AN OPEN CASEBOOK

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About this book

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This book is not offered as legal advice. It undoubtedly contains mistakes.

– EEJ

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BONUS SCRATCH PAPER

21. Non-Word Marks, Part 1: Press Pads and Patios (1992-1995)

This chapter by Michael Grynberg
(credit/licensing note: MG-TL25-S21, *infra*) (This material is generally taken from Chapter 4, "Non-Word Marks, Colors, and Trade Dress," of Prof. Grynberg's book.)

Edited by EEJ, to whom any faults should be attributed.

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

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

21.1.1. Lanham Act § 45 (15 U.S.C. § 1127)

Lanham Act § 45 (15 U.S.C. § 1127)

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

21.2. Distinctive and non-distinctive non-word marks

21.2.1. Further complications

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

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

21.2.2. PTO's commercial impression directive

> **1202.03(a) Commercial Impression**
>
> The examining attorney must determine whether the overall commercial impression of the proposed mark is that of a trademark. Matter that is purely ornamental or decorative does not function as a trademark and is unregistrable on either the Principal Register or the Supplemental Register.
>
> The significance of the proposed mark is a factor to consider when determining whether ornamental matter serves a trademark function. Common expressions and symbols (e.g., the peace symbol, "smiley face," or the phrase "Have a Nice Day") are normally not perceived as marks.
>
> The examining attorney must also consider the size, location, and dominance of the proposed mark, as applied to the goods, to determine whether ornamental matter serves a trademark function. In re Dimitri's Inc., 9 USPQ2d 1666, 1667 (TTAB 1988); In re Astro-Gods Inc., 223 USPQ 621, 623 (TTAB 1984). A small, neat, and discrete word or design feature (e.g., small design of

> animal over pocket or breast portion of shirt) may be likely to create the commercial impression of a trademark, whereas a larger rendition of the same matter emblazoned across the front of a garment (or a tote bag, or the like) may be likely to be perceived merely as a decorative or ornamental feature of the goods. However, a small, neat, and discrete word or design feature will not necessarily be perceived as a mark in all cases.
>
> ***

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

21.3. Case: *Qualitex* (U.S. 1995) (green-gold press pad)

21.3.1. Opinion

Qualitex Co. v. Jacobson Products Co., Inc.

514 U.S. 159 (1995)

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

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

I

The case before us grows out of petitioner Qualitex Company's use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells to dry cleaning firms for use on dry cleaning presses. In 1989, respondent Jacobson Products (a Qualitex rival) began to sell its own press pads to dry cleaning firms; and it colored those pads a similar green gold. In 1991, Qualitex registered the special green-gold color on press pads with the Patent and Trademark Office as a trademark. Registration No. 1,633,711 (Feb. 5,

1991). Qualitex subsequently added a trademark infringement count, 15 U.S.C. § 1114(1), to an unfair competition claim, § 1125(a), in a lawsuit it had already filed challenging Jacobson's use of the green-gold color.

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

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

II

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

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

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

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

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

distinguishing ability of a mark—not its ontological status as color, shape, fragrance, word, or sign—that permits it to serve these basic purposes. See Landes & Posner, Trademark Law: An Economic Perspective, 30 J.Law & Econ. 265, 290 (1987). And, for that reason, it is difficult to find, in basic trademark objectives, a reason to disqualify absolutely the use of a color as a mark.

Neither can we find a principled objection to the use of color as a mark in the important "functionality" doctrine of trademark law. The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition—not by protecting the reputation of the original bulb maker, but by frustrating competitors' legitimate efforts to produce an equivalent illumination-enhancing bulb. See, *e.g.,* (*Kellogg Co., supra,* 305 U.S., at 119-120, trademark law cannot be used to extend monopoly over "pillow" shape of shredded wheat biscuit after the patent for that shape had expired). This Court consequently has explained that, "[i]n general terms, a product feature is functional," and cannot serve as a trademark, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. *Inwood Laboratories, Inc., supra,* 456 U.S., at 850, n. 10. Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality—indicates that the doctrine of "functionality" does not create an absolute bar to the use

of color alone as a mark. See *Owens-Corning,* 774 F.2d, at 1123 (pink color of insulation in wall "performs no nontrademark function").

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

III

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

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

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

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

This argument is unpersuasive, however, largely because it relies on an occasional problem to justify a blanket prohibition. When a color serves as a mark, normally alternative colors will likely be available for similar use by others. See, *e.g., Owens-Corning,* 774 F.2d, at 1121 (pink insulation). Moreover, if that is not so—if a "color depletion" or "color scarcity" problem does arise—the trademark

doctrine of "functionality" normally would seem available to prevent the anticompetitive consequences that Jacobson's argument posits, thereby minimizing that argument's practical force.

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

"is whether the recognition of trademark rights would significantly hinder competition." *Id.,* at 176.

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

Third, Jacobson points to many older cases—including Supreme Court cases—in support of its position. In 1878, this Court described the common-law definition of trademark rather broadly to "consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from those manufactured or sold by another." *McLean v. Fleming,* 96 U.S. 245. Yet, in interpreting the Trademark Acts of 1881 and 1905, which retained that common-law definition, the Court questioned "[w]hether mere color can constitute a valid trade-mark," *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.,* 201 U.S. 166, 171 (1906), and suggested that the "product including the coloring matter is free to all who make it," *Coca-Cola Co. v. Koke Co. of America,* 254 U.S. 143, 147 (1920). Even though these statements amounted to dicta, lower courts interpreted them as forbidding protection for color alone.

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

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

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

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

In 1988, Congress amended the Lanham Act, revising portions of the definitional language, but left unchanged the language here relevant. It enacted these amendments against the following background: (1) the Federal Circuit had decided *Owens-Corning;* (2) the Patent and Trademark Office had adopted a clear policy (which it still maintains) permitting registration of color as a trademark; and (3) the Trademark Commission had written a report, which recommended that "the terms 'symbol, or device' ... not be deleted or narrowed to preclude registration of such things as a color, shape, smell, sound, or configuration which functions as a mark," The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 T.M.Rep. 375, 421 (1987). This background strongly suggests that the language "any word, name, symbol, or device," 15 U.S.C. § 1127, had come to include color. And, when it amended the statute, Congress retained these terms. Indeed, the Senate Report accompanying the Lanham Act revision explicitly referred to this background understanding, in saying that the "revised definition intentionally retains ... the words 'symbol or device' so as not to preclude the registration of colors, shapes, sounds or configurations where they function as trademarks." S.Rep. No. 100-515, at 44. (In addition, the statute retained language providing that "[n]o trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration ... on account of its nature" (except

for certain specified reasons not relevant here). 15 U.S.C. § 1052 (1988 ed., Supp. V).)

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

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

IV

Having determined that a color may sometimes meet the basic legal requirements for use as a trademark and that respondent Jacobson's arguments do not justify a special legal rule preventing

color alone from serving as a trademark (and, in light of the District Court's here undisputed findings that Qualitex's use of the green-gold color on its press pads meets the basic trademark requirements), we conclude that the Ninth Circuit erred in barring Qualitex's use of color as a trademark.…

21.3.2. Notes on *Qualitex*

21.3.2.1. Secondary meaning

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

21.3.2.2. Question begging?

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

21.4. Discussion of Trade Dress

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

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

> H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 980 (CA11 1983).

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

21.5. Case: *Two Pesos v. Taco Cabana* (U.S. 1992) (patio cafe)

21.5.1 Opinion

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

505 U.S. 763 (1992)

Justice WHITE delivered the opinion of the Court.

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

I

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

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

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

In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.),[2] and for theft of trade secrets under Texas common law. The case was tried to a jury, which was instructed to return its verdict in the form of answers to five questions propounded by the trial judge. The jury's answers were: Taco Cabana has a trade dress; taken as a whole, the trade dress is nonfunctional; the trade dress is inherently distinctive; the trade dress has not acquired a secondary meaning in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. Because, as the jury was told, Taco Cabana's trade dress was protected if it either was inherently distinctive or had acquired a secondary meaning, judgment was entered awarding damages to Taco Cabana. In the course of calculating damages, the trial court held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress.

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

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

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

II

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

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

A trademark is defined in 15 U.S.C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." In order to be registered, a mark must be capable of distinguishing the applicant's goods from those of others. § 1052. Marks are often classified in categories of generally increasing distinctiveness; following the classic formulation set out by Judge Friendly, they may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. See *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 9 (CA2 1976). The Court of Appeals followed this classification and petitioner accepts it. The latter three categories of marks, because

their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection. . . .

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

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

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

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

> "Two Pesos' argument—that the jury finding of inherent distinctiveness contradicts its finding of no secondary

> meaning in the Texas market—ignores the law in this circuit. While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning."

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

This brings us to the line of decisions by the Court of Appeals for the Second Circuit that would find protection for trade dress unavailable absent proof of secondary meaning, a position that petitioner concedes would have to be modified if the temporary protection that it suggests is to be recognized. Brief for Petitioner 10-14. In *Vibrant Sales, Inc. v. New Body*

Boutique, Inc., 652 F.2d 299 (1981), the plaintiff claimed protection under § 43(a) for a product whose features the defendant had allegedly copied. The Court of Appeals held that unregistered marks did not enjoy the "presumptive source association" enjoyed by registered marks and hence could not qualify for protection under § 43(a) without proof of secondary meaning. The court's rationale seemingly denied protection for unregistered, but inherently distinctive, marks of all kinds, whether the claimed mark used distinctive words or symbols or distinctive product design. The court thus did not accept the arguments that an unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of a false statement or representation under § 43(a).

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

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

It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade

dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of § 43(a). Where secondary meaning does appear in the statute, 15 U.S.C. § 1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

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

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

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

As noted above, petitioner concedes that protecting an inherently distinctive trade dress from its inception may be critical to new entrants to the market and that withholding protection until secondary meaning has been established would be contrary to the

goals of the Lanham Act. Petitioner specifically suggests, however, that the solution is to dispense with the requirement of secondary meaning for a reasonable, but brief, period at the outset of the use of a trade dress. If § 43(a) does not require secondary meaning at the outset of a business' adoption of trade dress, there is no basis in the statute to support the suggestion that such a requirement comes into being after some unspecified time.

III

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

21.5.2. Concurrence by Scalia

Justice SCALIA, concurring.

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

21.5.3. Concurrence by Stevens

Justice STEVENS, concurring in the judgment.

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

I

It is appropriate to begin with the relevant text of § 43(a).[1] Section 43(a)[2] provides a federal remedy for using either "a false designation of origin" or a "false description or representation" in connection with any goods or services. The full text of the section makes it clear that the word "origin" refers to the geographic location in which the goods originated, and in fact, the phrase "false designation of origin" was understood to be limited to false advertising of geographic origin. For example, the "false designation of origin" language contained in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa.[3]

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

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

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

the End of the First Decade of the Lanham Act: Prologue or Epilogue?, 32 N.Y.U.L.Rev. 1029, 1034 (1957).

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

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

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

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

> "Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it 'passing off' or 'palming off.' Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842 Lord Langdale wrote:
>
> " 'I think that the principle on which both the courts of law and equity proceed is very well understood. A

> man is not to sell his own goods under the pretence that they are the goods of another man....'
>
> "In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion." 1 J. McCarthy, Trademarks and Unfair Competition § 5.2, p. 133 (2d ed. 1984) (McCarthy) (footnotes omitted).

II

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

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

[10] 2 McCarthy § 27:3, p. 345.

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

Today, it is less significant whether the infringement falls under "false designation of origin" or "false description or representation" because in either case § 43(a) may be invoked. The federal courts are in agreement that § 43(a) creates a federal cause of action for trademark and trade dress infringement claims. They are also in agreement that the test for liability is likelihood of confusion: "[U]nder the Lanham Act [§ 43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks.... Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a 'likelihood of confusion?' " *New West Corp. v. NYM Co. of California, Inc.,* 595 F.2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in general agreement with perhaps the exception of the Second Circuit,[14] that secondary meaning need not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under § 43(a).

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

III

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

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

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

Although Congress has not specifically addressed the question whether secondary meaning is required under § 43(a), the steps it has taken in this subsequent legislation suggest that secondary meaning is not required if inherent distinctiveness has been established. First, Congress broadened the language of § 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any

combination thereof" that is "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a). That language makes clear that a confusingly similar trade dress is actionable under § 43(a), without necessary reference to "falsity." Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply.[18] Third, the legislative history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act. And fourth, Congress explicitly extended to any violation of § 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks. The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. See S.Rep. No. 100-515, p. 40 (1988). These steps buttress the conclusion that § 43(a) is properly understood to provide protection in accordance with the standards for registration in § 2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under § 43(a) without proof of secondary meaning.

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

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

IV

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

21.5.4. Concurrence by Thomas

Justice THOMAS, concurring in the judgment.

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

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

At common law, words or symbols that were arbitrary, fanciful, or suggestive (called "inherently distinctive" words or symbols, or "trademarks") were presumed to represent the source of a product, and the first user of a trademark could sue to protect it without having to show that the word or symbol represented the product's source in fact. That presumption did not attach to personal or geographic names or to words or symbols that only described a product (called "trade names"), and the user of a personal or geographic name or of a

descriptive word or symbol could obtain relief only if he first showed that his trade name did in fact represent not just the product, but a producer (that the good or service had developed "secondary meaning"). Trade dress, which consists not of words or symbols, but of a product's packaging (or "image," more broadly), seems at common law to have been thought incapable ever of being inherently distinctive, perhaps on the theory that the number of ways to package a product is finite. Thus, a user of trade dress would always have had to show secondary meaning in order to obtain protection.

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

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

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21.5.5. Notes on *Two Pesos*

21.5.5.1. Judicial activism?

Judicial activism? Do you understand the precise point of textual disagreement between Justices Thomas and Stevens? It might be helpful to look again at the relevant text of the statutes. Section 43(a)'s original (and since amended) text provided a cause of action against those who "affix, apply, or annex, or use" a "false designation of *origin*." The text suggested that that "origin" meant *geographic* origin because the cause of action was

for "any person doing business *in the locality falsely indicated as that of origin* or the region in which said locality is situated." Section 43(a) also prohibited "any false description or representation," which had debatable applicability to trade dress in light of common law understandings (*see* the next note).

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

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

> [The bill] revises Section 43(a) of the Act (15 U.S.C. 1125(a)) to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.
>
> As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims.

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

Is this kind of judicial development of trademark law appropriate?

21.5.5.2. Common law consistency

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

21.5.5.3. Functionality

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

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

21.5.5.4. How do we determine distinctiveness?

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

21.5.5.5. The *Seabrook* test for trade dress distinctiveness

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

> (1) a "common" basic shape or design;
>
> (2) unique or unusual in the field in which it is used;
>
> (3) a mere refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods;
>
> (4) capable of creating a commercial impression distinct from the accompanying words.

Does this help? Is factor #4 simply a restatement of the question that the test is trying to answer? The Trademark Office uses *Seabrook* to evaluate the inherent distinctiveness of trade dress. <More precisely, trade dress based on *product packaging*. As we will see in the next chapter, the Supreme Court has announced that *product design* is protectable trade dress only if it has secondary meaning.> TMEP § 1202.02(b)(ii).

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

21.5.5.5. Color and Packaging

Color and Packaging. If product packaging can be inherently distinctive, but color alone requires secondary meaning, how do we treat the use of color in product packaging? See *Forney Indus., Inc. v. Daco of Missouri, Inc.*, 835 F.3d 1238, 1248 (10th Cir. 2016) (holding that "the use of color in product packaging can be inherently distinctive . . . only if specific colors are used in combination with a well-defined shape, pattern, or other distinctive design"). In *In re Forney Industries, Inc.*, 955 F.3d 940 (Fed. Cir. 2020), the Federal Circuit held that color marks on product packaging may be inherently distinctive, at least where the claimed mark is in a multi-color mark.˜ In the Federal Circuit tradition of always trying to maximize the scope of intellectual property rights, the court rejected a potential limitation of requiring such marks to be in conjunction with a distinctive peripheral shape or border. *Id.* at 947.˜

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22. Non-Word Marks, Part 2: Babies' Dresses and Grown-Ups' Bottles (2000-2003)

This chapter by Michael Grynberg
(credit/licensing note: MG-TL25-S22, *infra*) (This material is generally taken from Chapter 5, "Trade Dress and Product Design," of Prof. Grynberg's book.)

Edited by EEJ, to whom any faults should be attributed.

22.1. Section 43(a)(3) of the Lanham Act

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

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

The Supreme Court's approval of inherently distinctive trade dress in *Two Pesos* raised serious issues regarding the use of trademark law to reach functional product designs. Is this an issue that should be relegated to analysis under the functionality doctrine (which is the topic of the next chapter)? Or should the functionality issue *also* shape the distinctiveness analysis? As long as we're asking questions, is product design likely to

perform a source-identifying function in the first place? The Court considered these issues in *Wal-Mart*.

22.2. Case: *Wal-Mart v. Samara* (U.S. 2000)

22.2.1. Opinion

Wal-Mart Stores, Inc. v. Samara Bros., Inc.

529 U.S. 205 (2000)

Justice SCALIA delivered the opinion of the Court.

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

I

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

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

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

investigation, which disclosed that Wal-Mart and several other major retailers—Kmart, Caldor, Hills, and Goody's—were selling the knockoffs of Samara's outfits produced by Judy-Philippine.

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

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

II

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

The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43(a), has been held to embrace not just word marks, such as "Nike," and

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

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

> In evaluating the distinctiveness of a mark under § 2 (and therefore, by analogy, under § 43(a)), courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if "[its] intrinsic nature serves to identify a particular source." *Ibid.* In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are "arbitrary" ("Camel" cigarettes), "fanciful"

> ("Kodak" film), or "suggestive" ("Tide" laundry detergent) are held to be inherently distinctive. See *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 10-11 (C.A.2 1976). Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, "in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11 (1982).**
>
> The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts-but in this opinion we follow what has become the conventional terminology.

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

Indeed, with respect to at least one category of mark—colors—we have held that no mark can ever be inherently distinctive. In *Qualitex,* petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under § 43(a), then added a claim under § 32

after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a customer that [it] refer[s] to a brand," and does not "immediately ... signal a brand or a product 'source,'". However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging ... as signifying a brand." Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning.*

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

not to identify the source, but to render the product itself more useful or more appealing.

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

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C. § 1125(a)(3)—a showing that may involve consideration of its esthetic appeal, see *Qualitex, supra,* at 170. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design—as, indeed,

respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.

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

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

* * *

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

It is so ordered.

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22.2.2. Notes on *Wal-Mart v. Samara*

22.2.2.1. A policy case?

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

22.2.2.2. Empirical observations

Empirical observations. Regardless of how we describe *Wal-Mart*'s statutory interpretation methodology, there is no doubt that Scalia indulges in casual empiricism in his observation that consumers are less likely to see product design as indicating source. Is he right? Does it matter that the

Court offers no empirical backing for its conclusion? What about the opinion's observations about the need to screen out anti-competitive suits at an early stage? Are judges better qualified to draw these sorts of conclusions?

22.2.2.3. Restoration of common law understandings?

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

22.2.2.4. Tertium quids

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

22.2.2.5. Generic trade dress

Generic trade dress. Even if trade dress is not product design, it may still be refused protection if it is generic:

> "Where it is the custom of an industry to package products in a particular manner, a trade dress in that style would be generic and therefore not inherently distinct." *Paddington Corp. v. Attiki Imps. & Distribs., Inc.*, 996 F.2d 577, 583 (2d Cir. 1993). The Second Circuit has provided a useful example of this: "packaging lime-flavored soda in green twelve-ounce cans is so common in the soft drink industry that such packaging probably is not inherently distinctive, although without the industry practice green cans would be either suggestive or arbitrary and therefore inherently distinctive." *Id*. at 583–84.

Bimbo Bakeries USA, Inc. v. Sycamore, 29 F.4th 630, 639 (10th Cir. 2022).˜

The plaintiff presented purported evidence of secondary meaning, but the court ruled the claimed trade dress to be generic based on industry practices.

> We conclude that the purported trade dress for Grandma Sycamore's is generic and unprotectable . . . . the homemade bread products that compete with Grandma Sycamore's all tend to combine the purported trade dress elements: "(1) a horizontally-oriented label; (2) a design placed at the top center of the end; (3) the word 'White' in red letters; (4) the use of a red, yellow, and white color scheme; and (5) stylized font below the design outlined in white." The purported trade dress claimed by Bimbo Bakeries is thus defined at a broad enough level of generality to sweep in its competitors. Bimbo Bakeries may well have a protectable Grandma Sycamore's trade dress, but its claim in this litigation extends far beyond its product's more specific attributes.

Id.

22.2.2.6. Secondary meaning and copying

Secondary meaning and copying. Recall that courts often treat a defendant's copying of a mark as evidence that the mark has achieved secondary meaning. Is that inference more or less valid in the product design context? In *Jason Scott Collection, Inc. v. Trendily Furniture, LLC*, 68 F.4th 1203 (9th Cir. 2023), the defendant copied the plaintiff's furniture designs. The plaintiff sued for both copyright and trade dress infringement. The copyright claim was successful. On the trade dress front, the deliberate copying was treated as evidence that the plaintiff's designs had secondary meaning. Does that follow? Might the successful copyright claim suggest that the defendant had reasons for copying that were unrelated to trademark law? If so, is the secondary meaning inference reasonable?

22.3. Case: *Best Cellars v. Wine Made Simple* (S.D.N.Y. 2003)

22.3.1. Opinion

Best Cellars, Inc. v. Wine Made Simple, Inc.

320 F.Supp.2d 60 (S.D.N.Y. 2003)

LYNCH, District Judge.

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

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

BACKGROUND

. . .

Development of Best Cellars

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

dessert wines), the three men selected an architectural firm and graphic design firm to create the interior decor for the store. The interior design included wine racks built into a wall, which consist of tubes to hold bottles of wine horizontally, creating the appearance of a grid of steel rimmed holes in a light wood-paneled wall. The graphic design elements include computer-generated icons and brightly colored signs associated with each taste category.

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

. . . .

Advent of Bacchus

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

. . . .

