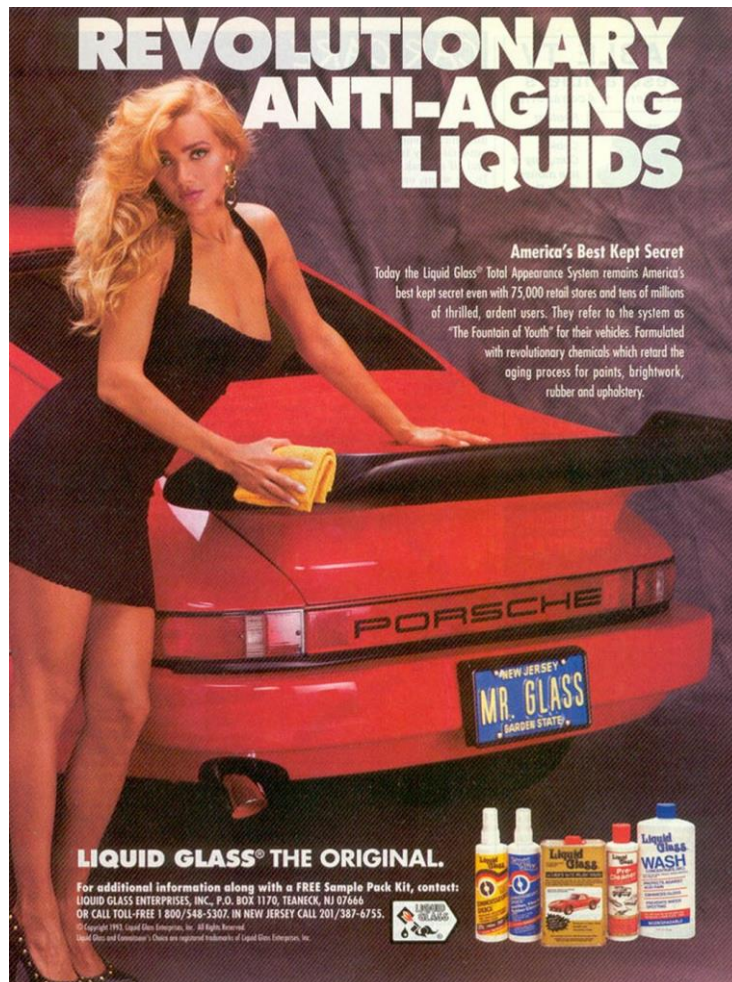
1. *The Ninth Circuit's Burden Shifting Approach.* McCarthy has parsed the burden-shifting language of *Tabari* as follows: "The Ninth Circuit has made it clear that a defendant who raises the nominative fair use issue need only show that it uses the mark to refer to the plaintiff's trademarked goods or services. The burden then reverts to the plaintiff to show a likelihood of confusion under the nominative fair use analysis.... In the Ninth Circuit and in other circuits that follow its approach, the 'nominative fair use' analysis is a 'defense' only in the sense that an accused infringer in certain cases can use the analysis to argue that there will be no infringement because there will be no likelihood of confusion." MCCARTHY § 23:11 (footnote omitted). Does this clarify the approach of the Ninth Circuit and other circuits that follow it?

2. Why Should the New Kids factors replace the Sleekcraft test? In *Board of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co.*, 550 F.3d 465, the Fifth Circuit evaluated the defendant's nominative fair use claim under two factors ultimately adapted from *New Kids*: "In order to avail oneself of the nominative fair use defense 'the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.'" (quoting *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546 (5th Cir. 1998)). In elaborating on the nature of the nominative fair use defense, the *Smack Apparel* court offered one explanation for why the nominative fair use test should replace the traditional multifactor test for the likelihood of confusion: "We have held that a nominative fair use claim is a claim that a mark's use is noninfringing and therefore creates no likelihood of confusion. Thus, we have also said that a court ordinarily should consider a nominative fair use claim in conjunction with its likelihood-of-confusion analysis in order to avoid lowering the standard for confusion." *Smack Apparel*, 550 F.3d at 488-89 (footnote omitted). Does this strike you as a persuasive justification?

3. *The Third Circuit's Hybrid Approach in Century 21.* In *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3d Cir. 2005), the Third Circuit rejected the Ninth Circuit's approach in which the *New Kids* factors replace the multifactor test for the likelihood of consumer confusion. Instead, seeking properly to cast the nominative fair use "defense" as a true affirmative defense, the *Century 21* court set forth four factors Third Circuit courts should consider in the nominative fair use context to determine if there was a likelihood of confusion: "(1) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (2) the length of time the defendant has used the mark without evidence of actual confusion; (3) the intent of the defendant in adopting the mark; and (4) the evidence of actual confusion." *Id.* at 225-26. If the plaintiff meets its burden of proving a likelihood of confusion under these factors, then the defendant bears the burden of winning each of the following factors to make out the defense of nominative fair use: "1. Is the use of plaintiff's mark

necessary to describe (1) plaintiff's product or service and (2) defendant's product or service? 2. Is only so much of the plaintiff's mark used as is necessary to describe plaintiff's products or services? 3. Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?" *Id.* at 228. Dissenting, Judge Fisher was highly critical of this new approach. *See id.* at 232 (Fisher, J., dissenting).

2. Further Examples of Nominative Fair Use Analyses



Liquid Glass Enterprises, Inc. v. Dr. Ing. h.c.F. Porsche AG **8 F. Supp. 2d 398 (D.N.J. 1998)**

In *Liquid Glass Enterprises, Inc. v. Dr. Ing. h.c.F. Porsche AG*, 8 F. Supp. 2d 398 (D.N.J. 1998), the declaratory plaintiff Liquid Glass ran numerous advertisements incorporating Porsche automobiles. The court focused on two. The first was “an ad appearing in the May 1997 issue of a national car magazine, *Motor Trend*, which

portrays a provocatively-dressed woman applying Liquid Glass car polish to a Porsche 911 with the trademark 'PORSCHE' prominently displayed on the car." *Id.* at 399. The second was a ten-minute video for use at trade shows that

opens with a Porsche 911 (with the Porsche crest plainly visible) accelerating down a highway. Immediately following, the video cuts to a woman who is undressing and taking a shower. Thereafter, the video cuts alternately between a car (not a Porsche) being washed and polished and a woman showering, putting on her makeup and getting dressed. The video then illustrates Liquid Glass's uses on numerous expensive cars and ends with a shot of the Porsche 911 speeding down the road.

Id. at 400.

Applying *New Kids*, the court found no nominative fair use and ultimately granted the declaratory defendant's preliminary injunction motion. As to the first factor, "Liquid Glass has asserted no reason why the Porsche trademark or trade dress is necessary in its promotion of Liquid Glass products." *Id.* at 402. As to the second factor, "[n]either does Liquid Glass use only so much of Porsche's trademarks and trade dress as is reasonably necessary. *See, e.g., Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (repair shop can only use the word 'Volkswagen' but cannot use the distinctive lettering or the encircled 'VW' emblem)". *Id.* at 402-403. As to the third *New Kids* factor, the court then proceeded through the Third Circuit's *Scott Paper* multifactor test for consumer confusion to find that "Liquid Glass's advertisements could mislead the public into believing that Porsche endorsed Liquid Glass's products or at least approved of their use on Porsche automobiles." *Id.* at 403. (The court also found dilution by blurring).

Toho Co., Ltd. v. William Morrow & Co., Inc.

33 F. Supp. 2d 1206 (C.D. Cal. 1998)

In *Toho Co., Ltd. v. William Morrow & Co., Inc.*, 33 F. Supp. 2d 1206 (C.D. Cal. 1998), Toho was the producer of and intellectual property rights holder in the Godzilla motion pictures. The defendant planned to release a 227-page Godzilla compendium book entitled "Godzilla!", the title of which was "written in the distinctive lettering style used by Toho and its licensees in their merchandising activities." *Id.* at 1209. Toho moved for a preliminary injunction.

Applying *New Kids*, the court found, on factor one, that "[t]he product (the Godzilla character) is one not readily identifiable without the use of the trademark. A 'giant sized pre-historic dragon-like monster' may be an adequate description of Plaintiff's product, but use of the 'Godzilla' mark is required to readily identify Plaintiff's product." *Id.* at 1211. However, on factor two, "the cover of the Morrow Book contains Toho's trademark in bold orange lettering prominently displayed.

This prong of the test does not appear to be satisfied because Morrow's use exceeds its legitimate referential purpose.” *Id.* On the third New Kids factor, the court proceeded through the Ninth Circuit’s *Sleekcraft* test for the likelihood of consumer confusion to find that “consumer confusion is likely.” *Id.* at 1215.

In a separate discussion (placed after its analysis of the first and second New Kids Factors but before its *Sleekcraft* analysis), the court found that the defendant’s disclaimers on the front and back of the book were ineffective. The court described the disclaimers:

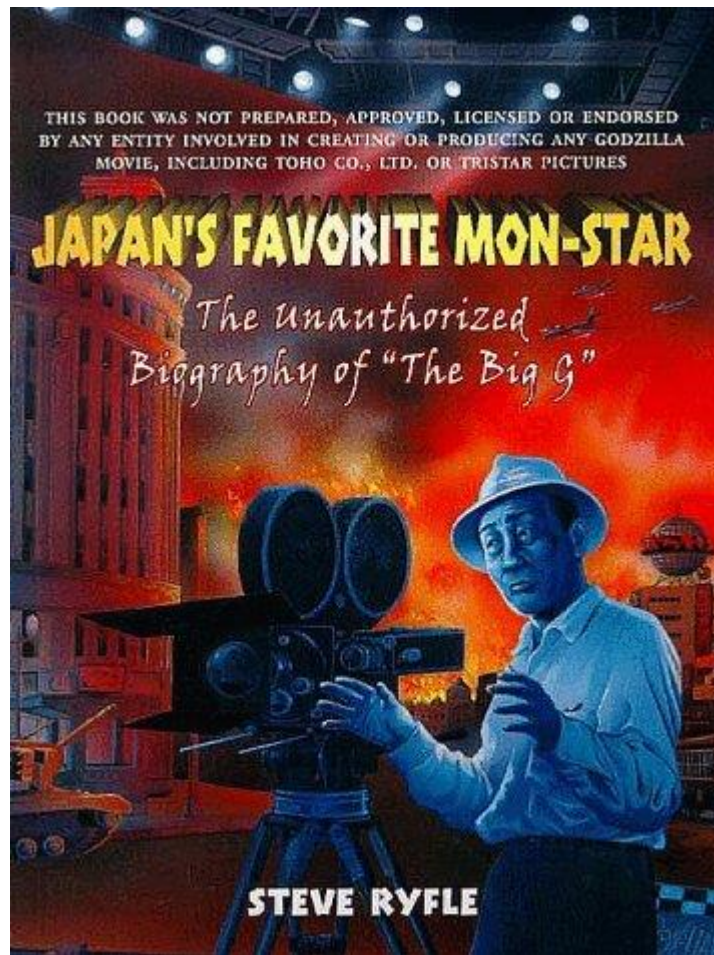
On the front cover, the word “UNAUTHORIZED” appears at the very top of the page, in relatively small lettering, surrounded by an orange bordering. On the back cover the following disclaimer appears, highlighted by its appearance against a blue background: “THIS BOOK WAS NOT PREPARED, APPROVED, LICENSED OR ENDORSED BY ANY ENTITY INVOLVED IN CREATING OR PRODUCING ANY GODZILLA MOVIE, INCLUDING COLUMBIA/TRISTAR AND TOHO CO. LTD.”

Id. at 1212. The court concluded:

This Court finds that the disclaimers do not alleviate the potential for consumer confusion. The word “UNAUTHORIZED” on the front cover only conveys a limited amount of information. It is not necessarily clear that alerting the average consumer to the word “UNAUTHORIZED” would negate consumer confusion as to Toho’s sponsorship or endorsement of the Morrow Book. As the court in *Twin Peaks Productions v. Publications Intern.*, 996 F.2d 1366, 1379 (2nd Cir.1993) stated, the disclaimer would have been far more effective had it simply stated “that the publication has not been prepared, approved, or licensed by any entity that created or produced the” original Toho Godzilla films. That this information is conveyed on the back cover does not suffice. This Court is of the belief that most consumers look primarily at the front cover of a book prior to purchase. Moreover, the color of the disclaimer on the front cover does not effectively draw the attention of the average consumer as its bordering is in the same shade as the title. Further, the word is placed at the top of the page where most consumers’ eyes are not likely to dwell. Perhaps if the information contained on the back cover were placed on the front cover, consumer confusion could be negated. The disclaimer is also not placed on the spine of the Morrow Book, a place where many consumers are likely to view before seeing the cover. Toho also asserts that the advertisement for the Morrow Book placed on the Internet at sites such as “Amazon.com” does not even contain the disclaimer. In summary, this Court finds that the disclaimers are ineffective.

Id. at 1213.

Consider, by contrast, the approach taken by the following book:



C. Expressive Uses of Trademarks

We use the term “expressive” to denote the great variety of unauthorized uses of marks for purposes such as parody, criticism, or social commentary, be they for-profit or entirely non-commercial in nature. Unlike copyright law and its doctrine of copyright fair use, trademark law has no one-size-fits-all doctrine to address the permissibility of such expressive uses. Further complicating matters is that any particular expressive use must be analyzed both for the likelihood that it will cause consumer confusion and for the likelihood that it will cause trademark dilution.

In Part III.C.1, we turn first to a leading example of a court’s analysis of a for-profit parodic use both under the multifactor test for the likelihood of consumer confusion and the test under Lanham Act § 43(c), 15 U.S.C. § 1125(c), for the likelihood of trademark blurring and trademark tarnishment. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), is a lengthy opinion that is presented here almost in full, but it will reward a thorough reading.

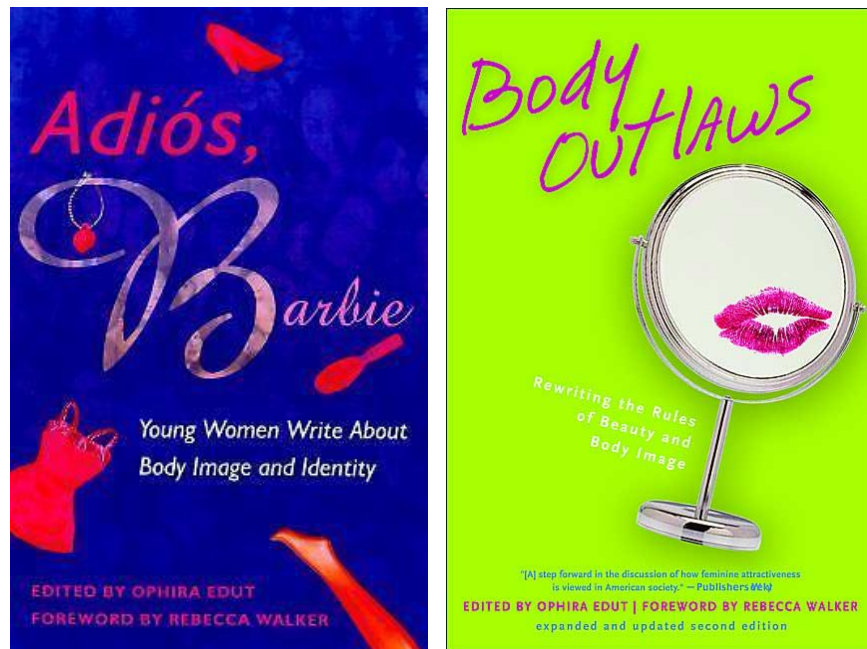
We then turn in Part III.C.2 to the *Rogers v. Grimaldi* test for artistically relevant uses of trademarks. In recent years, this test has become increasingly influential as a replacement for the likelihood of confusion test in expressive use situations. Note importantly, however, that the *Rogers v. Grimaldi* test limits itself only to the question of consumer confusion. It does not address the additional question of whether the expressive use blurs or tarnishes the targeted mark. On that issue, a typical defendant may seek to avail itself of the “Exclusions” from antidilution protection provided by Lanham Act § 43(c)(3), 15 U.S.C. 1125(c)(3).

Part III.C.3 provides summaries of further examples of expressive use cases and controversies.

One final preliminary comment, going to the limits of the reading in this subpart: for all of the elaborate doctrine that is meant to limit plaintiffs’ trademark rights and allow defendants’ expressive uses, the fact is that defendants often cannot afford to avail themselves of these limits. They often settle rather than bankrupt themselves through litigation. Consider one example of this sad reality:

Seal Press, a small book publisher that specializes in non-fiction and fiction by women writers, published a book, “Adios, Barbie,” that examined body image from a feminist perspective [image of first edition book cover shown below on left]. Seal was sued by Mattel for dilution. Commenting on the suit, the Seal Press publisher said “[w]e thought the First Amendment provided us with every right to evoke the outrageousness of tall, thin, and white being the only widely accepted body type.” But Mattel overwhelmed the small press. In a settlement, Seal agreed to remove Barbie’s name from the book’s title and to remove images of the doll’s clothing and accoutrements from its cover. “We are a small publisher,” said the publisher. “We’re not insured for the costs associated with this type of lawsuit.”

Julie Zando-Denis, Not Playing Around: The Chilling Power of the Federal Trademark Dilution Act of 1995, 11 CARDOZO WOMEN’S L.J. 599, 614 (2005) (footnotes omitted).



There is simply no question that if Seal Press had had the resources to litigate the matter, it would have prevailed with respect to both confusion and dilution against Mattel — whose reputation for scorched-earth litigation tactics is matched only by its reputation for almost always losing in court against those who stand up to its bullying. *See, e.g., Mattel Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003); *Mattel, Inc. v. Pitt*, 229 F. Supp. 2d 315, 318 (S.D.N.Y. 2002). For more on the degree to which the mere threat of litigation can produce very strong “chilling effects” on expressive uses of trademarks, see Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WISC. L. REV. 625.

1. Expressive Uses and the Tests for Confusion and Dilution



Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC
507 F.3d 252 (4th Cir. 2007)

NIEMEYER, Circuit Judge:

[1] 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.

[2] On cross-motions for summary judgment, the district court concluded that Haute Diggity Dog's “Chewy Vuiton” dog toys were successful parodies of Louis Vuitton Malletier's trademarks, designs, and products, and on that basis, entered judgment in favor of Haute Diggity Dog on all of Louis Vuitton Malletier's claims.

[3] On appeal, we agree with the district court that Haute Diggity Dog's products are not likely to cause confusion with those of Louis Vuitton Malletier and that Louis Vuitton Malletier's copyright was not infringed. On the trademark dilution claim, however, we reject the district court's reasoning but reach the same conclusion through a different analysis. Accordingly, we affirm.

I

[4] Louis Vuitton Malletier S.A. (“LVM”) is a well known manufacturer of luxury luggage, leather goods, handbags, and accessories, which it markets and sells worldwide. In connection with the sale of its products, LVM has adopted trademarks and trade dress that are well recognized and have become famous and distinct. Indeed, in 2006, *BusinessWeek* ranked LOUIS VUITTON as the 17th “best brand” of all corporations in the world and the first “best brand” for any fashion business.

[5] LVM has registered trademarks for “LOUIS VUITTON,” in connection with luggage and ladies' handbags (the “LOUIS VUITTON mark”); for a stylized monogram of “LV,” in connection with traveling bags and other goods (the “LV mark”); and for a monogram canvas design consisting of a canvas with repetitions of the LV mark along with four-pointed stars, four-pointed stars inset in curved diamonds, and four-pointed flowers inset in circles, in connection with traveling bags and other products (the “Monogram Canvas mark”). In 2002, LVM adopted a brightly-colored version of the Monogram Canvas mark in which the LV mark and the designs were of various colors and the background was white (the “Multicolor design”), created in collaboration with Japanese artist Takashi Murakami. For the Multicolor design, LVM obtained a copyright in 2004. In 2005, LVM adopted another design consisting of a canvas with repetitions of the LV mark and smiling cherries on a brown background (the “Cherry design”).

[6] As LVM points out, the Multicolor design and the Cherry design attracted immediate and extraordinary media attention and publicity in magazines such as *Vogue*, *W*, *Elle*, *Harper's Bazaar*, *Us Weekly*, *Life and Style*, *Travel & Leisure*, *People*, *In*

Style, and *Jane*. The press published photographs showing celebrities carrying these handbags, including Jennifer Lopez, Madonna, Eve, Elizabeth Hurley, Carmen Electra, and Anna Kournikova, among others. When the Multicolor design first appeared in 2003, the magazines typically reported, “The Murakami designs for Louis Vuitton, which were the hit of the summer, came with hefty price tags and a long waiting list.” *People Magazine* said, “the wait list is in the thousands.” The handbags retailed in the range of \$995 for a medium handbag to \$4500 for a large travel bag. The medium size handbag that appears to be the model for the “Chewy Vuiton” dog toy retailed for \$1190. The Cherry design appeared in 2005, and the handbags including that design were priced similarly—in the range of \$995 to \$2740. LVM does not currently market products using the Cherry design.

[7] The original LOUIS VUITTON, LV, and Monogram Canvas marks, however, have been used as identifiers of LVM products continuously since 1896.

[8] During the period 2003–2005, LVM spent more than \$48 million advertising products using its marks and designs, including more than \$4 million for the Multicolor design. It sells its products exclusively in LVM stores and in its own in-store boutiques that are contained within department stores such as Saks Fifth Avenue, Bloomingdale's, Neiman Marcus, and Macy's. LVM also advertises its products on the Internet through the specific websites www.louisvuitton.com and www.eluxury.com.

[9] Although better known for its handbags and luggage, LVM also markets a limited selection of luxury pet accessories—collars, leashes, and dog carriers—which bear the Monogram Canvas mark and the Multicolor design. These items range in price from approximately \$200 to \$1600. LVM does not make dog toys.

[10] Haute Diggity Dog, LLC, which is a relatively small and relatively new business located in Nevada, manufactures and sells nationally—primarily through pet stores—a line of pet chew toys and beds whose names parody elegant high-end brands of products such as perfume, cars, shoes, sparkling wine, and handbags. These include—in addition to Chewy Vuiton (LOUIS VUITTON)—Chewnel No. 5 (Chanel No. 5), Furcedes (Mercedes), Jimmy Chew (Jimmy Choo), Dog Perignonn (Dom Perignon), Sniffany & Co. (Tiffany & Co.), and Dogior (Dior). The chew toys and pet beds are plush, made of polyester, and have a shape and design that loosely imitate the signature product of the targeted brand. They are mostly distributed and sold through pet stores, although one or two Macy's stores carries Haute Diggity Dog's products. The dog toys are generally sold for less than \$20, although larger versions of some of Haute Diggity Dog's plush dog beds sell for more than \$100.

[11] Haute Diggity Dog's “Chewy Vuiton” dog toys, in particular, loosely resemble miniature handbags and undisputedly evoke LVM handbags of similar shape, design, and color. In lieu of the LOUIS VUITTON mark, the dog toy uses “Chewy Vuiton”; in lieu of the LV mark, it uses “CV”; and the other symbols and colors employed are imitations, but not exact ones, of those used in the LVM Multicolor and Cherry designs.