Best Cellars Claims that Bacchus Violates its Trade Dress

Plaintiff claims that the Bacchus stores are confusingly similar to the Best Cellars stores, and that defendants are infringing plaintiff's legitimate intellectual property rights in the trade dress of the Best Cellars stores. Plaintiff additionally claims that defendants copied Best Cellars' trade dress, asserting that "[t]he similarity in the look and feel of the Bacchus stores to Best Cellars is such that it cannot be an accident." Defendants respond that they did not copy the Best Cellars store, that they were unaware of the Best Cellars stores when they developed the marketing strategy and interior design for Bacchus, and that plaintiff has not presented evidence demonstrating that "defendants had ever seen or heard of Best Cellars or copied any aspect of Best Cellar's purported trade dress." Plaintiff claims, in essence, that fundamental elements of the marketing idea and trade dress that took wine industry professionals over a year to develop could not possibly have been independently devised by wine neophytes in less than half that time.

DISCUSSION

. . . . *II. Trade Dress Infringement*

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

. . . .[T]he Lanham Act is not intended to enable monopolistic use of a commercial idea, but rather aims to guard against confusion in the marketplace that would harm both buyers and sellers. Indeed, this Circuit has advised district courts that "[w]hen evaluating [trade dress] claims, courts must not lose sight of the underlying purpose of the Lanham Act, which is protecting consumers and manufacturers

from deceptive representations of affiliation and origin." *Landscape Forms, Inc. v. Columbia Cascade Co.,* 113 F.3d 373, 375 (2d Cir. 1997). Furthermore, "the Lanham Act must be construed in the light of a strong federal policy in favor of vigorously competitive markets." *Id.* at 379.

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

A. Distinctiveness of Best Cellars' Trade Dress

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

distinctiveness in the form of "secondary meaning" and (2) the likelihood of confusion. *See id.*

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

The trade dress for which Best Cellars claims protection is the total effect of the interior design of its store, which it describes as: (1) eight words differentiating taste categories; (2) eight colors differentiating taste categories; (3) eight computer manipulated images differentiating taste categories; (4) taste categories set above display fixtures by order of weight; (5) single display bottles set on stainless-steel wire pedestals; (6) square 4"x4" cards with verbal descriptions of each wine ("shelf talkers") with text arranged by template; (7) shelf talkers positioned at eye level, below each display bottle; (8) bottles vertically aligned in rows of nine; (9) storage cabinets located beneath vertically aligned bottled; (10) materials palette consisting of light wood and stainless steel; (11) mixture of vertical racks and open shelving display fixtures; (12) no fixed aisles; (13) bottles down and back-lit; and (14) limited selection

(approximately 100) of relatively inexpensive wine. Defendants contend that certain of these elements are functional (such as arranging wines by taste category, color coding categories, presenting categories under a sign, posting index-card descriptions of each wine, stocking a limited number of wines, storing wine in cabinets beneath wine racks and the absence of fixed aisles), and that other elements are of such widespread use in wine stores that they are generic (such as storing wine bottles horizontally in racks, using a single bottle on display, and placing informational point-of-sale cards at a uniform height). In sum, the defendants claim that the plaintiff's trade dress is not entitled to trade dress protection as a matter of law.

Under the *Abercrombie* test,

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

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

Based on the evidence presented to the Court on the cross-motions for summary judgment, and resolving any factual ambiguities in favor of defendants, it is clear that plaintiff has a protectable

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

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

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

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

> the essence of the look [consisting of] color-coded, iconographic wall signs identifying eight taste categories above the single display bottles on stainless-steel wire pedestals which run along the store perimeter, above identical color-coded textually formatted square shelf-

> talkers, above vertical arrays of nine glowing bottles stacked horizontally, above a strip of cabinets or drawers which extend to the floor.

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

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

(S.D.N.Y.1998) (citing *Jeffrey Milstein,* 58 F.3d at 32-33, for the proposition that uniqueness of a concept is not protected trade dress).

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

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

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22.3.2. Notes on *Best Cellars*

22.3.2.1. Product lines

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

Trademark claims over a product line's "look and feel" raise concerns of overreach, and several courts have stated that plaintiffs cannot be so general in their claims, though others allow claims to the "overall appearance" of a

product. *Jason Scott Collection, Inc. v. Trendily Furniture, LLC*, 68 F.4th 1203, 1213 (9th Cir. 2023). Some cases find product design even where the dress is claimed over mechanisms of product presentation. *Yankee Candle Co., Inc. v. Bridgewater Candle Co., LLC*, 259 F.3d 25 (1st Cir. 2001) (finding that a product line of decorative candles and its related catalog layout is product design).

22.3.2.2. Ornamentation or design?

Ornamentation or design? May a claimed feature be both ornamental and part of the product's design? Yes. See, e.g., *In re Slokevage*, 441 F.3d 957 (Fed. Cir. 2006) (treating foldable flaps at pants pocket as product design). But perhaps at some point the feature starts to be perceived more as a label or as product packaging than a part of product design. Given *Wal-Mart*, a good deal rides on the question, as the classification determines whether secondary meaning is required for trademark protection. For an exploration of the issue, *see* Mark A. Lemley & Mark P. McKenna, *Trademark Spaces and Trademark Law's Secret Step Zero*, 75 STAN. L. REV. 1, 6–7 (2023) (arguing that courts and the USPTO "frequently treat the location of a claimed feature on the product or package as an important determinant of trademark status.").

22.4. Problem: Chippendales Cuffs & Collar

Chippendales provides "adult entertainment services." Chippendales performers perform without shirts but wear tuxedo-wrist cuffs and a bowtie collar. They feature these outfits, such as they are, in advertising and refer to them as the "Cuffs & Collar." They would like to protect the clothing as trade dress˜ (dashed lines indicate unclaimed matter). Will they succeed?˜(3) (4) (5) ––|––|––

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23. Functionality Sits by the Roadside and Lies on the Beach, (2001-2013)

This chapter by Michael Grynberg
(credit/licensing note: MG-TL25-S23, *infra*) (This material is generally taken from Chapter 6, "Functionality," of Prof. Grynberg's book.)

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23.1. Functionality

23.1.1. Functionality, generally

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

The doctrine also serves a boundary policing role between IP regimes. Federal law provides the option for inventors to seek patents for their inventions. But while the patent term is limited (20 years from the date the patent is filed), there is no trademark term—a trademark may be valid

indefinitely. Forbidding trademarks over functional matter prevents trademark from serving as a backdoor patent. Note that this means that even if a functional feature has acquired secondary meaning, a court should still not permit its protection as a trademark

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

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

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

23.1.2. Defining functionality

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

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

23.2. Case: TrafFix v. MDI (U.S. 2001) (dual-spring road sign)

23.2.1. Opinion

TrafFix Devices, Inc. v. Marketing Displays, Inc.

532 U.S. 23 (2001)

Justice KENNEDY delivered the opinion of the Court.

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

This litigation followed after the patents expired and a competitor, TrafFix Devices, Inc., sold sign stands with a visible spring mechanism that looked like MDI's. MDI and TrafFix products looked alike because they were. When TrafFix started in business, it sent an MDI product abroad to have it reverse engineered, that is to say

copied. Complicating matters, TrafFix marketed its sign stands under a name similar to MDI's. MDI used the name "WindMaster," while TrafFix, its new competitor, used "WindBuster."

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

I

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

The Court of Appeals for the Sixth Circuit reversed the trade dress ruling. The Court of Appeals held the District Court had erred in ruling MDI failed to show a genuine issue of material fact regarding whether it had secondary meaning in its alleged trade dress and had erred further in determining that MDI could not prevail in any event because the alleged trade dress was in fact a functional product

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

II

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

dress protection has the burden of proving that the matter sought to be protected is not functional." This burden of proof gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. And in *Wal-Mart,* we were careful to caution against misuse or overextension of trade dress. We noted that "product design almost invariably serves purposes other than source identification."

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

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

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

The dual springs shown in the Sarkisian patents were well apart (at either end of a frame for holding a rectangular sign when one full

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

The rationale for the rule that the disclosure of a feature in the claims of a utility patent constitutes strong evidence of functionality is well illustrated in this case. The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner. As the specification of one of the patents recites, prior art "devices, in practice, will topple under the force of a strong wind." U.S. Patent No. 3,662,482, col. 1. The dual-spring design allows sign stands to resist toppling in strong winds. Using a dual-spring design rather than a single spring achieves important operational advantages. For example, the specifications of the patents note that the "use of a pair of springs ... as opposed to the use of a single spring to support the frame structure prevents canting or twisting of the sign around a vertical axis," and that, if not prevented, twisting "may cause damage to the spring structure and may result in tipping of the device." U.S. Patent No. 3,646,696, col. 3. In

the course of patent prosecution, it was said that "[t]he use of a pair of spring connections as opposed to a single spring connection ... forms an important part of this combination" because it "forc[es] the sign frame to tip along the longitudinal axis of the elongated ground-engaging members." The dual-spring design affects the cost of the device as well; it was acknowledged that the device "could use three springs but this would unnecessarily increase the cost of the device." These statements made in the patent applications and in the course of procuring the patents demonstrate the functionality of the design. MDI does not assert that any of these representations are mistaken or inaccurate, and this is further strong evidence of the functionality of the dual-spring design.

III

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

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

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

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

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

In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental

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

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

It is so ordered.

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23.2.2. Notes

23.2.2.1. Bigger and better things

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

23.2.2.2. Design patents

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

23.2.2.3. Two functionality tests

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

23.3. Case: Groeneveld v. Lubecore (6th Cir. 2013) (grease pump)

23.3.1. Opinion

Groeneveld Transport Efficiency, Inc. v. Lubecore Intern., Inc.

730 F.3d 494 (6th Cir. 2013)

RONALD LEE GILMAN, Circuit Judge.

The key issue in this case is whether a company can use trade-dress law to protect its functional product design from competition with a "copycat" design made by another company where there is no reasonable likelihood that consumers would confuse the two

companies' products as emanating from a single source. We hold that it cannot. In so holding, we reaffirm that trademark law is designed to promote brand recognition, not to insulate product manufacturers from lawful competition. . . .

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

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

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

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

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

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

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

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

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

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

TrafFix Devices makes clear that Groeneveld's argument about the availability of alternative grease-pump designs is misguided. The issue is not whether Lubecore could have designed a grease pump with a different appearance; the issue is whether Groeneveld's design

"is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs.,* 456 U.S. at 850 n. 10. In other words, the question is whether the overall shape of Groeneveld's grease pump was substantially influenced by functional imperatives or preferences. We accordingly reject Groeneveld's invitation to drift back into the error of inquiring about possible alternative designs.

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

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

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

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

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

23.3.2. Dissent by White

HELENE N. WHITE, Circuit Judge, dissenting.

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

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

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

amount of grease the pump can hold, it is not apparent that the cylinder's shape is the reason the device works.

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

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

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

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

> Q. Did Groeneveld have to make its pump look this way on the outside because of the way it works on the inside?
>
> A. No, no, of course not. No, no.
>
> Q. Well, again, you say of course not—
>
> A. You can't—the pump wasn't made in this way but you can put the valves inside. You can make out of the pistons horizontal or vertical, make it horizontal. You can change

> the shape of the reservoir round you can make also reservoirs which are square. So you can change very easily the same pump [would] function[ ] the same way.
>
> PID 7920.
>
> A. You see the reservoir on top? This is a reservoir on top, yeah. That is the container of the [grease]. The reservoir you can make in several dimensions, yeah. You can make them in two kilos, three. We're speaking kilos, okay. This one which you see on the table [is a] six kilo grease container, and this has to do with the time you want to [ ]come for the next ... filling....
>
> Q. So the sizes of reservoir of ALS pumps vary then?
>
> A. Yes, vary a lot, yeah.
>
> PID 7922.
>
> Q. Does the shape or outline of the pump affect the way the thing performs, the way it delivers grease throughout the system?
>
> A. No.
>
> Q. Explain this to the jury. It might be obvious, but I'm sorry. I'll ask you to explain.
>
> A. It's like a car. No? The car go from A to B and they're all different. The shape has nothing to do with the function of the [car] moving from A to B, and it's the same as the lubrication system. The only thing we have to do is create energy and that there is an outlet w[h]ere grease is coming out, how you do that, you can do it in many, many, many ways.
>
> PID 7947 (emphasis added).
>
> . . . .

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

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

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

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

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

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

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

Q. And what about over the last 30 years?

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

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

...

[A.] No, no.

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

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

PID 7909–11

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

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

Q. Was that—was that important to you or a factor in the way you chose to engineer the Groeneveld pump way back in the way it looked, and not looking terrible and all those things you just described?

> [A.] Yeah, I think so because the Groeneveld was—at that time, a very young company with young managers. Mr. Groeneveld, especially, he had very good choice. He like nice things. We had a nice office, nice cost, nice people. So we were different than the really old mechanical people. Let's say it in this way. We were a sales company, we did a lot of promotion, and there's a reason why we wanted to do something else[.]
>
> PID 7923–24. . . .

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

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

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23.3.3. Notes on *Groeneveld*

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

23.4. Various Aspects of Functionality Doctrine

23.4.1. De facto *and* de jure *functionality*

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

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

23.4.2. *The* Morton-Norwich *factors*

The Morton-Norwich *factors*. *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (C.C.P.A. 1982), suggests four factors for determining functionality that courts continue to refer to post-*TrafFix*. <Incidentally, *Morton-Norwich* involved a spray bottle design.> They are:

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

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

23.4.3. Standard of review

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

23.4.4. Functional packaging

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

23.4.5. What about color?

What about color? Is green functional for showing that an ice cream is, say, mint flavored? See, e.g., *Dippin' Dots, Inc. v. Frosty Bites Distribution*, LLC369 F.3d 1197, 1205-06 (11th Cir. 2004) (because ice cream color indicates flavor "we conclude that color is functional in this case because it is essential to the purpose of the product and affects its quality."). Similar precedent exists for pill color. See, e.g., *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 853 (1982) ("The District Court . . . found that the blue and blue-red [medication] colors were functional to patients as well as to doctors and hospitals: many elderly patients associate color

with therapeutic effect; some patients commingle medications in a container and rely on color to differentiate one from another . . . ."). Research indicates that changing pill color makes it less likely to be taken, suggesting that generic drugs should be allowed to copy the color of brand names. Nicholas Bakalar, "The Confusion of Pill Coloring," The New York Times (December 31, 2012), available at http://well.blogs.nytimes.com/2012/12/31/the-confusion-of-pill-coloring/. More recently, the Second Circuit concluded that a color system for distinguishing components of a system for making dental adhesives was functional. *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174, 177 (2d Cir. 2021) ("The evidence establishes that the colors signify mixing tip sizes, enabling users to more easily match cartridges to the appropriate mixing tips."); *id.* at 183 (concluding the color system affects the system's quality). The same idea may extend to shapes. See *PIM Brands, Inc. v. Haribo of America, Inc.*, 81 F.4th 317 (3d Cir. 2023) (watermelon-colored wedge shape˜ is functional because it identifies the candy's flavor).

23.5. Case: *Jay Franco v. Franek* (7th Cir. 2010) (round beach towel)

23.5.1. Opinion

Jay Franco & Sons, Inc. v. Franek

615 F.3d 855 (7th Cir. 2010)

EASTERBROOK, Chief Judge.

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

The product enjoyed some initial success. Buoyed by an investment and promotional help from the actor Woody Harrelson (then a bartender on the TV show *Cheers*), CLM had sold more than

30,000 round beach towels in 32 states by the end of 1987. To secure its status as the premier circular-towel maker, the company in 1986 applied for a trademark on the towel's round design. The Patent and Trademark Office registered the "configuration of a round beach towel" as trademark No. 1,502,261 in 1988. But this was not enough to save CLM: Six years later it dissolved. The mark was assigned to Franek, who continues to sell circular towels.

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

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

Unfortunately for Franek, incontestable marks are not invincible. The Lanham Act lists a number of affirmative defenses an alleged infringer can parry with; one is a showing that the mark is "functional." See § 1115(b)(8); *Specialized Seating, Inc. v. Greenwich Industries, L.P.,* 616 F.3d 722, 724, 2010 WL 3155922, *1 (7th Cir. 2010) (discussing functionality and other ways to defeat incontestable marks). As our companion opinion in *Specialized Seating* explains, patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of

responsibilities between patent and trademark law by invalidating marks on useful designs. This was the route Jay Franco pursued. The district judge agreed, finding Franek's mark "functional" under the definition the Supreme Court gave that concept in *TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23, 32-35, (2001). The judge got it right.

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

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

> 1. A towel-bag construction comprising: a non-rectangular towel;
>
> a casing formed at the perimeter of said towel;
>
> a cord threaded through said casing; and

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

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

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

Proving patent infringement can be *sufficient* to show that a trademarked design is useful, as it means that the infringing design is quite similar to a useful invention. But such proof is unnecessary. Functionality is determined by a feature's usefulness, not its patentability or its infringement of a patent. *TrafFix's* ruling that an expired patent (which by definition can no longer be infringed) may evince a design's functionality demonstrates that proof of infringement is unnecessary. If an invention is too useless to be patentable, or too dissimilar to a design to shed light on its functions, then the lack of proof of patent infringement is meaningful. Otherwise it is irrelevant. A design may not infringe a patented invention because the invention is obvious or taught by prior art, see 35 U.S.C. §§ 102(a), 103(a), but those and other disqualifers do not mean that the design is not useful. Just so here: Franek's towel may lack some of the components in claim 1 necessary to infringe claim 2, but claim 2's

coverage of a circular beach towel for sunbathing is enough to signal that a round-towel design is useful for sunbathers. Each claim in a patent is evaluated individually, see *Altoona Publix Theatres, Inc. v. American Tri-Ergon Corp.,* 294 U.S. 477, 487 (1935), each must be substantially different, see 37 C.F.R. § 1.75(b); Manual of Patent Examining Procedure § 2173.05(n)(b) (8th ed., July 2010 rev.), and each is presumed valid, 35 U.S.C. § 282. We must therefore presume that the unique component in claim 2—the round shape of the towel—is useful.

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

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

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

Franek responds that whatever its shape (golden-ratio rectangle, square, nonagon) any towel can satisfy a heliotropic tanner if it has enough surface area—the issue is size, not shape. That's true, and it is enough to keep the roundness of his towel from being functional

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

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

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

The chief difficulty is distinguishing between designs that are fashionable enough to be functional and those that are merely pleasing. Only the latter group can be protected, because trademark law would be a cruel joke if it limited companies to tepid or repugnant

brands that discourage customers from buying the marked wares. We discussed this problem at length in *Keene.* The Supreme Court broached the subject in *Qualitex* when it discussed the functionality of the green-gold color of a dry cleaning pad. Unwilling to say that the pad required a green-gold hue or was improved by it, the Court still thought that the color would be functional if its exclusive use by a single designer "would put competitors at a significant non-reputation-related disadvantage." 514 U.S. at 165. This is a problem for Franek's round-towel mark.

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

Contrast Franek's mark with the irregular hexagon at issue in *Keene* or the green-gold hue in *Qualitex.* Those marks restrict few design options for competitors. Indeed, they are so distinctive that competitors' only reason to copy them would be to trade on the goodwill of the original designer. Cf. *Service Ideas, Inc. v. Traex Corp.,* 846 F.2d 1118, 1123-24 (7th Cir. 1988) (purposeful copying of a beverage server's arbitrary design indicated a lack of aesthetic functionality). That's not so here. A circle is the kind of basic design that a producer like Jay Franco adopts because alternatives are scarce and some consumers want the shape regardless of who manufactures it. There are only so many geometric shapes; few are both attractive and simple enough to fabricate cheaply. Cf. *Qualitex,* 514 U.S. at 168-69 (functionality doctrine invalidates marks that would create color

scarcity in a particular market). And some consumers crave round towels—beachgoers who prefer curved edges to sharp corners, those who don't want to be "square," and those who relish the circle's simplicity. A producer barred from selling such towels loses a profitable portion of the market. The record does not divulge much on these matters, but any holes in the evidence are filled by the *TrafFix* presumption that Franek's mark is functional, a presumption he has failed to rebut.

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

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

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23.5.2. Note on *Jay Franco v. Franek*

23.5.2.1. Two kinds of channeling

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

In a similar vein, did Judge Easterbrook think the towel was distinctive subject matter in the first instance? We have not studied the concept of incontestable marks yet, but the case gives a good overview of one of its

consequences. Once a mark has been registered long enough, it becomes "incontestable" and therefore immune to certain kinds of challenges, among them, a lack of distinctiveness. Fair enough, but that makes the remaining bases of challenge, among them functionality, all the more important.

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

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24. Enter Aesthetics: Silver Deals, High Heels, and Wax Seals, (1990 & 2012)

This chapter by Michael Grynberg, except where noted.
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24.1. Problem

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

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

24.2. Case: *Wallace v. Godinger* (2d Cir. 1990) (baroque silverware)

24.2.1. Opinion

Wallace Intern. Silversmiths, Inc. v. Godinger Silver Art Co., Inc.

916 F.2d 76 (2d Cir. 1990)

WINTER, Circuit Judge:

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

BACKGROUND

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

Godinger, a New York corporation, is a manufacturer of silver-plated products. The company has recently begun to market a line of baroque-style silver-plated serving pieces. The suggested retail price of the set of four serving pieces is approximately twenty dollars. Godinger advertised its new line under the name 20TH CENTURY

BAROQUE and planned to introduce it at the Annual New York Tabletop and Accessories Show, the principal industry trade show at which orders for the coming year are taken. Like Wallace's silverware, Godinger's pattern contains typical baroque elements including an indented root, scrolls, curls, and flowers. The arrangement of these elements approximates Wallace's design in many ways, although their dimensions are noticeably different. The most obvious difference between the two designs is that the Godinger pattern extends further down the handle than the Wallace pattern does. The Wallace pattern also tapers from the top of the handle to the stem while the Godinger pattern appears bulkier overall and maintains its bulk throughout the decorated portion of the handle. Although the record does not disclose the exact circumstances under which Godinger's serving pieces were created, Godinger admits that its designers were "certainly inspired by and aware of [the Wallace] design . . ."

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

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

In the instant matter, Wallace seeks trademark protection, not for a precise expression of a decorative style, but for basic elements of a

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

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

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

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

> 7. The facts being otherwise as stated in Illustration 6, A's design consists solely of a thin gold band placed around the rim of each dish. Evidence indicates that a significant number of consumers prefer china decorated with only a gold rim band. Because the number of alternative designs available to satisfy the aesthetic desires of these prospective purchasers is extremely limited, the rim design is functional under the rule stated in this Section.
>
> 8. A is the first seller to market candy intended for Valentine's Day in heart-shaped boxes. Evidence

> indicates that the shape of the box is an important factor in the appeal of the product to a significant number of consumers. Because there are no alternative designs capable of satisfying the aesthetic desires of these prospective purchasers, the design of the box is functional under the rule stated in this Section.

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

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24.3. Notes

24.3.1. The Qualitex test

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

> The upshot is that, where a color serves a significant nontrademark function—whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things," G.K. Chesterton, Simplicity and Tolstoy 61 (1912)—courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination

> should not discourage firms from creating aesthetically pleasing mark designs, for it is open to their competitors to do the same.

In *TrafFix* Justice Kennedy elaborated:

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

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

24.3.2. A dangerous doctrine?

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

24.3.3. Limited acceptance of aesthetic functionality

Limited acceptance. McCarthy's treatise reports that most circuits resist aesthetic functionality claims. 1 MCCARTHY § 7:80 (surveying federal circuit courts and observing that most have either explicitly rejected aesthetic functionality or expressed doubts as to its validity). Similarly, many cases that may look like candidates for application of the principle of aesthetic functionality are treated as raising other issues. *See, e.g.*, Brunswick Corp. v. British Seagull Ltd., 35 F.3d 1527, 1533 (Fed. Cir. 1994) (pre-*TrafFix* case affirming denial of registration for black color for outboard

motors, explaining "the Board did not improperly deny registration to Mercury merely because black served purely aesthetic functions. Color compatibility and ability to decrease apparent motor size are not in this case mere aesthetic features. Rather these non-trademark functions supply a competitive advantage"). Likewise, recall the note on the functionality of color in the previous chapter.

24.3.4. The Trademark Office view

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

1202.02(a)(vi) Aesthetic Functionality

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

The concept of "aesthetic functionality" (as opposed to "utilitarian functionality") has for many years been the subject of much confusion. While the Court of Customs and Patent Appeals (the predecessor to the Court of Appeals for the Federal Circuit) appeared to reject the doctrine of aesthetic functionality in *In re DC Comics, Inc.*, 689 F.2d 1042, 1047-1050 (C.C.P.A. 1982), the Supreme Court later referred to aesthetic functionality as a valid legal concept in *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001). The confusion regarding aesthetic functionality stems in part from widespread misuse of the term "aesthetic functionality" in cases involving ornamentation issues, with some courts having mistakenly expanded the category of "functional" marks to include matter that is solely ornamental, essentially on the theory that such matter serves an "aesthetic function" or "ornamentation function." It is this incorrect use of the term "aesthetic functionality" in connection with ornamentation cases that was rejected by the Court of Customs and Patent Appeals. *See In*

re DC Comics, Inc., 689 F.2d 1042, 1047-1050 (C.C.P.A. 1982) (majority opinion and Rich, J., concurring) (holding, in a case involving features of toy dolls, that the Board had improperly "intermingled the concepts of utilitarian functionality and what has been termed 'aesthetic functionality;'" and rejecting the concept of aesthetic functionality where it is used as a substitute for "the more traditional source identification principles of trademark law," such as the ornamentation and functionality doctrines).

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

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

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

> This case seems to involve elements of both utilitarian and aesthetic functionality. Here, for example, there is evidence of utility in applicant's patent application, as well as statements touting the superiority of applicant's design in applicant's promotional literature, and statements that applicant's design results in reduced costs of installation. On the other hand, there is no

> question that applicant's roof designs which match the appearance of surrounding roof tiles are more pleasing in appearance because the venting tiles in each case are unobtrusive.

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

Note that this type of functionality determination – while employed in connection with a normally "aesthetic" feature such as color – is a proper use of the functionality doctrine, necessitating a §2(e)(5) refusal where the evidence establishes that a color or other matter at issue provides identifiable competitive advantages and, thus, should remain in the public domain. In *In re Florists' Transworld Delivery Inc*., 106 USPQ2d 1784 (TTAB 2013), for example, the record included evidence reflecting that, in the floral industry, color has significance and communicates particular messages (e.g., elegance, bereavement, Halloween), which extend to floral packaging. The Board found, therefore, that the examining attorney had demonstrated a competitive need for others in the industry to use black in connection with floral arrangements and packaging therefor and concluded that the proposed mark was functional under §2(e)(5). This is the opposite of an ornamentation refusal, where the matter at issue serves no identifiable purpose other than that of pure decoration.

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

functionality" should be closely tied to a discussion of specific competitive advantages resulting from use of the proposed mark at issue, so that it is clear that the refusal is properly based on the functionality doctrine and not on an incorrect use of "aesthetic functionality" to mean ornamentation.

* * *

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24.4. Case: *Christian Louboutin v. Yves Saint Laurent* (2d. Cir. 2012) (red soled shoes)

24.4.1. Advance notes

{This § 24.4.1. by EEJ.}

This litigation features a battle between two high-end luxury goods manufacturers. Christian Louboutin is the maker of famous high-heeled shoes with a bright red lacquer-finish sole. The sole is distinctly visible – much more so than would be the case with flat-soled shoes. Because only the toe portion of the sole touches the ground – the back-end being held aloft by the heel – the red sole is distinctly visible. Christian Louboutin's red-soled shoes became a status symbol. The most iconic version of Christian Louboutin's shoes would be those having a black upper along with the red sole.

Luxury apparel maker Yves Saint Laurent set out to market high-heeled shoes consisting of an upper with a single bright color and a matching sole in the same vivid hue. YSL sought to market their vivid monochrome shoes in a variety of color choices, including bright red.

Christian Louboutin sued YSL for trademark infringement, seeking a preliminary injunction to stop YSL from marketing the red monochrome model, as it includes a bright red sole, which Christian Louboutin claimed to be its trademark.

Christian Louboutin sued in the Southern District of New York, the home jurisdiction of Manhattan's fashion industry. The S.D.N.Y. held that a single color cannot become the exclusive province of a single firm in the fashion industry. The district court thus denied Louboutin's preliminary injunction application.

The Second Circuit reversed in part and affirmed in part. The appellate panel affirmed the denial of the injunction against YSL. But the court did so on alternative grounds. In rendering its decision, the Second Circuit handed Louboutin about the most successful litigation defeat anyone could wish for.

The appeals court held that Louboutin had acquired secondary meaning in a trademark consisting of a "red, lacquered outsole on a high fashion woman's shoe" where "the red outsole contrasts with the color of the remainder of the shoe." This, the court held, was a distinctive symbol identifying the Louboutin brand, and thus protectable as its trademark.

Because YSL's red-soled shoe had a matching upper, the YSL shoe lacked the contrast that was part of the trademark the Second Circuit determined to exist. Thus YSL was able to sell its one-color-all-over heels, and Louboutin walked away with a judicial ruling that flashed and flaunted shiny, power-colored legal status at all passersby.

24.4.2. Opinion

Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.

696 F.3d 206 (2d Cir. 2012)

CABRANES, Circuit Judge

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

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

. . . . As the District Court saw it, the "narrow question" presented by the case was "whether the Lanham Act extends protection to a

trademark composed of a single color used as an expressive and defining quality of an article of wear produced in the fashion industry"—that is, "whether there is something unique about the fashion world that militates against extending trademark protection to a single color."

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

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

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

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

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

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

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

Even if *Qualitex* could be read to permit an industry-specific *per se* rule of functionality (a reading we think doubtful), such a rule would be neither necessary nor appropriate here. We readily acknowledge

that the fashion industry, like other industries, has special concerns in the operation of trademark law; it has been argued forcefully that United States law does not protect fashion design adequately. Indeed, the case on appeal is particularly difficult precisely because, as the District Court well noted, in the fashion industry, color can serve as a tool in the palette of a designer, rather than as mere ornamentation.

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

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

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24.5. Case: Maker's Mark v. Diageo (6th Cir. 2012) (red wax seal)

24.5.1. Advance notes

To what extent may similar trade dress produce a finding of likelihood of confusion notwithstanding the existence of a contrasting label? The case below provides one view.˜

24.5.2. Opinion

Maker's Mark Distillery, Inc. v. Diageo North America, Inc.

679 F.3d 410 (6th Cir. 2012)

BOYCE F. MARTIN, JR., Circuit Judge.

Justice Hugo Black once wrote, "I was brought up to believe that Scotch whisky would need a tax preference to survive in competition with Kentucky bourbon." *Dep't of Revenue v. James B. Beam Distilling Co.,* 377 U.S. 341, 348–49 (1964) (Black, J., dissenting). While there may be some truth to Justice Black's statement that paints Kentucky bourbon as such an economic force that its competitors need government protection or preference to compete with it, it does not mean a Kentucky bourbon distiller may not also avail itself of our laws

to protect its assets. This brings us to the question before us today: whether the bourbon producer Maker's Mark Distillery, Inc.'s registered trademark consisting of its signature trade dress element—a red dripping wax seal—is due protection, in the form of an injunction, from a similar trade dress element on Casa Cuervo, S.A. de C.V.'s Reserva de la Familia tequila bottles. We hold that it is. The judgments of the district court in this trademark infringement case are **AFFIRMED.**

I.

All bourbon is whiskey, but not all whiskey is bourbon.[1] Whiskey, like other distilled spirits, begins as a fermentable mash, composed of water and grains or other fermentable ingredients. The mash is heated and then cooled, yeast is introduced to ferment the sugars in the mash, and the yeast turns the sugars into alcohol and carbon dioxide. This now-alcoholic liquid is then distilled to concentrate the alcohol. GARY REGAN & MARDEE HAIDIN REGAN, THE BOURBON COMPANION 32–33 (1998). The composition of the mash, and the aging, treating, and flavoring of the distilled alcohol, determine the flavor, color, and character of the distilled spirit. In the case of bourbon, the corn-based mash and aging in charred new oak barrels impart a distinct mellow flavor and caramel color. Distillers compete intensely on flavor, but also through branding and marketing; the history of bourbon, in particular, illustrates why strong branding and differentiation is important in the distilled spirits market.

> [1] Even the spelling of the word "whiskey" has engendered impassioned debate. . . "Whiskey" is the typical spelling in the United States, but in Scotland and Canada, "whisky" is the preferred spelling.

The legend of the birth of bourbon is not without controversy: "As many counties of Kentucky claim the first production of Bourbon as Greek cities quarrel over the birthplace of Homer." H.F. WILLKIE, BEVERAGE SPIRITS IN AMERICA—A BRIEF HISTORY 19 (3d ed.1949). The generally accepted and oft-repeated story is that "the first Bourbon whiskey ... made from a mash containing at least fifty percent corn, is usually credited to a Baptist minister, The Reverend Elijah Craig, in 1789, at Georgetown, [Kentucky]," just prior to Kentucky's joining the Union as a state in 1792. *Id.* But it is more likely that Kentucky whiskey was first distilled at Fort Harrod, the first permanent European settlement in what is now Kentucky, in 1774. CHARLES K. COWDERY, BOURBON, STRAIGHT: THE UNCUT AND UNFILTERED STORY OF

AMERICAN WHISKEY 3–4 (2004); *accord* WILLKIE, *supra,* at 19. Kentucky's settlers distilled whiskey using methods similar to those "used in Scotland and Ireland for hundreds of years," WILLKIE, *supra,* at 20, except that Kentucky whiskey was made mostly from corn, a crop unknown to Europeans before Columbus ventured to America. COWDERY, BOURBON, STRAIGHT, *supra,* at 2. Though "most [American] colonial whiskey was made from rye," *id.* at 3, corn was easy to grow in Kentucky soil, and surplus corn was often used to make whiskey. *Id.* at 4.

The name "bourbon" itself is easier to trace: one of the original nine counties of Kentucky was Bourbon County, WILLKIE, *supra,* at 20, named in honor of the French royal family. Charles K. Cowdery, *How Bourbon Whiskey* Really *Got Its Famous Name,* BOURBON COUNTRY READER, July 1996. "[Kentucky] whiskey was shipped from Limestone, a riverside port in Bourbon County," down the Ohio river to the Mississippi, bound for New Orleans. REGAN & REGAN, *supra,* at 14. Whiskey shipped from the port in Bourbon County came to be known as "Old Bourbon," and later, simply "Bourbon," to distinguish it from Pennsylvania Rye or other whiskeys. Cowdery, *How Bourbon Whiskey* Really *Got Its Famous Name, supra.* The name "bourbon" at that time meant whiskey made from mostly corn in Kentucky or points west. But it was likely not until "sometime between 1823 and ... 1845" that Dr. James Crow "perfect[ed] the sour-mash method of whiskey-making"—the dominant process in use today that, when coupled with aging in charred new oak barrels, produces modern bourbon's familiar caramel color and distinctive taste. REGAN & REGAN, *supra,* at 15.

While in the early years "[w]hiskey was whiskey, as everybody knew," some bourbon distillers began to brand their bourbons to capitalize on the differences between "[g]ood Kentucky Bourbon" and all the rest. WILLKIE, *supra,* at 22. Dr. Crow, a Kentuckian by way of Scotland, "insist[ed] upon strict sanitation in his manufacture," and branded his bourbon with his name; other Kentucky families followed suit in an effort to differentiate their products. *Id.* Crow's branding tactics seem to have worked, as his bourbon accumulated prominent fans. For example, bourbon drinker Ulysses S. Grant preferred Old Crow over other bourbons . . . .

Success attracts imitators, and in the late nineteenth century "rectifiers" began to crowd the market, selling "a product that they would call 'Kentucky Bourbon' using neutral spirits, flavoring agents and artificial coloring with only some aged whiskey in the product."

Mike Veach, *The Taft Decision,* THE FILSON, Winter 2009, at 4. A hotly contested legal and lobbying war between the rectifiers and traditional "straight whiskey" distillers erupted, culminating in President William Taft's official interpretation, in 1909, of the 1906 Pure Food and Drug Act; Taft's interpretation settled the question of what spirits could be labeled as "whiskey." *Id.* The rectifiers lost and were required to label their product "imitation whiskey." *See id.; see also* H. Parker Willis, *What Whiskey Is,* MCCLURE'S MAGAZINE, 1909–10, at 687–903. The ruling only increased distillers' incentives to differentiate themselves and their products. "Before the Taft ruling, few brands were nationally known.... But, under the new regulations, labels had to tell both the process and materials of manufacture. Whiskey ... now began to appear under distinctive labels, competing with other brands on its own merits." WILLKIE, *supra,* at 26. After Prohibition was repealed, the distilled spirits industry consolidated and matured . . . .

In recognition of bourbon's unique place in American culture and commerce, and in the spirit of the Taft decision, Congress in 1964 designated bourbon as a "distinctive product[ ] of the United States," 27 C.F.R. § 5.22(l)(1), and prescribed restrictions on which distilled spirits may bear the label "bourbon." Federal regulations require that bourbon whiskey to, among other things, be aged in charred new oak barrels, contain certain proportions of mash ingredients, and be barreled and bottled at certain proofs. § 5.22(b). Importantly, whiskey made for consumption within the United States cannot be called bourbon unless it is made in the United States. § 5.22(l)(1). While bourbon is strongly associated with Kentucky, and while "[ninety-five] percent of the world's supply of bourbon comes from Kentucky," Jessie Halladay, *Kentucky's Libation Vacations,* COURIER–J., Feb. 26, 2012, at D1, some notable bourbons are made in other states.

Maker's Mark occupies a central place in the modern story of bourbon. The Samuels family, founder of the Maker's Mark distillery in Loretto, Kentucky, has produced whiskey in Kentucky nearly continuously from the eighteenth century through today. REGAN & REGAN, *supra,* at 161–62. Indeed, Robert Samuels (along with Jacob Beam, Basil Hayden, and Daniel Weller, all of whose surnames are familiar to bourbon connoisseurs) was one of Kentucky's early settlers. COWDERY, BOURBON, STRAIGHT, *supra,* at 4. Bill Samuels, Sr. formulated the recipe for Maker's Mark bourbon in 1953. His wife, Margie, conceived of the red dripping wax seal and used the family deep fryer to perfect the process of applying it. The company has

bottled bourbon for commercial sale under the Maker's Mark name, and has used a red dripping wax seal on its Maker's Mark bourbon bottles, since 1958. Maker's Mark, and craft bourbon generally, garnered national attention when the *Wall Street Journal* published a front-page article about the bourbon, the red dripping wax seal, and the family behind it. David P. Garino, *Maker's Mark Goes Against the Grain to Make its Mark,* WALL ST. J., Aug. 1, 1980, at 1. In 1985, Maker's Mark registered a trademark for the dripping-wax-seal element of its trade dress, which it described as a "wax-like coating covering the cap of the bottle and trickling down the neck of the bottle in a freeform irregular pattern." The trademark is silent as to color, but Maker's Mark conceded in submissions before the district court that it sought only to enforce it as applied to the red dripping wax seal.

Jose Cuervo produced a premium tequila, "Reserva de la Familia," beginning in 1995. The tequila bottle had a wax seal that was straight-edged and did not initially feature drips. By 2001, Cuervo had begun selling this tequila in the United States in bottles with a red dripping wax seal reminiscent of the Maker's Mark red dripping wax seal. In 2003, Maker's Mark instituted this suit against Casa Cuervo S.A. de C.V., Jose Cuervo International, Inc., Tequila Cuervo La Rojeña S.A. de C.V., and Diageo North America, Inc. claiming state and federal trademark infringement and federal trademark dilution; sometime thereafter, Cuervo discontinued use of the red dripping wax seal and reverted to a red straight-edged wax seal. In its suit, Maker's Mark sought damages, injunctions against dilution and infringement, and costs. Cuervo counterclaimed for cancellation of the Maker's Mark trademark.

After a six-day bench trial, the district court found that Maker's Mark's red dripping wax seal is a valid trademark and that Cuervo had infringed that trademark. Based on those findings, the district court enjoined Cuervo permanently "from using red dripping wax on the cap of a bottle in the sale, offering for sale, distribution or advertising of Cuervo tequila products at any locality within the United States." The district court found that Cuervo had not diluted the mark and denied Maker's Mark's claim for damages; the district court also denied Cuervo's counterclaim for cancellation of the mark. In a separate opinion, the district court awarded Maker's Mark some of its costs.

Cuervo appeals the district court's determination that the red dripping wax seal is not aesthetically functional, some of the district court's factual findings, its balancing of those findings in determining

Cuervo had infringed, and its award of some of Maker's Mark's costs. Cuervo does not appeal the scope of the injunction.

II.

A. Aesthetic Functionality

[The court upheld the district court's conclusion that the wax seal is not functional.]

B. Factual Findings under *Frisch*

We have recognized four kinds of trademark infringement: palming off, confusion of sponsorship (also known as "association"), reverse confusion of sponsorship, and dilution. As the district court correctly noted, Maker's Mark focuses on "confusion of sponsorship." Maker's Mark does not appeal the district court's adverse ruling on its dilution claim. Confusion of sponsorship "occurs where the goods do not directly compete. In this situation, the goods are unrelated enough that no inference arises that they originated from the same source, but the similarity of the trademarks erroneously suggests a connection between the sources." In any case, a court considering a claim for trademark infringement must determine the likelihood of consumer confusion. The factors the court should consider are: "1. strength of the plaintiff's mark; 2. relatedness of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5. marketing channels used; 6. likely degree of purchaser care; 7. defendant's intent in selecting the mark; [and] 8. likelihood of expansion of the product lines." *Frisch's Rests., Inc. v. Elby's Big Boy, Inc.,* 670 F.2d 642, 648 (6th Cir. 1982) (quoting *Toho Co., Ltd. v. Sears, Roebuck & Co.,* 645 F.2d 788, 790 (9th Cir. 1981)).

We review the district court's factual findings under *Frisch* for clear error. We assess each factor with respect to the relevant consumer market; potential buyers of the "junior" product (here, Cuervo's Reserva de la Familia) are the relevant consumers. Cuervo appeals the district court's findings on only three of the eight *Frisch* factors . . . .

1. Strength

To evaluate the strength factor under the *Frisch* analysis, this Court "focuses on the distinctiveness of a mark and its recognition among the public." *Therma–Scan, Inc. v. Thermoscan, Inc.,* 295 F.3d 623, 631 (6th Cir. 2002). One leading commentator usefully characterizes this evaluation as encompassing two separate

components: (1) "conceptual strength," or "placement of the mark on the spectrum of marks," which encapsulates the question of inherent distinctiveness; and (2) "commercial strength" or "the marketplace recognition value of the mark." 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11.83 (4th ed.). In other words, "[a] mark is strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of a particular source; it can become so because it is unique, because it has been the subject of wide and intensive advertisement, or because of a combination of both." *Homeowners Grp. v. Home Mktg. Specialists, Inc.,* 931 F.2d 1100, 1107 (6th Cir. 1991) (internal quotation marks omitted).

Because the strength of a trademark for purposes of the likelihood-of-confusion analysis depends on the interplay between conceptual and commercial strength, the existence of inherent distinctiveness is not the end of the inquiry. *See Therma–Scan, Inc.,* 295 F.3d at 631–32 (noting that a mark can be inherently distinctive but not especially strong if it fails to attain broad public recognition); *Homeowners Grp., Inc.,* 931 F.2d at 1107 ("The District Court's finding that HMS was an arbitrary and inherently distinctive mark is only a first step in determining the strength of a mark in the marketplace."); *see also* MCCARTHY, *supra* § 11:83 ("[T]he true relative strength of a mark can only fully be determined by weighing [both] aspects of strength."). Thus, although inherent distinctiveness may provide powerful support for the strength of a mark, the full extent of that support nonetheless depends on the scope of commercial recognition.

Here, the district court appropriately evaluated both components of the strength factor. From the physical characteristics of the mark, the district court specifically found the red dripping wax seal to be inherently distinctive based on its uniqueness and its potential to "draw in the customer" in an unusual manner. This finding of conceptual strength is bolstered by the mark's status as "incontestable," which entitles it to a presumption of strength, though the relative import of that presumption within the overall strength analysis still requires an analysis of "whether the mark is distinctive and well-known in the general population." *Therma–Scan, Inc.,* 295 F.3d at 632. As to commercial recognition, the district court found the seal "acquired secondary meaning through fifty years of use, extensive advertising and consumer recognition."[3] The district court also found that Maker's Mark's advertising was intensive, citing the extent of its advertising budget that "focuses almost entirely on branding the red dripping wax," as well as the significant public attention that the wax

seal has received through the media. In further support of these findings, the district court also cited studies showing significant amounts of consumer dialogue about the brand, as well as a high level of recognition among both whiskey drinkers and distilled-spirits drinkers more generally.