[12] In 2002, LVM commenced this action, naming as defendants Haute Diggity Dog; Victoria D.N. Dauernheim, the principal owner of Haute Diggity Dog; and Woofies, LLC, a retailer of Haute Diggity Dog's products, located in Asburn, Virginia, for trademark, trade dress, and copyright infringement. Its complaint includes counts for trademark counterfeiting, under 15 U.S.C. § 1114(1)(a); trademark infringement, under 15 U.S.C. § 1114(1)(a); trade dress infringement, under 15 U.S.C. § 1125(a)(1); unfair competition, under 15 U.S.C. § 1125(a)(1); trademark dilution, under 15 U.S.C. § 1125(c); trademark infringement, under Virginia common law; trade dress infringement, under Virginia common law; unfair competition, under Virginia common law; copyright infringement of the Multicolor design, under 17 U.S.C. § 501; and violation of the Virginia Consumer Protection Act, under Virginia Code § 59.1-200. On cross-motions for summary judgment, the district court granted Haute Diggity Dog's motion and denied LVM's motion, entering judgment in favor of Haute Diggity Dog on all of the claims. It rested its analysis on each count principally on the conclusion that Haute Diggity Dog's products amounted to a successful parody of LVM's marks, trade dress, and copyright. See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 464 F.Supp.2d 495 (E.D.Va.2006).

[13] LVM appealed and now challenges, as a matter of law, virtually every ruling made by the district court.

II

[14] 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."¹⁹

¹⁹ 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

[15] 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. *Louis Vuitton Malletier*, 464 F.Supp.2d at 503, 508. We review its order *de novo*. See *CareFirst of Md., Inc. v. First Care, P.C.*, 434 F.3d 263, 267 (4th Cir.2006).

[16] 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. See *CareFirst*, 434 F.3d at 268.

[17] 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.

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.”

[18] 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).

[19] 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.

[20] 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.

[21] 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.”

[22] 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).

[23] 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

[24] 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.” *Louis Vuitton Malletier*, 464 F.Supp.2d at 499 (citing *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 503–04 (2d Cir.1996); *Schieffelin & Co. v. Jack Co. of Boca, Inc.*, 850 F.Supp. 232, 248 (S.D.N.Y.1994)). “An intent to parody is not an intent to confuse the public.” *Jordache*, 828 F.2d at 1486.

[25] 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

[26] 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.

[27] 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. See *PETA*, 263 F.3d at 366 (citing *Jordache*, 828 F.2d at 1486); *Anheuser–Busch*, 962 F.2d at 321.

[28] 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.

[29] This conclusion is reinforced when we consider how the parties actually use their marks in the marketplace. See *CareFirst*, 434 F.3d at 267 (citing *What–A–Burger of Va., Inc. v. Whataburger, Inc.*, 357 F.3d 441, 450 (4th Cir.2004)); *Lamparello v. Falwell*, 420 F.3d 309, 316 (4th Cir.2005); *Hormel Foods*, 73 F.3d at 503. 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

[30] 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

[31] 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.

[32] 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.

[33] 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

[34] 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

[35] 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. *See CareFirst*, 434 F.3d at 268.

[36] 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.

[37] 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.

III

[38] 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”), 15 U.S.C.A. § 1125(c) (West Supp.2007). 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.”

[39] 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.

[40] Claims for trademark dilution are authorized by the TDRA, a relatively recent enactment,²⁰ 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).

[41] 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.

[42] 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

²⁰ The TDRA, Pub.L. No. 109–312, 120 Stat. 1730 (2006), amended the Federal Trademark Dilution Act of 1995, Pub.L. No. 104–98, 109 Stat. 985 (1996), which added a “dilution” cause of action to § 43 of the Lanham Act. When the Supreme Court held that the Federal Trademark Dilution Act required proof of actual dilution and actual economic harm, *see Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 432–33 (2003); *see also Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir.1999), Congress amended the Act principally to overrule *Moseley* and to require that only a *likelihood* of dilution need be proved. *See* 15 U.S.C.A. § 1125(c)(1) (West Supp.2007).

product”) (*quoting Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir.1994)); *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 805 (9th Cir.2002) (same). 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).

[43] 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

[44] We address first LVM’s claim for dilution by blurring.

[45] 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.

[46] 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.

Louis Vuitton Malletier, 464 F.Supp.2d at 505. 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.

[47] 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.

[48] 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.

[49] 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.

[50] 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."

[51] 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).

[52] 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. See *PETA*, 263 F.3d at 366. That the defendant is using its mark as a parody is therefore relevant in the consideration of these statutory factors.

[53] 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).

[54] 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.

[55] 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.

[56] While the establishment of these facts satisfies essential elements of LVM's dilution claim, *see* 15 U.S.C.A. § 1125(c)(1), 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. *See PETA*, 263 F.3d at 366. 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.

[57] 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. *See* 15 U.S.C.A. § 1125(c)(1). 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.

[58] 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.

[59] 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.

[60] 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

[61] 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.

Louis Vuitton Malletier, 464 F.Supp.2d at 505. 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.

[62] We agree with the district court that LVM failed to demonstrate a claim for dilution by tarnishment. *See Hormel Foods*, 73 F.3d at 507.

...

2. The *Rogers v. Grimaldi* Test for Unauthorized "Artistic" Uses

In *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), Ginger Rogers (of the dance duo with Fred Astaire) sued the producers of the Federico Fellini movie *Ginger and Fred*. "The film tells the story of two fictional Italian cabaret performers, Pippo and Amelia, who, in their heyday, imitated Rogers and Astaire and became known in Italy as 'Ginger and Fred.' The film focuses on a televised reunion of Pippo and Amelia, many years after their retirement. Appellees describe the film as the

bittersweet story of these two fictional dancers and as a satire of contemporary television variety shows.” *Id.* at 996-97. In finding no violation of Rogers’ Lanham Act § 43(a) rights, the Second Circuit sought to strike a balance between two competing policy objectives and in the process gave birth to the *Rogers v. Grimaldi* test:

We believe that in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

Id. at 999.

In the two opinions that follow, we consider the application of the *Rogers v. Grimaldi* test to a different and arguably far more important artistic medium: virtual reality games. While reading through these opinions, consider the following question:

- Does the law require (and, in any case, *should* the law require) producers of highly-realistic racing simulation video games such as *Forza Motorsport* or *Gran Turismo* to obtain licenses in order to use the trademarks and trade dress of real-world automobiles? Does the law require such producers to obtain licenses to simulate various real-world racing circuits (and should it)?



E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.
547 F.3d 1095 (9th Cir. 2008)

O'SCANNLAIN, Circuit Judge:

[1] 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

[2] 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.

[3] 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.

[4] 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.

[5] 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.

[6] 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

[7] 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.

[8] 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.

[9] 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 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

[10] On April 22, 2005, ESS filed the underlying trademark violation action in district court against Rockstar. ESS asserted four claims: (1) trade dress infringement and unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);²¹ (2) trademark infringement under California Business and

²¹ “Trade dress involves the total image of a product and may include features such as size, shape, color or color combination, texture, graphics, or even particular sales technique.” *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 808 n. 13 (9th Cir.2003) (internal quotation marks and citations omitted). Because the only relevant similarities at issue in this case involve the use of the “Pig Pen” mark versus the “Play Pen” mark, disposition of the trade dress infringement claim follows resolution of the trademark infringement claim. *See Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery*, 150 F.3d 1042, 1046 (9th Cir.1998) (“Section 43(a) now protects

Professions Code § 14320;²² (3) unfair competition under California Business and Professions Code §§ 17200 et seq.; and (4) unfair competition under California common law. 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.

[11] In response, Rockstar moved for summary judgment on all of ESS's claims, arguing that the affirmative defenses of nominative fair use and the First Amendment protected it against liability. It also argued that its use of ESS's intellectual property did not infringe ESS's trademark by creating a "likelihood of confusion."

[12] Although the district court rejected Rockstar's nominative fair use defense, it granted summary judgment based on the First Amendment defense. The district court did not address the merits of the trademark claim because its finding that Rockstar had a defense against liability made such analysis unnecessary.

II

[13] 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

[14] "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

both trademarks and trade dress from infringement ... [and] there is no persuasive reason to apply different analysis[sic] to the two." (internal quotation marks, alteration and citation omitted)).

²² This section has recently been repealed. Cal. Stats. ch. 711 § 1. Since we hold that Rockstar has a defense to all of ESS's claims, the repeal is irrelevant to our decision.

court correctly held that the nominative fair use defense does not apply in this case. *See Welles*, 279 F.3d at 801.

B

[15] 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

[16] 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." *Id.* at 899-900. The song was a commentary "about Barbie and the values ... she [supposedly] represents." *Id.* at 902. 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." *Id.*; *see also Walking Mountain*, 353 F.3d at 807 (holding that use of Barbie doll in photographic parody was relevant to the underlying work).

[17] 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.

[18] 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.

[19] 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.*

[20] 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. *See MCA Records*, 296 F.3d at 902.

[21] 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.

[22] 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

[23] 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.

AFFIRMED.



Brown v. Electronic Arts

724 F.3d 1235 (9th Cir. 2013)

BYBEE, Circuit Judge:

[1] Plaintiff—Appellant James “Jim” Brown alleges that Defendant—Appellee Electronic Arts, Inc. (“EA”) has violated § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), through the use of Brown’s likeness in EA’s *Madden NFL* series of football video games. In relevant part, § 43(a) provides for a civil cause of action against:

[a]ny 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[.]

15 U.S.C. § 1125(a)(1). Although claims under § 43(a) generally relate to the use of trademarks or trade dress to cause consumer confusion over affiliation or endorsement, we have held that claims can also be brought under § 43(a) relating to

the use of a public figure's persona, likeness, or other uniquely distinguishing characteristic to cause such confusion.²³

[2] Section 43(a) protects the public's interest in being free from consumer confusion about affiliations and endorsements, but this protection is limited by the First Amendment, particularly if the product involved is an expressive work. Recognizing the need to balance the public's First Amendment interest in free expression against the public's interest in being free from consumer confusion about affiliation and endorsement, the Second Circuit created the "*Rogers test*" in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir.1989). Under the *Rogers test*, § 43(a) will not be applied to expressive works "unless the [use of the trademark or other identifying material] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [use of trademark or other identifying material] explicitly misleads as to the source or the content of the work." *Id.* at 999. We adopted the *Rogers test* in *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir.2002).

[3] Applying the *Rogers test*, the district court in this case granted EA's motion to dismiss Brown's Lanham Act claim, finding that Brown had not alleged facts that satisfied either condition that allow a § 43(a) claim to succeed under the *Rogers test*. *Brown v. Elec. Arts, Inc.*, No. 2:09-cv-01598, 2009 WL 8763151, at *3-5, 2009 U.S. Dist. LEXIS 131387, at *8-15 (C.D.Cal. Sept. 23, 2009). Brown appealed, challenging the applicability of the *Rogers test*, the district court's analysis under the *Rogers test*, and the suitability of his case for resolution without additional factfinding. We affirm the district court's decision.

I

[4] Jim Brown is widely regarded as one of the best professional football players of all time. He starred for the Cleveland Browns from 1957 to 1965 and was inducted into the National Football League ("NFL") Hall of Fame after his retirement. After his NFL career, Brown also achieved success as an entertainer and public servant. There is no question that he is a public figure whose persona can be deployed for economic benefit.

[5] EA is a manufacturer, distributor and seller of video games and has produced the *Madden NFL* series of football video games since 1989. The *Madden*

²³ See *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1110 (9th Cir.1992) ("A false endorsement claim based on the unauthorized use of a celebrity's identity is a type of false association claim, for it alleges the misuse of a trademark, *i.e.*, a symbol or device such as a visual likeness, vocal imitation, or other uniquely distinguishing characteristic, which is likely to confuse consumers as to the plaintiff's sponsorship or approval of the product."); see also *White v. Samsung Elecs. Am., Inc.*, 971 F.2d 1395, 1399-1400 (9th Cir.1992) ("In cases involving confusion over endorsement by a celebrity plaintiff, 'mark' means the celebrity's persona.").

NFL series allows users of the games to control avatars representing professional football players as those avatars participate in simulated NFL games. In addition to these simulated games, *Madden NFL* also enables users to participate in other aspects of a simulated NFL by, for example, creating and managing a franchise. Each version of *Madden NFL* includes the current year's NFL teams with the teams' current rosters. Each avatar on a current team is designed to mirror a real current NFL player, including the player's name, jersey number, physical attributes, and physical skills. Some versions of the game also include historical and all-time teams. Unlike for players on the current NFL teams, no names are used for the players on the historical and all-time teams, but these players are recognizable due to the accuracy of their team affiliations, playing positions, ages, heights, weights, ability levels, and other attributes. Although EA enters into licensing agreements with the NFL and NFL Players Association ("NFLPA") for its use of the names and likenesses of current NFL players, Brown, as a former player, is not covered by those agreements and has never entered into any other agreement allowing EA to use his likeness in *Madden NFL*. Brown asserts that EA has used his likeness in several versions of the game dating back at least to 2001 but that he has never been compensated.

[6] Brown brought suit in the United States District Court for the Central District of California, claiming that EA's use of his likeness in the *Madden NFL* games violated § 43(a) of the Lanham Act. Brown also brought claims under California law for invasion of privacy and unfair and unlawful business practices. EA filed a motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, and the district court applied the *Rogers* test and dismissed Brown's Lanham Act claim. *Brown*, 2009 WL 8763151, at *3–5, 2009 U.S. Dist. LEXIS 131387, at *9–15. The district court declined to exercise supplemental jurisdiction over the state-law claims. *Id.* at *5–6, 2009 U.S. Dist. LEXIS 131387, at *15–16. Brown filed a timely appeal of the dismissal of his Lanham Act claim.²⁴ We have jurisdiction pursuant to 28 U.S.C. § 1291. We review the district court's dismissal de novo. *Kahle v. Gonzales*, 487 F.3d 697, 699 (9th Cir.2007).

II

²⁴ We emphasize that this appeal relates only to Brown's Lanham Act claim. Were the state causes of action before us, our analysis may be different and a different outcome may obtain. *See, e.g. Keller v. Elec. Arts, Inc.*, 724 F. 3d 1268, 1271, No. 10– 15387, 2013 WL 3928293, * 1 (9th Cir. July 31, 2013) (affirming a district court's ruling that EA had no First Amendment defense against the state-law right-of-publicity claims of former college football player Samuel Keller and other former college football and basketball players related to the use of their likenesses in EA's college football and college basketball video games).

[7] The legal issues raised by this case are not novel, but their lack of novelty should not be mistaken for lack of difficulty. Significant judicial resources, including the resources of this court, have been expended trying to find the appropriate balance between trademark and similar rights, on the one hand, and First Amendment rights, on the other. *Brown* suggests that the case law has produced a lack of clarity as to the appropriate legal framework to apply in this case and urges us to consider the “likelihood of confusion” test and the “alternative means” test in addition to the *Rogers* test. We are convinced that the *Rogers* test remains the appropriate framework.

[8] A decade ago, in *Mattel, Inc. v. MCA Records, Inc.*, we adopted the *Rogers* test as our method for balancing the trademark and similar rights protected by § 43(a) of the Lanham Act against First Amendment rights in cases involving expressive works. *MCA*, 296 F.3d at 902. Although *MCA* concerned the use of a trademark in the title of an expressive work, and the language of the *MCA* opinion did not make it clear that we were adopting the *Rogers* test for cases where the trademark or other identifying material in question was used in the body of a work rather than in the title, we clarified in *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.* that application of the *Rogers* test was not dependent on the identifying material appearing in the title but “also appl[ies] to the use of a trademark in the body of the work.” 547 F.3d 1095, 1099 (9th Cir.2008). We have consistently employed the *Rogers* test in § 43(a) cases involving expressive works since *MCA*, including where the trademark or other identifying material in question was used in the body of a work rather than in the title. *See, e.g., id.; Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir.2003).

[9] The *Rogers* test is reserved for expressive works. Even if *Madden NFL* is not the expressive equal of *Anna Karenina* or *Citizen Kane*, the Supreme Court has answered with an emphatic “yes” when faced with the question of whether video games deserve the same protection as more traditional forms of expression. In *Brown v. Entertainment Merchants Ass’n*, the Court said that “[l]ike the protected books, plays, and movies that preceded them, video games communicate ideas—and even social messages—through many familiar literary devices (such as characters, dialogue, plot, and music) and through features distinctive to the medium (such as the player’s interaction with the virtual world)” and that these similarities to other expressive mediums “suffice[] to confer First Amendment protection.” --- U.S. ---, 131 S.Ct. 2729, 2733 (2011). Although there may be some work referred to as a “video game” (or referred to as a “book,” “play,” or “movie” for that matter) that does not contain enough of the elements contemplated by the Supreme Court to warrant First Amendment protection as an expressive work, no version of *Madden NFL* is such a work. Every version of the game features characters (players), dialogue (between announcers), plot (both within a particular simulated game and more broadly), and music. Interaction between the virtual world of the game and individuals playing the game is prevalent. Even if there is a line to be drawn between expressive video games and non-expressive video games, and even if

courts should at some point be drawing that line, we have no need to draw that line here.²⁵ Each version of *Madden NFL* is an expressive work, and our precedents dictate that we apply the *Rogers* test in § 43(a) cases involving expressive works. Brown acknowledges that *Rogers* may apply here, but he argues that the “likelihood of confusion” test, exemplified by *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir.1997), or the “alternative means” test, exemplified by *International Olympic Committee v. San Francisco Arts & Athletics*, 781 F.2d 733 (9th Cir.1986), *reh'g en banc denied*, 789 F.2d 1319 (9th Cir.1986), *aff'd on other grounds*, *S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522 (1987), are also relevant. We disagree. We have previously rejected the “likelihood of confusion” test as “fail[ing] to account for the full weight of the public's interest in free expression” when expressive works are involved. *MCA*, 296 F.3d at 900. The “alternative means” test was rejected for the same reason in *Rogers* itself, 875 F.2d at 999, a position we approved by adopting the *Rogers* test in *MCA*. The only relevant legal framework for balancing the public's right to be free from consumer confusion about Brown's affiliation with *Madden NFL* and EA's First Amendment rights in the context of Brown's § 43(a) claim is the *Rogers* test.

III

[10] *Rogers* involved a suit brought by the famous performer Ginger Rogers against the producers and distributors of *Ginger and Fred*, a movie about two fictional Italian cabaret performers who imitated Rogers and her frequent performing partner Fred Astaire. *Rogers*, 875 F.2d at 996–97. Among Rogers' claims was that the use of her name in the title of the movie violated § 43(a) by creating the false impression that she was involved with the film. *Id.* at 997. Recognizing that enforcing § 43(a) in this context might constrain free expression in violation of the

²⁵ Brown points to several examples of courts suggesting that certain video games may not warrant First Amendment protection as expressive works, but all of the cases cited were decided years before the Supreme Court issued its opinion in *Brown v. Entertainment Merchants Ass'n*, --- U.S. ---, 131 S.Ct. 2729, 180 L.Ed.2d 708 (2011). See *Am. Amusement Mach. Ass'n v. Kendrick*, 244 F.3d 572, 579–80 (7th Cir.2001); *Wilson v. Midway Games, Inc.*, 198 F.Supp.2d 167, 180–81 (D.Conn.2002); *Am.'s Best Family Showplace Corp. v. City of New York*, 536 F.Supp. 170, 173–74 (E.D.N.Y.1982). Brown argues that EA's insistence that the *Rogers* test governs is an attempt to portray First Amendment law as settled with regard to video games when it is in fact evolving, but *Brown v. Entertainment Merchants Ass'n* demonstrates that any evolution favors greater protection, a fact Brown ignores by emphasizing these earlier cases. This evolution in recent years toward greater First Amendment protection for non-traditional media has not been limited to video games. See, e.g., *Anderson v. City of Hermosa Beach*, 621 F.3d 1051, 1055 (9th Cir.2010) (holding that “tattooing is a purely expressive activity fully protected by the First Amendment”).

First Amendment, the Second Circuit asserted that the Lanham Act should be “appl[ie]d to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.” *Id.* at 999. The *Rogers* court introduced a two-pronged test, under which the Lanham Act should not be applied to expressive works “unless the [use of the trademark or other identifying material] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [trademark or other identifying material] explicitly misleads as to the source or the content of the work.” *Id.*

A

[11] As we explained in *E.S.S.*, a case with similar facts to Brown’s case in which we applied the *Rogers* test to a § 43(a) claim related to the use of the likeness of a Los Angeles strip club in the video game *Grand Theft Auto: San Andreas*, “the level of [artistic] relevance [of the trademark or other identifying material to the work] merely must be above zero” for the trademark or other identifying material to be deemed artistically relevant. 547 F.3d at 1100. This black-and-white rule has the benefit of limiting our need to engage in artistic analysis in this context.²⁶

[12] We agree with the district court that the use of Brown’s likeness is artistically relevant to the *Madden NFL* games. As Brown points out in trying to undermine the status of the games as expressive works, EA prides itself on the extreme realism of the games. As Brown emphasizes in arguing that it is in fact his likeness in the games: “[I]t is axiomatic the ‘65 Cleveland Browns simply, by definition, cannot be the ‘65 Cleveland Browns without the players who played for the ‘65 Cleveland Browns. This fundamental truth applies especially to that team’s most famous player, Jim Brown.” Given the acknowledged centrality of realism to EA’s expressive goal, and the importance of including Brown’s likeness to realistically recreate one of the teams in the game, it is obvious that Brown’s likeness has at least some artistic relevance to EA’s work. The fact that any given version of *Madden NFL* includes likenesses of thousands of different current and former NFL players does not impact this analysis. In *E.S.S.*, the virtual strip club in question was just one of many virtual structures included by the designers of *Grand Theft Auto: San Andreas* in an attempt to simulate the feel of East Los Angeles, but we nonetheless concluded that the strip club was artistically relevant to the work. 547 F.3d at 1100. There is no significant distinction to be made here.

[13] Brown questions the artistic relevance of his likeness to *Madden NFL* in part by pointing us to the Sixth Circuit’s decision in *Parks v. LaFace Records*, 329 F.3d 437 (6th Cir.2003). In *Parks*, civil rights hero Rosa Parks sued the musical duo

²⁶ Cf. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251, 23 S.Ct. 298, 47 L.Ed. 460 (1903) (Holmes, J.) (“It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits.”).