[3] In light of the district court's finding that the mark is inherently distinctive, it did not need to consider secondary meaning. The district court's findings on secondary meaning, however, are nonetheless relevant to the broader questions of commercial recognition and overall strength.

Cuervo argues that the district court erred in its evaluation of the strength of the mark by (1) disregarding third-party use of red dripping wax seals; (2) failing to give proper weight to the lack of a survey regarding recognition of the red dripping wax seal; (3) relying in its analysis on Maker's Mark's advertisements without apparent evidence of their dates or circulation; and (4) relying on evidence of the strength of the mark in the overbroad group of distilled spirits drinkers instead of prospective Reserva purchasers.

We recognize that "extensive third-party uses of a trademark [may] substantially weaken the strength of a mark." *Homeowners Grp.,* 931 F.2d at 1108. Contrary to Cuervo's argument, the district court *did* consider evidence of third-party use of similar seals on distilled spirits, but rejected that evidence as limited and unconvincing because it concerned seals used on all distilled spirits; the court found that the relevant use of the seals is limited to the "relevant market," and not among all distilled spirits. We agree with the district court's finding and reasoning.

Next, while "survey evidence is the most direct and persuasive evidence" of whether a mark has acquired secondary meaning, "consumer surveys ... are not a prerequisite to establishing secondary meaning." *Herman Miller, Inc.,* 270 F.3d at 312, 315 (citations and internal quotation marks omitted). Nor is such evidence indispensable to the broader question of commercial recognition. In light of the abundance of other evidence demonstrating market recognition, such as Maker's Mark's extensive marketing efforts focusing on the red dripping wax seal and its widespread publicity, it was not clear error for the district court to overlook the lack of survey evidence because that evidence was not determinative of the strength of the mark.

As to the district court's consideration of advertising evidence, the district court discussed the nature of the advertising and found

that advertising efforts by Maker's Mark usually focus directly on the red dripping wax seal. As the record and the district court's opinion show, the district court had before it, and considered, an abundance of Maker's Mark advertisements that specifically feature the red dripping wax seal. Moreover, these advertisements were recent, relevant, and strong enough to convince *Business Week,* in 2002, to declare the dripping wax seal "one of the most recognizable branding symbols in the world," and CBS Sunday Morning, in 2008, to refer to the process by which the seal is applied as the "famous dip in red sealing wax." These findings support the district court's ultimate conclusion regarding the breadth of market recognition of Maker's Mark's trademarked red dripping wax seal.

Finally, as to the district court's discussion of evidence of the mark's strength within the broader group of distilled spirits drinkers, the district court considered, but did not rest its holding on, this evidence. Instead, the district court based its holding primarily on the seal's "unique design and [Maker's Mark's] singular marketing efforts." We therefore find no error here.

In sum, none of Cuervo's arguments undermines the district court's finding "that the Maker's Mark red dripping wax seal is an extremely strong mark due to its unique design and the company's singular marketing efforts." We therefore conclude that the district court did not clearly err in its evaluation of the strength of the red dripping wax seal.

2. Similarity

In assessing similarity, "courts must determine whether a given mark would confuse the public when viewed alone, in order to account for the possibility that sufficiently similar marks may confuse consumers who do not have both marks before them but who may have a general, vague, or even hazy, impression or recollection of the other party's mark." *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Cntr.,* 109 F.3d 275, 283 (6th Cir. 1997) (internal quotation marks omitted). The district court found this factor "narrowly favor [s] Maker's Mark," and found that, though "[v]ery few consumers ... would buy one product believing it was the other," the seals were facially similar. The district court examined the two seals and found that "nothing on the products *other than* the red dripping wax ... would suggest an association between the two."

Cuervo focuses its argument on the relevance of the house marks—product labels identifying the name of the manufacturer—on

the bottles. We have held that the presence of a house mark can decrease the likelihood of confusion. *Therma–Scan, Inc.,* 295 F.3d at 634 ("[T]he presence of [a house mark on a product] does not eliminate the similarity between the trademarks. Instead, this labeling diminishes the likelihood of confusion created by the comparable marks and reduces the importance of this factor."); *AutoZone, Inc. v. Tandy Corp.,* 373 F.3d 786, 797 (6th Cir. 2004) ("The co-appearance of a junior mark and a house mark is not dispositive of dissimilarity, but it is persuasive."). The district court concluded that this consideration is not "as important in an association case, when the two products are related enough that one might associate with or sponsor the other and still use their own house mark."

In *AutoZone,* we found that the proximity of the Radio Shack house mark to the "POWERZONE" mark would alleviate any confusion between POWERZONE and AUTOZONE marks. *AutoZone* does not, however, stand for the proposition that the presence of a house mark always has significant weight in the similarity analysis; it merely states that presence of a house mark is a factor to be considered in the evaluation of similarity and, depending on the facts of the case, may be significant to the overall likelihood of confusion. *AutoZone, Inc.,* 373 F.3d at 796–97. Furthermore, the district court's analysis in this case highlights two factors that diminish the significance of the house marks in the present context. First, testimony in the record indicates that many consumers are unaware of the affiliations between brands of distilled spirits, and that some companies produce multiple types of distilled spirits, which supports the district court's assessment here. Second, the presence of a house mark, as the district court correctly noted, is more significant in a palming off case than in an association case—as the district court reasoned, in an association case "when the two products are related enough ... one might associate with or sponsor the other and still use their own house mark." Accordingly, the district court did not clearly err in its factual findings under this factor, and we adopt its findings.

3. Actual Confusion

The district court stated that "neither party produced meaningful evidence related to actual confusion" and concluded that the lack of evidence was "neutral." The district court reasoned that, though evidence of actual confusion might have been obtainable if it existed, Cuervo sold Reserva for a limited time and in limited quantities, and so the district court did not place weight on the fact that Maker's Mark did not furnish "meaningful" evidence of actual confusion. Despite

Cuervo's arguments to the contrary, this finding falls squarely within this Circuit's case law. Though "[e]vidence of actual confusion is undoubtedly the best evidence of likelihood of confusion ... a lack of such evidence is rarely significant." *Daddy's,* 109 F.3d at 284 (citation and internal quotation marks omitted). Here, the Reserva product was sold for a short time and in limited quantities; under these circumstances, it is reasonable that no meaningful evidence of actual confusion was available. The district court did not clearly err in finding the lack of actual confusion evidence non-determinative, and we adopt its findings.

C. Balancing the *Frisch* Factors

We "review *de novo* the legal question of whether [the district court's *Frisch* factual findings] constitute a likelihood of confusion." *Tumblebus Inc.,* 399 F.3d at 764. Because we find above that the district court did not reversibly err in its factual findings on the three disputed factors—strength, similarity, and actual confusion—and because the parties do not dispute the district court's factual findings under the remaining five factors, we adopt all of the district court's factual findings and balance them de novo.

1. Strength. The district court found the evidence of the strength of the mark heavily favored Maker's Mark. We have held that the strength of the mark supplies the weight it should be accorded in balancing. In general, "[t]he stronger the mark, all else equal, the greater the likelihood of confusion." *AutoZone,* 373 F.3d at 794 (alteration in original) (quoting *Homeowners Grp., Inc.,* 931 F.2d at 1107). Because the district court found the mark at issue here to be "extremely strong," the strength factor is weighed very heavily.

2. Relatedness of the goods. The district court found the goods were somewhat related because they were part of the same broad category of high-end distilled spirits, but not fully related because the Cuervo product was priced at $100 per bottle, while Maker's Mark sold for $24 per bottle. Where the goods are "somewhat related but not competitive, the likelihood of confusion will turn on other factors." *Daddy's,* 109 F.3d at 282. Here, the district court found that the products are somewhat related. We accord this factor little weight because the products are competitive only within a very broad category and are only somewhat related; it is thus more appropriate to concentrate the weight of our balancing analysis on other factors.

3. Similarity. The district court found the similarity factor "narrowly favors Maker's [Mark]." "The similarity of the senior and

junior marks is 'a factor of considerable weight.'" *AutoZone,* 373 F.3d at 795.

4. Actual confusion. As discussed above, "a lack of such evidence is rarely significant, and the factor of actual confusion is weighted heavily only where there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available." *Daddy's,* 109 F.3d at 284. The district court found that this factor was neutral. As we noted, the Reserva product was sold for a short time and in limited quantities; under these circumstances, we give the lack of evidence of actual confusion little weight.

5. Marketing channels used by the parties. The court found the channels "similar in some ways and dissimilar in others. Perhaps this factor marginally favors Maker's Mark." The weight of this factor will not add much to a finding of infringement because of the equivocal nature of the district court's factual findings. We accord this factor very little weight.

6. Likely degree of purchaser care. The district court found this factor "clearly favors" Cuervo because of the degree of care potential tequila customers would exercise in purchasing a $100 bottle of Reserva; knowledgeable bourbon customers would also exercise similar care and, further, know that Maker's Mark sells only one kind of liquor. This factor, though strongly in favor of Cuervo, is not dispositive. "[C]onfusingly similar marks may lead a purchaser who is extremely careful and knowledgeable ... to assume nonetheless that the seller is affiliated with or identical to the other party." For these reasons, we give this factor substantial weight.

7. Intent. The district court found Cuervo did not intend to infringe, but we give no weight to this finding because "[i]ntent is an issue whose resolution may benefit only the cause of the senior user, not of an alleged infringer." *Leelanau,* 502 F.3d at 520 (internal quotation marks omitted).

8. Likelihood of expansion of product lines. The district court found this factor was neutral where neither party put forth evidence of significant expansion plans. Because a "strong possibility that either party will expand his business to compete with the other ... will weigh in favor of finding that the present use is infringing," *Daddy's,* 109 F.3d at 287 (internal quotation marks omitted), a finding of little evidence of expansion plans is accorded little to no weight, but does not weigh against Maker's Mark, who, by this test, would benefit by any

significant evidentiary showing under this factor, no matter which of the parties intended to expand. For these reasons, we give this factor no weight.

The balance of the factors compels a finding of infringement. Excluding the neutral factors, the majority of the factors—strength, relatedness of the goods, similarity, and marketing channels—favor Maker's Mark. The district court found that Maker's Mark's trademark is "extremely strong," and we have adopted that finding. Further, we have said that the "most important *Frisch* factors" are similarity and strength of the mark, *Gray v. Meijer, Inc.,* 295 F.3d 641, 646 (6th Cir. 2002); both of these factors favor Maker's Mark. The "likely degree of purchaser care" factor "clearly" favors Cuervo. Though this factor is given substantial weight, this factor alone cannot override the "extreme" strength of the mark that, when coupled with similarity (which itself is given "considerable weight"), and combined with the two other factors weighing in favor of Maker's Mark, together favor a finding of infringement. Buttressing this determination is that, in its briefing, Cuervo complains of errors in the district court's factual determinations, but does not argue that, even given the factual findings made by the district court, a de novo balancing under *Frisch* should come out in Cuervo's favor. While Cuervo disputes the factual findings themselves and the related *outcome* of the balancing, it does not argue that the weight given the factors should have been different.

We conclude that there is a likelihood of confusion between the products and that Cuervo has infringed. . . .

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24.5.3. Notes

24.5.3.1. The effect of labels

The effect of labels. As *Maker's Mark* demonstrates, a distinguishing label does not automatically excuse similar trade dress. Why do you think the contrasting label was not enough here? A distinct label will often suffice. For examples of cases in both directions, *see* 4 MCCARTHY § 23:53.

24.5.3.2. What kind of confusion?

What kind of confusion? Taking the court's opinion at face value, what is the harm to Maker's Mark of the defendant's conduct? Will it result in lost sales? Diminished reputation? Something else? The court treats the plaintiff's claim as alleging sponsorship confusion, something rather broader than source confusion. What is the difference? How does a claim of this sort further the goals of trademark law? Or does it?

If trademark law should entertain such claims, how should it do so? Is the multifactor likelihood-of-confusion test a useful tool for this purpose? Note, for example, the court's treatment of the consumer sophistication factor.

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25. More Ways To Be Confused: Grab Your Keys and Purse

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25.1. Trademark infringement in non-identical markets

What is the harm of consumer confusion to the mark holder? Perhaps a lost sale, but what if the mark holder does not sell goods in the same market as the defendant? For example, if I brand a loaf of bread COCA-COLA and someone buys it thinking that COCA-COLA is the sponsor, there is no lost sale to the trademark holder. Should it still be permitted to sue?

Today, trademark law's answer is clearly yes. This once was a controversial point. Many old cases refused to permit trademark/unfair competition claims when the mark users were not in the same market. In *Borden Ice Cream Co v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912), for example, the court refused to enjoin the "Borden's Ice Cream Company" notwithstanding the prior fame of the Borden's Condensed Milk Company and the Borden name for milk and milk products. The court acknowledged that "[t]he trade-name 'Borden,' or the word 'Borden,'

constitutes one of the principal assets of the appellee, and is widely known and identified with the good will and public favor enjoyed by it throughout the United States." Nonetheless, "the old company ... never has manufactured what is known as commercial ice cream. The new company ... was incorporated for the sole purpose of manufacturing and putting on the market such an article." The difference in markets was enough to protect the defendant from action. To be sure, not all early twentieth cases took so strict a view of market proximity, and gradually courts came around to the view that plaintiffs may suffer a harm even if they do not serve the same market as the defendant. In *Yale Electric Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928), Learned Hand explained:

> [I]t has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.

Today, it is clear that the senior and junior user of a mark need not be in the same market for trademark infringement to occur (though, as we have seen, market proximity is a factor in determining whether confusion is likely). This is partially an evolution in the case law, but it also reflects the Lanham Act's text. 15 U.S.C. § 1125(a) (providing liability for likelihood of confusion as to sponsorship or approval of a mark). Sometimes courts slip on this point, but they are corrected. *Team Tires Plus, Ltd. v. Tires Plus, Inc.*, 394 F.3d 831, 833-34 (10th Cir. 2005) (explaining that view of trademark as only policing use on directly competing goods "is no longer good law. Although this notion survived into the early 1900s, it has long since been superseded" and that the "district court was wrong to treat this factor as dispositive simply because the defendant did not use the mark on competing goods").

Although the case law is now settled, it is worth thinking about why market proximity is no longer required. What exactly is the harm to the consumer of buying COCA-COLA bread under the mistaken belief that the source is the same as the source of the soda? What is the harm to the soda maker? What assumptions about the world must be true for these harms to exist? For scholarship questioning some of the assumptions courts are making, *see* Mark A. Lemley & Mark P. McKenna, *Owning Markets*, 109 MICH. L. REV. 137 (2010).

25.2. Case: *Au-To Gold v. VW* (9th Cir. 2006) (VW keychains, license plate frames)

25.2.1. Opinion, First Part: Functionality

Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.

457 F.3d 1062 (9th Cir. 2006)

McKEOWN, Circuit Judge.

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

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

The doctrine of aesthetic functionality has a somewhat checkered history. In broad strokes, purely aesthetic product features may be

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

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

BACKGROUND

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

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

According to Auto Gold, its goods serve a unique market. Consumers want these accessories "to match the chrome on their cars; to put something on the empty space where the front license tag would otherwise go; or because the car is a [Volkswagen or Audi],

they want a [Volkswagen or Audi]-logo plate." Both Auto Gold and Volkswagen and Audi serve this market. Auto Gold sells its license plates, license plate covers, and key rings with Volkswagen and Audi trademarks to the wholesale market, including car dealers, auto accessory dealers and other merchants. Volkswagen and Audi, for their operations in the United States, license an independent marketing firm to sell license plates, covers, and key chains directly to consumers.

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

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

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

A trademark is a "word, name, symbol, or device" that is intended "to identify and distinguish [the mark holder's] goods, including a unique product, from those manufactured or sold by others and to

indicate the source of the goods." 15 U.S.C. § 1127. A valid, registered trademark entitles the holder to prevent others from using the mark where (1) "such use is likely to cause confusion, or to cause mistake or deceive," 15 U.S.C. § 1114(1)(a) (so-called "trademark infringement") . . . .

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

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

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

1975) (holding that reproductions of professional hockey franchise's logo sold alone are not "functional" and can be protected); *Ford Motor Co. v. Lloyd Design Corp.,* 184 F.Supp.2d 665 (E.D.Mich.2002) (holding that a car maker's trademarks are not functional aspects of defendant's car accessories).

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

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

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

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

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

> [W]here the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature

> or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

Id. at 343 (internal citations omitted).

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

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

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

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

> unlicensed jewelers, the possibility that consumers might think that it denoted source was insubstantial.

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

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

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

More recently, in *Qualitex,* the Court considered whether a color (a distinctive green-gold used on dry cleaning press pads) could be protected as a trademark. Observing that color alone can meet the basic legal requirement for a trademark, namely that it acts "as a symbol that distinguishes a firm's goods and identifies their source,"

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

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

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

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

significant non-reputation-related disadvantage.' " *TrafFix,* 532 U.S. at 32 (*quoting Qualitex,* 514 U.S. at 165) (alteration in original).

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

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

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

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

related disadvantage.' " *TrafFix,* 532 U.S. at 32 (quoting *Qualitex,* 514 U.S. at 165).

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

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

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

We now address the marks at issue in this case. Volkswagen and Audi's trademarks are registered and incontestable, and are thus presumed to be valid, distinctive and non-functional. Auto Gold, thus, must show that the marks are functional under the test set forth above. To satisfy this requirement, Auto Gold argues that Volkswagen and Audi trademarks are functional features of its products because "the trademark is the feature of the product which constitutes the actual benefit the consumer wishes to purchase." While that may be

so, the fact that a trademark is desirable does not, and should not, render it unprotectable. Auto Gold has not shown that Volkswagen and Audi's marks are functional features of Auto Gold's products. The marks are thus entitled to trademark protection.

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

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

Even viewing Auto Gold's position generously, the rule it advocates injects unwarranted breadth into our caselaw. *Pagliero, Job's Daughters,* and their progeny were careful to prevent "the use of a trademark to monopolize a design feature which, *in itself and apart from its identification of source,* improves the usefulness or appeal of

the object it adorns." *Vuitton,* 644 F.2d at 774 (*discussing Pagliero,* 198 F.2d 339) (emphasis added). The concept of an "aesthetic" function that is non-trademark-related has enjoyed only limited application. In practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function. *See Qualitex,* 514 U.S. at 166 (coloring dry cleaning pads served nontrademark purpose by avoiding visible stains); *Publications Int'l, Ltd. v. Landoll, Inc.,* 164 F.3d 337, 342 (7th Cir. 1998) (coloring edges of cookbook pages served nontrademark purpose by avoiding color "bleeding" between pages); *Brunswick Corp. v. British Seagull Ltd.,* 35 F.3d 1527, 1532 (Fed.Cir.1994) (color black served nontrademark purpose by reducing the apparent size of outboard boat engine); *Pagliero,* 198 F.2d at 343 (china patterns at issue were attractive and served nontrademark purpose because "one of the essential selling features of hotel china, if, indeed, not the primary, is the design").

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

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

goods is tied to the reputation and association with Volkswagen and Audi.

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

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

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

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

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

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25.2.2. Notes

25.2.2.1. The "death knell for trademark protection."

The "the death knell for trademark protection." Do you agree with the court that allowing an aesthetic functionality defense would have destroyed the trademarks at issue? Is that a necessary consequence? Or could the holding have been more limited? In that light, consider the following: ‹From Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 BERKELEY TECH. L.J. 897 (2009) (footnotes omitted).›

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

25.2.2.2. A problem of functionality or distinctiveness?

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

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

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

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

25.2.2.3. Fair competition?

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

25.2.2.4. What kind of marks?

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

25.2.3. Opinion, Second Part: Post-Sale Confusion

Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.

457 F.3d 1062 (9th Cir. 2006)

McKEOWN, Circuit Judge.

[Having concluded that a functionality argument was unavailable to defendants, the court went on to consider whether there was likely consumer confusion.]

Although we conclude that Volkswagen and Audi's registered trademarks are not "functional," and thus are protectable, it remains to be determined whether Auto Gold is infringing those marks . . . .

It is undisputed that Volkswagen and Audi own the registered trademarks at issue, and that Auto Gold uses those trademarks in

commerce, without their consent, and in connection with the sale of goods. Thus, as with many infringement claims, the central issue is whether Auto Gold's use of the marks is "likely to cause confusion" within the meaning of the Lanham Act.

Before us on appeal are the parties' cross-motions for summary judgment on the issue of trademark infringement, and in particular, the district court's determination that Volkswagen and Audi had not offered any evidence showing a likelihood of confusion. We review de novo the district court's decision on summary judgment. Because the likelihood of confusion is often a fact-intensive inquiry, courts are generally reluctant to decide this issue at the summary judgment stage. However, in cases where the evidence is clear and tilts heavily in favor of a likelihood of confusion, we have not hesitated to affirm summary judgment on this point. As part of our de novo review, we conclude as a matter of law that likelihood of confusion is clear cut here and that Volkswagen and Audi have made out a prima facie case of infringement. We do not direct judgment on this issue, however, because the district court reserved judgment on Auto Gold's defense of "first sale." The case must be remanded for consideration of Auto Gold's defenses.

A "[l]ikelihood of confusion 'exists when customers viewing [a] mark would probably assume that the product or service it represents *is associated with the source* of a different product or service identified by a similar mark.' " *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.,* 826 F.2d 837, 845 (9th Cir. 1987) (*quoting Lindy Pen Co. v. Bic Pen Corp.,* 725 F.2d 1240, 1243 (9th Cir. 1984)). The Ninth Circuit employs an eight-factor test (the "*Sleekcraft* " factors) to determine the likelihood of confusion: (1) strength of the mark(s); (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels; (6) degree of consumer care; (7) defendant's intent; (8) likelihood of expansion. *Surfvivor Media, Inc. v. Survivor Productions,* 406 F.3d 625, 631 (9th Cir. 2005); *see also AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348-49 (9th Cir. 1979). These elements are not applied mechanically; courts may examine some or all of the factors, depending on their relevance and importance. *See Surfvivor,* 406 F.3d at 631; *Thane Int'l,* 305 F.3d at 901 ("The list of factors is not a score-card—whether a party wins a majority of the factors is not the point. Nor should the factors be rigidly weighed; we do not count beans.") (internal punctuation and citations omitted).