Outkast under § 43(a) after Outkast released a song called *Rosa Parks*. *Id.* at 441. Partially due to the fact that one of the members of Outkast had said that the song was not “intended ... to be about Rosa Parks or the civil rights movement,” the Sixth Circuit concluded that the district court should have at least considered additional evidence before deciding that the use of Ms. Parks' name was artistically relevant to the song. *Id.* at 452–53. Brown alleges that EA has made similar denials of Jim Brown's relevance to *Madden NFL*, and thus argues that Brown's likeness is not artistically relevant to the *Madden NFL* games. The court in *Parks*, however, did not rely solely on the band's denial that the song was about Ms. Parks or the civil rights movement in concluding that there was a factual dispute about artistic relevance. “The composers did *not* intend [the song] to be about Rosa Parks, and the lyrics are *not* about Rosa Parks,” the court stated, emphasizing both Outkast's denials and the court's own determination that the song's lyrics were unrelated to Ms. Parks or the civil rights movement. *Id.* at 452. Here, even if EA's denials regarding Brown are equivalent to Outkast's denial regarding Parks, the content of the *Madden NFL* games—the simulation of NFL football—is clearly related to Jim Brown, one of the NFL's all-time greatest players. Moreover, EA's denials are not equivalent to Outkast's denial. EA has denied using the aspects of Brown's likeness that may be protected by the Lanham Act and certain state laws, but such denials are a far cry from Outkast's outright denial of relevance. In letters to Brown's attorneys, EA officials have claimed that “Brown has not appeared in any *Madden NFL* game since 1998,” and that “Brown's name and likeness does not appear in *Madden NFL 08* or any packaging or marketing materials associated with the product.” EA has not denied that Brown's likeness is relevant to *Madden NFL*; rather, it has denied that Brown has appeared in the *Madden NFL* games released since 1998. If the denials are true—that is, if Brown's likeness does not in fact appear in the games—Brown has no claim at all under the Lanham Act. We do not understand this to be Brown's position. Outkast's denial did not similarly undermine Ms. Parks' Lanham Act claim because Outkast was not denying the use of Parks' name. In order to have a valid § 43(a) claim based on artistic irrelevance, Brown needs to show both that his likeness was used and that his likeness was artistically irrelevant to the *Madden NFL* games. If artistic irrelevance can only be proven by accepting the truth of EA's denial of the use of Brown's likeness, Brown cannot possibly satisfy both of these burdens. Moreover, in the context of a motion to dismiss, we accept Brown's factual allegations as true, and Brown alleges that his likeness was used. We must thus assume that EA's denials are false, meaning they provide no support for artistic irrelevance.²⁷

²⁷ In addition to pointing us to *Parks*, Brown also analogizes his case to *American Dairy Queen Corp. v. New Line Productions, Inc.*, 35 F.Supp.2d 727 (D.Minn.1998), in which the defendant admitted in its briefing that it did not intend its “Dairy Queens” title to refer to plaintiff American Dairy Queen Corporation. Based on this admission, the district court found that the defendant could express

[14] One of the Sixth Circuit's animating concerns in *Parks* was that a celebrity's name could be "appropriated solely because of the vastly increased marketing power of a product bearing the name of [the celebrity]." 329 F.3d at 454. This is a legitimate concern, but the facts in *Parks*—specifically, the court's determination that the lyrics of Outkast's song may very well have nothing to do with Rosa Parks or the civil rights movement—made that concern much more realistic in that case than in this one. EA did not produce a game called *Jim Brown Presents Pinball* with no relation to Jim Brown or football beyond the title; it produced a football game featuring likenesses of thousands of current and former NFL players, including Brown. Comparing this case to *Parks* does not further Brown's cause.

[15] Brown also asserts that our interpretation of the *Rogers* test in *E.S.S.* to require artistic relevance to "merely ... be above zero," 547 F.3d at 1100, has rendered the *Rogers* test—described in the *Rogers* opinion itself as seeking to strike a "balance" between "the public's interest in free expression" and "protect[ing] the public against flagrant deception," 875 F.2d at 999—an inflexible and mechanical rule that more or less automatically protects expressive works regardless of the deception involved. But a balance need not be designed to find each of the sides weightier with equal frequency. The language in *Rogers* is clear. "[T]hat balance will normally not support application of the [Lanham] Act unless the [use of the trademark or other identifying material] has *no artistic relevance to the underlying work whatsoever*...." 875 F.2d at 999 (emphasis added). The *Rogers* test is applicable when First Amendment rights are at their height—when expressive works are involved—so it is no surprise that the test puts such emphasis on even the slightest artistic relevance. "Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large," *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512, 1516 (9th Cir.1993) (Kozinski, J., dissenting from denial of rehearing en banc), and the *Rogers* test applies when this expense is most significant. Our interpretation of the "artistic relevance" prong of the *Rogers* test in *E.S.S.* is correct, and Brown fails to allege facts that satisfy that prong in this case.

B

[16] Even if the use of a trademark or other identifying material is artistically relevant to the expressive work, the creator of the expressive work can be subject to a Lanham Act claim if the creator uses the mark or material to "explicitly mislead[] [consumers] as to the source or the content of the work." *Rogers*, 875 F.2d at 999. It

its ideas in other ways, and thus that on balance the risk of consumer confusion and trademark dilution outweighed the public interest in free expression. *Id.* at 734–35. As explained in our discussion of *Parks*, this analogy is inapt because there is no similar explicit denial of relevance in this case, and because we presume the truth of Brown's allegations that EA has used his likeness. *American Dairy Queen* also was not a case involving application of the *Rogers* test.

is key here that the creator must *explicitly* mislead consumers. “[T]he slight risk that ... use of a celebrity’s name might implicitly suggest endorsement or sponsorship to some people is outweighed by the danger of restricting artistic expression, and [in cases where there is no explicit misleading] the Lanham Act is not applicable.” *Id.* at 999–1000. This second prong of the *Rogers* 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.” *E.S.S.*, 547 F.3d at 1100 (internal quotation marks and citation omitted). We must ask “whether the [use of Brown’s likeness] would confuse [*Madden NFL*] players into thinking that [Brown] is somehow behind [the games] or that [he] sponsors [EA’s] product,” *id.*, and whether there was an “explicit indication,” “overt claim,” or “explicit misstatement” that caused such consumer confusion, *Rogers*, 875 F.2d at 1001. Brown puts forth several arguments attempting to show that this second prong of the *Rogers* test is satisfied, but each of his arguments is unsuccessful.

[17] First, Brown argues that the use of his likeness in the game coupled with a consumer survey demonstrating that a majority of the public believes that identifying marks cannot be included in products without permission at least raises a triable issue of fact as to the second prong of the *Rogers* test. It is well established that the use of a mark alone is not enough to satisfy this prong of the *Rogers* test. In *MCA*, we noted that if the use of a mark alone were sufficient “it would render *Rogers* a nullity.” 296 F.3d at 902. We reiterated this point in *E.S.S.*, asserting that “the mere use of a trademark alone cannot suffice to make such use explicitly misleading.” 547 F.3d at 1100. Adding survey evidence changes nothing. The test requires that the use be *explicitly* misleading to consumers. To be relevant, evidence must relate to the nature of the behavior of the identifying material’s user, not the impact of the use. Even if Brown could offer a survey demonstrating that consumers of the *Madden NFL* series believed that Brown endorsed the game, that would not support the claim that the use was explicitly misleading to consumers. The Sixth Circuit’s decision in *ETW Corp. v. Jireh Publishing, Inc.*, 332 F.3d 915 (6th Cir.2003), demonstrates this point. In that case, Tiger Woods’ licensing agent, ETW Corporation, brought a Lanham Act claim against the publisher of artwork commemorating Woods’ 1997 victory at The Masters. *Id.* at 918. A survey was produced in which participants were shown the artwork and asked if they thought Tiger Woods was affiliated or connected with the work or had approved or sponsored it. *Id.* at 937 & n. 19. Over sixty percent of the participants answered affirmatively, but the Sixth Circuit asserted: “[P]laintiff’s survey evidence, even if its validity is assumed, indicates at most that some members of the public would draw the incorrect inference that Woods had some connection with [the work]. The risk of misunderstanding, not engendered by any explicit indication on the face of the [work], is so outweighed by the interest in artistic expression as to preclude application of the [Lanham] Act.” *Id.* at 937 (footnote omitted). In *Rogers* itself, the Second Circuit rejected similar survey data for the same reasons. 875 F.2d at 1001.

The use of Brown's likeness together with the cited survey do not provide a valid argument to allow Brown's case to go forward based on this prong of the *Rogers* test.

[18] Second, Brown argues that certain written materials that accompanied versions of the game demonstrate EA's attempts to explicitly mislead consumers about his endorsement or involvement with the game's production. Unlike mere use of the mark or a consumer survey, statements made in materials accompanying the game are at least the right kind of evidence to show that EA tried to explicitly mislead consumers about its relationship with Brown. Here, however, the statements highlighted by Brown do not show any attempt to mislead consumers. Brown points to materials that say that one of the game's features was the inclusion of "[f]ifty of the NFL's greatest players and every All-Madden team." Since Brown is one of the fifty greatest NFL players of all time and has been named to the "All Madden, All Millennium" team, Brown argues that the statement "explicitly represents that Brown was in EA's game." But Brown needs to prove that EA explicitly misled consumers about Brown's endorsement of the game, not that EA used Brown's likeness in the game; nothing in EA's promotion suggests that the fifty NFL players who are members of the All Madden, All Millennium team endorse EA's game. EA's statement is true and not misleading.

[19] Third, Brown argues that the changes made to Brown's likeness for use in certain versions of the game satisfy the second prong of the *Rogers* test. EA made changes to certain versions of the game that might make a consumer of the game less confident that the player in question was intended to be Brown. Most notably, EA changed the jersey number on the Brown avatar from 32 (the number Brown wore in the NFL) to 37. If these changes had any impact on whether consumers believed that Brown endorsed the game, however, surely they made consumers *less* likely to believe that Brown was involved. Brown offers various theories about EA's legal motives in "scrambling" his likeness for use in the game. It may be true that EA was trying to protect itself from being sued for using Brown's likeness, under the Lanham Act or otherwise, but an action that could only make consumers less likely to believe that Brown endorsed *Madden NFL* cannot possibly satisfy the second prong of the *Rogers* test.

[20] Fourth, Brown cites various comments made by EA officials as evidence that the second prong of the *Rogers* test is satisfied. As previously discussed, EA attorneys sent letters to Brown's attorneys stating that "Brown has not appeared in any *Madden NFL* game since 1998" and that "Brown's name and likeness does not appear in *Madden NFL 08* or any packaging or marketing materials associated with the product." Brown claims that EA officials contradicted these statements when they allegedly said at a conference held at USC Law School that EA was able to use the images and likenesses of players because it obtained written authorization from both the NFL players and the NFL. The statements made in letters to Brown's attorneys are irrelevant to this prong of the *Rogers* analysis. They were not made to consumers, and they do not say anything about Brown's endorsement of the game.

The statement allegedly made at the conference is perhaps the closest Brown comes to offering evidence that EA acted in an explicitly misleading manner as to Brown's endorsement of the game, but again, the statement was made to a limited audience, not to consumers. If a similar statement appeared on the back cover of a version of *Madden NFL*, that might satisfy the “explicitly misleading” prong, or at least raise a triable issue of fact, but a statement made at an academic conference about all of the likenesses used in the game could not realistically be expected to confuse consumers as to Brown's involvement.²⁸

IV

[21] Brown also argues that the district court improperly engaged in factfinding in granting EA's motion to dismiss. The district court, in Brown's view, could not possibly have granted the motion to dismiss if it accepted all of the allegations in Brown's complaint as true, as Brown alleges in his complaint that his likeness is not artistically relevant to *Madden NFL* and that EA attempted to mislead consumers about his involvement with *Madden NFL*.

[22] Brown is of course correct that “[o]n a motion to dismiss, the court presumes that the facts alleged by the plaintiff are true.” *Halet v. Wend Inv. Co.*, 672 F.2d 1305, 1309 (9th Cir.1982). We will also “draw[] all reasonable inferences from the complaint in [Brown's] favor.” *Mohamed v. Jeppesen Dataplan, Inc.*, 614 F.3d 1070, 1073 (9th Cir.2010) (en banc) (internal quotation marks omitted). We are not, however, required to “accept any unreasonable inferences or assume the truth of legal conclusions cast in the form of factual allegations.” *Ileto v. Glock Inc.*, 349 F.3d 1191, 1200 (9th Cir.2003). Brown asserts that there is no artistic relevance and that EA attempted to mislead consumers about Brown's involvement with *Madden NFL*, but none of the facts asserted in support of these legal conclusions actually justify the conclusions.

[23] With regard to artistic relevance, even presuming that EA officials have denied the inclusion of Brown's likeness in the game, the district court could

²⁸ Brown argues that a similar statement appearing on the packaging of the 2007 and 2009 versions of *Madden NFL* could explicitly mislead consumers as to Brown's endorsement. The packaging has the logo for the NFL Players Association and says “Officially Licensed Product of NFL PLAYERS.” NFL PLAYERS is the licensing arm of the NFLPA and manages licensing rights for both current players and retired players, so Brown contends that the statement on the packaging could be understood by consumers to mean that retired players, including Brown, endorse the game. We decline to address this argument because Brown did not raise it in his opening brief. See *Friends of Yosemite Valley v. Kempthorne*, 520 F.3d 1024, 1033 (9th Cir.2008). For the same reason, we decline to address Brown's contention that EA explicitly misled consumers by using Brown's likeness on the back covers of the same two versions of the game.

conclude, having reviewed the versions of *Madden NFL* provided to the court,²⁹ that the likeness of a great NFL player is artistically relevant to a video game that aims to recreate NFL games.

[24] With regard to Brown's allegation that EA explicitly misled consumers as to his involvement with the game, the factual support Brown offers is simply of the wrong type. Brown would need to demonstrate that EA *explicitly* misled *consumers* as to his *involvement*. Instead, his allegations, if taken as true, only demonstrate that (1) the public can generally be misled about sponsorship when marks are included in products; (2) EA explicitly stated that Brown's likeness appears in *Madden NFL*; (3) EA tried to disguise its use of Brown's likeness, if anything making consumers less likely to believe that he was involved; (4) EA was dishonest with Brown's attorney about the inclusion of his likeness in the game; and (5) EA suggested to a group of individuals at an academic conference that the players whose likenesses were used in *Madden NFL* had signed licensing agreements with EA. There is simply no allegation that EA explicitly misled consumers as to Brown's involvement, and thus no problem with the district court deciding this issue in response to a motion to dismiss.

V

[25] As expressive works, the *Madden NFL* video games are entitled to the same First Amendment protection as great literature, plays, or books. Brown's Lanham Act claim is thus subject to the *Rogers* test, and we agree with the district court that Brown has failed to allege sufficient facts to make out a plausible claim that survives that test. Brown's likeness is artistically relevant to the games and there are no alleged facts to support the claim that EA explicitly misled consumers as to Brown's involvement with the games. The *Rogers* test tells us that, in this case, the public interest in free expression outweighs the public interest in avoiding consumer confusion. The district court's judgment is thus AFFIRMED.

Questions and Comments

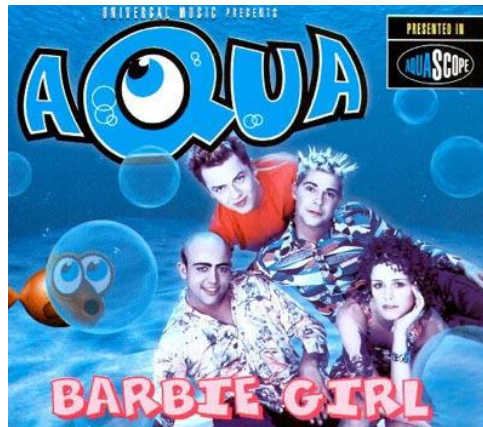
1. *Virtual reality and trademark rights.* Game designers seeking accurately to simulate non-virtual reality face significant challenges as this reality consists more and more of valuable intellectual properties, whether they take the form of public advertisements incorporating trademarks, distinctive product designs, well-known human personalities, or other embodiments. Along with *E.S.S.* and *Brown v. E.A.*, a number of recent trademark cases have sought, not always consistently, to

²⁹ The district court properly considered the versions of *Madden NFL* submitted to the court as part of the complaint itself through the "incorporation by reference" doctrine. See *Kniewel v. ESPN*, 393 F.3d 1068, 1076 (9th Cir.2005). We do the same.

determine when the unauthorized simulation of a trademark constitutes infringement. *See, e.g.*, *VIRAG, S.R.L. v. Sony Computer Entm't Am. LLC*, No. 15 Civ. 01729, 2015 WL 5000102 (N.D. Cal. Aug. 21, 2015) (applying the *Rogers* test to find that *Gran Turismo* racing games' use of plaintiff's mark in depiction of bridge at Autodromo Nazionale Monza racetrack was not infringing). *See also* *Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*, No. 14 Civ. 02361, 2014 WL 6655844 (N.D. Cal. Nov. 24, 2014) (finding to be non-infringing defendant's use of plaintiff's "angry monkey" trademark in defendant's combat simulation *Call of Duty: Ghosts*); *Electronic Arts, Inc. v. Textron Inc.*, 12 Civ. 00118, 2012 WL 3042668 (N.D. Cal. July 25, 2012) (denying declaratory plaintiff's motion to dismiss in dispute over plaintiff's depiction of defendant's helicopter designs in plaintiff's combat simulation *Battlefield 3*); *Dillinger, LLC v. Electronic Arts, Inc.*, 09 Civ. 1236, 2011 WL 2457678 (S.D. Ind. June 16, 2011) (finding to be non-infringing defendant's use of term "Dillinger" in reference to weapons in organized crime simulations *The Godfather* and *The Godfather II*). *Cf.* *In re NCAA Student-Athlete Name & Likeness Licensing Litigation*, 724 F.3d 1268 (9th Cir. 2013)

3. Further Examples of Expressive Use Analyses

Each of the four cases (or controversies) described below is included for a particular reason. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), established just how defendant-friendly is the "noncommercial use" exclusion from dilution liability under Lanham Act § 43(c). *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012), exemplifies the importance of the defendant's casting its expressive conduct as directed towards the plaintiff in particular rather than towards society in general. *MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.*, No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013), offers a recent example of an expressive use case where the court did not trouble itself, on the issue of consumer confusion, with any kind of First Amendment "balancing test," but simply found no likelihood of confusion. Finally, the Louis Vuitton/Penn Law School controversy offers an example of cease-and-desist practice. One may question the wisdom of LV's decision to threaten a law school with numerous distinguished intellectual property law faculty members and many loyal alumni prepared to defend their school, but how might a less-resourced expressive user rationally respond to such a cease-and-desist letter?



Mattel, Inc. v. MCA Records, Inc.
296 F.3d 894 (9th Cir. 2002)

In 1997, the Europop group Aqua released the song “Barbie Girl,” which eventually achieved 11th place on Rolling Stone’s list of the 20 most annoying songs ever³⁰, and which included lyrics such as

I'm a Barbie girl, in the 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!

Mattel, Inc., the manufacturers of the Barbie doll, sued for trademark infringement, including trademark blurring and tarnishment.

The Ninth Circuit affirmed the district court’s grant of summary judgment to the defendant. On the issue of consumer confusion, Judge Kozinski declined to apply the Ninth Circuit’s traditional *Sleekcraft* multifactor test for consumer confusion.

Our likelihood-of-confusion test, *see AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir.1979), generally strikes a comfortable balance between the trademark owner's property rights and the public's expressive interests. But when a trademark owner asserts a right to control how we express ourselves—when we'd find it difficult to describe the product any other way (as in the case of aspirin), or when the mark (like Rolls Royce) has taken on an expressive meaning apart from its source-identifying function—applying the traditional test

³⁰ <http://www.rollingstone.com/music/blogs/staff-blog/the-20-most-annoying-songs-20070702>

fails to account for the full weight of the public's interest in free expression.

Mattel v. MCA, at 901. Instead, Judge Kozinski applied the *Rogers v. Grimaldi* test:

Applying *Rogers* to our case, we conclude that MCA's use of Barbie is not an infringement of Mattel's trademark. Under the first prong of *Rogers*, the use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself. As noted, the song is about Barbie and the values Aqua claims she represents. The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The only indication 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. We therefore agree with the district court that MCA was entitled to summary judgment on this ground.

Id. at 902.

As to blurring and tarnishment, Judge Kozinski found that Aqua's conduct qualified under the "noncommercial use" exemption from liability in then § 43(c)(4)(B), 15 U.S.C. § 1125(c)(4)(B) (Note that the noncommercial use exclusion has been retained in the new § 43(c)(3)(C), 15 U.S.C. § 1125(c)(3)(C) ("any noncommercial use of a mark")). After reviewing the legislative history of the old Federal Trademark Dilution Act, Judge Kozinski reasoned:

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. 60, 66, 103 S.Ct. 2875, 77 L.Ed.2d 469 (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).

...

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.

Id. at 906-907.

For a significantly more subtle (but less defendant-friendly) approach to the question of whether a use qualifies as non-commercial, see *Jordan v. Jewel Food Stores, Inc.*, 743 F.3d 509 (7th Cir. 2014).



Tom Forsythe, *Barbie Enchiladas* (1997)
See www.tomforsythe.com/biography.html



Tom Forsythe, *Malted Barbie* (1997)

See www.tomforsythe.com/biography.html

Mattel, Inc. v. Walking Mountain Productions

353 F.3d 792 (9th Cir. 2003)

Pregerson, Judge:

[1] In the action before us, Plaintiff Mattel Corporation asks us to prohibit Defendant artist Thomas Forsythe from producing and selling photographs containing Mattel's "Barbie" doll. Most of Forsythe's photos portray a nude Barbie in danger of being attacked by vintage household appliances. Mattel argues that his photos infringe on their copyrights, trademarks, and trade dress. We ... affirm the district court's grant of summary judgment to Forsythe.

[The court applied the four copyright fair use factors established in 17 U.S.C. § 107 and found fair use of Mattel's copyrighted Barbie doll. It then turned to the trademark claims.]

[2] We now address whether the district court erred in granting summary judgment in favor of Forsythe on Mattel's claims of trademark and trade dress infringement and dilution....

A. Trademark

....

[3] As we recently recognized in *MCA* ... when marks “transcend their identifying purpose” and “enter public discourse and become an integral part of our vocabulary,” they “assume[] a role outside the bounds of trademark law.” 296 F.3d at 900. Where a mark assumes such cultural significance, First Amendment protections come into play. *Id.* In these situations, “the trademark owner does not have the right to control public discourse whenever the public imbues his mark with a meaning beyond its source-identifying function.” *Id.* See also *New Kids on the Block v. News Am. Publ'g Inc.*, 971 F.2d 302, 307 (9th Cir.1992).

[4] As we determined in *MCA*, Mattel's “Barbie” mark has taken on such a role in our culture. 296 F.3d at 898–99. In *MCA*, Mattel brought an identical claim against MCA Records, producers of a song entitled “Barbie Girl” that contained lyrics that parodied and mocked Barbie. *Id.* at 894. Recognizing that First Amendment concerns in free expression are particularly present in the realm of artistic works, we rejected Mattel's claim. In doing so, we adopted the Second Circuit's First Amendment balancing test for applying the Lanham Act to titles of artistic works as set forth in *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir.1989). *MCA*, 296 F.3d at 902.

....

[5] Application of the *Rogers* test here leads to the same result as it did in *MCA*. Forsythe's use of the Barbie mark is clearly relevant to his work. See *MCA*, 296 F.3d at 902 (“[T]he use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself.”). The Barbie mark in the titles of Forsythe's works and on his website accurately describe the subject of the photographs, which in turn, depict Barbie and target the doll with Forsythe's parodic message. See *id.* (“[T]he song is about Barbie and the values [the defendants] claim[] she represents.”) The photograph titles do not explicitly mislead as to Mattel's sponsorship of the works. See *id.* (“The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The *only* indication 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.” (emphasis in original)).

[6] Accordingly, the public interest in free and artistic expression greatly outweighs its interest in potential consumer confusion about Mattel's sponsorship of Forsythe's works.

B. Trade dress

[7] Mattel also claims that Forsythe misappropriated its trade dress in Barbie's appearance, in violation of the Lanham Act, 15 U.S.C. § 1125. Mattel claims that it possesses a trade dress in the Superstar Barbie head and the doll's overall appearance. The district court concluded that there was no likelihood that the public would be misled into believing that Mattel endorsed Forsythe's photographs despite Forsythe's use of the Barbie figure.

[8] Arguably, the Barbie trade dress also plays a role in our culture similar to the role played by the Barbie trademark—namely, symbolization of an unattainable ideal of femininity for some women. Forsythe's use of the Barbie trade dress, therefore, presumably would present First Amendment concerns similar to those that made us reluctant to apply the Lanham Act as a bar to the artistic uses of Mattel's Barbie trademark in both *MCA* and this case. But we need not decide how the *MCA/Rogers* First Amendment balancing might apply to Forsythe's use of the Barbie trade dress because we find, on a narrower ground, that it qualifies as nominative fair use.

[9] In the trademark context, we recently held that a defendant's use is *classic* fair use where "a defendant has used the plaintiff's mark *only* to describe his own product, *and not at all to describe the plaintiff's product.*" *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002) (emphasis in original). In contrast, a defendant's use of a plaintiff's mark is *nominative* where he or she "used the plaintiff's mark to describe the plaintiff's product, *even if the defendant's ultimate goal is to describe his own product.*" *Id.* (emphasis in original). The goal of a nominative use is generally for the "purposes of comparison, criticism[or] point of reference." *New Kids on the Block*, 971 F.2d at 306. These two mutually exclusive forms of fair use are equally applicable here in the trade dress context.

[10] Applying these fair use standards to the trade dress context, we hold that a defendant's use is *classic* fair use where the defendant has used the plaintiff's dress to describe or identify the defendant's own product and not at all to describe or identify the plaintiff's product. Likewise, a defendant's use is *nominative* where he or she used the plaintiff's dress to describe or identify the plaintiff's product, even if the defendant's ultimate goal is to describe or identify his or her own product.

[11] Forsythe's use of the Barbie trade dress is nominative. Forsythe used Mattel's Barbie figure and head in his works to conjure up associations of Mattel, while at the same time to identify his own work, which is a criticism and parody of Barbie. *See Cairns*, 292 F.3d at 1151. Where use of the trade dress or mark is grounded in the defendant's desire to refer to the plaintiff's product as a point of reference for defendant's own work, a use is nominative.

[12] Fair use may be either nominative or classic. *Id.* at 1150. We recognize a fair use defense in claims brought under § 1125 where the use of the trademark "does not imply sponsorship or endorsement of the product because the mark is

used only to describe the thing, rather than to identify its source.” *New Kids on the Block*, 971 F.2d at 306. Thus, we recently reiterated that, in the trademark context, nominative use becomes nominative *fair use* when a defendant proves three elements:

First, the plaintiff’s product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the plaintiff’s product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Cairns, 292 F.3d at 1151 (quoting *New Kids on the Block*, 971 F.2d at 308).

Forsythe’s use easily satisfies the first element; his use of the Barbie figure and head are reasonably necessary in order to conjure up the Barbie product in a photographic medium. *See id.* at 1153 (“[T]here is no substitute for Franklin Mint’s use of Princess Diana’s likeness on its Diana-related products”). It would have been extremely difficult for Forsythe to create a photographic parody of Barbie without actually using the doll.

[13] Forsythe also satisfies the second element, which requires that a defendant only use so much of a trademark or trade dress as is reasonably necessary. As we recognized in *Cairns*, “[w]hat is ‘reasonably necessary to identify the plaintiff’s product’ differs from case to case.” *Id.* at 1154. Where identification “of the defendant’s product depends on the description [or identification] of the plaintiff’s product, more use of the plaintiff’s trademark” or trade dress is reasonably necessary. *Id.* Given the photographic medium and Forsythe’s goal of representing the social implications of Barbie, including issues of sexuality and body image, Forsythe’s use of the Barbie torso and head is both reasonable and necessary. It would be very difficult for him to represent and describe his photographic parodies of Barbie without using the Barbie likeness.

[14] Though a “closer call than the first two elements” of the nominative fair use analysis, *id.* at 1155, the final element—that the user do nothing that would, in conjunction with use of the mark or dress, suggest sponsorship or endorsement by the trademark or trade dress holder—is satisfied here and weighs in Forsythe’s favor. This element does not require that the defendant make an affirmative statement that their product is not sponsored by the plaintiff. *Id.*

[15] Mattel attempts to argue that Forsythe suggested sponsorship by asserting to potential consumers that one of his photographs “hangs on the wall of the office of Mattel’s President of Production,” to whom Forsythe referred as “Joe Mattel.”

[16] One of the purchasers of Forsythe’s work apparently told Forsythe that he had given the work to this Mattel senior executive as a gift. Forsythe repeated this fact in certain letters to galleries and friends. Forsythe claims that he had no intention of suggesting sponsorship and that he meant the statement humorously. In virtually every promotional packet in which Forsythe mentioned “Joe Mattel,” he

also included a copy of his biography in which he identified himself as “someone criticizing Mattel’s Barbie and the values for which it stands.” The letters in the packets asserted that Forsythe was attempting to “deglamourize[] Barbie,” “skewer[] the Barbie myth,” and expose an “undercurrent of dissatisfaction with consumer culture.” A similar mission statement was prominently featured on his website.

[17] The rest of the materials in these promotional packets sent to galleries reduce the likelihood of any consumer confusion as to Mattel’s endorsement of Forsythe’s work. Any reasonable consumer would realize the critical nature of this work and its lack of affiliation with Mattel. Critical works are much less likely to have a perceived affiliation with the original work. *New Kids on the Block*, 971 F.2d at 309 (finding no suggested sponsorship in part because a poll in a magazine regarding the popularity of the New Kids asked if the New Kids had become a “turn off”). Moreover, even if “Joe Mattel” existed, we question whether possession by a third-party passive recipient of an allegedly infringing work can suggest sponsorship.

[18] We hold that Forsythe’s use of Mattel’s Barbie qualifies as nominative fair use. All three elements weigh in favor of Forsythe. Barbie would not be readily identifiable in a photographic work without use of the Barbie likeness and figure. Forsythe used only so much as was necessary to make his parodic use of Barbie readily identifiable, and it is highly unlikely that any reasonable consumer would have believed that Mattel sponsored or was affiliated with his work. The district court’s grant of summary judgment to Forsythe on Mattel’s trade dress infringement claim was, therefore, proper.

C. Dilution

[19] Mattel also appeals the district court’s grant of summary judgment on its trademark and dress dilution claims. The district court found that Forsythe was entitled to summary judgment because his use of the Barbie mark and trade dress was parody and thus “his expression is a non-commercial use.”

[20] Dilution may occur where use of a trademark “whittle[s] away ... the value of a trademark” by “blurring their uniqueness and singularity” or by “tarnishing them with negative associations.” *MCA*, 296 F.3d at 903 (internal citations omitted). However, “[t]arnishment caused merely by an editorial or artistic parody which satirizes plaintiff’s product or its image is not actionable under an anti-dilution statute because of the free speech protections of the First Amendment...” 4 *McCarthy*, *supra*, § 24:105, at 24-225. A dilution action only applies to purely commercial speech. *MCA*, 296 F.3d at 904. Parody is a form of noncommercial expression if it does more than propose a commercial transaction. *See id.* at 906. Under *MCA*, Forsythe’s artistic and parodic work is considered noncommercial speech and, therefore, not subject to a trademark dilution claim.

[21] We reject Mattel’s Lanham Act claims and affirm the district court’s grant of summary judgment in favor of Forsythe. Mattel cannot use “trademark laws to ... censor all parodies or satires which use [its] name” or dress. *New Kids on the Block*, 971 F.2d at 309.

[As Tom Forsythe’s website notes, www.tomforsythe.com/the-fight-for-free-speech.html, the district court eventually ordered Mattel to pay Forsythe’s legal fees in the amount of \$1.9 million. See *Mattel, Inc. v. Walking Mountain Productions*, 2004 WL 1454100 (C.D.Cal., June 21, 2004). This was in addition to the Ninth Circuit’s determination that Mattel should pay the costs of the appeal. See *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 816 (9th Cir. 2003).]



Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.

No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012)

In *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012), the defendant automobile company ran a television commercial during the post-game show of the 2010 Super Bowl which it

described as “a humorous, socio-economic commentary on luxury defined by a premium price tag, rather than by the value to the consumer.” The commercial included a one-second shot of a basketball decorated with a pattern resembling the trademarks of the plaintiff. Plaintiff sued for trademark infringement.

The court granted LV’s motion for summary judgment on its dilution claim. After working through the test for blurring under the TDRA, the court considered whether Hyundai’s use qualified under the Lanham Act § 43(c)(3)(A)(ii), 15 U.S.C. § 1125(c)(3)(A)(ii), exception from dilution liability for “identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.” The court found that it did not so qualify. The court quoted at length from the deposition testimony of Christopher J. Perry, a marketing executive at Hyundai at the time the commercial was created:

Q. Okay. Why didn't you just use the [un-altered] Louis Vuitton marks?

A. I don't recall the—Innocean came back to us and suggested adjustments.

Q. Well, why didn't you say, gee, to make the association even stronger, let's just use the Louis Vuitton marks?

A. The intent of the spot wasn't to—was to portray these over-the-top overwhelming luxury ideas.

Q. Right. And, in fact, you weren't commenting in any way or giving any commentary on Louis Vuitton, were you?

[Defense counsel]: Objection to the form. You may answer.

A. No.

Q. And the point here was not to actually make fun of Louis Vuitton or criticize Louis Vuitton, was it?

[Defense counsel]: Objection to the form.

A. That is correct.

Q. So why not use the Louis Vuitton marks themselves?

[Defense counsel]: Asked and answered. You may answer.

A. I suppose we could have. We opted not to. It wasn't the intent to try to—the intent wasn't specific to—the same reason why we didn't use specific brands on any of the other things we did. It was just to convey luxury. And to your point that the brown and gold conveyed luxury.

Q. The intent wasn't to say anything about Louis Vuitton, was it?

[Defense counsel]: Asked and answered.

A. Correct

Louis Vuitton v. Hyundai, at 17.

Based on this and other testimony, and indeed on defendant's counsel's repeated statements to the court that the commercial at issue did not seek to comment directly on Louis Vuitton, the court found that the commercial could not qualify as "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner."



MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.
No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013)

In *MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.*, No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013), the defendant clothing store began selling a t-shirt (shown above on left) bearing the phrase "The Fitchuation" in February 2010. "The Fitchuation" referred to Michael Sorrentino, one of the stars of the reality television show *Jersey Shore*, which ran on MTV from 2009 to 2012 (above on right). In October 2010, Sorrentino, through the plaintiff, filed an application at the PTO to register the mark THE SITUATION for entertainment services. At the time of the opinion, Sorrentino was selling t-shirts on his website containing the words "The Situation" and "Official Situation Nation."

In 2011, after Sorrentino appeared in the show wearing various of the defendant's trademarks, the defendant sent a letter to MTV offering to pay up to \$10,000 to cast members not to wear any clothing bearing Abercrombie & Fitch trademarks. The letter stated:

A & F obviously has not sought product placement on the show, and we believe that, since the character portrayed by Mr. Sorrentino is not brand appropriate, his display of A & F clothing could be

misconstrued as an endorsement by him of our clothing or—worse—an endorsement by A & F of his wearing our clothing.

We have no interest at this point in pursuing any sort of legal action against MTV or the producers of “Jersey Shore.” In fact, we would be willing to pay MTV or Mr. Sorrentino or other characters up to \$10,000 NOT to wear any clothing bearing the “ABERCROMBIE & FITCH,” “A & F,” “FITCH,” “MOOSE” or related trademarks. For additional episodes aired this season, we would appreciate it if you would ensure that our brands are pixilated or otherwise appropriately masked.

Id. at *2. Defendant also issued a press release announcing its offer to the cast members of Jersey Shore and singled out Sorrentino by name: “We have therefore offered a substantial payment to Michael ‘The Situation’ Sorrentino and the producers of MTV’s *The Jersey Shore* to have the character wear an alternate brand.” *Id.*

Plaintiff sued on the ground that the t-shirt bearing the term “The Fitchuation” and the press release violated his trademark rights.

The court granted the defendant’s motion for summary judgment. It applied the Eleventh Circuit’s multifactor test for the likelihood of consumer confusion to find that the t-shirt did not create a likelihood of confusion. As to the similarity of the marks factor,

The target of A & F’s parody is “The Situation.” The t-shirt expresses “The Fitchuation” visually and phonetically different than “The Situation.” There is no evidence of A & F “palming off” its t-shirt as that of the plaintiffs where, as here, the t-shirt has the A & F inside label and prominently uses A & F’s own famous trademark “Fitch” as part of the parody.

Id. at *7. On the proximity of the goods or services,

A & F’s apparel goods are dissimilar to the plaintiffs’ entertainment services. The plaintiffs concede that they did not offer apparel under a “Situation” mark until after A & F introduced “The Fitchuation” t-shirt. There is no evidence that the public attributes the parties’ respective goods and services to the same single source.

Id. The court found in favor of the defendant on the intent and actual confusion factors as well.

As to the press release, the court found nominative fair use:

The Court finds that the use of Michael Sorrentino’s name and nickname in the press release was a non-actionable fair use under trademark law. A & F used only so much of the plaintiff’s name as was reasonably necessary to respond to his wearing A & F’s brand on *The Jersey Shore*, and did not do anything that would suggest Sorrentino’s sponsorship or

endorsement. A & F's press release expressly disassociated Sorrentino from A & F, and the plaintiffs have conceded that no third party has expressed any confusion that the press release rejecting Sorrentino's image somehow suggested sponsorship or endorsement by Sorrentino.

Id. at *13.

The Louis Vuitton / Penn Law School Controversy

Shown below is the poster at issue, Louis Vuitton's cease and desist letter, and Penn's response, to which LV did not reply. Given the arguments made in the two letters, which side has the better of the argument?



Penn Intellectual Property Group
Annual Symposium

Fashion Law

4:35 Panel 1
Trademark and the Fast Fashion Phenomenon
Moderator: Gideon Parchomovsky, Penn Law
Barton Beebe, NYU School of Law
Avry Fischer, O.C., Ralph Lauren
Young Kwon, O.C., Forever 21
Susan Scafidi, Fordham Law School
Susanne White, Assoc. O.C., Coach, Inc.

5:40 Panel 2
**Copyright for Fashion Design:
Evaluating the IDPPFA**
Moderator: Rhyamkrishna Balganes, Penn Law
Johanna Blackley, Norman Lear Center, USC
David Faux, New York State Bar Association,
Fashion Law Committee Chair
Barbara Kolsun, O.C., Stuart Weitzman
Michelle Marsh, Kenyon & Kenyon LLP
Staci Riordan, Fox Rothschild LLP

6:45 Keynote
"Copyright and the Fall Line"
David Nimmer
UCLA School of Law, Irell & Manella LLP

March 20, 2012
4:30 p.m. to 7:45 p.m.
Reception to follow.
Levy Conference Center
University of Pennsylvania Law School

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The program has been approved for 3 hours of substantive law credit
and 6 hours of ethics credit for Pennsylvania lawyers. Credit may be
available in other jurisdictions as well.



By Electronic and First Class Mail

February 29, 2012

Dean Michael A. Fitts
University of Pennsylvania Law School
3501 Sansom Street
Philadelphia, Pennsylvania 19104

Re: IP Issues in Fashion Law

Dear Dean Fitts:

I am the Director of Civil Enforcement, North America, for Louis Vuitton Malletier ("Louis Vuitton"). I write to express our concerns over the unauthorized use of our trademarks to promote the March 20, 2012 Penn Intellectual Property Group event, "IP Issues in Fashion Law."

Louis Vuitton is the owner of world famous registered and common law trademarks, including the following trademarks as shown below (the "LV Trademarks"):



Georges Vuitton, Louis Vuitton's son, created the "Toile Monogram" pattern, comprised of the initial LV and three distinctive design elements -- a circle with a four-leafed flower inset; a curved beige diamond with a four-point star inset; and its negative -- in the 1890's to protect the Louis Vuitton brand from unlawful imitators. Since that time, Louis Vuitton has manufactured and sold products bearing the Toile Monogram and secured numerous federal trademark registrations for the LV Trademarks, including the Toile Monogram and each of the elements of the pattern.

Since its founding in 1854, Louis Vuitton has built up a worldwide reputation for its design, innovation, quality and style in women's and men's leather goods and fashion apparel and accessories. The LV Trademarks, including the Toile Monogram, are among the most famous trademarks in the luxury goods industry and the world. To help protect its valuable trademarks and to preserve the good will and exclusivity of Louis Vuitton designs, Louis Vuitton closely



LOUIS VUITTON NORTH AMERICA, INC. 1 EAST 57TH STREET NEW YORK, NEW YORK 10022



Dean Michael A. Fitts
February 29, 2012
Page 2

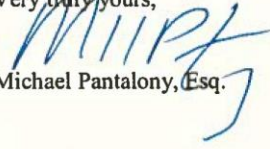
controls the sale of its products and the use of its trademarks, and has devoted and continues to devote substantial resources to protect the LV Trademarks.

While every day Louis Vuitton knowingly faces the stark reality of battling and interdicting the proliferation of infringements of the LV Trademarks, I was dismayed to learn that the University of Pennsylvania Law School's Penn Intellectual Property Group had misappropriated and modified the LV Trademarks and Toile Monogram as the background for its invitation and poster for the March 20, 2012 Annual Symposium on "IP Issues in Fashion Law." A copy of the invitation/poster is attached as Exhibit A.

This egregious action is not only a serious willful infringement and knowingly dilutes the LV Trademarks, but also may mislead others into thinking that this type of unlawful activity is somehow "legal" or constitutes "fair use" because the Penn Intellectual Property Group is sponsoring a seminar on fashion law and "must be experts." People seeing the invitation/poster may believe that Louis Vuitton either sponsored the seminar or was otherwise involved, and approved the misuse of its trademarks in this manner. I would have thought the Penn Intellectual Property Group, and its faculty advisors, would understand the basics of intellectual property law and know better than to infringe and dilute the famous trademarks of fashion brands, including the LV Trademarks, for a symposium on fashion law. (Louis Vuitton believes that education of the public about intellectual property issues is important and has sponsored such activities in the past. In fact, Louis Vuitton is a corporate sponsor of Fordham Law School's Fashion Law Institute).

Louis Vuitton is proud of its reputation for protecting intellectual property and creativity. We hope, and expect now that this action has been brought to your attention, that immediate steps will be taken to stop all use of this invitation/poster that violates the LV Trademarks. Please contact me within five days to assure me that steps have been taken to avoid confusion and dilution of the LV Trademarks. Your understanding and anticipated cooperation is appreciated.

Very truly yours,


Michael Pantalony, Esq.

Attachment



Robert F. Firestone, Esq.
Associate General Counsel
Direct Dial: 215.746.5266
Robert.firestone@ogc.upenn.edu

March 2, 2012

Via Email M.Pantalony@us.vuitton.com and First Class Mail

Michael Pantalony, Esq.
Director, Civil Enforcement, North America
Louis Vuitton Malletier
1 East 57th Street
New York, NY 10022

Dear Mr. Pantalony:

I represent the University of Pennsylvania, its Law School, and a student group at the Law School, the Pennsylvania Intellectual Property Group (PIPG), and Dean Michael Fitts forwarded your February 29, 2012 letter to me.

PIPG does not agree that the artwork on its poster and invitation infringes any of Louis Vuitton's trademarks, nor does it dilute any of those trademarks. In fact, 15 U.S.C. 1125(c)(3) expressly protects a noncommercial use of a mark and a parody from any claim for dilution. There also is no violation of 15 U.S.C. 1125(a) because there is no likelihood of confusion that Louis Vuitton sponsored or is associated with PIPG's annual educational symposium.

You assert that the clever artwork parody that appears on the poster and invitation is a "serious willful infringement." However, to constitute trademark infringement under the Lanham Act, PIPG has to be using a trademark in interstate commerce, which is substantially similar to Louis Vuitton's mark(s), and which is likely to cause confusion between Louis Vuitton's luxury apparel goods and PIPG's educational conference among the relevant audience. First, I don't believe that PIPG's artwork parody was adopted as, or is being used as, a trademark to identify any goods and services. It is artwork on a poster to supplement text, designed to evoke some of the very issues to be discussed at the conference, including the importance of intellectual property rights to fashion companies, the controversy over the proposed Innovative Design Protection and Piracy Prevention Act, and the exceptions in the law to liability for dilution, including parody. Second, although you don't cite the actual federal trademark registrations that you assert protect your marks, I doubt any of them are registered in Class 41 to cover educational symposia in intellectual property law issues. There is no substantial similarity between the goods identified by Louis Vuitton's marks and the PIPG educational symposium. Third, there is no likelihood of confusion possible here. The lawyers, law students, and fashion industry executives who will attend the symposium certainly are unlikely to think that Louis Vuitton is organizing the conference; the poster clearly says that PIPG has organized the event, with support from Penn Law and a number of nationally-known law firms. The artwork on the poster and invitation does not constitute trademark infringement.

Office of the General Counsel
133 South 36th Street, Suite 300 Philadelphia, PA 19104-3246
Tel 215-746-5200 Fax 215-746-5222



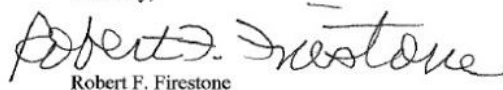
You also state that PIPG's use of its artwork parody knowingly dilutes the Louis Vuitton trademarks. I disagree. First, PIPG has not commenced use of the artwork as a mark or trade name, which is a prerequisite for any liability under 15 U.S.C. 1125(c)(1). More importantly, however, even if PIPG has used the artwork as a mark, there is an explicit exception to any liability for dilution by blurring or dilution by tarnishment for "any noncommercial use of a mark." 15 U.S.C. 1125(c)(3)(C). A law student group at a non-profit university promoting its annual educational symposium is a noncommercial use. Lastly, the artwork clearly is a fair use under 15 U.S.C. 1125(c)(3)(A), and a parody protected under 15 U.S.C. 1125(c)(3)(A)(ii). See also Louis Vuitton Malletier vs. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007).