This case presents an easy analysis in terms of likelihood of confusion. The Volkswagen and Audi marks, which are registered and

have been in use for more than fifty years, are strong, distinctive marks, the first factor in the *Sleekcraft* analysis. Auto Gold's products, which incorporate *exact* copies of those marks, compete with accessories sold by Volkswagen and Audi through their licensed marketers, and are related[10] to Volkswagen and Audi's primary goods—cars. Although Volkswagen and Audi license their marks to third parties, and Auto Gold sells its products to the wholesale market, the ultimate consumers are the same. In fact, according to Auto Gold, it is a very specific sub-group of consumers that wants either Auto Gold's or Volkswagen and Audi's accessories—Audi or Volkswagen car owners who want accessories to match their cars. Thus, in addition to being related products bearing identical marks, the products at issue are destined for the same buyers.

> [10] "Related goods are 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.' " *Sleekcraft*, 599 F.2d at 348 n. 10 (quoting *Standard Brands, Inc. v. Smidler*, 151 F.2d 34, 37 (2d Cir. 1945)).

We turn next to the degree of consumer care. Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items. In evaluating this factor, we consider "the typical buyer exercising ordinary caution." *Sleekcraft,* 599 F.2d at 353. The class of products Auto Gold sells are relatively inexpensive and unsophisticated, and do not require a great deal of precision or care to fulfill their purpose. This factor favors Volkswagen and Audi.

Evaluation of Auto Gold's intent in using the mark is the seventh factor. "When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." *Id.* at 354. Auto Gold knowingly and intentionally appropriated the exact trademarks of Volkswagen and Audi. Auto Gold argues, however, that it does not "intend" to deceive the public as to the source of the goods, but merely sought to fill a market demand for auto accessories bearing the marks. This argument is simply a recasting of aesthetic functionality. Even if we credit Auto Gold's proffered lack of intent, the direct counterfeiting undermines this argument. This factor tips against Auto Gold.

Finally, we examine the factor that is hotly contested by the parties—evidence of actual confusion. Despite the debate, there is no material issue of fact. The district court correctly noted that

Volkswagen and Audi offered no evidence of actual confusion. The question, then, is what is the legal significance of this uncontested fact?

As we noted in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.,* "[t]he failure to *prove* instances of actual confusion is *not* dispositive against a trademark plaintiff, because actual confusion is hard to prove; difficulties in gathering evidence of actual confusion make its absence generally unnoteworthy." 174 F.3d 1036, 1050 (9th Cir. 1999). In this case, which involves a national market and a low degree of consumer care, nothing suggests that the lack of evidence of confusion should be particularly noteworthy. *Compare Cohn v. Petsmart, Inc.,* 281 F.3d 837, 842-43 (9th Cir. 2002) (ascribing some significance to the lack of evidence of confusion where "the parties used the same trademark in the same city for six years," and the product at issue, veterinary services, was one for which consumers are "particularly attentive.").

Auto Gold suggests that the disclaimers on its packaging dispel any potential for confusion. Courts have been justifiably skeptical of such devices—particularly when exact copying is involved. *See, e.g., Pebble Beach,* 155 F.3d at 543 (upholding lower court determination that disclaimers were "inadequate where present and ... absent from the majority of advertisements and promotional materials"), *superseded on other grounds as recognized in Eppendorf-Netheler-Hinz,* 289 F.3d at 356; *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.,* 846 F.2d 1079, 1093 (7th Cir. 1988) ("[W]here the infringement in issue is a verbatim copying ... plaintiff's reputation and goodwill should not be rendered forever dependent on the effectiveness of fineprint disclaimers often ignored by consumers.").

Even if disclaimers may in some cases limit the potential for confusion, here they do not. Auto Gold's disclaimers were neither consistent nor comprehensive. We note, preliminarily, that the effectiveness of these disclaimers is undercut by their sometimes contradictory messages. For example, some labels placed on the cardboard inner lining of the license plate covers state that the product "may or may not" be dealer approved. Visible through the clear cellophane outer wrapping, these disclaimers are sometimes next to disclaimers stating "[t]his product is not endorsed, manufactured, or licensed by the vehicle manufacturer." There are also messages on Auto Gold's website that identify their products generally as "Factory authorized licensed products."

More importantly, "[t]he law in the Ninth Circuit is clear that 'post-purchase confusion,' *i.e.,* confusion on the part of someone other than the purchaser who, for example, simply sees the item after it has been purchased, can establish the required likelihood of confusion under the Lanham Act." *Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc.,* 285 F.3d 848, 854 (9th Cir. 2002); *Levi Strauss & Co. v. Blue Bell, Inc.,* 632 F.2d 817, 822 (9th Cir. 1980) (affirming a finding of infringement against a jeans maker, and noting that "point of sale materials [such as disclaimers] are removed by the purchaser and have no confusion-obviating effect when the pants are worn").[11] Shorn of their disclaimer-covered packaging, Auto Gold's products display no indication visible to the general public that the items are not associated with Audi or Volkswagen. The disclaimers do nothing to dispel post-purchase confusion.

[11] This definition of confusion reflects the 1962 amendments to § 1114 that broadened the definition of actionable confusion to include non-purchasers (such as those seeing an item of clothing on the street), through deletion of language that limited such confusion to "purchasers as to the source or origin of such goods or services." Pub.L. 87-772 (1962).

In sum, Volkswagen and Audi do not present evidence of actual confusion. Neither, however, does Auto Gold present evidence that the disclaimers have any effect. At best, the confusion factor is in equipoise.

In the final analysis, we must consider the *Sleekcraft* factors as a whole to determine whether a likelihood of confusion results from Auto Gold's use of the marks. Although we do not bean count, it is significant that six of the eight *Sleekcraft* factors support a likelihood of confusion; the remaining two are either neutral or irrelevant.[12] Most importantly, the strength of Volkswagen and Audi's marks, Auto Gold's intentional and exact copying of the marks, and the direct competition for a specific and limited consumer group, all weigh heavily in favor of a likelihood of confusion. Our *Sleekcraft* analysis benefits from a record developed through lengthy discovery, and the key facts are undisputed. Volkswagen and Audi have established a prima facie "exclusive right to use the ... mark in commerce." 15 U.S.C. § 1115(b). Accordingly, we reverse the district court's denial of summary judgment in favor of Volkswagen and Audi on the issue of infringement and remand for consideration of the "first sale" defense and any other related claims or defenses.

[12] The final factor, "[a] likelihood of expansion in product lines," warrants no discussion as it is "relatively unimportant where two companies already compete to a significant extent." Brookfield Commc'ns, 174 F.3d at 1060. The record reflects that Volkswagen and Audi compete through their licensees with Auto Gold with respect to the products at issue in this suit.

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25.3. Case: *Hermes v. Lederer de Paris* (2d Cir. 2002) (Kelly Bag)

Hermes Intern. v. Lederer de Paris Fifth Ave., Inc.

219 F.3d 104 (2d Cir. 2000)

TELESCA, Senior United States District Judge:

. . .

Appellant Hermès is a manufacturer and retailer of high-quality handbags and other fashion accessories. According to Hermès, its products incorporate a number of distinctive design characteristics that constitute its "famous mark and trade dress." *Hermès,* 50 F.Supp.2d at 215. Detailed descriptions of these items are found in the district court's opinion.

Appellees Lederer and Artbag sell replicas of various Hermès products such as the "Kelly Bag," a handcrafted purse with an average selling price of over $5,000, with some models selling for over $30,000. Some of the knockoff bags sold by Lederer sell for as much as $27,000.00.

According to the record, Hermès knew that Lederer and Artbag had been selling copies of Kelly bags since at least 1979 and 1989 respectively. Hermès claimed, however, that it did not become fully aware of the scope of the appellees' alleged infringement until 1996, when it began investigating Lederer and Artbag's sales of knockoff Hermès products. According to Hermès, its investigation revealed that Lederer and Artbag were selling entire lines of knockoff Hermès products. In 1998, upon completion of its investigation, Hermès brought suit against the appellees pursuant to Section 32 of the

Lanham Act of 1946, 15 U.S.C. § 1114; Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); New York General Business Law § 360-1; and New York common law seeking monetary and injunctive relief for the alleged violation of its trademarks and trade dress.

. . . . The district court found . . . that Hermès had unreasonably delayed bringing an infringement suit against Lederer and Artbag, and thus was barred by the doctrine of laches from obtaining monetary or injunctive relief against those companies. The district court determined that the delay of between 9 and 19 years in bringing suit against Lederer and Artbag was unreasonable and prejudiced the appellees. Accordingly, the district court granted appellees' motions for summary judgment with respect to Hermès' claims for monetary damages and injunctive relief. . . .

In evaluating whether laches should bar Hermès request for injunctive relief, the district court began by noting that "the balance of the equities must be weighed, including an analysis of defendants' intent and the public interest." The court then determined that because appellees Lederer and Artbag did not use the name "Hermès" on their products and because they openly acknowledged to customers that their products were Hermès copies, the appellees had not deceptively attempted to "pass off" or "palm off" their products as genuine Hermès. However, the court also found that by explicitly informing their customers that the style and workmanship of the knock-offs were such that no third party observer would be able to tell they were not genuine Hermès bags, the appellees had "attempt[ed] to encourage consumer confusion in the post-sale context." The court went on to consider the public interest and concluded that, although the behavior of appellees Artbag and Lederer might have increased their companies' sales at the expense of Hermès, it did not harm the public in the post-sale context and therefore did not compel rejection of the laches defense.

In so holding, the district court misapplied the law governing the doctrine of laches. It is well established that "laches is not a defense against injunctive relief when the defendant intended the infringement." *Harlequin Enters. Ltd. v. Gulf & W. Corp.,* 644 F.2d 946, 950 (2d Cir. 1981). This good-faith component of the laches doctrine is part of the fundamental principle that "he who comes into equity must come with clean hands." *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.,* 324 U.S. 806, 814 (1945). Thus, the appellees' intentional infringement is a dispositive, threshold inquiry

that bars further consideration of the laches defense, not a mere factor to be weighed in balancing the equities, as the district court did in this case.

Viewing the record in a light most favorable to Hermès, it is clear that appellees Lederer and Artbag intentionally copied Hermès' designs and sought to sell knockoffs of Hermès originals. Appellees thus intentionally traded off the Hermès name and protected products and should not have been entitled to invoke the doctrine of laches as a defense against Hermès' claims for injunctive relief.

The district court's ruling that Hermès' claims should be barred by the doctrine of laches was based, in part, on the erroneous conclusion that the appellees' conduct did not create confusion among consumers or harm the public. Trademark laws exist to protect the public from confusion. The creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. Furthermore, the public may be deceived in the resale market if it requires expertise to distinguish between an original and a knockoff. Finally, the purchaser of an original is harmed by the widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.

The Eleventh Circuit concisely summarized the theory behind protecting the public interest in trademark cases:

> It ... is important to recognize that the enforcement of trademark laws benefits consumers even in cases where there is no possibility that consumers will be defrauded. For, to the extent that trademarks provide a means for the public to distinguish between manufacturers, they also provide incentives for manufacturers to provide quality goods. Traffickers of these counterfeit goods, however, attract some customers who would otherwise purchase the authentic goods. Trademark holders' returns to their investments in quality are thereby reduced. This reduction in profits may cause trademark holders to decrease their investments in quality below what they would spend were there no counterfeit goods. This in turn harms those consumers who wish to purchase higher quality goods.

United States v. Torkington, 812 F.2d 1347, 1353 n. 6 (11th Cir. 1987) (citation omitted).

Here, the district court erred in finding that no confusion resulted from appellees' conduct. Although the district court found no evidence of point-of-sale confusion, it failed to properly consider the issue of post-sale confusion. We have previously held that post-sale confusion can occur when a manufacturer of knockoff goods offers consumers a cheap knockoff copy of the original manufacturer's more expensive product, thus allowing a buyer to acquire the prestige of owning what appears to be the more expensive product. *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.,* 221 F.2d 464, 466 (2d Cir. 1955). *See also Insty*Bit, Inc. v. Poly-Tech Indus., Inc.,* 95 F.3d 663, 672 (8th Cir. 1996); *Payless Shoesource, Inc. v. Reebok Int'l Ltd.,* 998 F.2d 985, 989 (Fed.Cir.1993); *Polo Fashions, Inc. v. Craftex, Inc.,* 816 F.2d 145, 148 (4th Cir. 1987). In *Mastercrafters,* we held that the practice of selling a knockoff wall clock at a cheaper price than the original created an actionable harm despite the fact that customers knew they were buying the knockoff because:

> At least some customers would buy [the copier's] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. [The copier's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock.... [T]he likelihood of such confusion suffices to render [the copier's] conduct actionable.

That is precisely what has occurred in this case. The district court, however, dismissed the importance of post-sale confusion by stating that:

> [w]hile defendants' exploitation of the possibility of post-sale confusion may increase their sales at the expense of Hermès, I am not convinced that defendants' activity harms the *public* in the post-sale context. While Hermès' potential high-end customers may be confused in the post-sale context, these highly sophisticated purchasers will not be confused at the point of sale.

50 F.Supp.2d at 226 (emphasis in original).

Such a practice does harm the public, however, by creating post-sale confusion, not just among high-end consumers, but among the general public, which may believe that the knockoff is actually the genuine article. In fact, high-end consumers may be less confused than the general public in the post-sale context because many of them will be aware of the existence of copies. In either case, a loss occurs when

a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price. Accordingly, we find that the district court erred in finding no harm to the public in the continued sale of knockoff goods by appellees. . . .

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25.4. Discussion of Initial Interest (Pre-Sale) Confusion

25.4.1. A judicial embrace of initial-interest confusion in *Brookfield v. West Coast* (9th Cir. 1999)

{This section 25.4.1. by EEJ, incorporating judicial opinion text from Michael Grynberg's abridgment of the Brookfield*.}*

In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), the Ninth Circuit embraced the theory of "initial interest" or "pre-sale" confusion as an actionable sort of confusion for a trademark violation. The case concerned "metatags," which are a mostly outdated way of labelling pages for their being indexed by internet search engines. Brookfield had a searchable database of film-related information which they called "MovieBuff." West Coast had the domain name "moviebuff.com" and used "moviebuff" as a metatag. Because the case is thoroughly in the weeds with outdated technology, we'll skip over the facts. Instead, we'll focus on the part of the appeals court's opinion adopting the theory of initial-interest confusion:

> The {court in *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997)}, in recognizing that the diversion of consumers' initial interest is a form of confusion against which the Lanham Act protects, relied upon *Mobil Oil.* In that case, Mobil Oil Corporation ("Mobil") asserted a federal trademark infringement claim against Pegasus Petroleum, alleging that Pegasus Petroleum's use of "Pegasus" was likely to cause confusion with Mobil's trademark, a flying horse symbol in the form of the Greek mythological Pegasus. Mobil established that

"potential purchasers would be misled into an initial interest in Pegasus Petroleum" because they thought that Pegasus Petroleum was associated with Mobil. But these potential customers would generally learn that Pegasus Petroleum was unrelated to Mobil well before any actual sale was consummated. Nevertheless, the Second Circuit held that "[s]uch initial confusion works a sufficient trademark injury."

Mobil Oil relied upon its earlier opinion in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons,* 523 F.2d 1331, 1341-42 (2d Cir. 1975). Analyzing the plaintiff's claim that the defendant, through its use of the "Grotrian-Steinweg" mark, attracted people really interested in plaintiff's "Steinway" pianos, the Second Circuit explained:

> We decline to hold, however, that actual or potential confusion at the time of purchase necessarily must be demonstrated to establish trademark infringement under the circumstances of this case.
>
> The issue here is not the possibility that a purchaser would buy a Grotrian-Steinweg thinking it was actually a Steinway or that Grotrian had some connection with Steinway and Sons. The harm to Steinway, rather, is the likelihood that a consumer, hearing the "Grotrian-Steinweg" name and thinking it had some connection with "Steinway," would consider it on that basis. The "Grotrian-Steinweg" name therefore would attract potential customers based on the reputation built up by Steinway in this country for many years.

Grotrian, 523 F.2d at 1342.

Both *Dr. Seuss* and the Second Circuit hold that initial interest confusion is actionable under the Lanham Act, which holdings are bolstered by the decisions of many other courts which have similarly recognized that the federal trademark and unfair competition laws do protect against this form of consumer confusion. . . .

Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store. Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading—"West Coast Video: 2 miles ahead at Exit 7"—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it.

> Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill. *See Blockbuster,* 869 F.Supp. at 513 (finding trademark infringement where the defendant, a video rental store, attracted customers' initial interest by using a sign confusingly to its competitor's even though confusion would end long before the point of sale or rental).
>
> The few courts to consider whether the use of another's trademark in one's metatags constitutes trademark infringement have ruled in the affirmative. . . .
>
> Consistently with *Dr. Seuss,* the Second Circuit, and the cases which have addressed trademark infringement through metatags use, we conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark.

Brookfield Communications, 174 F.3d 1036, *pp. var*.

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25.4.2. Basis for enjoining initial interest confusion

Basis for enjoining initial interest confusion. What view of trademark law is the *Brookfield* court taking? Is it protecting consumers or seller goodwill? Can you think of areas in which the panel's approach puts the two at cross purposes? Can you think of areas in which the purported initial confusion would have helped consumers? For example, if a search on "moviebuff" returned the websites of competing database providers with clearly labeled websites, while still giving Brookfield's a prominent rank, would consumer search costs have been raised or lowered?

By the same token, should the nature of the initial confusion matter? Is there a difference between the billboard metaphor employed by the

Brookfield panel and the purported initial confusion of the case? *Cf.* Bihari v. Gross, 119 F. Supp. 2d 309, 320 n.15 (S.D.N.Y. 2000) ("The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, . . . [w]ith one click of the mouse and a few seconds delay, a viewer can return to the search engine's results and resume searching for the original website.").

Critics of initial interest confusion cases on the internet argue that they target activities whose brick-and-mortar analogues are not challenged. *See, e.g.*, Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon, J., concurring) ("[S]uppose a customer walks into a bookstore and asks for Playboy magazine and is then directed to the adult magazine section, where he or she sees Penthouse or Hustler up front on the rack while Playboy is buried in back. One would not say that Penthouse or Hustler had violated Playboy's trademark. This conclusion holds true even if Hustler paid the store owner to put its magazines in front of Playboy's."). Most offline pre-sale confusion cases focus on settings in which consumer search costs are more likely to be meaningfully raised, but there are examples of the expanded view of the Internet cases making its way to the "real" world. *See, e.g.*, Shell Trademark Management v. Canadian American Oil Co., 2002 WL 32104586 (N.D. Cal. May 21, 2002). To be sure, however, other cases are more circumspect about an expansive doctrine. *See, e.g.*, Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP, 423 F.3d 539 (6th Cir. 2005).

As cases like *Multi Time Machine*, printed at the end of this reading, reflect, the Ninth Circuit has curtailed the doctrine since *Brookfield*. *See, e.g.*, Network Automation, Inc. v. Advanced Systems Concepts, Inc., 638 F.3d 1137, 1149 (9th Cir. 2011) ("[B]ecause the sine qua non of trademark infringement is consumer confusion, when we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion."). Other courts are also less likely to apply broad initial interest confusion theories online, while being at peace with keyword advertising (which, unlike the use of metatags, is a practice that actually matters). *See, e.g.,* 1-800 Contacts, Inc. v. JAND, Inc., 119 F.4th 234, 239 (2d Cir. 2024) ("We now join the consensus view and decide that the mere act of purchasing a competitor's trademarks in the context of keyword search advertising does not constitute trademark infringement."). That said,

Brookfield's notion that a defendant's use of a plaintiff mark in a metatag is probative of likelihood of confusion lingers. *See* Adidas America, Inc. v. Skechers USA, Inc., 890 F.3d 747, 756 (9th Cir. 2018) ("Finally, the evidence supports an inference that Skechers intended to confuse consumers; it not only created a nearly identical shoe to the Stan Smith, but then used metadata tags to direct consumers who searched for "adidas stan smith" to the Onix web page."). Likewise, initial interest confusion theory still has its adherents. *See, e.g.*, Select Comfort Corp. v. Baxter, 996 F.3d 925 (8th Cir. 2021).

25.4.3. Meaning of the statutory change?

Meaning of the statutory change? Some cases considering broadened theories of confusion point to a statutory change in the cause of action for infringement of registered marks. Section 32 originally applied to use of a "reproduction, counterfeit, copy, or colorable imitation of any registered mark" where such use is likely to "cause confusion or mistake or to deceive *purchasers* as to the *source of origin of such goods or services*." Lanham Act § 32, 60 Stat. at 437 (current version at 15 U.S.C. § 1114 (2006)) (emphases added). Congress dropped the purchaser limitation and origin language in a 1962 amendment. Act of Oct. 9, 1962, Pub. L. No. 87-772, sec. 17, § 32, 76 Stat. 769, 773 (current version at 15 U.S.C. § 1114 (2006)). Some take the change to clarify that the confusion of potential purchasers also mattered, but others view the deletion as opening the door to claims based on the confusion of non-potential purchasers. *Compare* Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 295 (3d Cir. 2001) ("[W]e agree with the view that Congress's amendment of the Lanham Act in 1962 expanded trademark protection to include instances in which a mark creates initial interest confusion."), *with* Elec. Design & Sales, Inc. v. Elec. Data Sys. Corp., 954 F.2d 713, 716 (Fed. Cir. 1992) ("We do not construe this deletion to suggest, much less compel, that purchaser confusion is no longer the primary focus of the inquiry.").

25.5. Discussion of Post-Sale Confusion

25.5.1. Rationales and *Ferrari S.P.A. v. Roberts* (6th Cir. 1991)

Rationales. Ferrari S.P.A. v. Roberts, 944 F.2d 1235 (6th Cir. 1991), involved the seller of fiberglass kits that replicated the exterior features of cars made by Ferrari. These kits would be connected to another car to make it look like a Ferrari. Purchasers knew what they were getting, but the court found actionable confusion nonetheless, reasoning that "Congress intended to protect the reputation of the manufacturer as well as to protect purchasers, the Act's protection is not limited to confusion at the point of sale." *Id.* at 1245. The court further quoted the district court's analysis of the harm facing the plaintiff:

> Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The DAYTONA SPYDER design is well-known among the relevant public and exclusively and positively associated with Ferrari. If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged.

Id. Note that we have two posited harms. One is the prospect that those confused after the point of sale will think worse of the trademark holder because they will have seen a shoddy product. How likely is this harm? Should a court be required to make findings that consumers will make this leap (and that the junior user's product is, in fact, shoddy)?