The poster and invitation are clear that Louis Vuitton is not a sponsor of the symposium, and no reasonable person would be confused or deceived as to sponsorship, affiliation, connection or association regarding Louis Vuitton and PIPG's conference, merely because of the clever artwork parody illustrating the invitation and poster. I do not think there is any liability under 15 U.S.C. 1125(a)(1), either.

Therefore, I will be advising PIPG that it may continue to use posters and invitations to its annual symposium that contain the artwork to which Louis Vuitton objects, without violating any of Louis Vuitton's legitimate trademark rights. I realize that Steven Barnes, the Associate Dean for Communications at the Law School, previously sent you an email stating that PIPG would stop using the posters and invitations. However, Mr. Barnes sent that email before seeking legal advice from our office and without sharing that legal advice with PIPG. Now that we have had the time to consider your letter and investigate the facts and the law, I will be advising the students otherwise.

If there is any need to discuss this further, please contact me directly. In addition, I encourage you to attend the symposium on March 20, 2012. Educating our students about both the rights of, and the defenses against, intellectual property owners, is a key goal of the symposium. The students have invited some of the in-house counsel from some of your peer fashion companies to speak on the panels, and I am sure the students would welcome your attendance as well. If you are able to come, please let me know, so I can introduce myself in person, and try to introduce you to some of the Penn Law faculty and students working to make their annual educational symposium about the unique and challenging intellectual property issues in the fashion industry a success.

Sincerely,


Robert F. Firestone

Cc: Dean Michael Fitts, University of Pennsylvania Law School

Office of the General Counsel
133 South 36th Street, Suite 300 Philadelphia, PA 19104-3246
Tel 215-746-5200 Fax 215-746-5222

D. Trademark Abandonment

A defendant may show that a mark has been abandoned and is thus unprotectable by showing either that (1) the plaintiff has ceased to use the mark and has no intent to resume use, or (2) the plaintiff has failed to control the use of the mark (for example, by licensing its use indiscriminately) with the result that the mark has lost its significance as a designation of source. These two modes of abandonment are based on the definition of “abandoned” in Lanham Act § 45, 15 U.S.C. § 1127:

A mark shall be deemed to be “abandoned” if either of the following occurs:

(1) 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.

(2) When 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.

1. Abandonment Through Cessation of Use

The following excerpt is taken from *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), parts of which we have already considered in Part I.E.3 in connection with the well-known marks doctrine. The reader will recall that, in 1986, the plaintiff ITC Ltd. opened a restaurant under the name Bukhara in New York City. In 1987, the plaintiff entered into a franchise agreement for a Burkhara restaurant in Chicago. Also in 1987, the plaintiff registered at the PTO the mark BUKHARA in connection with “restaurant services” (See U.S. Trademark Registration No. 1,461,445 (Oct. 13, 1987)). The New York City restaurant closed in 1991 and ITC cancelled its Chicago franchise in 1997. In 1999, the defendant Punchgini, Inc. opened the restaurant Bukhara Grill in New York City. In 2003, the plaintiff sued for trademark infringement.

ITC Ltd. v. Punchgini, Inc.

482 F.3d 135, 145-53 (2d Cir. 2007)

Raggi, Circuit Judge:

B. Trademark Infringement

[1] ITC sues defendants for trademark infringement in violation of both federal and state law. Under section 32(1)(a) of the Lanham Act, *see* 15 U.S.C. § 1114(1)(a), the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner's consent. Similarly, under New York state law, a mark owner may maintain a statutory or common law action against a party who engages in unauthorized use of the mark. *See* N.Y. Gen. Bus. Law § 360-k (McKinney 2006) (protecting registered marks); *Norden Rest. Corp. v. Sons of the Revolution*, 51 N.Y.2d 518, 522–23, 434 N.Y.S.2d 967, 968, 415 N.E.2d 956 (1980) (acknowledging common law rights in unregistered marks). Even if a plaintiff makes the showing required by federal and state law, however, the alleged infringer may nevertheless prevail if it can establish the owner's prior abandonment of the mark. *See* 15 U.S.C. § 1115(b)(2); *Nercessian v. Homasian Carpet Enter., Inc.*, 60 N.Y.2d 875, 877, 470 N.Y.S.2d 363, 364, 458 N.E.2d 822 (1983) (holding that “rights in a trade name may be lost by abandonment”). Indeed, abandonment is not only an affirmative defense to an infringement action; it is a ground for cancelling a federally registered mark. *See* 15 U.S.C. § 1064(3).

[2] Relying on this principle, defendants submit that ITC's infringement claim is necessarily defeated as a matter of law by proof that, by the time they opened their Bukhara Grill restaurants in New York, ITC had effectively abandoned the Bukhara mark in the United States. Like the district court, we conclude that defendants successfully established abandonment as a matter of law, warranting both summary judgment in their favor and cancellation of ITC's registered mark.

1. The Doctrine of Abandonment

[3] The abandonment doctrine derives from the well-established principle that trademark rights are acquired and maintained through use of a particular mark. *See Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581 (2d Cir.1990) (“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.” (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918))). This is true even of marks that have been registered with the Patent and Trademark Office. *See Basile, S.p.A. v. Basile*, 899 F.2d 35, 37 n. 1 (D.C.Cir.1990) (“Although [a mark's] registration is a predicate to its protection under [section 32(1)(a) of] the Lanham Act, the underlying right depends not on registration but rather on use.”). Indeed, one of the fundamental premises underlying the registration provisions in the Lanham Act is that trademark rights flow from priority and that priority is acquired through use. *See, e.g.*, 15 U.S.C. § 1057(c) (stating that registration of mark “shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect ... against any other person except for a person whose mark has not been abandoned and who, prior to such filing[,] ... has used the mark”). Thus, so long as a person is the first to use a

particular mark to identify his goods or services in a given market, and so long as that owner continues to make use of the mark, he is “entitled to prevent others from using the mark to describe their own goods” in that market. *Defiance Button Mach. Co. v. C & C Metal Prods. Corp.*, 759 F.2d 1053, 1059 (2d Cir.1985); *see also Sengoku Works v. RMC Int’l*, 96 F.3d 1217, 1219 (9th Cir.1996) (“It is axiomatic in trademark law that the standard test of ownership is priority of use.”).

[4] If, however, an owner ceases to use a mark without an intent to resume use in the reasonably foreseeable future, the mark is said to have been “abandoned.” *See Silverman v. CBS, Inc.*, 870 F.2d 40, 45 (2d Cir.1989); 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 17:5, at 17–8 (4th ed.2002) (observing that “abandonment” refers to situations involving the “non-use of a mark, coupled with an express or implied intention to abandon or not to resume use”). Once abandoned, a mark returns to the public domain and may, in principle, be appropriated for use by other actors in the marketplace, *see Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. P’ship*, 34 F.3d 410, 412 (7th Cir.1994), in accordance with the basic rules of trademark priority, *see Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628, 630 (2d Cir.1980).

2. Demonstrating Abandonment

[5] The party asserting abandonment bears the burden of persuasion with respect to two facts: (1) non-use of the mark by the legal owner, and (2) lack of intent by that owner to resume use of the mark in the reasonably foreseeable future. *See* 15 U.S.C. § 1127; *Stetson v. Howard D. Wolf & Assocs.*, 955 F.2d 847, 850 (2d Cir.1992); *Silverman v. CBS, Inc.*, 870 F.2d at 45; *see also On-Line Careline, Inc. v. America Online, Inc.*, 229 F.3d 1080, 1087 (Fed.Cir.2000) (placing burden of persuasion on party seeking cancellation on ground of abandonment); *Warner Bros. Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 334 (2d Cir.1983) (placing burden of persuasion on party asserting abandonment as defense).

[6] ITC concedes that defendants satisfied the first element through proof that ITC has not used the Bukhara mark for restaurant services in the United States since August 28, 1997. Nevertheless, ITC insists that a triable issue of fact exists with respect to its intent to resume use of the service mark in the United States. To the extent the district court concluded otherwise, ITC submits the court applied an incorrect legal standard. To explain why we are not persuaded by this argument, we begin by discussing the particular legal significance of non-use of a registered mark for a period of at least three years.

3. Prima Facie Evidence of Abandonment

[7] The Lanham Act expressly states that “[n]onuse” of a mark “for 3 consecutive years shall be prima facie evidence of abandonment.” 15 U.S.C. § 1127. This court has explained that the term “prima facie evidence” in this context means

“a rebuttable presumption of abandonment.” *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir.1980); accord *Silverman v. CBS, Inc.*, 870 F.2d at 45.

The role played by such a presumption is best understood by reference to Rule 301 of the Federal Rules of Evidence:

In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or to meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of non-persuasion, which remains throughout the trial upon the party on whom it was originally cast.

Fed.R.Evid. 301. Although the term “presumption” is not specifically defined in the Rules of Evidence, it is generally understood to mean “an assumption of fact resulting from a rule of law which requires such fact to be assumed from another fact or group of facts found or otherwise established in the action.” 21B Charles Alan Wright & Kenneth W. Graham, Jr., *Federal Practice and Procedure* § 5124 (2d ed.2005); accord Joseph M. McLaughlin, Jack B. Weinstein & Margaret A. Berger, *Weinstein's Federal Evidence* § 301.02[1] (2d ed.2006); see also *Texas Dep't of Cmty. Affairs v. Burdine*, 450 U.S. 248, 256 n. 10 (1981) (describing presumption as “legally mandatory inference”). The assumption ceases to operate, however, upon the proffer of contrary evidence. See generally *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1037 (Fed.Cir.1992) (observing that under Rule 301, a “presumption is not merely rebuttable but completely vanishes upon the introduction of evidence sufficient to support a finding of the nonexistence of the presumed fact”); *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d at 1043 (suggesting that presumption of abandonment “disappears when rebutted by contrary evidence”).

[8] Thus, in this case, the statutory presumption of abandonment requires that one fact, i.e., abandonment, be inferred from another fact, i.e., non-use of the mark for three years or more. The significance of a presumption of abandonment is to shift the burden of production to the mark owner to come forward with evidence indicating that, despite three years of non-use, it intended to resume use of the mark within a reasonably foreseeable time. See *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1579 (Fed.Cir.1990) (noting that triggering of presumption “eliminates the challenger's burden to establish the [lack of] intent [to resume use] element of abandonment as an initial part of its case”); see also *Cumulus Media, Inc. v. Clear Channel Commc'ns*, 304 F.3d 1167, 1176–77 (11th Cir.2002); *On-Line Careline, Inc. v. America Online, Inc.*, 229 F.3d at 1087. The ultimate burden of persuasion on the issue of abandonment, however, remains at all times with the alleged infringer. See *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d 531, 536 (4th Cir.2000).

4. The Evidence Necessary to Defeat a Presumption of Abandonment

[9] This court has observed that “to overcome a presumption of abandonment after a sufficiently long period of non-use, a defendant need show only an intention to resume use ‘within the reasonably foreseeable future.’ ” *Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d 462, 468 n. 2 (2d Cir.2005) (quoting *Silverman v. CBS, Inc.*, 870 F.2d at 45). ITC submits that the district court erred in imposing a stricter standard, specifically requiring ITC to adduce “‘objective, hard evidence of actual concrete plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate’” to defeat defendants’ summary judgment motion. *ITC Ltd. v. Punchgini, Inc.*, 373 F.Supp.2d at 280 (quoting *Emmpresa Cubana Del Tabaco v. Culbro Corp.*, 213 F.Supp.2d 247, 268–69 (S.D.N.Y.2002)).

[10] This court has, in fact, criticized the particular language quoted by the district court, observing that such a “heavy burden” is not required by our precedent. *See Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d at 467 n. 2. Courts and commentators are in general agreement that proffered evidence is “sufficient” to rebut a presumption as long as the evidence could support a reasonable jury finding of “the nonexistence of the presumed fact.” *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1464 (Fed.Cir.1998); *see also* McLaughlin, Weinstein & Berger, *supra*, § 301.02 [3] [c] (stating that “the opponent of a presumed fact, in order to rebut, generally has the burden of presenting evidence so that a reasonable jury could be convinced of the non-existence of the presumed fact”); Wright & Graham, *supra*, § 5126 (“Most writers ... interpret 301 to require that rebutting evidence suffice to support a finding of the non-existence of the presumed fact.”). In short, upon defendants’ presentation of evidence establishing a *prima facie* case of abandonment under the Lanham Act, ITC was required to come forward only with such contrary evidence as, when viewed in the light most favorable to ITC, would permit a reasonable jury to infer that it had not abandoned the mark. Specifically, it needed to adduce sufficient evidence to permit a reasonable jury to conclude that, in the three-year period of non-use—from August 28, 1997, when ITC terminated the Chicago Bukhara franchise, to August 28, 2000—ITC nevertheless maintained an intent to resume use of its registered mark in the reasonably foreseeable future.³¹

³¹ Although we have not previously stated specifically that a mark holder’s intent to resume use of the mark must be formulated during the three-year period of non-use, we do so now, noting that two other circuit courts have also reached this conclusion. *See, e.g., Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d at 1580–81 [Fed. Cir.] (expressly recognizing that intent must be formulated during non-use period); *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d at 537 [4th Cir.] (same). Indeed, we think this conclusion follows naturally from the fact that an abandoned mark may be appropriated for use by other actors in the marketplace. An intent to resume use of the mark formulated after more than three years of non-use cannot be invoked to dislodge the rights of another party who has commenced use of a mark—thereby acquiring priority rights in that mark—after three years of

See Silverman v. CBS, Inc., 870 F.2d at 47; accord *Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d at 467 n. 2. Hard evidence of concrete plans to resume use of the mark would certainly carry this burden. But we do not foreclose the possibility that other circumstances, viewed in the light most favorable to the non-movant, might also support the necessary jury inference of intent. *See, e.g., Geneva Pharms. Tech. Corp. v. Barr Labs., Inc.*, 386 F.3d 485, 506 (2d Cir.2004) (looking to totality of circumstances to infer intent).

5. Defendants' Entitlement to Summary Judgment

a. The District Court Did Not Apply an Incorrect Standard

[11] Applying these principles to this case, we preliminarily observe that, despite the language cited by ITC, the district court does not appear to have based its summary judgment award on a too strict evidentiary standard of rebuttal with respect to the presumption of abandonment. To the contrary, the district court's ruling, when considered in its entirety, reveals a careful review of the totality of the evidence adduced by ITC and a correct conclusion that no circumstances were adduced from which a reasonable jury could infer that, during the relevant three-year period of non-use, ITC nevertheless intended to resume use of the registered mark in the United States in the reasonably foreseeable future. *See ITC Ltd. v. Punchgini, Inc.*, 373 F.Supp.2d at 280 (stating that ITC had "failed to come forward with any evidence of ... 'activities it engaged in during the nonuse period ... from which an intent to resume use ... may be reasonably inferred' ... to rebut the statutory presumption of abandonment at trial" (quoting *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d at 1580)).

[12] Even if the district court had applied an erroneous standard, however, we would still affirm its judgment if, upon applying the proper standard on our own review of the record, we were to identify no genuine issue of material fact requiring trial. *See Baker v. Home Depot*, 445 F.3d 541, 546 (2d Cir.2006) (noting that we may affirm a district court decision on any grounds for which there is a record sufficient to permit conclusions of law); *Stetson v. Wolf*, 955 F.2d at 850 (observing in abandonment case that "[a]n appellate court has the power to decide cases on appeal if the facts in the record adequately support the proper result"). This is such a case.

b. ITC's Failure to Adduce Evidence from Which a Reasonable Jury Could Infer Intent to Resume Use

[13] As this court has recognized, "intent is always a subjective matter of inference and thus rarely amenable to summary judgment." *Saratoga Vichy Spring*

non-use. We do not, however, foreclose the use of evidence arising after the relevant three-year period to demonstrate an intent *within* that period to resume use.

Co. v. Lehman, 625 F.2d at 1044. At the same time, however, “ ‘[t]he summary judgment rule would be rendered sterile ... if the mere incantation of intent or state of mind would operate as a talisman to defeat an otherwise valid motion.’ ” *Distasio v. Perkin Elmer Corp.*, 157 F.3d 55, 61–62 (2d Cir.1998) (quoting *Meiri v. Dacon*, 759 F.2d 989, 997 (2d Cir.1985)). The latter point is particularly relevant in the context of an abandonment dispute, because “[i]n every contested abandonment case, the respondent denies an intention to abandon its mark; otherwise there would be no contest.” *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d at 1581. Thus, courts have generally held that a trademark owner cannot rebut a presumption of abandonment merely by asserting a subjective intent to resume use of the mark at some later date. See *Vais Arms, Inc. v. Vais*, 383 F.3d 287, 294 (5th Cir.2004) (“At most, [the mark owner's] affidavit establishes only his subjective, uncommunicated desire not to abandon the mark, without any indication of when or how he intended to resume its commercial use; it does not establish a genuine issue as to his intent to abandon.”); *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d at 537 (“[T]he owner of a trademark cannot defeat an abandonment claim ... by simply asserting a vague, subjective intent to resume use of a mark at some unspecified future date.”); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d at 1581 (“An averment of no intent to abandon is little more than a denial in a pleading, which is patently insufficient to preclude summary judgment on the ground the facts are disputed.”); see also *Silverman v. CBS, Inc.*, 870 F.2d at 47 (“A bare assertion of possible future use is not enough.”). Rather, to rebut a presumption of abandonment on a motion for summary judgment, the mark owner must come forward with evidence “with respect to ... what outside events occurred from which an intent to resume use during the nonuse period may reasonably be inferred.” *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d at 1581; accord *Emergency One, Inc. v. American FireEagle, Ltd.*, 228 F.3d at 537–38; see also *Silverman v. CBS, Inc.*, 870 F.2d at 47 (noting that presumption of abandonment can be rebutted “by showing reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate”³²).

³² The two factors identified in *Silverman* are not distinct but intertwined. A mark owner's reason for suspending use of a mark is relevant to abandonment analysis only as circumstantial evidence shedding possible light on his intent to resume future use within a reasonable period of time. In short, not every “reasonable suspension” will necessarily rebut a presumption of abandonment. See *Silverman v. CBS, Inc.*, 870 F.2d at 47 (observing that “however laudable one might think CBS's motives to be, such motives cannot overcome the undisputed fact that CBS has not used its mark for more than 20 years and that, even now, it has no plans to resume [its] use in the reasonably foreseeable future,” and further noting that “we see nothing in the statute that makes the consequence of an intent not to resume use turn on the worthiness of the motive for holding such intent”).

[14] ITC argues that four facts would allow a reasonable factfinder to infer its intent to resume use of the Bukhara mark for restaurants in the United States: (1) the reasonable grounds for its suspension of use of the mark, (2) its efforts to develop and market a Dal Bukhara line of packaged food, (3) its attempts to identify potential United States restaurant franchisees, and (4) its continued use of the Bukhara mark for restaurants outside the United States. We are not persuaded.

(1) Grounds for Suspending Use

[15] ITC advances two reasons for suspending use of the Bukhara mark in the United States from 1997 to 2000: (a) Indian regulations requiring it to return profits earned abroad severely hindered its ability to open and operate profitable Bukhara restaurants in the United States, and (b) depressed market conditions in the hospitality industry from 1988 to 2003 inhibited its development of franchise partnerships in the United States. Because these reasons are unsupported by record evidence, they plainly cannot demonstrate the requisite intent.³³

[16] As to the first point, the record indicates that many of the Indian regulations cited by ITC had been in effect since 1973. Clearly, these regulations did not prevent ITC from opening its Bukhara restaurant in New York in 1986 or from licensing a Bukhara restaurant in Chicago in 1987. Although ITC submits that the regulations were a significant factor in the failure of these two restaurants, no evidence was adduced to support this conclusory assertion. *See generally Bridgeway Corp. v. Citibank*, 201 F.3d 134, 142 (2d Cir.2000) (holding that conclusory statements, conjecture, and inadmissible evidence are insufficient to defeat summary judgment). Indeed, the record is to the contrary. When, at deposition, an ITC corporate representative was asked why the New York Bukhara closed, he replied simply that the restaurant was highly leveraged and unable to meet its debt obligations. He made no mention of any Indian regulations. Similarly, the letter by which ITC terminated its Chicago license agreement referenced only the franchisee's failure to pay fees owed to ITC, making no mention of Indian regulations.

[17] Further, ITC fails to explain how Indian regulations, which ITC claims applied to any business operated outside India, hindered its use of the Bukhara mark for restaurants in the United States between 1997 and 2000 but permitted it to open a Bukhara restaurant in the United Arab Emirates in 1998. To the extent ITC argues that the regulations limited its options by effectively requiring it to partner exclusively with well-established hotels, it offers no evidence that hotels in the United States were unreceptive to such a partnership arrangement.

³³ We do not decide whether such allegations, if supported by evidence, would permit any inference of ITC's intent to resume use of the Bukhara mark for restaurants in the foreseeable future. We note only that the conclusion is by no means obvious.

[18] With respect to ITC's argument that a market decline in the hospitality industry between 1988 and 2003 explains its non-use of the mark, the record indicates only a decline in India and the overseas market. ITC proffered no evidence demonstrating a decline in the United States hospitality market during the relevant 1997–2000 period of non-use.³⁴

(2) Marketing Dal Bukhara Food Products

[19] ITC points to only one piece of evidence during the relevant 1997–2000 period indicating its intent to use the name Bukhara in connection with packaged foods: the minutes from a July 27, 2000 corporate management committee meeting in India, which approved an initiative to market food products under the name “Bukhara Dal.” Significantly, the minutes nowhere indicate ITC's intent to market this product in the United States, much less ITC's intent to resume use of the Bukhara mark for restaurants in this country. Accordingly, we conclude that the minutes, by themselves, are insufficient to create a genuine issue of material fact as to ITC's intent to resume use of its registered service mark in the United States.

[20] The remaining evidence adduced by ITC all post-dates the relevant 1997–2000 period of non-use. Specifically, in 2001, ITC commissioned a study regarding the marketing of packaged food bearing the Bukhara mark in the United States. That same year, ITC filed trademark applications for several marks containing the word “Bukhara” in relation to packaged food products. Not until 2003 did ITC actually showcase its packaged food line at a New York trade show or sell these products to two United States distributors. These acts, all occurring well after 2000 and suggesting future use of the Bukhara mark for a product other than restaurants, are insufficient to support the necessary inference that, *in the non-use period*, ITC maintained an intent to resume use of the mark for restaurants in the United States in the reasonably foreseeable future.

(3) Identifying Bukhara Franchisees

[21] ITC argues that evidence of its discussions with various persons about expanding the Bukhara restaurant franchise to New York, California, and Texas creates a jury issue as to its intent to resume use of its registered mark within a

³⁴ Indeed, there is no reason to think plaintiffs could make such a showing with respect to the New York hospitality market, which experienced considerable growth during the period 1997–2000. *See* John Holusha, “Commercial Property; An Up Cycle Just Keeps Rolling,” *The New York Times* 11:1 (Sept. 24, 2000) (noting historically high occupancy rates in city hotels with 13% growth in first half of year); cf. Marian Burros, “Waiter, Hold the Foie Gras: Slump Hits New York Dining,” *The New York Times* A:1 (Sept. 4, 2001) (noting, in 2001, first signs of decline in city's 10-year restaurant boom).

reasonably foreseeable time. In fact, the only evidence of these so-called “discussions” is a few facsimiles, e-mails, and letters sent to ITC over a five-year period from 1998 to 2002. There is no evidence that ITC initiated any of these contacts. More to the point, no evidence indicates that ITC responded to or seriously considered these unsolicited proposals in a manner that would permit a reasonable jury to infer its intent to resume use of its Bukhara mark for restaurants. As such, these communications, even when viewed in the light most favorable to ITC, do not give rise to a material question of fact on the issue of ITC's intent to resume use of its registered mark.