The second is the prospect that the greater availability of cars that look like Ferraris will reduce the prestige and cachet of owning a Ferrari. Is this a legitimate concern for trademark law? One tradeoff is the costs of monopoly (in that Ferrari will now have less competition) against the company's incremental incentive to produce an attractive car. Cf. *United States v. Torkington*, 812 F.2d 1347, 1353 n.6 (11th Cir. 1987) ("Traffickers of these counterfeit goods . . . attract some customers who would otherwise

purchase the authentic goods. Trademark holders' returns to their investments in quality are thereby reduced.").

The other is between two classes of consumers. One undercurrent of the post-sale confusion cases is a belief that purchasers of knock-off goods are doing something wrong. But should trademark law be engaging in social regulation? Condemning poseurs is well and good, but does that mean we should reward snobs? Can you think of any other theories in support of the doctrine? *Hermes* alludes to some of them.

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MG-TL25-S25, MICHAEL GRYNBERG

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26. Dilution and Fair Uses

Material in this chapter by Michael Grynberg and Eric E. Johnson.
See credit/licensing notes *infra*.

26.1. Dilution

{This section by EEJ.}

Even in cases where there is no likelihood of confusion, a plaintiff with a famous mark may be able to bring suit against a defendant for using a mark if that use could cause "dilution" in the form of "blurring" or "tarnishment." The cause of action is under Lanham Act § 43(c):

> "Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."

Notice that this cause of action is only available to owners of marks that are not merely distinctive, but "famous."

The idea of dilution is that there is a lessening of the value of the trademark by means of the defendant's use. Only two theories of dilution can be entertained by § 43(c)—blurring and tarnishment.

According to the statute, "'dilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." Lanham Act § 43(c)(2)(B). And the statute provides that "'dilution by tarnishment' is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." Lanham Act § 43(c)(2)(C).

26.2. Case: *Mattel v. MCA Records* (9th Cir. 2002) ("Barbie Girl" song)

26.2.1. Opinion

{This case text obtained/adapted from Michael Grynberg's Trademark Law (2022 Edition, version 2.). See credit/licensing/editing note MG-TL22-M7S26. Footnotes were reformatted; typography was changed. Brackets indicating additions were reformatted from straight to curly. Ellipses were reformatted and additional ellipses were created.}

Mattel, Inc. v. MCA Records, Inc.

U.S. Court of Appeals for the Ninth Circuit
296 F.3d 894 (9th Cir. 2002)

KOZINSKI, Circuit Judge:

If this were a sci-fi melodrama, it might be called Speech–Zilla meets Trademark Kong.~

Barbie was born in Germany in the 1950s as an adult collector's item. Over the years, Mattel transformed her from a doll that resembled a "German street walker,"[1] as she originally appeared, into a glamorous, long-legged blonde. Barbie has been labeled both the ideal American woman and a bimbo. She has survived attacks both psychic (from feminists critical of her fictitious figure) and physical (more than 500 professional makeovers). She remains a symbol of American girlhood, a public figure who graces the aisles of toy stores throughout the country and beyond. With Barbie, Mattel created not just a toy but a cultural icon.

[1] M.G. Lord, Forever Barbie: The Unauthorized Biography Of A Real Doll 32 (1994).

With fame often comes unwanted attention. Aqua is a Danish band that has, as yet, only dreamed of attaining Barbie-like status. In 1997, Aqua produced the song Barbie Girl on the album *Aquarium.* In the song, one bandmember impersonates Barbie, singing in a high-pitched, doll-like voice; another bandmember, calling himself Ken, entices Barbie to "go party." (The lyrics are in the Appendix.) Barbie Girl singles sold well and, to Mattel's dismay, the song made it onto Top 40 music charts.

Mattel brought this lawsuit against the music companies who produced, marketed and sold Barbie Girl: MCA Records, Inc., Universal Music International Ltd., Universal Music A/S, Universal Music & Video Distribution, Inc. and MCA Music Scandinavia AB (collectively, "MCA"). MCA in turn challenged the district court's jurisdiction under the Lanham Act and its personal jurisdiction over the foreign defendants, Universal Music International Ltd., Universal Music A/S and MCA Music Scandinavia AB (hereinafter "foreign defendants"); MCA also brought a defamation claim against Mattel for statements Mattel made about MCA while this lawsuit was pending. The district court concluded it had jurisdiction over the foreign defendants and under the Lanham Act, and granted MCA's motion for summary judgment on Mattel's federal and state-law claims for trademark infringement and dilution. The district court also granted Mattel's motion for summary judgment on MCA's defamation claim.~

Mattel separately argues that, under the Federal Trademark Dilution Act ("FTDA"), MCA's song dilutes the Barbie mark in two ways: It diminishes the mark's capacity to identify and distinguish Mattel products, and tarnishes the mark because the song is inappropriate for young girls.

"Dilution" refers to the "whittling away of the value of a trademark" when it's used to identify different products. 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 24.67, at 24–120; § 24.70, at 24–122 (2001). For example, Tylenol snowboards, Netscape sex shops and Harry Potter dry cleaners would all weaken the "commercial magnetism" of these marks and diminish their ability to evoke their original associations. Ralph S. Brown, Jr., Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 Yale L.J. 1165, 1187 (1948), reprinted in 108 Yale L.J. 1619 (1999). These uses dilute the selling power of these trademarks by blurring their "uniqueness and singularity," Frank I. Schechter, The

Rational Basis of Trademark Protection, 40 Harv. L.Rev. 813, 831 (1927), and/or by tarnishing them with negative associations.

By contrast to trademark infringement, the injury from dilution usually occurs when consumers aren't confused about the source of a product: Even if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one. Whereas trademark law targets "interference with the source signaling function" of trademarks, dilution protects owners "from an appropriation of or free riding on" the substantial investment that they have made in their marks. I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 50 (1st Cir. 1998).

Originally a creature of state law, dilution received nationwide recognition in 1996 when Congress amended the Lanham Act by enacting the FTDA.[3] . . .

> [3] Even at the state level, dilution is of relatively recent vintage. The first anti-dilution statute was enacted in Massachusetts in 1947, see Mass. Gen. Laws Ann. Ch. 110B, § 12 (West 1992). By the time the FTDA was enacted in 1996, only twenty-six states had anti-dilution statutes on the books. See 4 McCarthy § 24:80, at 24–136.2 n. 2; H.R.Rep. No. 104–374, at 3–4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1030–31.

Dilutive uses are prohibited unless they fall within one of the statutory exemptions~. Barbie easily qualifies under the FTDA as a famous and distinctive mark, and reached this status long before MCA began to market the Barbie Girl song. The commercial success of Barbie Girl establishes beyond dispute that the Barbie mark satisfies each of these elements.

We are also satisfied that the song amounts to a "commercial use in commerce." Although this statutory language is ungainly, its meaning seems clear: It refers to a use of a famous and distinctive mark to sell goods other than those produced or authorized by the mark's owner. That is precisely what MCA did with the Barbie mark: It created and sold to consumers in the marketplace commercial products (the Barbie Girl single and the *Aquarium* album) that bear the Barbie mark.

MCA's use of the mark is dilutive. MCA does not dispute that, while a reference to Barbie would previously have brought to mind only Mattel's doll, after the song's popular success, some consumers hearing Barbie's name will think of both the doll and the song, or

perhaps of the song only. This is a classic blurring injury and is in no way diminished by the fact that the song itself refers back to Barbie the doll. To be dilutive, use of the mark need not bring to mind the junior user alone. The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user alone.[5]

[5] Because we find blurring, we need not consider whether the song also tarnished the Barbie mark.

{The court then turned to the statutory exemption for noncommercial uses.}

A "noncommercial use" exemption, on its face, presents a bit of a conundrum because it seems at odds with the earlier requirement that the junior use be a "commercial use in commerce." If a use has to be commercial in order to be dilutive, how then can it also be noncommercial so as to satisfy the exception of section 1125(c)(4)(B)? If the term "commercial use" had the same meaning in both provisions, this would eliminate one of the three statutory exemptions defined by this subsection, because any use found to be dilutive would, of necessity, not be noncommercial.

Such a reading of the statute would also create a constitutional problem, because it would leave the FTDA with no First Amendment protection for dilutive speech other than comparative advertising and news reporting. This would be a serious problem because the primary (usually exclusive) remedy for dilution is an injunction.[6]

[6] The FTDA provides for both injunctive relief and damages, but the latter is only available if plaintiff can prove a willful intent to dilute. 15 U.S.C. § 1125(c)(2).

As noted above, tension with the First Amendment also exists in the trademark context, especially where the mark has assumed an expressive function beyond mere identification of a product or service. These concerns apply with greater force in the dilution context because dilution lacks two very significant limitations that reduce the tension between trademark law and the First Amendment.

First, depending on the strength and distinctiveness of the mark, trademark law grants relief only against uses that are likely to confuse. A trademark injunction is usually limited to uses within one industry or several related industries. Dilution law is the antithesis of trademark law in this respect, because it seeks to protect the mark from association in the public's mind with wholly unrelated goods and services. The more remote the good or service associated with the junior use, the more likely it is to cause dilution rather than

trademark infringement. A dilution injunction, by contrast to a trademark injunction, will generally sweep across broad vistas of the economy.

Second, a trademark injunction, even a very broad one, is premised on the need to prevent consumer confusion. This consumer protection rationale—averting what is essentially a fraud on the consuming public—is wholly consistent with the theory of the First Amendment, which does not protect commercial fraud. *Cent. Hudson Gas & Elec. v. Pub. Serv. Comm'n,* 447 U.S. 557, 566 (1980); *see Thompson v. W. States Med. Ctr.,* 535 U.S. 357 (2002) (applying *Central Hudson*). Moreover, avoiding harm to consumers is an important interest that is independent of the senior user's interest in protecting its business.

Dilution, by contrast, does not require a showing of consumer confusion, 15 U.S.C. § 1127, and dilution injunctions therefore lack the built-in First Amendment compass of trademark injunctions. In addition, dilution law protects only the distinctiveness of the mark, which is inherently less weighty than the dual interest of protecting trademark owners and avoiding harm to consumers that is at the heart of every trademark claim.

Fortunately, the legislative history of the FTDA suggests an interpretation of the "noncommercial use" exemption that both solves our interpretive dilemma and diminishes some First Amendment concerns: "Noncommercial use" refers to a use that consists entirely of noncommercial, or fully constitutionally protected, speech. *See* 2 Jerome Gilson et al., *Trademark Protection and Practice* § 5.12[1][c][vi], at 5–240 (this exemption "is intended to prevent the courts from enjoining speech that has been recognized to be [fully] constitutionally protected," "such as parodies"). Where, as here, a statute's plain meaning "produces an absurd, and perhaps unconstitutional, result[, it is] entirely appropriate to consult all public materials, including the background of [the statute] and the legislative history of its adoption." *Green v. Bock Laundry Mach. Co.,* 490 U.S. 504, 527 (1989) (Scalia, J., concurring).

The legislative history bearing on this issue is particularly persuasive. First, the FTDA's sponsors in both the House and the Senate were aware of the potential collision with the First Amendment if the statute authorized injunctions against protected speech. Upon introducing the counterpart bills, sponsors in each house explained that the proposed law "will not prohibit or threaten noncommercial expression, such as parody, satire, editorial and other

forms of expression that are not a part of a commercial transaction." 141 Cong. Rec. S19306–10, S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch); 141 Cong. Rec. H14317–01, H14318 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead). The House Judiciary Committee agreed in its report on the FTDA. H.R.Rep. No. 104–374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031 ("The bill will not prohibit or threaten 'noncommercial' expression, as that term has been defined by the courts.").[7]

> [7] Our interpretation of the noncommercial use exemption does not eliminate all tension between the FTDA and the First Amendment because the exemption does not apply to commercial speech, which enjoys "qualified but nonetheless substantial protection." Bolger v. Youngs Drug Prod's Corp., 463 U.S. 60, 68 (1983) (applying Central Hudson Gas & Electric Corp. v. Pub. Serv. Comm'n, 447 U.S. 557 (1980)). It is entirely possible that a dilution injunction against purely commercial speech would run afoul of the First Amendment. Because that question is not presented here, we do not address it.

The FTDA's section-by-section analysis presented in the House and Senate suggests that the bill's sponsors relied on the "noncommercial use" exemption to allay First Amendment concerns. H.R. Rep. No. 104–374, at 8, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (the exemption "expressly incorporates the concept of 'commercial' speech from the 'commercial speech' doctrine, and proscribes dilution actions that seek to enjoin use of famous marks in 'non-commercial' uses (such as consumer product reviews)"); 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995) (the exemption "is consistent with existing case law[, which] recognize[s] that the use of marks in certain forms of artistic and expressive speech is protected by the First Amendment"). At the request of one of the bill's sponsors, the section-by-section analysis was printed in the Congressional Record. 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995). Thus, we know that this interpretation of the exemption was before the Senate when the FTDA was passed, and that no senator rose to dispute it.

To determine whether Barbie Girl falls within this exemption, we look to our definition of commercial speech under our First Amendment caselaw. *See* H.R.Rep. No. 104–374, at 8, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (the exemption "expressly incorporates the concept of 'commercial' speech from the 'commercial speech' doctrine"); 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29,

1995) (the exemption "is consistent with existing [First Amendment] case law"). "Although the boundary between commercial and noncommercial speech has yet to be clearly delineated, the 'core notion of commercial speech' is that it 'does no more than propose a commercial transaction.' " *Hoffman v. Capital Cities/ABC, Inc.,* 255 F.3d 1180, 1184 (9th Cir. 2001) (quoting *Bolger v. Youngs Drug Prod's Corp.,* 463 U.S. 60, 66 (1983)). If speech is not "purely commercial"—that is, if it does more than propose a commercial transaction—then it is entitled to full First Amendment protection. *Id.* at 1185–86 (internal quotation marks omitted).

In *Hoffman,* a magazine published an article featuring digitally altered images from famous films. Computer artists modified shots of Dustin Hoffman, Cary Grant, Marilyn Monroe and others to put the actors in famous designers' spring fashions; a still of Hoffman from the movie "Tootsie" was altered so that he appeared to be wearing a Richard Tyler evening gown and Ralph Lauren heels. Hoffman, who had not given permission, sued under the Lanham Act and for violation of his right to publicity.

The article featuring the altered image clearly served a commercial purpose: "to draw attention to the for-profit magazine in which it appear[ed]" and to sell more copies. Nevertheless, we held that the article was fully protected under the First Amendment because it included protected expression: "humor" and "visual and verbal editorial comment on classic films and famous actors." Because its commercial purpose was "inextricably entwined with [these] expressive elements," the article and accompanying photographs enjoyed full First Amendment protection.

Hoffman controls: Barbie Girl is not purely commercial speech, and is therefore fully protected. To be sure, MCA used Barbie's name to sell copies of the song. However, as we've already observed, the song also lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA. For precisely the same reasons, use of the mark in the song's title is also exempted. . . .

After Mattel filed suit, Mattel and MCA employees traded barbs in the press. When an MCA spokeswoman noted that each album included a disclaimer saying that Barbie Girl was a "social commentary [that was] not created or approved by the makers of the doll," a Mattel representative responded by saying, "That's unacceptable.... It's akin to a bank robber handing a note of apology to

a teller during a heist. [It n]either diminishes the severity of the crime, nor does it make it legal." He later characterized the song as a "theft" of "another company's property."

MCA filed a counterclaim for defamation based on the Mattel representative's use of the words "bank robber," "heist," "crime" and "theft." But all of these are variants of the invective most often hurled at accused infringers, namely "piracy." No one hearing this accusation understands intellectual property owners to be saying that infringers are nautical cutthroats with eyepatches and peg legs who board galleons to plunder cargo. In context, all these terms are nonactionable "rhetorical hyperbole," Gilbrook v. City of Westminster, 177 F.3d 839, 863 (9th Cir. 1999). The parties are advised to chill.

AFFIRMED.

APPENDIX

"Barbie Girl" by Aqua

– Hiya Barbie!

– Hi Ken!

You wanna go for a ride?

– Sure, Ken!

– Jump in!

– Ha ha ha ha!

(CHORUS:)

I'm a Barbie girl, in my Barbie world Life in plastic, it's fantastic

You can brush my hair, undress me everywhere Imagination, life is your creation

Come on Barbie, let's go party!

(CHORUS)

I'm a blonde bimbo girl, in a fantasy world Dress me up, make it tight, I'm your dolly

You're my doll, rock and roll, feel the glamour in pink Kiss me here, touch me there, hanky-panky

You can touch, you can play

If you say "I'm always yours," ooh ooh

(CHORUS)

(BRIDGE:)

Come on, Barbie, let's go party, ah ah ah yeah

Come on, Barbie, let's go party, ooh ooh, ooh ooh Come on, Barbie, let's go party, ah ah ah yeah Come on, Barbie, let's go party, ooh ooh, ooh ooh

Make me walk, make me talk, do whatever you please I can act like a star, I can beg on my knees

Come jump in, be my friend, let us do it again Hit the town, fool around, let's go party

You can touch, you can play You can say "I'm always yours" You can touch, you can play You can say "I'm always yours"

(BRIDGE)

(CHORUS x2)

(BRIDGE)

– Oh, I'm having so much fun!

– Well, Barbie, we're just getting started!

– Oh, I love you Ken!

–|–|–

26.3. Prof. Grynberg's notes on *Mattel v. MCA Records* and dilution defenses

{This text is from Michael Grynberg's Trademark Law (2022 Edition, version 2.). See credit/licensing/editing note MG-TL22-M7S26. Typography was changed}

26.3.1. Defenses

Defenses. The case was decided under older language of the dilution statute.

Today, the statute provides for the following defenses:

> (3) Exclusions The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:
>
> (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

> (i) advertising or promotion that permits consumers to compare goods or services; or
>
> (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.
>
> (B) All forms of news reporting and news commentary.
>
> (C) Any noncommercial use of a mark.

15 U.S.C. § 1125(c)(3).

26.3.2. Did it really matter?

Did it really matter? Years later Mattel licensed the song from Aqua and used it to promote Barbie products. As reported by the *Wall Street Journal*:

> Fast forward to 2009, the year of Barbie's 50th birthday. During February's New York fashion shows, the Barbie runway show was among the hottest fashion week tickets, and the show's exuberance was memorable among a season of mostly somber presentations. The pumping Barbie runway soundtrack, included ELO, Madonna and... Aqua. In fact, Aqua closed out the final runway strut as pink heart confetti rained down on guests.
>
> It was no fluke. "There's nothing more iconic than that song," Barbie Senior Vice President of Marketing, Stephanie Cota says. "Yes, there's an interesting history with Mattel and Aqua. But one of the things that's great about Barbie is that she's had 50 years to figure herself out."
>
> The song "is such the epitome of Barbie. It's a fun, kicky upbeat song," she added. "We've re-written the lyrics ever so slightly. There's a bit of girl empowerment that gets infused in there."

Elva Ramirez, "Barbie's First Music Video Turns the Aqua Original on Its Head," *Wall St. Journal Speakeasy Blog*, Aug. 28, 2009, *available at* http://blogs.wsj.com/speakeasy/2009/08/28/barbie-model-astronaut-rock-star-marxist-theorist/. What does this outcome tell you about the merits of the original case?

26.4. Two Kinds of Fair Use

{This section by EEJ.}

Trademark law has recognized two kinds of fair use. They are distinct from one another.

In one kind of fair use – what's called "classic" fair use – the defendant is privileged to use the plaintiff's trademark to describe the defendant's goods.

In the other kind – what's called "nominative" fair use – the defendant is privileged to use the plaintiff's trademark to refer to the plaintiff's goods.

Actor-turned-talkshow-host-turned-lifestyle-guru Drew Barrymore launched a consumer goods venture which claims trademark rights over "Beautiful" for toasters and other kitchen accoutrements. The brand is variously marketed as "Beautiful" and "Beautiful by Drew Barrymore." Suppose that rival brand KitchenAid were to say this in advertising: "With award-winning design, KitchenAid toasters are a beautiful addition to your kitchen counter." If sued for trademark infringement, KitchenAid would be able to repel the Beautiful venture's claim by asserting a fair use defense.

Now suppose that Snark is some other line of kitchen appliances, led by a Hollywood personality who has a long-running feud with Drew Barrymore. Suppose that the Beautiful venture sues Snark when Snark runs an ad saying this: "With a a heavy reliance on gold-metallic-colored plastic parts and a coarse clutter of touch-pad buttons, Beautiful toasters are anything but. Beautiful makes kitchens kitch. Buy Snark." Here, the word "Beautiful" is being used to refer to the plaintiff's own goods. That's a "nominative" use, and Snark's advertising will be privileged as nominative fair use.

26.5. "Classic" Fair Use

{This section by Michael Grynberg. Credit/licensing note: MG-TL25-S22, infra.}

26.5.1. Section 33(b): "used fairly and in good faith only to describe"

Section 33(b) of the Lanham Act (15 U.S.C. § 1115)

> [providing that an incontestable mark] "shall be subject to the following defenses or defects . . .
>
> (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin"

26.5.2. Discussion of classic fair use

The "classic" fair use defense is a long recognized one in trademark law (as evidenced by its explicit incorporation into the Lanham Act). Recall the *Zatarain's* case we read near the beginning of the course. As you will recall, the court held that the plaintiff's FISH-FRI mark had obtained secondary meaning necessary for trademark protection. But winning protection was a pyrrhic victory for the trademark holder, as the court explained:

> Zatarain's term "Fish-Fri" is a descriptive term that has acquired a secondary meaning in the New Orleans area. Although the trademark is valid by virtue of having acquired a secondary meaning, only that penumbra or fringe of secondary meaning is given legal protection. Zatarain's has no legal claim to an exclusive right in the original, descriptive sense of the term; therefore, Oak Grove and Visko's are still free to use the words "fish fry" in their ordinary, descriptive sense, so long as such use will not tend to confuse customers as to the source of the goods.
>
> The record contains ample evidence to support the district court's determination that Oak Grove's and Visko's use of the words "fish fry" was fair and in good faith. Testimony at trial indicated that the appellees did not intend to use the term in a trademark sense and had never attempted to register the words as a trademark.