[22] ITC submits that record evidence also reveals its negotiations to expand the Bukhara restaurant brand into Starwood hotels. The proffered evidence consists of (1) a 2002 letter from Starwood's Asia-Pacific headquarters indicating a general interest in operating Bukhara restaurants in some of its hotels outside India, and (2) a 2004 story from an Indian newspaper about ITC's intent to open Bukhara restaurants in London and Tokyo. Neither document references the possible opening of a Bukhara restaurant in the United States. Moreover, both the letter and the news story post-date the 1997–2000 period of non-use that gives rise to the presumption of abandonment, and they make no mention of any intent to resume use arising during this critical time frame. Accordingly, this evidence is insufficient to raise a material issue of fact.

(4) Bukhara Restaurants Outside the United States

[23] Finally, ITC cites *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.* to support its argument that the continued operation of its Bukhara restaurants outside the United States demonstrates “an ongoing program to exploit the mark commercially,” giving rise to an inference of an intent to resume the mark's use in this country, 495 F.2d 1265, 1272 (2d Cir.1974). In fact, ITC's reliance on *Societe Anonyme* is misplaced. In that case, this court ruled that a “meager trickle” of perfume sales within the United States—89 bottles sold over a period of 20 years—was insufficient to establish trademark rights in the United States. *Id.* Nothing in that case suggests that ongoing foreign use of a mark, by itself, supports an inference that the owner intends to re-employ a presumptively abandoned mark in the United States. Cf. *id.* at 1271 n. 4 (noting “well-settled” view “that foreign use is ineffectual to create trademark rights in the United States”). Indeed, we identify no authority supporting that conclusion.

[24] Accordingly, like the district court, we conclude that ITC's continued foreign use of the Bukhara mark for restaurants does not raise a material issue of fact regarding its intent to resume similar use of the mark in the United States. Because ITC plainly abandoned its right to the Bukhara mark for restaurant services in the United States, we affirm the award of summary judgment in favor of defendants on ITC's federal and state infringement claims.



Crash Dummy Movie, LLC v. Mattel, Inc.
601 F.3d 1387 (Fed. Cir. 2010)

RADER, Circuit Judge.

[1] The Trademark Trial and Appeal Board (“Board”) sustained Mattel, Inc.’s (“Mattel”) challenge to The Crash Dummy Movie, LLC’s (“CDM”) application to register the mark CRASH DUMMIES for a line of games and playthings. The record leaves no doubt that CDM’s proposed mark is likely to cause confusion with Mattel’s previously used marks CRASH DUMMIES and THE INCREDIBLE CRASH DUMMIES (collectively, “CRASH DUMMIES marks”) for action figures and playsets. CDM asserts, however, that these marks were abandoned. Because substantial evidence supports the Board’s finding that Mattel overcame the statutory presumption of abandonment of its CRASH DUMMIES marks, this court affirms.

I.

[2] Mattel’s predecessor-in-interest, Tyco Industries, Inc. (“Tyco”), first produced a line of toys under the CRASH DUMMIES marks in 1991. In 1993, Tyco obtained federal trademark registrations for the CRASH DUMMIES marks: CRASH

DUMMIES (Registration No. 1809338) and THE INCREDIBLE CRASH DUMMIES (Registration No. 1773754). Tyco sold toys under the CRASH DUMMIES marks through at least 1994. In addition, Tyco entered into forty-nine licenses for use of the CRASH DUMMIES marks in connection with a variety of products. The licenses expired on December 31, 1995, with some licenses having a product sell-off period of four to six months following their expiration.

[3] On July 14, 1995, CDM entered into an option agreement with Tyco to produce a motion picture based on Tyco's line of toys sold under the CRASH DUMMIES marks. The option agreement expired on July 14, 1996. Although CDM attempted to renegotiate a license later that year, Tyco declined to enter into another option agreement with CDM.

[4] In the mid-1990's, Tyco experienced financial difficulties and began negotiating an acquisition with Mattel. On February 12, 1997, Tyco assigned its trademark portfolio, including the CRASH DUMMIES marks, to Mattel. Mattel officially purchased Tyco on December 31, 1997. Mattel later recorded Tyco's assignment with the United States Patent Trademark Office ("USPTO") on February 13, 1998. Due to the size of the acquisition, the two businesses did not fully integrate until late 2004 or early 2005.

[5] In 1998, KB Toys approached Mattel, hoping to become the exclusive retailer of toys sold under the CRASH DUMMIES marks. Mattel declined the offer. Mattel needed to retool Tyco's CRASH DUMMIES toys in order to meet Mattel's stringent safety standards. Mattel determined that the cost of retooling was too significant in light of KB Toys's sales projections at the time.

[6] From 2000 to 2003, Mattel worked on developing a new line of toys under the CRASH DUMMIES marks. In 2000, Mattel began brainstorming ideas for CRASH DUMMIES toys. Mattel researched, developed, and tested its new toys as early as 2001, and obtained concept approval by 2002. Mattel began manufacturing CRASH DUMMIES toys in October 2003, and ultimately reintroduced them into the market in December 2003. While Mattel was developing new toys, the USPTO cancelled the registrations for the CRASH DUMMIES marks on December 29, 2000, because Mattel did not file a section 8 declaration of use and/or excusable nonuse for the marks.

[7] On March 31, 2003, CDM filed an intent-to-use application for the mark CRASH DUMMIES for games and playthings. Mattel opposed CDM's application, claiming priority to Tyco's prior registration and use of the CRASH DUMMIES marks. Mattel and CDM agree that their respective marks are likely to cause confusion. The only disputed issue before the Board was whether Mattel was entitled to claim common law trademark rights to the CRASH DUMMIES marks predating CDM's March 2003 filing date. The Board found a prima facie abandonment of the CRASH DUMMIES marks based on three years of nonuse, beginning at the earliest on December 31, 1995, and ending at Mattel's actual shipment of CRASH DUMMIES toys in December 2003. However, the Board concluded that Mattel rebutted the presumption of abandonment of its common law trademark rights by showing

“reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate.” CDM appeals the Board's decision sustaining Mattel's opposition. This court has jurisdiction under 28 U.S.C. § 1295(a)(4)(B).

II.

[8] Abandonment of a trademark is a question of fact, which this court reviews for substantial evidence. *On-Line Careline, Inc. v. Am. Online, Inc.*, 229 F.3d 1080, 1087 (Fed.Cir.2000). The substantial evidence standard requires this court to ask whether a reasonable person might find that the evidentiary record supports the agency's conclusion. *Id.* at 1085. “[T]he possibility of drawing two inconsistent conclusions from the evidence does not prevent an administrative agency's finding from being supported by substantial evidence.” *Consolo v. Fed. Maritime Comm'n*, 383 U.S. 607, 620 (1966).

[9] In addition, this court reviews evidentiary rulings for an abuse of discretion. *Chen v. Bouchard*, 347 F.3d 1299, 1307 (Fed.Cir.2003) (citation omitted). This court reverses the Board's evidentiary rulings only if they: (1) were clearly unreasonable, arbitrary, or fanciful; (2) were based on an erroneous conclusions of law; (3) rest on clearly erroneous findings of fact; or (4) follow from a record that contains no evidence on which the Board could rationally base its decision. *Id.* (citation omitted).

III.

[10] A registered trademark is considered abandoned if its “use has been discontinued with intent not to resume such use.” 15 U.S.C. § 1127 (2006). “Nonuse for 3 consecutive years shall be prima facie evidence of abandonment.” *Id.* A showing of a prima facie case creates a rebuttable presumption that the trademark owner has abandoned the mark without intent to resume use. *On-Line Careline*, 229 F.3d at 1087. “The burden then shifts to the trademark owner to produce evidence that he either used the mark during the statutory period or intended to resume use.” *Id.* “The burden of persuasion, however, always remains with the [challenger] to prove abandonment by a preponderance of the evidence.” *Id.*

[11] As an initial matter, CDM does not challenge the Board's finding that Tyco did not abandon the CRASH DUMMIES marks before the 1997 assignment. CDM only challenges the Board's factual finding regarding Mattel's intent to resume use after it acquired the marks in February 1997 until it began selling CRASH DUMMIES toys in December 2003.

[12] Substantial evidence supports the Board's finding that Mattel intended to resume use of the CRASH DUMMIES marks during the contested time period. First, in 1998, Mattel entered into discussions with KB Toys about becoming the exclusive retailer of CRASH DUMMIES toys. Mattel considered the relative merits of exclusive sales through KB Toys and the high cost of retooling Tyco's product line to meet

Mattel's stringent safety standards. Mattel's analysis shows that it contemplated manufacturing toys under the CRASH DUMMIES marks at the time the discussion took place. Although Mattel did not ultimately enter into the KB Toys agreement, no evidence suggests that Mattel rejected the business opportunity because it decided to abandon the marks.

[13] Second, common sense supports the conclusion that Mattel would not have recorded Tyco's trademark assignment with the USPTO in 1998 unless it intended to use the CRASH DUMMIES mark within the foreseeable future. Although Mattel later allowed its trademark registrations to lapse, cancellation of a trademark registration does not necessarily translate into abandonment of common law trademark rights. Nor does it establish its owner's lack of intent to use the mark. *See Miller Brewing Co. v. Oland's Breweries (1971), Ltd.*, 548 F.2d 349, 352 n. 4 (CCPA 1976) ("Although Oland & Son's registration was cancelled in January of 1968 for failure to file a continued use affidavit, this, in and of itself, does not show an intent to abandon.") (citation omitted). Therefore, Mattel's failure to file a timely Section 8 declaration of use and/or excusable nonuse for the marks does not negate Mattel's intent to resume use of the mark.

[14] Third, substantial evidence supports the Board's finding that Mattel's research and development efforts from 2000 to 2003 indicate its intent to resume use of the marks. Mattel relied on its internal documents and testimony by Peter Frank, Mattel's marketing manager, to describe its product development activities. Based on the documents, Frank testified that Mattel began brainstorming ideas for the CRASH DUMMIES toys in 2000, researched and tested them in 2001, and obtained concept approval in 2002. He also explained that Mattel began manufacturing the CRASH DUMMIES toys in October 2003, culminating in actual shipment in December 2003.

[15] In addition, Mattel's shipment of CRASH DUMMIES toys in December 2003 supports Frank's testimony about Mattel's research and development efforts in the early 2000's. This court does not disregard this record evidence because it falls outside of the three-year statutory period of nonuse. The Board may consider evidence and testimony regarding Mattel's practices that occurred before or after the three-year statutory period to infer Mattel's intent to resume use during the three-year period. *See Miller Brewing Co. v. Oland's Breweries*, 548 F.2d 349, 352 (CCPA 1976) (considering evidence beyond a statutory period to affirm the Board's decision to sustain opposition to a trademark application). Therefore, substantial evidence shows that Mattel continuously worked on developing CRASH DUMMIES toys from 2000 to 2003.

...

[16] Mattel needed sufficient time to research, develop, and market its retooled CRASH DUMMIES toys after acquiring Tyco's CRASH DUMMIES marks in 1997. Despite Mattel's delay in utilizing the marks for its toys, substantial evidence supports the Board's finding that Mattel rebutted the statutory presumption of

abandonment of the marks. Accordingly, the Board correctly held that CDM may not register its proposed mark CRASH DUMMIES for a line of games and playthings.

IV.

[17] Because substantial evidence supports the Board's finding that Mattel intended to resume use of the CRASH DUMMIES marks during the period of non-use, this court affirms.

2. Abandonment Through Failure to Control Use



FreecycleSunnyvale v. Freecycle Network
626 F.3d 509 (9th Cir. 2010)

CALLAHAN, Circuit Judge:

[1] 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.³⁵ TFN argued that it had established adequate 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

[2] 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.³⁶ 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.³⁷ 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

³⁵ 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. The key question is therefore whether TFN produced any evidence to raise a material fact issue as to whether it: (1) retained contractual rights to control the quality of the use of its trademark; (2) actually controlled the quality of the trademark's use; or (3) reasonably relied on FS to maintain the quality. *Barcamerica*, 289 F.3d at 596–98 (upholding trademarks where a licensor is familiar with the licensee and reasonably relies on the licensee's own quality control efforts).

³⁶ Beal did not coin the word "freecycle" and TFN is not the first organization to promote freecycling.

³⁷ In general, online discussion groups such as Yahoo! Groups and Google Groups allow individuals with a shared common interest to communicate by means of posting messages to the particular group's online forum. Such groups may be subject to terms and conditions of the service provider. In addition, discussion groups often have volunteer group moderators who monitor the discussions, and each group may adopt and enforce rules and regulations (e.g., discussion etiquette) separate from whatever terms the online service provider imposes.

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.

[3] 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.

[4] 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.

[5] 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!”³⁸ This email is the only record of a direct communication between FS and TFN regarding the use of any of the trademarks.

[6] 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.

³⁸ 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.

[7] 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.

[8] 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 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

[9] 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.

[10] 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

[11] We review de novo a grant of partial summary judgment. *Lawrence v. Dep't of Interior*, 525 F.3d 916, 920 (9th Cir.), cert. denied, --- U.S. ----, 129 S.Ct. 305, 172 L.Ed.2d 152 (2008). “The appellate court must determine, viewing the evidence in the light most favorable to the nonmoving party, whether the district court correctly applied the relevant substantive law and whether there are any genuine issues of material fact.” *Balint v. Carson City*, 180 F.3d 1047, 1050 (9th Cir.1999) (citation omitted). A dispute about a material fact is genuine “if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

[12] 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.” *Id.* at 252. 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.”).

[13] We have yet to determine, however, whether this high standard of proof requires “clear and convincing” evidence or a “preponderance of the evidence.” *See Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.*, 458 F.3d 931, 935 n. 2 (9th Cir.2006) (reserving the issue of the standard of proof to show trademark abandonment, but noting that at least one district court in the Ninth Circuit had required “clear and convincing” 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. *Id.*

[14] A review of our sister circuits' decisions reveals that only two circuits have considered which standard to apply, with one reserving the issue and the other adopting a preponderance of the evidence standard. *See Cumulus Media, Inc. v. Clear Channel Commcn's, Inc.*, 304 F.3d 1167, 1175 n. 12 (11th Cir.2002) (declining to address the meaning of “strict burden” because the outcome of the case would be the same with either standard of proof); *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1024 (Fed.Cir.1989) (adopting the preponderance of the evidence standard). Most published lower court decisions that have reached this issue appear to have interpreted the “strictly proven” standard to require “clear and convincing” evidence of naked licensing. *See* 3 J. Thomas

McCarthy, *McCarthy on Trademarks and Unfair Competition* § 17:12 n.2 (4th ed.2010).³⁹

[15] 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

[16] 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.

[17] 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)).

[18] “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. *Id.* (citing McCarthy § 18:48). 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).

³⁹ Citing, *inter alia*, *Mathy v. Republic Metalware Co.*, 35 App. D.C. 151, 1910 WL 20792 at *3, (1910) (“Abandonment being in the nature of a forfeiture, it is incumbent upon the person alleging it to prove by clear and convincing evidence that the right claimed has been relinquished.”); *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F.Supp. 1339, 1355 (E.D.N.Y.1994) (“[A]n affirmative defense alleging a break in plaintiff’s chain of priority under the doctrine of abandonment must be proven by clear and convincing evidence.”); *EH Yacht, LLC v. Egg Harbor, LLC*, 84 F.Supp.2d 556, 564–65 (D.N.J.2000) (noting that the majority of courts have held that the “strictly proven” standard requires proof by clear and convincing evidence.); *accord Cash Processing Servs. v. Ambient Entm’t*, 418 F.Supp.2d 1227, 1232 (D.Nev.2006).

A

[19] 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

[20] 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. *See Barcamerica*, 289 F.3d at 596. 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. *Id.* at 597; *see also Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir.1995) (granting summary judgment where license agreement lacked right to inspect or supervise licensee's operations and gave the licensee sole discretion to design the trademark).

[21] 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.

[22] 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. *See Barcamerica*, 289 F.3d at 597 (determining that a license agreement lacking similar controls was insufficient). 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

[23] 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. *See, e.g., Stanfield*, 52 F.3d at 871 (“The absence of an express contractual right of control does not necessarily result in abandonment of a mark, as long as the licensor in fact exercised sufficient control over its licensee.”).

[24] 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.

[25] 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.⁴⁰ 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

⁴⁰ 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.

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.

[26] 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.

[27] 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 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).

[28] 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. *See Barcamerica*, 289 F.3d at 598.

[29] 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; *accord Stanfield*, 52 F.3d at 872; *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1121 (5th Cir.1991). 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. 289 F.3d at 597.

[30] 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. *See id.*

[31] 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.⁴¹ *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

⁴¹ 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).

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, *see id.* at 1017–18, 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

[32] 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.

[33] 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 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. *See United States v. Robertson*, 52 F.3d 789, 791 (9th Cir.1994) (“Issues not presented to the district court cannot generally be raised for the first time on appeal.”).

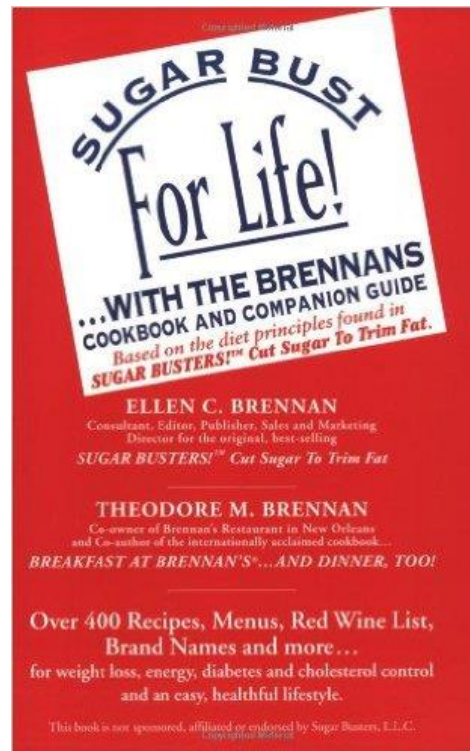
IV

[34] 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. The district court's grant of summary judgment in favor of FS and against TFN is AFFIRMED.

E. Assignment in Gross

An “assignment in gross” occurs when a trademark assignor assigns ownership of a mark (1) without also assigning the underlying business and goodwill and (2)

the assignee produces goods or services sufficiently different from the assignor's that consumers would be deceived. When a trademark owner engages in an "assignment in gross" of its mark, the trademark assignor loses rights in its mark and the assignee essentially receives nothing. In most situations, as in the following case, the assignee may claim exclusive rights in the mark, but the basis of and the priority date for those rights stems only from the assignee's new use of the mark, not from any previous use by the assignor.



Sugar Busters LLC v Brennan
177 F.3d 258 (5th Cir. 1999)

KING, Chief Judge:

[1] This appeal challenges the district court's grant of a preliminary injunction prohibiting defendants-appellants from selling or distributing a book entitled "SUGAR BUST For Life!" as infringing plaintiff-appellee's federally registered service mark, "SUGARBUSTERS." Plaintiff-appellee is an assignee of a registered "SUGARBUSTERS" service mark and the author of a best-selling diet book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat." We determine that the assignment of the

registered “SUGARBUSTERS” service mark to plaintiff-appellee was in gross and was therefore invalid, and we vacate the injunction....

I. FACTUAL AND PROCEDURAL HISTORY

[2] Plaintiff-appellee Sugar Busters, L.L.C. (plaintiff) is a limited liability company organized by three doctors and H. Leighton Steward, a former chief executive officer of a large energy corporation, who co-authored and published a book entitled “SUGAR BUSTERS! Cut Sugar to Trim Fat” in 1995. In “SUGAR BUSTERS! Cut Sugar to Trim Fat,” the authors recommend a diet plan based on the role of insulin in obesity and cardiovascular disease. The authors’ premise is that reduced consumption of insulin-producing food, such as carbohydrates and other sugars, leads to weight loss and a more healthy lifestyle. The 1995 publication of “SUGAR BUSTERS! Cut Sugar to Trim Fat” sold over 210,000 copies, and in May 1998 a second edition was released. The second edition has sold over 800,000 copies and remains a bestseller.

[3] Defendant-appellant Ellen Brennan was an independent consultant employed by plaintiff to assist with the sales, publishing, and marketing of the 1995 edition. In addition, Ellen Brennan wrote a foreword in the 1995 edition endorsing the diet plan, stating that the plan “has proven to be an effective and easy means of weight loss” for herself and for her friends and family. During her employment with plaintiff, Ellen Brennan and Steward agreed to co-author a cookbook based on the “SUGAR BUSTERS!” lifestyle. Steward had obtained plaintiff’s permission to independently produce such a cookbook, which he proposed entitling “Sugar Busting is Easy.” Plaintiff reconsidered its decision in December 1997, however, and determined that its partners should not engage in independent projects. Steward then encouraged Ellen Brennan to proceed with the cookbook on her own, and told her that she could “snuggle up next to our book, because you can rightly claim you were a consultant to Sugar Busters!”

[4] Ellen Brennan and defendant-appellant Theodore Brennan then co-authored “SUGAR BUST For Life!,” which was published by defendant-appellant Shamrock Publishing, Inc. in May 1998. “SUGAR BUST For Life” states on its cover that it is a “cookbook and companion guide by the famous family of good food,” and that Ellen Brennan was “Consultant, Editor, Publisher, [and] Sales and Marketing Director for the original, best-selling ‘Sugar Busters!™ Cut Sugar to Trim Fat.’ ” The cover states that the book contains over 400 recipes for “weight loss, energy, diabetes and cholesterol control and an easy, healthful lifestyle.” Approximately 110,000 copies of “SUGAR BUST For Life!” were sold between its release and September 1998.

[5] Plaintiff filed this suit in the United States District Court for the Eastern District of Louisiana on May 26, 1998...

[6] The mark that is the subject of plaintiff’s infringement claim is a service mark that was registered in 1992 by Sugarbusters, Inc., an Indiana corporation

operating a retail store named “Sugarbusters” in Indianapolis that provides products and information for diabetics. The “SUGARBUSTERS” service mark, registration number 1,684,769, is for “retail store services featuring products and supplies for diabetic people; namely, medical supplies, medical equipment, food products, informational literature and wearing apparel featuring a message regarding diabetes.” Sugarbusters, Inc. sold “any and all rights to the mark” to Thornton-Sahoo, Inc. on December 19, 1997, and Thornton-Sahoo, Inc. sold these rights to Elliott Company, Inc. (Elliott) on January 9, 1998. Plaintiff obtained the service mark from Elliott pursuant to a “servicemark purchase agreement” dated January 26, 1998. Under the terms of that agreement, plaintiff purchased “all the interests [Elliott] owns” in the mark and “the goodwill of all business connected with the use of and symbolized by” the mark. Furthermore, Elliott agreed that it “will cease all use of the [m]ark, [n]ame and [t]rademark [i]nterests within one hundred eighty (180) days.”

...

[7] Defendants argued to the district court that plaintiff’s service mark is invalid because: (1) it was purchased “in gross,”

[8] [...] The district court found that the mark is valid and that the transfer of the mark to plaintiff was not “in gross” because

[t]he plaintiff has used the trademark to disseminate information through its books, seminars, the Internet, and the cover of plaintiff’s recent book, which reads “Help Treat Diabetes and Other Diseases.” Moreover, the plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation. There has been a full and complete transfer of the good will related to the mark, and the plaintiff has licensed the Indiana corporation to use the mark for only six months to enable it to wind down its operations.

Id.

II. DISCUSSION

...

B. Plaintiff’s Registered Service Mark

[9] A trademark is merely a symbol of goodwill and has no independent significance apart from the goodwill that it symbolizes. *See Marshak v. Green*, 746 F.2d 927, 929 (2d Cir.1984); 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:2 (4th ed.1999) [hereinafter MCCARTHY]. “A trade mark only gives the right to prohibit the use of it so far as to protect the owner’s good will....” *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368, 44 S.Ct. 350, 68 L.Ed. 731 (1924) (Holmes, J.). Therefore, a trademark cannot be sold or assigned apart from the goodwill it symbolizes. *See* 15 U.S.C. § 1060 (“A registered

mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark.”); *Marshak*, 746 F.2d at 929. The sale or assignment of a trademark without the goodwill that the mark represents is characterized as in gross and is invalid. See *PepsiCo, Inc. v. Grapette Co.*, 416 F.2d 285, 287 (8th Cir.1969); 2 MCCARTHY § 18:3.

[10] The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he or she acquires. See *Visa, U.S.A., Inc. v. Birmingham Trust Nat’l Bank*, 696 F.2d 1371, 1375 (Fed.Cir.1982). “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.” *Marshak*, 746 F.2d at 929. Therefore, “ ‘if consumers are not to be misled from established associations with the mark, [it must] continue to be associated with the same or similar products after the assignment.’ *Visa, U.S.A.*, 696 F.2d at 1375 (quoting *Raufast S.A. v. Kicker’s Pizzazz, Ltd.*, 208 U.S.P.Q. 699, 702 (E.D.N.Y.1980)).

[11] Plaintiff’s purported service mark in “SUGARBUSTERS” is valid only if plaintiff also acquired the goodwill that accompanies the mark; that is, “the portion of the business or service with which the mark is associated.” *Id.* Defendants claim that the transfer of the “SUGARBUSTERS” mark to plaintiff was in gross because “[n]one of the assignor’s underlying business, including its inventory, customer lists, or other assets, were transferred to [plaintiff].” Defendants’ view of goodwill, however, is too narrow. Plaintiff may obtain a valid trademark without purchasing any physical or tangible assets of the retail store in Indiana—“the transfer of goodwill requires only that the services be sufficiently similar to prevent consumers of the service offered under the mark from being misled from established associations with the mark.” *Id.* at 1376 (internal quotation marks omitted); see *Marshak*, 746 F.2d at 930 (“The courts have upheld such assignments if they find that the assignee is producing a product or performing a service substantially similar to that of the assignor and that the consumers would not be deceived or harmed.”); *PepsiCo*, 416 F.2d at 288 (“Basic to this concept [of protecting against consumer deception] is the proposition that any assignment of a trademark and its goodwill (with or without tangibles or intangibles assigned) requires the mark itself be used by the assignee on a product having substantially the same characteristics.”); cf. *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 678 (7th Cir.1982) (“In the case of a service mark ... confusion would result if an assignee offered a service different from that offered by the assignor of the mark.”).

[12] The district court found, without expressly stating the applicable legal standard, that “[t]here has been a full and complete transfer of the good will related to the mark.” *Sugar Busters*, 48 U.S.P.Q.2d at 1514. The proper standard, as discussed above, is whether plaintiff’s book and the retail store in Indiana are sufficiently similar to prevent consumer confusion or deception when plaintiff uses

the mark previously associated with the store as the title of its book. We conclude that even if the district court applied this standard, its finding that goodwill was transferred between Elliott and plaintiff is clearly erroneous.

[13] In concluding that goodwill was transferred, the district court relied in part on its finding that the mark at issue is registered in International Class 16, “information, literature, and books.” However, the registration certificate issued by the United States Patent and Trademark Office states that the service mark is “in class 42” and is “for retail store services featuring products and supplies for diabetic people.” *Id.* The district court also relied on its finding that “plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation.” *Id.* Steward testified, however, that plaintiff does not have any plans to operate a retail store, and plaintiff offered no evidence suggesting that it intends to market directly to consumers any goods it licenses to carry the “SUGAR BUSTERS!” name. Finally, we are unconvinced by plaintiff’s argument that, by stating on the cover of its diet book that it may “[h]elp treat diabetes and other diseases” and then selling some of those books on the Internet, plaintiff provides a service substantially similar to a retail store that provides diabetic supplies. *See PepsiCo*, 416 F.2d at 286–89 (determining that pepper-flavored soft drink and cola-flavored soft drink are not substantially similar and therefore purported assignment was in gross and invalid). We therefore must conclude that plaintiff’s purported service mark is invalid. Thus, its trademark infringement claim under 15 U.S.C. § 1114 cannot succeed on the merits and the district court improperly relied on this ground in granting plaintiff’s request for a preliminary injunction.

[The court remanded the case for a determination of, among other things, whether the plaintiff’s book title was protectable as an unregistered mark.]

F. The First Sale Doctrine

The first sale doctrine has been defined as follows:

The resale of genuine trademarked goods generally does not constitute infringement. This is for the simple reason that consumers are not confused as to the origin of the goods: the origin has not changed as a result of the resale. Under what has sometimes been called the “first sale” or “exhaustion” doctrine, the trademark protections of the Lanham Act are exhausted after the trademark owner’s first authorized sale of that product. Therefore, even though a subsequent sale is without a trademark owner’s consent, the resale of a genuine good does not violate the [Lanham] Act.

This doctrine does not hold true, however, when an alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner...

Davidoff & CIE, S.A. v. PLD Intern. Corp., 263 F.3d 1297, 1302 (11th Cir. 2001).

A crucial question under the first sale doctrine, then, is what constitutes a “material difference” such that the resale of the materially different good under the original trademark would violate the trademark owner’s rights. The following two opinions address this issue. The first, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), involving refurbished spark plugs, is one of the foundational first sale doctrine cases in U.S. trademark law. The second, more recent case, *Nitro Leisure Products, L.L.C. v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003), involves refurbished golf balls.

Note that the first sale doctrine is not strictly speaking a defense to trademark infringement in which the defendant bears the burden of persuasion. As *Nitro Leisure* makes clear, the plaintiff bears the overall burden of persuading the court that consumers would be confused as to the true nature of the goods sold by the defendant.

Champion Spark Plug Co. v. Sanders
331 U.S. 125 (1947)

Mr. Justice DOUGLAS delivered the opinion of the Court.

[1] Petitioner is a manufacturer of spark plugs which it sells under the trade mark ‘Champion.’ Respondents collect the used plugs, repair and recondition them, and resell them. Respondents retain the word ‘Champion’ on the repaired or reconditioned plugs. The outside box or carton in which the plugs are packed has stamped on it the word ‘Champion,’ together with the letter and figure denoting the particular style or type. They also have printed on them ‘Perfect Process Spark Plugs Guaranteed Dependable’ and ‘Perfect Process Renewed Spark Plugs.’ Each carton contains smaller boxes in which the plugs are individually packed. These inside boxes also carry legends indicating that the plug has been renewed.¹ But respondent company’s business name or address is not printed on the cartons. It supplies customers with petitioner’s charts containing recommendations for the use of Champion plugs. On each individual plug is stamped in small letters, blue on black, the word ‘Renewed,’ which at times is almost illegible.

[2] Petitioner brought this suit in the District Court, charging infringement of its trade mark and unfair competition. See Judicial Code s 24(1), (7), 28 U.S.C. s 41(1), (7), 28 U.S.C.A. s 41(1, 7). The District Court found that respondents had infringed

¹ ‘The process used in renewing this plug has been developed through 10 years continuous experience. This Spark Plug has been tested for firing under compression before packing.’

‘This Spark Plug is guaranteed to be a selected used Spark Plug, thoroughly renewed and in perfect mechanical condition and is guaranteed to give satisfactory service for 10,000 miles.’

the trade mark. It enjoined them from offering or selling any of petitioner's plugs which had been repaired or reconditioned unless (a) the trade mark and type and style marks were removed, (b) the plugs were repainted with a durable grey, brown, orange, or green paint, (c) the word 'Repaired' was stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by petitioner and repaired and made fit for use up to 10,000 miles by respondent company.² The District Court denied an accounting. *See* 56 F.Supp. 782, 61 F.Supp. 247.

[3] The Circuit Court of Appeals held that respondents not only had infringed petitioner's trade mark but also were guilty of unfair competition. It likewise denied an accounting but modified the decree in the following respects: (a) it eliminated the provision requiring the trade mark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word 'Repaired' be stamped into the plug, etc., a provision that the word 'Repaired' or 'Used' be stamped and baked on the plug by an electrical hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered by permanent aluminum paint or other paint or lacquer; and (c) it eliminated the provision specifying the precise legend to be printed on the cartons and substituted therefor a more general one.³ The case is here on a petition for certiorari which we granted because of the apparent conflict between the decision below and *Champion Spark Plug Co. v. Reich*, 121 F.2d 769, decided by the Circuit Court of Appeals for the Eighth Circuit.

[4] There is no challenge here to the findings as to the misleading character of the merchandising methods employed by respondents, nor to the conclusion that they have not only infringed petitioner's trade mark but have also engaged in unfair

² The prescribed legend read:

'Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N.Y.'

The decree also provided:

'the name and address of the defendants to be larger and more prominent than the legend itself, and the name of plaintiff may be in slightly larger type than the rest of the body of the legend.'

³ 'The decree shall permit the defendants to state on cartons and containers, selling and advertising material, business records, correspondence and other papers, when published, the original make and type numbers provided it is made clear that any plug referred to therein is used and reconditioned by the defendants, and that such material contains the name and address of defendants.'

competition.⁴ The controversy here relates to the adequacy of the relief granted, particularly the refusal of the Circuit Court of Appeals to require respondents to remove the word 'Champion' from the repaired or reconditioned plugs which they resell.

[5] We put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another. *See Bourjois & Co. v. Katzel*, 260 U.S. 689; *Old Dearborn Distributing Co. v. Seagram-Distillers Corp.*, 299 U.S. 183. Equity then steps in to prohibit defendant's use of the mark which symbolizes plaintiff's good will and 'stakes the reputation of the plaintiff upon the character of the goods.' *Bourjois & Co. v. Katzel*, *supra*, 260 U.S. at page 692

[6] We are dealing here with second-hand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make.⁵ There is evidence to support what one would suspect, that a used spark plug which has been repaired or reconditioned does not measure up to the specifications of a new one. But the same would be true of a second-hand Ford or Chevrolet car. And we would not suppose that one could be enjoined from selling a car whose valves had been reground and whose piston rings had been replaced unless he removed the name Ford or Chevrolet. *Prestonettes, Inc., v. Coty*, 264 U.S. 359, was a case where toilet powders had as one of their ingredients a powder covered by a trade mark and where perfumes which were trade marked were rebottled and sold in smaller bottles. The Court sustained a decree denying an injunction where the prescribed labels told the truth. Mr. Justice Holmes stated, 'A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. * * * When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.' 264 U.S. at page 368.

[7] 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. *Cf. Ingersoll v. Doyle*, D.C., 247 F. 620. But no such practice is involved here. The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition. The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. And there is evidence that the reconditioned plugs are inferior so far as heat range and other qualities are concerned. But inferiority is expected in most second-hand articles. Indeed, they generally cost the customer less. That is the case here. Inferiority is

⁴ See *Federal Trade Commission v. Winsted Hosiery Co.*, 258 U.S. 483, 493; *Warner & Co. v. Lilly & Co.*, 265 U.S. 526, 530.

⁵ *Cf. Federal Trade Commission v. Klein*, 5 F.T.C. 327.

immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new.⁶ The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of *Prestonettes, Inc., v. Coty*, supra, that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.

[8] The decree as shaped by the Circuit Court of Appeals is fashioned to serve the requirements of full disclosure. We cannot say that of the alternatives available the ones it chose are inadequate for that purpose. We are mindful of the fact that this case, unlike *Prestonettes, Inc., v. Coty*, supra, involves unfair competition as well as trade mark infringement; and that where unfair competition is established, any doubts as to the adequacy of the relief are generally resolved against the transgressor. *Warner & Co. v. Lilly & Co.*, 256 U.S. 526, 532. But there was here no showing of fraud or palming off. Their absence, of course, does not undermine the finding of unfair competition. *Federal Trade Commission v. Winsted Hosiery Co.*, 258 U.S. 483, 493; *G. H. Mumm Champagne v. Eastern Wine Corp.*, 2 Cir., 142 F.2d 499, 501. But the character of the conduct giving rise to the unfair competition is relevant to the remedy which should be afforded. See *Jacob Siegel Co. v. Federal Trade Commission*, 327 U.S. 608. We cannot say that the conduct of respondents in this case, or the nature of the article involved and the characteristics of the merchandising methods used to sell it, called for more stringent controls than the Circuit Court of Appeals provided.

...

[9] Affirmed.

Nitro Leisure Products, L.L.C. v. Acushnet Co.

341 F.3d 1356 (Fed. Cir. 2003)

⁶ See *Federal Trade Commission v. Typewriter Emporium*, 1 F.T.C. 105; *Federal Trade Commission v. Check Writer Manufacturers*, 4 F.T.C. 87; *In the Matter of Federal Auto Products Co.*, 20 F.T.C. 334.

LINN, Circuit Judge.

[1] Acushnet Company (“Acushnet”) appeals from the denial of its motion for a preliminary injunction by the United States District Court for the Southern District of Florida. *In re Nitro Leisure Prods., L.L.C.*, No. 02–14008–CV–Middlebrooks (S.D.Fla. Aug. 9, 2002) (“*Order*”). Because the district court did not abuse its discretion in denying Acushnet’s motion in view of Acushnet’s failure to show a reasonable likelihood of success on the merits of its claims, we affirm.

BACKGROUND

[2] Acushnet manufactures and sells golfing equipment, and in particular, golf balls. Acushnet owns and has federally registered the trademarks TITLEIST, ACUSHNET, PINNACLE, and PRO V1. Of particular interest in this case, Acushnet manufactures and markets new golf balls under the TITLEIST name and trademark, including the TITLEIST PRO V1, asserted by Acushnet to be the best selling golf ball in the United States since February 2001. *Order* at 2–3.

[3] Nitro obtains and sells two categories of used golf balls at a discounted rate. The first category of balls are “recycled” balls. The recycled balls are those found in relatively good condition, needing little more than washing, and are repackaged for resale. Recycled balls represent approximately 30% of Nitro’s sales. The second category includes balls that are found with stains, scuffs or blemishes, requiring “refurbishing.” Nitro’s refurbishing process includes cosmetically treating the balls by removing the base coat of paint, the clear coat layer, and the trademark and model markings without damaging the covers of the balls, and then repainting the balls, adding a clear coat, and reaffixing the original manufacturer’s trademark. Nitro also applies directly to each “refurbished” ball the legend “USED & REFURBISHED BY SECOND CHANCE” or “USED AND REFURBISHED BY GOLFBALLSDIRECT.COM.” In these statements, the terms “Second Chance” and “Golfballsdirect.com” refer to businesses of Nitro. *Order* at 3. Some, but not all, of the refurbished balls also bear a Nitro trademark. Nitro’s refurbished balls are packaged in containers displaying the following disclaimer:

ATTENTION USED/REFURBISHED GOLF BALLS: The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/Refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer’s warranty.

According to Nitro, there is a large market for used golf balls. In 2001, Nitro saw annual sales of approximately \$10 million, including \$4.8 million for refurbished balls. *Id.*

[4] Nitro originally filed suit against Acushnet in the United States District Court for the Southern District of Florida, alleging, *inter alia*, unfair competition. Shortly thereafter, Acushnet filed suit in the United States District Court for the Central District of California, alleging that Nitro infringed a number of Acushnet's patents and violated federal and state trademark laws. Nitro amended its complaint in the Florida case to seek a declaratory judgment that it did not infringe Acushnet's patents. The California action was subsequently transferred to Florida, and the actions were consolidated.

[5] On April 23, 2002, Acushnet moved for a preliminary injunction on its trademark and patent claims. As to the trademark claims, Acushnet concedes that it has no trademark claim with respect to "recycled" balls and does not object to those sales. As to the "refurbished" balls, however, Acushnet asserts that "Nitro's refurbishing process produces a golf ball that bears no resemblance to a genuine Acushnet product in performance, quality or appearance" and that "Nitro's refurbishing process so alters the basic composition of Acushnet's golf balls that 'it would be a misnomer to call the article by its original name.'" Following oral argument, the district court on August 9, 2002, issued its *Order*, concluding that Acushnet had failed to show a likelihood of success on the merits and denying preliminary injunctive relief on both the trademark and the patent law claims.

[6] Before this court, Acushnet seeks review of the denial of its motion for preliminary injunction only as to its trademark infringement and dilution claims. We have jurisdiction pursuant to 28 U.S.C. §§ 1292(c)(1) and 1295(a)(1).

DISCUSSION

Standard of Review

[7] This court generally reviews procedural matters under the law of the regional circuit in which the district court sits. *See Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, 998 F.2d 985, 987 (Fed.Cir.1993). Additionally, we defer to the law of the regional circuit when addressing substantive legal issues over which we do not have exclusive subject matter jurisdiction. *See id.* In this case, we defer to the law of the Eleventh Circuit in reviewing the district court's denial of Acushnet's motion for preliminary injunctive relief from the alleged trademark infringement and dilution.

[8] The Eleventh Circuit reviews a district court's grant or denial of a preliminary injunction for abuse of discretion. *Davidoff & CIE, SA v. PLD Int'l Corp.*, 263 F.3d 1297, 1300 (11th Cir.2001); *McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1306 (11th Cir.1998). Under the abuse of discretion standard, a reviewing court "must affirm unless [it] at least determine[s] that the district court has made a 'clear error of judgment,' or has applied an incorrect legal standard." *CBS Broadcasting, Inc. v. EchoStar Commun. Corp.*, 265 F.3d 1193, 1200 (11th Cir.2001) (citations omitted). A party seeking a preliminary injunction for trademark infringement must establish four elements: (1) that there is a substantial likelihood of success on the merits; (2) that it would be irreparably harmed if injunctive relief were denied; (3)

that the threatened injury to the trademark owner outweighs whatever damage the injunction may cause to the alleged infringer; and (4) that the injunction, if issued, would not be adverse to the public interest. *Id.* It is well established in the Eleventh Circuit that “[a] preliminary injunction is an extraordinary and drastic remedy not to be granted unless the movant clearly established the ‘burden of persuasion’ as to all four elements.” *Davidoff*, 263 F.3d at 1300 (quoting *Siegel v. LePore*, 234 F.3d 1163, 1176 (11th Cir.2000) (en banc)).

[9] To succeed on the merits of a trademark infringement claim, a plaintiff must show that the defendant used the mark in commerce without its consent and “that the unauthorized use was likely to deceive, cause confusion, or result in mistake.” *McDonald's Corp.*, 147 F.3d at 1307. The determination generally boils down to the existence of “likelihood of confusion.” *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1538 (11th Cir.1986).

ANALYSIS

I. Acushnet's Contentions

[10] Acushnet argues that the district court abused its discretion in denying its motion for preliminary injunction on the pleaded trademark infringement issues by applying an incorrect legal standard, by erroneously relying on a non-precedential consent judgment between Acushnet and an unrelated third party, and by making erroneous findings of fact and applications of law to fact, in concluding that Acushnet failed to show a likelihood of success on the merits of its trademark infringement and dilution claims. Acushnet requests that this court reverse the judgment of the district court, find that a likelihood of success on the merits has been shown, and remand with directions to enter the sought preliminary injunction or for further proceedings consistent with our opinion. We address each of Acushnet's arguments in turn.

II. Trademark Infringement

A. The Applicable Standard

[11] Acushnet first argues that the district court failed to apply the correct legal standard to the trademark infringement claim. Acushnet asserts that the district court misapplied *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), and Eleventh Circuit law by failing to extend the “material difference” test applied in the context of altered new goods in *Davidoff*, 263 F.3d at 1302, to the used and refurbished goods involved in the present case. Acushnet also contends that the district court's reliance on *Champion* was misplaced because the refurbished goods in this case differed from the original goods not by the ordinary wear and tear expected in used products but by the refurbishing actions taken by Nitro. Acushnet argues that the “undisputed evidence” presented, when analyzed under the correct legal standard, would have established the requisite likelihood of success on the

merits to warrant a preliminary injunction, and that denial of the requested preliminary injunction was an abuse of discretion. We disagree and find no abuse of discretion.

[12] To succeed in its request for a preliminary injunction on its trademark infringement claim, Acushnet must show, *inter alia*, a likelihood of success on the merits. This means that it must show a likelihood of success on its claim that the sale by Nitro of its refurbished golf balls bearing re-applied Acushnet trademarks is likely to cause confusion. In considering this issue, the district court looked to *Champion*—clear precedent in the used goods context—and concluded, on the record presented at this preliminary stage, that the differences between Acushnet's new golf balls and Nitro's refurbished golf balls were not so great as to be a misnomer and that it was not an act of infringement, warranting preliminary injunctive relief, for Nitro to re-apply Acushnet's trademarks to the Acushnet balls refurbished by Nitro and to re-sell those balls in packaging identifying them as used or refurbished.

[13] The Eleventh Circuit looks to the following factors in assessing a likelihood of confusion in trademark cases:

1. Type of mark
2. Similarity of mark
3. Similarity of the products the marks represent
4. Similarity of the parties' retail outlets (trade channels) and customers
5. Similarity of advertising media
6. Defendant's intent
7. Actual confusion

Frehling Enters., Inc. v. Int'l Select Group, Inc., 192 F.3d 1330, 1335 (11th Cir.1999); *cf. Lipscher v. LRP Publ'ns, Inc.*, 266 F.3d 1305, 1313–14 (11th Cir.2001) (noting that not all *Frehling* factors are relevant in each case). In the present case, the dispute centers around the differences between new and refurbished Acushnet golf balls, thus implicating the “similarity of the products” factor. Specifically, the question presented is the propriety of the re-application by Nitro of the Acushnet trademark, without Acushnet's consent, to genuine Acushnet golf balls that have been used, subjected to Nitro's refurbishing process, and then re-sold by Nitro as refurbished balls.