> Oak Grove and Visko's apparently believed "fish fry" was a generic name for the type of coating mix they manufactured. In addition, Oak Grove and Visko's consciously packaged and labelled their products in such a way as to minimize any potential confusion in the minds of consumers. The dissimilar trade dress of these products prompted the district court to observe that confusion at the point of purchase—the grocery shelves—would be virtually impossible. Our review of the record convinces us that the district court's determinations are correct. We hold, therefore, that Oak Grove and Visko's are entitled to fair use of the term "fish fry" to describe their products; accordingly, Zatarain's claim of trademark infringement must fail.

Is the defendants' fair use a defense? Or does it simply mean that the plaintiff did not prove its case? In other words, do we say that the plaintiff loses regardless of whether there was a likelihood of confusion because of the fair use? Or do we say that the plaintiff loses because there was no likelihood of confusion as evidenced by the fair use?~ {In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), the Supreme Court held that for the defendant to win an infringement suit by way of the statutory affirmative defense established by 15 U.S.C. § 1115(b)(4) it is unnecessary for the defendant to negate likelihood of confusion. That is, even assuming that customers are or will be confused as to the source of goods or services, a defendant can still win by succeeding on the classic fair use defense.}

{T}he defendant's victory {in *KP Permanent Make-Up*} was hardly unqualified. The Court left open the possibility that the presence of likely confusion might affect the merits of whether a use is fair. 543 U.S. at 123 ("It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."). The Ninth Circuit ran with this suggestion on remand and held that likelihood of confusion matters in determining whether the defense is successfully established, leaving open as a fact issue whether the defendants could assert it. See *KP Permanent Make-Up*, 408 F.3d at 609.

26.5.3. The "otherwise than as a mark" requirement

Use as a mark? For a use to be fair it must be "otherwise than as a mark." But many uses could be two things at once. See, e.g., *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 954 (7th Cir. 1992) (suit by holder of THIRST AID mark against GATORADE for latter's slogan, "GATORADE is Thirst Aid for that deep down body thirst" and upholding district court's conclusion that defendant used phrase as a mark). But compare *SportFuel, Inc. v. PepsiCo, Inc.*, 932 F.3d 589, 593 (7th Cir. 2019) (Gatorade's slogan, "Gatorade The Sports Fuel Company" was a fair use of the term "Sports Fuel," providing a defense to an infringement claim from SportFuel).˜

{One of Gatorade's uses of "Sports Fuel" featured the phrase "THE SPORTS FUEL COMPANY" below the word "GATORADE" in a display ad. The lettering of "THE SPORTS FUEL COMPANY" was 100% the width and 38% of the height as "GATORADE." Would that} look like a trademark use to you?˜

{Meanwhile, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999),} the Ninth Circuit {rejected} the prospect of treating West Coast's use of MOVIEBUFF as being potentially descriptive˜ because "moviebuff" without a space did not have the dictionary meaning that "movie buff" would have. *Brookfield*, 174 F.3d at 1066 ("Even though ['MovieBuff'] differs from 'Movie Buff' by only a single space, that difference is pivotal. The term 'Movie Buff' is a descriptive term, which is routinely used in the English language to describe a movie devotee. 'MovieBuff' is not. . . ."). The court's inflexibility with defenses is noticeable when juxtaposed with its willingness to broaden the scope of actionable confusion (via its enthusiasm for a broadened conception of the initial interest confusion doctrine).

26.6. Nominative Fair Use

{This section by Michael Grynberg. Credit/licensing note: MG-TL25-S22, infra.}

26.6.1. Case: *Toyota v. Tabari* (9th Cir. 2010) (Lexus brokers)

{Footnotes reformatted. Ellipses reformatted to superscript tildes.}

26.6.1.1. Opinion

Toyota Motor Sales, U.S.A., Inc. v. Tabari

610 F.3d 1171 (9th Cir. 2010)

KOZINSKI, Chief Judge:

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

Facts

Farzad and Lisa Tabari are auto brokers—the personal shoppers of the automotive world. They contact authorized dealers, solicit bids and arrange for customers to buy from the dealer offering the best combination of location, availability and price. Consumers like this service, as it increases competition among dealers, resulting in greater selection at lower prices. For many of the same reasons, auto manufacturers and dealers aren't so keen on it, as it undermines dealers' territorial exclusivity and lowers profit margins. Until recently, the Tabaris offered this service at buy-a-lexus.com and buyorleaselexus.com.

Toyota Motor Sales U.S.A. ("Toyota") is the exclusive distributor of Lexus vehicles in the United States, and jealous guardian of the Lexus mark. A Toyota marketing executive testified at trial that Toyota spends over $250 million every year promoting the Lexus brand. In the executive's estimation, "Lexus is a very prestigious luxury brand and it is an indication of an exclusive luxury experience." No doubt true.

Toyota objected to the Tabaris' use on their website of copyrighted photography of Lexus vehicles and the circular "L Symbol Design mark." Toyota also took umbrage at the Tabaris' use of the string "lexus" in their domain names, which it believed was "likely to cause confusion as to the source of [the Tabaris'] web site." The Tabaris removed Toyota's photography and logo from their site and added a disclaimer in large font at the top. But they refused to give up their domain names. Toyota sued, and the district court found

infringement after a bench trial. It ordered the Tabaris to cease using their domain names and enjoined them from using the Lexus mark in any other domain name. Pro se as they were at trial, the Tabaris appeal.

Nominative Fair Use

When customers purchase a Lexus through the Tabaris, they receive a genuine Lexus car sold by an authorized Lexus dealer, and a portion of the proceeds ends up in Toyota's bank account. Toyota doesn't claim the business of brokering Lexus cars is illegal or that it has contracted with its dealers to prohibit selling through a broker. Instead, Toyota is using this trademark lawsuit to make it more difficult for consumers to use the Tabaris to buy a Lexus.

The district court applied the eight-factor test for likelihood of confusion articulated in *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348-49 (9th Cir. 1979), and found that the Tabaris' domain names—buy-a-lexus.com and buyorleaselexus.com—infringed the Lexus trademark. But we've held that the *Sleekcraft* analysis doesn't apply where a defendant uses the mark to refer to the trademarked good itself. *See Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 801 (9th Cir. 2002); *New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 308 (9th Cir. 1992). The Tabaris are using the term Lexus to describe their business of brokering Lexus automobiles; when they say Lexus, they mean Lexus. We've long held that such use of the trademark is a fair use, namely nominative fair use. And fair use is, by definition, not infringement. The Tabaris did in fact present a nominative fair use defense to the district court.

In cases where a nominative fair use defense is raised, we ask whether (1) the product was "readily identifiable" without use of the mark; (2) defendant used more of the mark than necessary; or (3) defendant falsely suggested he was sponsored or endorsed by the trademark holder. *Welles,* 279 F.3d at 801 (quoting *New Kids,* 971 F.2d at 308-09). This test "evaluates the likelihood of confusion in nominative use cases." *Id.* It's designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder. The third factor speaks directly to the risk of such confusion, and the others do so indirectly: Consumers may reasonably infer sponsorship or endorsement if a company uses an unnecessary trademark or "more" of a mark than necessary. But if the nominative use satisfies the three-factor *New Kids* test, it doesn't infringe. If the

nominative use does not satisfy all the *New Kids* factors, the district court may order defendants to modify their use of the mark so that all three factors are satisfied; it may not enjoin nominative use of the mark altogether.

A.

The district court enjoined the Tabaris from using "any ... domain name, service mark, trademark, trade name, meta tag or other commercial indication of origin that includes the mark LEXUS." A trademark injunction, particularly one involving nominative fair use, can raise serious First Amendment concerns because it can interfere with truthful communication between buyers and sellers in the marketplace. *See Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.,* 425 U.S. 748, 763-64 (1976). Accordingly, "we must [e]nsure that [the injunction] is tailored to eliminate only the specific harm alleged." *E. & J. Gallo Winery v. Gallo Cattle Co.,* 967 F.2d 1280, 1297 (9th Cir. 1992). To uphold the broad injunction entered in this case, we would have to be convinced that consumers are likely to believe a site is sponsored or endorsed by a trademark holder whenever the domain name contains the string of letters that make up the trademark.

In performing this analysis, our focus must be on the " 'reasonably prudent consumer' in the marketplace." *Cf. Dreamwerks Prod. Grp., Inc. v. SKG Studio,* 142 F.3d 1127, 1129 (9th Cir. 1998) (describing the test for likelihood of confusion in analogous *Sleekcraft* context). The relevant marketplace is the online marketplace, and the relevant consumer is a reasonably prudent consumer accustomed to shopping online; the kind of consumer who is likely to visit the Tabaris' website when shopping for an expensive product like a luxury car. *See, e.g., Interstellar Starship Servs., Ltd. v. Epix, Inc.,* 304 F.3d 936, 946 (9th Cir. 2002). Unreasonable, imprudent and inexperienced web-shoppers are not relevant.

The injunction here is plainly overbroad—as even Toyota's counsel grudgingly conceded at oral argument—because it prohibits domain names that on their face dispel any confusion as to sponsorship or endorsement. The Tabaris are prohibited from doing business at sites like independent-lexus-broker.com and we-are-definitely-not-lexus.com, although a reasonable consumer wouldn't believe Toyota sponsors the websites using those domains. Prohibition of such truthful and non-misleading speech does not advance the Lanham Act's purpose of protecting consumers and

preventing unfair competition; in fact, it undermines that rationale by frustrating honest communication between the Tabaris and their customers.

Even if we were to modify the injunction to exclude domain names that expressly disclaim sponsorship or endorsement (like the examples above), the injunction would still be too broad. The Tabaris may not do business at lexusbroker.com, even though that's the most straightforward, obvious and truthful way to describe their business. The nominative fair use doctrine allows such truthful use of a mark, even if the speaker fails to expressly disavow association with the trademark holder, so long as it's unlikely to cause confusion as to sponsorship or endorsement. 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." Speakers are under no obligation to provide a disclaimer as a condition for engaging in truthful, non-misleading speech.

Although our opinion in *Volkswagenwerk Aktiengesellschaft v. Church* remarked on that defendant's "prominent use of the word 'Independent' whenever the terms 'Volkswagen' or 'VW' appeared in his advertising," 411 F.2d 350, 352 (9th Cir. 1969), it isn't to the contrary. The inclusion of such words will usually negate any hint of sponsorship or endorsement, which is why we mentioned them in concluding that there was no infringement in *Volkswagenwerk.* But that doesn't mean such words are required, and *Volkswagenwerk* doesn't say they are. Our subsequent cases make clear they're not.

The district court reasoned that the fact that an internet domain contains a trademark will "generally" suggest sponsorship or endorsement by the trademark holder. When a domain name consists *only* of the trademark followed by .com, or some other suffix like .org or .net, it will typically suggest sponsorship or endorsement by the trademark holder. *Cf. Panavision Int'l, L.P. v. Toeppen,* 141 F.3d 1316, 1327 (9th Cir. 1998).[4] This is because "[a] customer who is unsure about a company's domain name will often guess that the domain name is also the company's name." *Id.* (quoting *Cardservice Int'l v. McGee,* 950 F.Supp. 737, 741 (E.D.Va. 1997)) (internal quotation marks omitted); *see also Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1045 (9th Cir. 1999). If customers type in trademark.com and find the site occupied by someone other than the trademark holder, they may well believe it *is* the trademark holder,

despite contrary evidence on the website itself. Alternatively, they may become discouraged and give up looking for the trademark holder's official site, believing perhaps that such a website doesn't exist. *Panavision,* 141 F.3d at 1327.

> [4] Of course, not every trademark.com domain name is likely to cause consumer confusion. *See Interstellar Starship,* 304 F.3d at 944-46. For instance, we observed in *Interstellar Starship* that an apple orchard could operate at the website apple.com without risking confusion with Apple Computers, in light of the vast difference between their products. "If, however, the apple grower ... competed directly with Apple Computer by selling computers, initial interest confusion probably would result," as the apple grower would be using the apple.com domain to appropriate the goodwill Apple Computer had developed in its trademark.
>
> When a website deals in goods or services related to a trademarked brand, as in this case, it is much closer to the second example, where apple.com competes with Apple Computers. If a company that repaired iPods, iPads and iPhones were to set up at apple.com, for instance, consumers would naturally assume that the company was sponsored or endorsed by Apple (or, more likely, that it *was* Apple). Where a site is used to sell goods or services related to the trademarked brand, a trademark.com domain will therefore suggest sponsorship or endorsement and will not generally be nominative fair use.

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. The importance ascribed to trademark.com in fact suggests that far less confusion will result when a domain making nominative use of a trademark includes characters in addition to those making up the mark. Because the official Lexus site is almost certain to be found at lexus.com (as, in fact, it is), it's far less likely to be found at other sites containing the word Lexus. On the other hand, a number of sites make nominative use of trademarks in their domains but are not sponsored or endorsed by the trademark holder: You can preen about your Mercedes at mercedesforum.com and mercedestalk.net, read the latest about your double-skim-no-whip latte at starbucksgossip.com and find out what goodies the world's greatest electronics store has on sale this week at fryselectronics-ads.com. Consumers who use the

internet for shopping are generally quite sophisticated about such matters and won't be fooled into thinking that the prestigious German car manufacturer sells boots at mercedesboots.com, or homes at mercedeshomes.com, or that comcastsucks.org is sponsored or endorsed by the TV cable company just because the string of letters making up its trademark appears in the domain.

When people go shopping online, they don't start out by typing random URLs containing trademarked words hoping to get a lucky hit. They may start out by typing trademark.com, but then they'll rely on a search engine or word of mouth. If word of mouth, confusion is unlikely because the consumer will usually be aware of who runs the site before typing in the URL. And, if the site is located through a search engine, the consumer will click on the link for a likely-relevant site without paying much attention to the URL. Use of a trademark in the site's domain name isn't materially different from use in its text or metatags in this context; a search engine can find a trademark in a site regardless of where exactly it appears. In *Welles,* we upheld a claim that use of a mark in a site's metatags constituted nominative fair use; we reasoned that "[s]earchers would have a much more difficult time locating relevant websites" if the law outlawed such truthful, non-misleading use of a mark. The same logic applies to nominative use of a mark in a domain name.

Of course a domain name containing a mark cannot be nominative fair use if it suggests sponsorship or endorsement by the trademark holder. We've already explained why trademark.com domains have that effect. Sites like trademark-USA.com, trademark-of-glendale.com or e-trademark.com will also generally suggest sponsorship or endorsement by the trademark holder; the addition of "e" merely indicates the electronic version of a brand, and a location modifier following a trademark indicates that consumers can expect to find the brand's local subsidiary, franchise or affiliate. *See Visa Int'l Serv. Ass'n v. JSL Corp.,* No. 08-15206, 2010 WL 2559003, 610 F.3d 1088 (9th Cir. June 28, 2010). For even more obvious reasons, domains like official-trademark-site.com or we-are-trademark.com affirmatively suggest sponsorship or endorsement by the trademark holder and are not nominative fair use. But the district court's injunction is not limited to this narrow class of cases and, indeed, the Tabaris' domain names do not fall within it. . . .

Toyota argues it is entitled to exclusive use of the string "lexus" in domain names because it spends hundreds of millions of dollars every year making sure everyone recognizes and understands the word

"Lexus." But "[a] large expenditure of money does not in itself create legally protectable rights." *Smith v. Chanel, Inc.,* 402 F.2d 562, 568 (9th Cir. 1968); *see also Ty Inc. v. Perryman,* 306 F.3d 509, 513 (7th Cir. 2002); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense,* 108 Yale L.J. 1687, 1714-15 (1999). Indeed, it is precisely because of Toyota's investment in the Lexus mark that "[m]uch useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to [Lexus] by using its trademark." *New Kids,* 971 F.2d at 307.[8]

[8] "Words ... do not worm their way into our discourse by accident." Alex Kozinski, *Trademarks Unplugged,* 68 N.Y.U. L.Rev. 960, 975 (1993). Trademark holders engage in "well-orchestrated campaigns intended to burn them into our collective consciousness." *Id.* Although trademark holders gain something by pushing their trademark into the lexicon, they also inevitably lose a measure of control over their mark.

It is the wholesale prohibition of nominative use in domain names that would be unfair. It would be unfair to merchants seeking to communicate the nature of the service or product offered at their sites. And it would be unfair to consumers, who would be deprived of an increasingly important means of receiving such information. As noted, this would have serious First Amendment implications. The only winners would be companies like Toyota, which would acquire greater control over the markets for goods and services related to their trademarked brands, to the detriment of competition and consumers. The nominative fair use doctrine is designed to prevent this type of abuse of the rights granted by the Lanham Act.

B.

Toyota asserts that, even if the district court's injunction is overbroad, it can be upheld if limited to the Tabaris' actual domain names: buyorleaselexus.com and buy-a-lexus.com. We therefore apply the three-part *New Kids* test to the domain names, and we start by asking whether the Tabaris' use of the mark was "necessary" to describe their business. Toyota claims it was not, because the Tabaris could have used a domain name that did not contain the Lexus mark. It's true they could have used some other domain name like autobroker.com or fastimports.com, or have used the text of their website to explain their business. But it's enough to satisfy our test for necessity that the Tabaris needed to communicate that they specialize

in Lexus vehicles, and using the Lexus mark in their domain names accomplished this goal. While using Lexus in their domain names wasn't the only way to communicate the nature of their business, the same could be said of virtually any choice the Tabaris made about how to convey their message: Rather than using the internet, they could publish advertisements in print; or, instead of taking out print ads, they could rely on word of mouth. We've never adopted such a draconian definition of necessity, and we decline to do so here. In *Volkswagenwerk,* for instance, we affirmed the right of a mechanic to put up a sign advertising that he specialized in repairing Volkswagen cars, although he could have used a sandwich board, distributed leaflets or shouted through a megaphone. 411 F.2d at 352.[9] One way or the other, the Tabaris need to let consumers know that they are brokers of Lexus cars, and that's nearly impossible to do without mentioning Lexus, be it via domain name, metatag, radio jingle, telephone solicitation or blimp.

> [9] The Seventh Circuit has similarly upheld the right of a seller of Beanie Babies to operate at "bargainbeanies.com" on the grounds that "[y]ou can't sell a branded product without using its brand name." *Ty Inc.,* 306 F.3d at 512. In a prophetic choice of examples, Judge Posner remarked that prohibiting such a domain name "would amount to saying that if a used car dealer truthfully advertised that it sold Toyotas, or if a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement." *Id.*

The fact that the Tabaris also broker other types of cars does not render their use of the Lexus mark unnecessary.[10] Lisa Tabari testified: "I in my conviction and great respect for the company always try to convince the consumer to first purchase a Lexus or Toyota product." If customers decide to buy some other type of car, the Tabaris may help with that, but their specialty is Lexus. The Tabaris are entitled to decide what automotive brands to emphasize in their business, and the district court found that the Tabaris do in fact specialize in Lexus vehicles. Potential customers would naturally be interested in that fact, and it was entirely appropriate for the Tabaris to use the Lexus mark to let them know it.

> [10] Toyota doesn't suggest that the Tabaris used the Lexus mark to refer to those other cars, or that the Tabaris used the Lexus mark in order to redirect customers to those cars. 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.

Nor are we convinced by Toyota's argument that the Tabaris unnecessarily used domain names containing the Lexus trademark as their trade name. The Tabaris' business name is not buyorleaselexus.com or buy-a-lexus.com; it's Fast Imports. Toyota points out that the Tabaris' domain names featured prominently in their advertising, but that by no means proves the domain names were synonymous with the Tabaris' business. The Tabaris may have featured their domain names in their advertisements in order to tell consumers where to find their website, as well as to communicate the fact that they can help buy or lease a Lexus. Toyota would have to show significantly more than "prominent" advertisement to establish the contrary. We therefore conclude that the Tabaris easily satisfy the first *New Kids* factor.

As for the second and third steps of our nominative fair use analysis, Toyota suggests that use of the stylized Lexus mark and "Lexus L" logo was more use of the mark than necessary and suggested sponsorship or endorsement by Toyota. This is true: The Tabaris could adequately communicate their message without using the visual trappings of the Lexus brand. 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.

But the Tabaris submitted images of an entirely changed site at the time of trial: The stylized mark and "L" logo were gone, and a disclaimer appeared in their place. The disclaimer stated, prominently and in large font, "We are not an authorized Lexus dealer or affiliated in any way with Lexus. We are an Independent Auto Broker." While not required, such a disclaimer is relevant to the nominative fair use analysis. *See Welles,* 279 F.3d at 803. Toyota claims the Tabaris' disclaimer came too late to protect against confusion caused by their domain names, as such confusion would occur before consumers saw the site or the disclaimer. *See Brookfield,* 174 F.3d at 1057. But nothing about the Tabaris' domains would give rise to such confusion; the Tabaris did not run their business at lexus.com, and their domain

names did not contain words like "authorized" or "official." *See* pp. 1178-79 *supra.* Reasonable consumers would arrive at the Tabaris' site agnostic as to what they would find. Once there, they would immediately see the disclaimer and would promptly be disabused of any notion that the Tabaris' website is sponsored by Toyota. Because there was no risk of confusion as to sponsorship or endorsement, the Tabaris' use of the Lexus mark was fair.

This makeover of the Tabaris' site is relevant because Toyota seeks only forward-looking relief. In *Volkswagenwerk,* we declined to order an injunction where the defendant had likewise stopped all infringing activities by the time of trial, 411 F.2d at 352, although we've said that an injunction may be proper if there's a risk that infringing conduct will recur, *Polo Fashions, Inc. v. Dick Bruhn, Inc.,* 793 F.2d 1132, 1135-36 (9th Cir. 1986). Even assuming some form of an injunction is required to prevent relapse in this case, the proper remedy for infringing use of a mark on a site generally falls short of entirely prohibiting use of the site's domain name, as the district court did here. *See Interstellar Starship,* 304 F.3d at 948. "[O]nly upon proving the rigorous elements of cyber-squatting ... have plaintiffs successfully forced the transfer of an infringing domain name." *Id.* Forced relinquishment of a domain is no less extraordinary.

The district court is in a better position to assess in the first instance the timing and extent of any infringing conduct, as well as the scope of the remedy, if any remedy should prove to be required. We therefore vacate the injunction and remand for reconsideration. The important principle to bear in mind on remand is that a trademark injunction should be tailored to prevent ongoing violations, not punish past conduct. Speakers do not lose the right to engage in permissible speech simply because they may have infringed a trademark in the past.

C.