[14] The district court assessed that question by applying the standards applied to used and refurbished goods by the Supreme Court in the *Champion* case. The district court cited *Davidoff* but did not directly apply the “material differences” test articulated in that case. Acushnet urges us to conclude that the district court erred in not recognizing from *Davidoff* that the “material differences” standard used to assess likelihood of confusion in the sale by unrelated parties of new, genuine trademarked goods would also be used in the Eleventh Circuit as the standard for assessing trademark infringement in the sale of used, genuine trademarked goods.

Acushnet argues from this that had the district court applied the *Davidoff* test, it would have found the refurbished golf balls sold by Nitro and bearing the Nitro re-applied Acushnet trademarks to be “materially different” from the original trademarked goods and thus an infringement of Acushnet’s trademarks, warranting preliminary injunctive relief. Nitro argues that *Davidoff* is simply inapplicable, and attempts to distinguish this case from *Davidoff*, based on the fact that *Davidoff* considered new goods and because *Davidoff* did not include disclaimers. Nitro also attempts to distinguish the cases cited by Acushnet in support of adoption of the *Davidoff* “material differences” standard; namely, *Rolex Watch USA, Inc. v. Michel*, 179 F.3d 704 (9th Cir.1999), *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir.1998), and *Intel Corp. v. Terabyte International, Inc.*, 6 F.3d 614 (9th Cir.1993).

[15] Under 15 U.S.C. §§ 1114(1) and 1125(a)(1), any person who uses the trademark of another, without consent, in a manner that is likely to cause confusion, mistake, or to deceive may be liable in a civil action for trademark infringement. *McDonald's Corp.*, 147 F.3d at 1307. In the *Champion* case, a seminal opinion on the use of trademarks on used goods, the accused infringer collected genuine used Champion spark plugs, repaired and reconditioned the spark plugs, painted the spark plugs for aesthetic reasons, and resold the spark plugs, each labeled “Renewed.” 331 U.S. at 126. The issue before the Supreme Court was simply whether the lower courts erred in not requiring the accused infringer to remove Champion’s trademark name from the repaired and reconditioned spark plugs. *Id.* at 128. The Supreme Court acknowledged that, in some cases, used and repaired goods can be sold under the trademark of the original manufacturer, without “deceiv[ing] the public,” so long as the accused infringer had attempted to restore “so far as possible” the original condition of the goods and full disclosure is made about the true nature of the goods, for example, as “used” or “repaired.” *Id.* at 129–30. In *Champion*, the Supreme Court stated that “[w]hen the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth.” *Id.* at 129.

[16] The Supreme Court recognized that this standard results in the second-hand dealer getting some advantage from the trademark; however, this windfall is “wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product.” *Id.* at 130 (citing *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924)). This advantage is not inconsistent with the stated purposes of the Lanham Act. In passing the Lanham Act, Congress noted that the purpose was “to protect legitimate business and consumers of the country.” 92 Cong. Rec. 7524 (1946). To fulfill this purpose, the Act “protect[s] the public so 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.” S.Rep. No. 79–1333 at 3 (1946), reprinted in 1946 U.S.S.C.A.N. 1274. Further, the owner of the trademark must have the energy and effort he expended in building goodwill in his trademark protected from misappropriation. *Id.* However, so long as the customer is getting a product with the expected characteristics, and so long as the goodwill built up by

the trademark owner is not eroded by being identified with inferior quality, the Lanham Act does not prevent the truthful use of trademarks, even if such use results in the enrichment of others.

[17] The *Champion* court, while concluding that the facts of that case did not establish a likelihood of confusion, cautioned that there are limits on the use of a trademark by another on a used or repaired item. The Supreme Court explained that “[c]ases 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.” 331 U.S. at 129. In *Champion*, the repair was such that it “[did] not give [the product] a new design,” and the accused infringers had sought to restore the product “so far as possible, [to its] original condition,” *id.* Thus, no infringement was found.

[18] Similar to the admonition expressed by the Supreme Court in connection with the sale of refurbished goods in *Champion*, the Eleventh Circuit in *Davidoff* cautioned that there are limits to the permissible uses of a trademark by re-sellers even on new, genuine trademarked goods. In *Davidoff*, the Eleventh Circuit found infringement in the use of a trademark by a party unrelated to the trademark owner for new, genuine trademarked goods sold in packaging that had been altered. In that case, accused infringer PLD purchased genuine bottles of Davidoff's perfumes and, prior to re-sale, etched and altered the bottles to remove batch code information from the bottoms of the bottles. Davidoff sought to end this practice, arguing that the etching of the bottles altered the product in a way that caused consumer confusion. The Eleventh Circuit agreed, holding that the removal of the batch code information was a material alteration that would affect a consumer's decision whether to purchase the product in question.

[19] The fundamental question examined in *Davidoff* was the same question considered in *Champion*—likelihood of confusion—but presented in the context of re-sales of new goods. The context is important because consumers of new goods have different expectations than consumers of used goods. For new goods, any variation of the product from a new condition—even as relatively modest as the obliteration of a name or batch number from the bottom of a container—may signal imitation, counterfeiting, falsity or some other irregularity affecting a customer's decision whether to purchase the product. *See, e.g., Societe Des Produits Nestle S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 644 (1st Cir.1992) (finding such differences as configuration, i.e., the number of different shapes of chocolates, and packaging, i.e., whether the packaging is shiny or matte and the colors of the packaging, to be material). For new goods, consumers are likely to be confused by the presence of such “material differences.” *Davidoff*, 263 F.3d at 1302.

[20] For used or refurbished goods, customers have a different expectation. They do not expect the product to be in the same condition as a new product. *Champion*, 331 U.S. at 129. There is an understanding on the part of consumers of used or refurbished products that such products will be degraded or will show signs

of wear and tear and will not measure up to or perform at the same level as if new. *Id.* at 129–30. For used or refurbished products, consumers are not likely to be confused by—and indeed expect—differences in the goods compared to new, unused goods. *Id.* Thus, the tests applied to assess likelihood of confusion by courts will not necessarily be the same when determining trademark infringement in the resale of altered new goods and when considering trademark infringement in the resale of used and refurbished goods.

[21] Both *Champion* and *Davidoff* sought to define the boundaries of when the use of a trademark on genuine trademarked goods is no longer permitted. The tests applied in both cases focus on the similarities and differences between the accused infringing goods and the genuine trademarked goods and assess the likelihood of confusion resulting from contemporaneous sales of those goods.

[22] The *Davidoff* test looks to the effect on a consumer's decision to purchase of differences in an altered or modified new product from the original. It is a reasonable and workable test of the likelihood of confusion and the loss of goodwill represented by the trademark applied to the product, given consumer expectations as to the nature and quality of new products as offered for sale. The test has been adopted and applied to new, genuine trademarked goods in the First, Second, Third, Fifth, and Ninth Circuits. *See, e.g., Nestle*, 982 F.2d at 644 (1st Cir.) (finding material differences based on quality control, composition, configuration, packaging, and price); *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.*, 816 F.2d 68, 73 (2d Cir.1987) (finding material differences where an imported doll comes with foreign language “adoption papers” and is not permitted to be “adopted” domestically); *Iberia Foods Corp. v. Romeo*, 150 F.3d 298, 302 (3d Cir.1998) (finding material differences where quality control measures differ); *Martin's Herend Imports Inc. v. Diamond & Gem Trading USA, Co.*, 112 F.3d 1296, 1302 (5th Cir.1997) (finding material differences when the trademark holder had chosen to sell only selected pieces in the United States and the accused infringer was selling other, genuine pieces in the United States); *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1087 (9th Cir.1998) (finding material differences where quality control measures differ).

[23] The *Champion* Court recognizes that consumers do not expect used or refurbished goods to be the same as new goods and that for such goods, “material differences” do not necessarily measure consumer confusion. According to *Champion*, what is more telling on the question of likelihood of confusion in the context of used goods is whether the used or refurbished goods are so different from the original that it would be a misnomer for them to be designated by the original trademark. We see no basis to conclude that the district court's reliance on *Champion* was improper.

[24] The district court in this case properly assessed likelihood of confusion in concluding: (1) that on the evidence before it, the differences in the goods were nothing more than what would be expected for used golf balls; (2) that it was therefore not a misnomer to apply the Acushnet mark to the used Acushnet balls;

and (3) that Acushnet had not established a likelihood of success on the merits of its trademark “likelihood of confusion” case. This is all that was required, and there is no basis to conclude that the district court applied the wrong test or otherwise abused its discretion. This court need not predict whether the Eleventh Circuit would apply *Davidoff* to used goods. It would only be necessary to make such a prediction if application of the “material differences” test must be satisfied in all cases involving genuine trademarked goods. But *Davidoff* does not go that far and cannot be read to supplant the statutory “likelihood of confusion” test with a “material differences” test applicable to all cases involving the resale of genuine trademarked goods, both new and used.

[25] Alternatively, Acushnet argues that the district court's reliance on *Champion* is misplaced.¹ Acushnet attempts to distinguish *Champion*, arguing first that Nitro does not restore “so far as possible” the used balls to their original condition, but rather masks the balls' condition, and second, that by masking rather than restoring, Nitro makes it more likely that customers will associate inferior performance with Acushnet. Acushnet argues that, although there was repainting of the spark plugs in *Champion*, such painting was merely cosmetic. Acushnet contends that the district court failed to recognize that Nitro's process of stripping and repainting was more than cosmetic and changed the fundamental attributes of the reprocessed balls. Moreover, Acushnet argues that it is Nitro's refurbishing process, not normal wear and tear, that degraded the quality of Nitro's used golf balls. Acushnet thus asserts that *Champion* is distinguishable on its facts and should not apply. We disagree with Acushnet's distinctions.

[26] First, while it is true that the spark plugs were repainted in *Champion*, the reconditioning also involved removing burned and pitted portions of the center electrodes, welding new metal to the side electrodes, wearing away the plug's porcelain insulators through sandblasting, and then cleaning and painting the spark plug. *Champion Spark Plug Co. v. Sanders*, 156 F.2d 488, 489 (2d Cir.1946). The refurbishing process in *Champion*, then, was not merely cosmetic, and cannot be distinguished from the present case on that basis. Second, *Champion* also held that the source of any inferiority, whether the reconditioning or the refurbishing, is irrelevant, stating that inferiority is immaterial as long as the original manufacturer “is not identified with the inferior qualities of the product *resulting from wear and tear or the reconditioning.*” *Champion*, 331 U.S. at 130 (emphasis added). In the *Champion* case, the district court noted that there was no proof whether the inferior

¹ The dissent also attempts to distinguish *Champion* based on the notion of simply reselling versus reapplication of trademarks. See Dissent, *infra* at 1369 (stating that the *Champion* Court “ratified the resale of used spark plugs still bearing the *Champion* name”). However, this distinction overlooks the fact that the refurbisher in *Champion*, at the very least, applied or reapplied *Champion*'s trademark to its cartons and packaging. *Champion*, 331 U.S. at 126.

qualities stemmed from either “wear and tear prior to the discarding of the plug by the original user, or to the process of repair as conducted by the defendants.” *Champion Spark Plug Co. v. Sanders*, 61 F.Supp. 247, 248–49 (E.D.N.Y.1945). Acushnet's distinction on this point is similarly untenable.

[27] In this case, the district court carefully considered the extent of the alterations made by Nitro. *See Order* at 8–9 (citing *Rolex Watch USA, Inc. v. Michel*, 179 F.3d 704) (“[w]hether the modifications made to the product resulted in a new product”); *Intel*, 6 F.3d at 619. The district court also looked to a number of factors, outlined by the Ninth Circuit, to determine if the alterations resulted in a new product. *Order* at 9 (“These factors ‘include the nature and extent of the alterations, the nature of the device and how it is designed ..., whether a market has developed for service or spare parts ... and, most importantly, whether end users of the product are likely to be misled as to the party responsible for the composition of the product.’ *Karl Storz Endoscopy–America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848, 856–57 (9th Cir.2002).” (alterations in original)). The district court also considered: (a) evidence proffered by Nitro that the performance differences were not as extensive as claimed by Acushnet; (b) evidence of the use of disclaimers; and (c) evidence from customers of both Acushnet and Nitro on the question of confusion. *Order* at 9–12. On this record, the district court concluded that “Acushnet has not presented sufficient evidence to support its claim that the golf balls are so extensively repaired that they cannot be truly labeled with the Titleist marks.” *Id.* at 9–10.

[28] Because the district court properly considered the *Frehling* factors; fully and carefully assessed the differences between Acushnet's new golf balls and Nitro's refurbished golf balls in determining likelihood of confusion; and correctly looked to *Champion* for the applicable legal standard, we find no abuse of discretion in the district court's denial of Acushnet's requested preliminary injunction based on its trademark infringement claim.

...

III. Dilution

[The Court affirmed the district court's finding of no dilution].

CONCLUSION

[29] The district court did not abuse its discretion, commit an error of law, or seriously misjudge the evidence in concluding that Acushnet failed to show a reasonable likelihood of success on the merits of its trademark and dilution claims and in denying Acushnet's motion for a preliminary injunction based thereon. We therefore affirm.

AFFIRMED.

PAULINE NEWMAN, Circuit Judge, dissenting.

[1] I can think of nothing more destructive of the value of a famous trademark than for the law to permit unauthorized persons to re-affix the mark to a product that is so badly cut, scarred, dented, discolored, and bruised that its defects have to be concealed before it can be resold as “used”—and then, with the scars hidden and the surface repainted to look new, the product is resold with the benefit of the re-affixed trademark and its reputation for quality and performance. The court today holds that the trademark owner cannot object to this unauthorized, uncontrolled affixation of its famous Titleist⁷ mark, provided that the package is labeled “used/refurbished” and a disclaimer is presented.

[2] Neither trademark law nor any other law removes from the trademark owner control of the quality of the goods and use of the mark. To the contrary, the law requires the holder of the trademark to control both the use of the mark and the quality of the goods to which it is affixed, on pain of losing the mark as a trademark. The consequence of this law is that, whether on grounds of infringement, dilution, or tarnishment, Acushnet is likely to succeed on the merits of its case. From the denial of the requested preliminary injunction I must, respectfully, dissent.

DISCUSSION

[3] This case does not relate to the resale of used golf balls, washed and buffed and repackaged, bearing the original trademark. Acushnet is not objecting to that part of Nitro's activities. However, when the balls are so badly scarred or cut that they must be repainted and the damage concealed, the repainting also obscuring the original trademark, surely the trademark owner has the right to prevent re-application of its trademark (in identical script) to damaged goods covered with shiny new paint, goods of unsupervised quality but bearing the famous original trademark.

[4] Trademark law requires that the trademark owner police the quality of the goods to which the mark is applied, on pain of losing the mark entirely. Professor McCarthy explains:

Sometimes a mark becomes abandoned to generic usage as a result of the trademark owner's failure to police the mark, so that widespread usage by competitors leads to a generic usage among the relevant public, who see many sellers using the same word or designation.

J. Thomas McCarthy et al., 2 *McCarthy on Trademarks and Unfair Competition* § 17:8, at 17–10 (4th ed., Rel.# 21, 3/2002). Yet here the trademark applier is unlicensed, the quality out of the control of the owner of the mark, and the flaws concealed from the consumer.

[5] These are fundamental principles of trademark law. The Federal Circuit, applying this law, has itself imposed loss of trademark rights based on inadequate control of use of a mark by others. See *BellSouth Corp. v. DataNational Corp.*, 60 F.3d

1565, 35 USPQ2d 1554 (Fed.Cir.1995) (the “Walking Fingers” mark became generic because AT & T allowed others to use it). Although the law permits resale of used and refurbished products, it does not require the owner of the trademark to permit its use on inferior goods with concealed damage, simply by marking the goods as “used/refurbished.” The presence of a famous trademark on such goods is not an indication of origin and quality, but a trap for the consumer.

[6] A trademark serves as an assurance of quality, consistency, and reliability, by indicating the source and control of the product bearing the mark:

However, the quality function [of a trademark] does not replace the source function: it stands alongside it. In fact, one could accurately state that the quality theory is merely a facet of the older source theory. That is, the source theory has been broadened to include not only manufacturing source but also the source of standards of quality of goods bearing the mark: “[A] mark primarily functions to indicate a single quality control source of the goods or services.” Under both the source and quality rationales, unity of source of manufacture or control appears essential.

1 *McCarthy, supra*, § 3:10, at 3–20. The law both permits and requires control by the trademark owner, even when the mark is licensed:

Licensing a mark without adequate control over the quality of goods or services sold under the mark by the licensee may cause the mark to lose its significance as a symbol of equal quality—hence, abandonment.

Id., § 17:6, at 17–9.

[7] I repeat, the question is not whether Nitro can resell used golf balls, perhaps washed and buffed; the question is whether the owner of the Titleist⁷ and other famous trademarks can prevent reapplication of these trademarks to goods that have been materially changed. In explaining Nitro's operations, its President stated:

The balls that are in sufficiently good condition to resell without refurbishing are then identified. Those golf balls are re-packaged and resold as used golf balls, i.e., “recycled” golf balls.

Acushnet does not object to Nitro's resale of these balls with the original trademarks. This case is about the next group, as Nitro's president further explained:

The remaining balls, which suffer from one or more of the following detriments, e.g., scuff marks, cart path marks, tree marks, lack of clear coat, discoloration, etc., are sent to the final quality control sort.... The balls are refurbished by removing the base paint coat and the clear coat from the balls, which also has the effect of removing the marking from the balls....

Nitro then reapplies the base coat paint (on those balls that originally had a base coat). The balls are then re-stamped with the appropriate markings.... Nitro re-

stamps the precise model type only for those models that its consumers have expressed a demand, e.g., Titleist Pro V1's.... Following the re-stamping process, Nitro re-applies the clear coat.

[8] The district court found Nitro's process not to be "intrusive," in that it "does not remove the dimples on the balls, nor does it take off the cover of the ball." The issue, however, is Nitro's right to re-apply the Titleist⁷ and Pro V-17 trademarks to the repainted balls.

[9] When goods have lost their identity and their quality, the trademark owner can not be forced to permit re-application of the original trademark to the doctored product. That is a reproach to the most fundamental principles of trademark law. *See Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 24 (7th Cir.1964) ("substitution of a different crown and case by defendants results in a different product," enjoining use of the trademark "Bulova" on the re-cased watches).

[10] There was evidence that these damaged balls did not have the characteristics of the original. Although Nitro argues that the difference is not great, that is not the issue. Trademarks are an indication of quality, on which the consumer can rely. The consumer is no less deceived if he does not know that the product is inferior, or if the extent of the inferiority is not great. The trademark owner is entitled, and required, to control the quality of the product:

One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark.... For this purpose the actual quality of the goods is irrelevant: it is the control of quality that a trademark holder is entitled to maintain.

El Greco Leather Products Co. v. Shoe World, Inc., 806 F.2d 392, 395 (2nd Cir.1986).

[11] Even if the consumer has digested the notice on the Nitro package,² the severity of the concealed defects are not known to the consumer, who will not know whether the refurbished ball has been stripped and painted, whether the balance is

² The court found that the packaging of Nitro's golf balls now bears the following notice:

ATTENTION USED/REFURBISHED GOLF BALLS. The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty.

Order at 12.

distorted, whether the all-important dimples are encumbered with fresh paint. The consumer will not know that the Titleist7 mark was re-applied to a ball that was so badly damaged that the original marking was lost.

[12] Although there was discussion at trial of the issues of section 1114 and section 1125 of the Trademark Act, there is prima facie infringement when a trademark is applied by unauthorized persons to an unlicensed product that has not met the quality standards of the trademark under the control of the owner of the mark. The law protects not only the trademark owner but also the consumer, for not only does an inferior product injure the Titleist7 and Pro V-1 7 reputation, but the consumer is deprived of the quality that the law demands of the trademark owner. Acushnet argues, with cogency, that inferior performance is more likely to be attributed to the Titleist7 source than to the refurbisher, for the degree of “refurbishment” is not specified, and the balls as repainted are clean and conceal their defects. This is not the same situation as in *Champion Spark Plug v. Sanders*, 331 U.S. 125 (1947), where the Court ratified the resale of used spark plugs still bearing the Champion name. The Court recognized that the trademark had been infringed, and that the issue was adequacy of the notice, considering “the equities of the case.” In *Champion* there was no issue of concealed defects; the Court permitted retention of the identity of the original plugs “so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer.” *Id.* at 130.

[13] My colleagues err in their ruling that the notice that the balls are used/refurbished “protects the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get.” Maj. op. at 9. When the defects are concealed, that is not “full disclosure about the true nature” of the golf balls as the panel majority holds. Concealment is the antithesis of full disclosure. In purchasing a used golf ball that has been repainted, the consumer is not provided with knowledge of concealed damage as well as surface changes. When the consumer purchases a used golf ball bearing the Titleist7 mark, the purchaser does not know if this is an almost-new golf ball that went from tee to lake on the first stroke, or a ball so badly cut that it was discarded. This is not the “full disclosure” accommodated by *Champion*. The owner of the Titleist7 mark is surely entitled to prevent re-application of the mark to golf balls whose repainting covers the original mark.³ The Court in *Champion* held that “the nature of the article involved and the characteristics of the merchandising methods used to sell it” are important considerations in devising an appropriate notice and disclaimer. 331 U.S. at 130–31. The nature of the refurbishment of a used spark plug is visible; the nature of the

³ There was also evidence that Nitro applied the Titleist7 mark to balls of other makers, when the original mark was obscured by repainting.

damage to a repainted golf ball is invisible, and any performance-deteriorating defects are permanently removed from view.

[14] In an ever more complex commercial economy, it is increasingly important to preserve standards of quality and confidence. Trademark law carries this burden. The record states that the Titleist⁷ balls are the premium balls in this market, and are recognized by the golfing public as of high and consistent quality and dependability. The producer of these products is entitled by law to protect the reputation and the value of its marks. Consumer expectations of quality should not be thwarted by an inappropriate balance of interests.

[15] A trademark owner has the absolute right to prevent others from affixing the mark with neither license nor quality control by the trademark owner. This is not a case of likelihood of confusion or dilution through the use of similar marks; it is a case of unauthorized use of an original mark on goods that have been invisibly altered, such that the use approaches the counterfeit. The re-application of the obliterated trademark is not simply information about the original source of used golf balls; it is an unauthorized exploitation of the mark, identifying the original manufacturer with the disguised product. The role of the trademark is its assurance of quality, and its value depends on the consistent quality of the product that bears the mark. Again quoting Professor McCarthy:

[T]he chief function of a trademark is a kind of 'warranty' to purchasers that they will receive, when they purchase goods bearing the mark, goods of the same character and source, anonymous as it may be, as other goods previously purchased bearing the mark that have already given the purchaser satisfaction.

1 *McCarthy, supra*, § 3:10, at 3-20, 3-21 (quotation marks and citations omitted).

[16] The trademark owner is required by law to police and preserve that quality; it cannot be deprived of that right and obligation. From the panel majority's contrary ruling and denial of the requested injunction I must, respectfully, dissent.