When considering the scope and timing of any infringement on remand, the district court must eschew application of *Sleekcraft* and analyze the case solely under the rubric of nominative fair use. The district court treated nominative fair use as an affirmative defense to be established by the Tabaris only after Toyota showed a likelihood of confusion under *Sleekcraft.* This was error; nominative fair use "replaces" *Sleekcraft* as the proper test for likely consumer confusion whenever defendant asserts to have referred to the trademarked good itself.

On remand, Toyota must bear the burden of establishing that the Tabaris' use of the Lexus mark was *not* nominative fair use. A finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion as to sponsorship or endorsement. *See Welles,* 279 F.3d at 801; *New Kids,* 971 F.2d at 308 ("Because [nominative fair use] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition.").[11] And, as the Supreme Court has unambiguously instructed, the Lanham Act always places the "burden of proving likelihood of confusion ... on the party charging infringement." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 118 (2004). In this case, that party is Toyota. "[A]ll the [Tabaris] need[ ] to do is to leave the factfinder unpersuaded." *Id.* at 120.

[11] This is necessarily so because, unlike classic fair use, nominative fair use is not specifically provided for by statute. A court may find classic fair use despite "proof of infringement" because the Lanham Act authorizes that result. *See* 15 U.S.C. § 1115(b)(4). Nominative fair use, on the other hand, represents a finding of no liability under that statute's basic prohibition of infringing use. *See id.* § 1114.

We have previously said the opposite: "[T]he nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion." *Brother Records, Inc.,* 318 F.3d at 909 n.5. But that rule is plainly inconsistent with *Lasting Impression* and has been "effectively overruled." *Miller v. Gammie,* 335 F.3d 889, 893 (9th Cir. 2003) (en banc); *see also* 4 *McCarthy on Trademarks and Unfair Competition* § 23:11 at 82 n.5 (4th ed.2010). A defendant seeking to assert nominative fair use as a defense need only show that it used the mark to refer to the trademarked good, as the Tabaris undoubtedly have here. The burden then reverts to the plaintiff to show a likelihood of confusion. . . .

We vacate and remand for proceedings consistent with this opinion. At the very least, the injunction must be modified to allow some use of the Lexus mark in domain names by the Tabaris. Trademarks are part of our common language, and we all have some right to use them to communicate in truthful, non-misleading ways.~

26.6.1.2. Concurrence by Fernandez

FERNANDEZ, Circuit Judge, concurring:

I concur in the majority's conclusion that the district court erred in its handling of the nominative fair use defense. I write separately, however, because I cannot concur in all that is said by the majority.

First, and principally, I feel compelled to disassociate myself from statements by the majority which are not supported by the evidence or by the district court's findings. I simply cannot concur in essentially factual statements whose provenance is our musings rather than the record and determinations by trier of fact. For example, on this record I do not see the basis for the majority's assertion that the "relevant consumer is ... accustomed to shopping online"; or that "[c]onsumers who use the internet for shopping are generally quite sophisticated" so that they are not likely to be misled; or that "the worst that can happen is that some consumers may arrive at [a] site uncertain as to what they will find"; or that, in fact, consumers are agnostic and, again, not likely to be misled; or that "[r]easonable consumers would arrive at the Tabaris' site agnostic as to what they would find."

~To the extent that the majority sees [the defendants'] activities as especially socially worthy and above reproach, I do not agree.~

–|–|–

26.6.2. Notes

26.6.2.1. How do you solve a riddle like nominative use?

How do you solve a riddle like nominative use? The view that nominative uses should not give rise to trademark liability is a venerable one but there are different ways to formalize it. Some courts treat nominative fair use as a defense. Is that what the Ninth Circuit does? Check footnote 11. How else might courts treat nominative uses?

For those courts recognizing nominative fair use as a distinct doctrine (rather than as an issue that may be addressed in basic likelihood of confusion analysis, as discussed below) there is a divide as to whether it is a defense. The Ninth Circuit, as you read in the *Toyota* case, treats

nominative fair use analysis as a replacement for the ordinary multifactor test where nominative uses are at issue. Its test is therefore a test for likelihood-of-confusion and not, properly speaking, a "defense."

In contrast, the Third Circuit treats nominative fair use as a true defense to be considered after a court uses a modified version of the multifactor test to find the existence of a likelihood of confusion. *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 223 n.3 (3d Cir. 2005) ("A nominative use defendant need only prove fairness and is not required to negate confusion.").

What are the advantages of the Third Circuit's approach? Disadvantages? What is the legal source of the nominative fair use doctrine? Does that help with determining whether it should be treated as a defense or not?

26.6.2.2. Other ways of handling nominative uses

Other ways of handling nominative uses. Another way of handling nominative fair use situations is to treat them like ordinary infringement claims, addressing the specifics of the nominative use in context of disposing of the claim. See, e.g., *Century 21*, 425 F.3d at 232 (Fisher, J., concurring in part and dissenting in part) (criticizing modification because "to the extent the majority places any burden on plaintiffs at all, it is so watered-down that plaintiffs might prove likely confusion on one *Lapp* factor alone"). Or courts may just deal with nominative fair use in a more rough and ready manner. For example, recall the *Tiffany* case (the jeweler's litigation against eBay for hosting listings that sold counterfeit Tiffany goods). In addition to rejecting Tiffany's contributory infringement claim against eBay, the Second Circuit turned aside a direct infringement claim based on eBay's display of the Tiffany mark in its listings. The court explained *(Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102-03 (2d Cir. 2010)):

> We need not address the viability of the [nominative fair use] doctrine to resolve Tiffany's claim, however. We have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant. "While a trademark conveys an exclusive

> right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product." Dow Jones & Co. v. Int'l Sec. Exch., Inc., 451 F.3d 295, 308 (2d Cir. 2006) . . . cf. Prestonettes, Inc. v. Coty, 264 U.S. 359, 368 (1924) (when a "mark is used in a way that does not deceive the public," there is "no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.").
>
> We agree with the district court that eBay's use of Tiffany's mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website.

26.6.2.3. And now for something even more complicated

And now for something even more complicated. For reasons known only to themselves, a panel of the Second Circuit decided to further complicate nominative fair use in a 2016 opinion.

> Because we believe that the nominative fair use factors will be helpful to a district court's analysis, we hold that, in nominative use cases, district courts are to consider the Ninth Circuit and Third Circuit's nominative fair use factors, in addition to the *Polaroid* factors. When considering a likelihood of confusion in nominative fair use cases, in addition to discussing each of the *Polaroid* factors, courts are to consider: (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or

accurate relationship between plaintiff's and defendant's products or services.

When assessing the second nominative fair use factor, courts are to consider whether the alleged infringer "step[ped] over the line into a likelihood of confusion by using the senior user's mark too prominently or too often, in terms of size, emphasis, or repetition." McCarthy § 23:11; *see, e.g.*, *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) ("Using [the plaintiff's] trademarks in its domain names, repeating the marks in the main titles of the web sites and in the wallpaper underlying the web sites, and mimicking the distinctive fonts of the marks go beyond using the marks 'as is reasonably necessary to identify' [the plaintiff's] trucks, parts, and dealers."), *abrogated on other grounds by KP Permanent Make–Up, Inc.*, 543 U.S. at 116–17; *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 908 (9th Cir. 2003) (considering the fact that the defendant used the mark " 'The Beach Boys' more prominently and boldly" than the rest of its name "The Beach Boys Family and Friends" such that event organizers and members of the audience were confused about who was performing); *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 804 (9th Cir. 2002) (holding that defendant's repeated use of the abbreviation "PMOY '81" meaning "Playmate of the Year 1981" on the background/wallpaper of her website failed to establish nominative fair use because "[t]he repeated depiction of "PMOY '81" is not necessary to describe [the defendant]"), *abrogated on other grounds by Miller v. Gammie*, 335 F.3d 889 (9th Cir. 2003); *cf. Swarovski Aktiengesellschaft v. Building No. 19, Inc.*, 704 F.3d 44, 51–52 (1st Cir. 2013) (reversing preliminary injunction restricting discount retailer from using large size font in advertising sale of "Swarovski" crystal figurines because lower court erred by assuming that retailer used "more of the mark than necessary" without determining if large size font was likely to cause consumer confusion).

Additionally, when considering the third nominative fair use factor, courts must not, as the district court did here, consider only source confusion, but rather must consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder. *See Courtenay*

> *Commc'ns Corp. v. Hall*, 334 F.3d 210, 213 n. 1 (2d Cir. 2003) (vacating dismissal of Lanham Act claims and holding nominative fair use did not supply alternative grounds for dismissal because defendant's "hyperlink connection to a page of endorsements suggests affiliation, sponsorship, or endorsement by" the plaintiff (internal quotation marks omitted)).
>
> We therefore remand for reconsideration of the *Polaroid* factors in addition to the nominative fair use factors, keeping in mind the numerous types of confusion that are relevant to an infringement analysis other than mere source confusion and the numerous ways in which a certification mark may be infringed.

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 168–69 (2d Cir. 2016). Worse, the court emphasized, in an omitted footnote, that "with reference to the *Polaroid* factors, this combination of factors is not exclusive, and other factors may be considered where relevant." Cert was, sadly, denied.

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27. Merchandizing and Trademark Law

This chapter by EEJ.

27.1. About this chapter

This chapter concerns the situation in which trademarks themselves become the product—a phenomenon called "merchandizing."

In ordinary commercial transactions, trademarks serve in a supporting role to the goods. By serving as a source-indicator, trademarks give consumers useful signals about the value of the goods to which they are affixed.

With merchandizing, the leading and supporting roles are reversed. The goods serve primarily as vehicles for delivering logos, word marks, and other indicia of teams, organizations, universities, or other entities. The primary value for consumers comes from the merch's ability to communicate affinity for or loyalty to the entity connected with the mark.

Most of this chapter consists of three cases arranged chronologically: *Boston Hockey* (1975), *Job's Daughters* (1980), and *Smack Apparel* (2008). There's also a small snippet of a law review article stuck in there—also in chronological order. Together, these readings tell the story of how trademark law has changed vis-à-vis merchandizing over the past few decades. It's one of a number of stories that revolve around trademark law's increasingly strained relationship with its original mission—that mission

being to protect indications of commercial source so as to enable consumer choice based on buyers' experience and sellers' reputation.

27.2. Sports merchandizing and a walk to Three Rivers Stadium

Suppose someone makes an unlicensed t-shirt featuring the logo of a professional sports team. Most laypersons would probably assume that is not only trademark infringement, but about the easiest, plainest, and most straightforward example of trademark infringement there is. Yet that's hardly the case. The more you learn about trademark law, the more perplexing it seems that a sale of something that is essentially just the *trademark itself* could be deemed to be infringement.

Trademark law is all about providing exclusive rights to indications of commercial source—thus a trademark is meaningless without the source it identifies. Or at least that's the idea. The guiding principle of trademark law is that consumers can navigate the marketplace and feel good making decisions about buying new products based on past experience—thanks to the stability of trademarks as indications of commercial source.

Consider the classic sort of trademark story (first told, *eodem*, earlier in these materials):

"If I go to the store and see a DeWalt drill for sale, I have some sense of what I'd be getting for the money. I will figure it's likely to be a quality product, smartly designed, sturdy enough to handle roughly, and unlikely to let me down even after heavy use. I will have that notion because I have purchased products with the DeWalt mark on them before, and they've turned out to be well-made and worth what I paid."

That story makes sense for power tools, but it doesn't make any sense at all when it comes to merchandizing.

"I bought this Pittsburgh Pirates t-shirt because I wanted a quality t-shirt. And in my experience, Pittsburgh Pirates t-shirts are a good value for the money—offering durable stitching, comfortable fabric, and a consistent fit," said no one ever.

While it now seems to be taken for granted that sports teams have the exclusive right to make t-shirts, hats, caps, coffee mugs, and so forth with their team logos, it wasn't always so.

When I was a little kid, I remember walking to a Pittsburgh Pirates home game with my parents. It was a highlight of a family trip to Steel City, which is where my mom grew up. We parked some distance away, and as we walked toward Three Rivers Stadium, we passed by lots of street commerce. There were people standing around buying and selling tickets to the game. And there was a succession of street vendors selling Pirates stuff—shirts, caps, and other logo-bearing paraphernalia for Pittsburgh sports fans.

I'm sure all of this stuck in my memory because I was desperately beseeching my parents to buy me these things.

I remember that the t-shirts and other Pirates merch was fairly cheap—both in terms of price and quality. Some things were somewhat better and more expensive than others. It was all unlicensed stuff. And my parents could afford it. (Or certainly that's what I was arguing at the time.)

Once we were in the stadium, there were shirts, caps, and other logo-bearing items for sale there too. But these were "official" versions. They were much nicer and much, *much* more expensive. From my middle-class-kid perspective, I remember my mind boggling at how there could be people on Earth who could actually afford those things. Back then, "officially licensed" didn't signify goods that were "legal." Instead, "officially licensed" was a niche designed to appeal to the high end of the market.

Based on my scrapbook, I believe that happened in 1976. It was on the eve of everything changing in sports merchandizing—a transformation that started with the first-impression case of *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975).

It seems hard to believe looking back on it, but in the mid-1970s in Pittsburgh, all that selling of unlicensed Pirates merchandise was just considered ordinary street commerce. And it all seemed to work fine. There was plenty of consumer choice—both in terms of expressive designs and quality for price. No one was being arrested for trademark counterfeiting, and Major League Baseball wasn't going bankrupt. Nowadays, if you want black-and-gold gear emblazoned with the name of Pittsburgh's baseball team, your only choice is to get it from the Pirates ... or the pirates.

27.3. Case: *Boston Hockey v. Dallas Cap & Emblem* (5th Cir. 1975) (team logo patches)

Footnotes and some citations reformatted. Case names italicized, signals untalicized. Some paragraphing may be different from the original. –EEJ

Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg.

U.S. Court of Appeals for the Fifth Circuit
510 F.2d 1004 (1975)

RONEY, Circuit Judge:

Nearly everyone is familiar with the artistic symbols which designate the individual teams in various professional sports. The question in this case of first impression is whether the unauthorized, intentional duplication of a professional hockey team's symbol on an embroidered emblem, to be sold to the public as a patch for attachment to clothing, violates any legal right of the team to the exclusive use of that symbol. Contrary to the decision of the district court, we hold that the team has an interest in its own individualized symbol entitled to legal protection against such unauthorized duplication.

The National Hockey League (NHL) and thirteen of its member hockey teams[1] brought this action to enjoin Dallas Cap & Emblem Manufacturing, Inc., from manufacturing and selling embroidered emblems depicting their trademarks.

[1] Boston Professional Hockey Association, Inc. (Boston Bruins); Niagara Frontier Hockey Corporation (Buffalo Sabres); Charles O. Finley & Company, Inc. (California Golden Seals); Chicago Blackhawk Hockey Team, Inc. (Chicago Black Hawks); The Detroit Hockey Club, Inc. (Detroit Red Wings); California Sports Incorporated (Los Angeles Kings); Northstar Financial Corporation (Minnesota North Stars); Madison Square Garden Corporation (New York Rangers); The Philadelphia Hockey Club, Inc. (Philadelphia Flyers); Pittsburgh Penguin Partners (Pittsburgh Penguins); Missouri Arena Corporation (St. Louis Blues); Maple Leaf Gardens, Limited (Toronto Maple Leafs); Medical Investment Corporation (Vancouver Canucks).

All plaintiffs assert a cause of action for common law unfair competition. The NHL and twelve of the plaintiff teams have secured federal registration of their team symbols as service marks for ice hockey entertainment services and seek relief under both provisions of the Lanham Act, 15 U.S.C.A. §§ 1114, 1125, which give statutory protection to such marks. The Toronto team has not secured federal registration of its symbol and, thus, has not alleged a cause of action against defendant for infringement of a registered mark under 15 U.S.C.A. § 1114, but is restricted to § 1125 which can encompass unregistered marks. The Vancouver team did not secure registration until after the alleged infringing act and has sued only for injunctive relief under § 1114, not for damages. None of the symbols of the various teams have been copyrighted.

The district court denied Lanham Act relief and granted only limited relief for unfair competition, requiring solely that defendant place on the emblems or the package a notice that the emblems are not authorized by or have not emanated from the plaintiffs. The claim for damages was denied.

The Facts

The controlling facts of the case at bar are relatively uncomplicated and uncontested. Plaintiffs play ice hockey professionally. In producing and promoting the sport of ice hockey, plaintiffs have each adopted and widely publicized individual team symbols. During the 1971-72 season, more than eight million fans attended NHL games where they saw the team marks displayed on the jersey-fronts of the players and throughout the game programs. For each game on national television, between ten and twenty million hockey enthusiasts saw plaintiffs' marks. Other fans observed the team marks during more than 300 locally televised games a season and on a weekly television series entitled "National Hockey League Action" which is syndicated in over 100 markets. These figures do not include the millions who were exposed to plaintiffs' marks through sporting news coverage in newspapers, magazines and on television.

Plaintiffs have authorized National Hockey League Services, Inc. (NHLS) to act as their exclusive licensing agent. NHLS has licensed various manufacturers to use the team symbols on merchandise and has granted to one manufacturer, Lion Brothers Company, Inc., the exclusive license to manufacture embroidered emblems depicting the marks in question. In the spring of 1972, NHLS authorized the sale of NHL team emblems in connection with the sale of Kraft candies. That

promotion alone was advertised on more than five million bags of candy.

Defendant Dallas Cap & Emblem Manufacturing, Inc., is in the business of making and selling embroidered cloth emblems. In August of 1968 and June of 1971, defendant sought to obtain from NHLS an exclusive license to make embroidered emblems representing the team motifs. Although these negotiations were unsuccessful, defendant went ahead and manufactured and sold without authorization emblems which were substantial duplications of the marks. During the month of April 1972, defendant sold approximately 24,603 of these emblems to sporting goods stores in various states. Defendant deliberately reproduced plaintiffs' marks on embroidered emblems and intended the consuming public to recognize the emblems as the symbols of the various hockey teams and to purchase them as such.

The Law

The complaint alleged that defendant's manufacture and sale of the team symbols constitutes (1) an infringement of the plaintiffs' registered marks in violation of 15 U.S.C.A. § 1114;[2] (2) false designation of origin in violation of 15 U.S.C.A. § 1125;[3] and (3) common law unfair competition.

[2] 15 U.S.C.A. § 1114 reads in pertinent part:

> (1) Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
>
> . . . . .
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

[3] 15 U.S.C.A. § 1125 reads in pertinent part:

> (a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter

> into commerce, . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

The statutory cause of action emanates from what is commonly called the Lanham Act. 15 U.S.C.A. § 1051 et seq. The Lanham Act defines a service mark as "a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the services of others" and a trademark as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." 15 U.S.C.A. § 1127. Service mark infringement and trademark infringement are governed by identical standards. The terms can be used interchangeably when the marks are both service marks and trademarks. For convenience we use the word trademark in this opinion to designate both service mark and trademark use of the symbols involved.

A cause of action for the infringement of a registered mark in violation of 15 U.S.C.A. § 1114 exists where a person uses (1) any reproduction, counterfeit, copy or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any goods; (5) where such use is likely to cause confusion, or to cause mistake or to deceive. A broadening of the protection afforded by the statute occurred by amendment in 1962 which deleted the previously existing requirement that the confusion or deception must relate to the "source of origin of such goods or service." Pub.L. 87-772, § 17, 76 Stat. 773 (1962). *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857, 860 at n. 8 (5th Cir. 1967).

While this Court has rejected the view that the Lanham Act brought all claims of unfair competition in interstate commerce within the federal question jurisdiction of the federal courts, *Royal Lace Paper Works, Inc. v. Pest-Guard Products, Inc.*, 240 F.2d 814 (5th Cir. 1957), this Court has recognized that 15 U.S.C.A. § 1125 creates a federal cause of action for false representation of goods or services in commerce. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974); *Alum-A-Fold Shutter Corp. v. Folding Shutter Corp.*, 441 F.2d 556 (5th Cir. 1971). The statute is broadly worded and proscribes not only "a false designation of origin" but also the use of

"any false description or representation, including words or other symbols tending falsely to describe or represent . . . goods or services" in commerce. The use of an unregistered trademark can constitute a violation of § 1125 where

> . . . the alleged unregistered trademarks used by the plaintiff are so associated with its goods that the use of the same or similar marks by another company constitutes a representation that its goods come from the same source.

Joshua Meier Co. v. Albany Novelty Mfg. Co., 236 F.2d 144, 147 (2nd Cir. 1956). See *Sutton Cosmetics, Inc. v. Lander Co.*, 455 F.2d 285 (2nd Cir. 1972); *Federal-Mogul-Bower Bearings*, *Inc. v. Azoff*, 313 F.2d 405 (6th Cir. 1963); *State of Florida v. Real Juices, Inc.*, 330 F.Supp. 428 (M.D.Fla.1971); *Scarves by Vera, Inc. v. United Merchants & Manufacturers, Inc.*, 173 F.Supp. 625 (S.D.N.Y. 1959). See also *Hesmer Foods, Inc. v. Campbell Soup Co.*, 346 F.2d 356 (7th Cir. 1965). See generally I. R. Callman, *Unfair Competition, Trademarks and Monopolies* § 18.2(b) (1967). Under § 1125, the registration of a mark is not a prerequisite of recovery as it is under § 1114.

Unfair competition is a broader area of the law than statutory trademark infringement. *B. H. Bunn Co. v. AAA Replacement Parts Co.*, 451 F.2d 1254 (5th Cir. 1971). Unfair competition is almost universally regarded as a question of whether the defendant is passing off his goods or services as those of the plaintiff by virtue of substantial similarity between the two, leading to confusion on the part of potential customers. Volkswagenwerk Aktiengesellschaft v. Rickard, 492 F.2d 474, 478 (5th Cir. 1974). As stated in *American-Marietta Co. v. Krigsman*, 275 F.2d 287 (2nd Cir. 1960),

> The whole basis of the law of "unfair competition" . . . is that no one shall sell his goods in such a way as to make it appear that they come from some other source. The simplest form of this is to use the name or trademark of another, but the law goes further than that.

275 F.2d at 289. As a general rule, therefore, the same facts which would support an action for trademark infringement would also support an action for unfair competition.

The Case

The difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services. The statutory and case law of trademarks is

oriented toward the use of such marks to sell something other than the mark itself. The district court thought that to give plaintiffs protection in this case would be tantamount to the creation of a copyright monopoly for designs that were not copyrighted. The copyright laws are based on an entirely different concept than the trademark laws, and contemplate that the copyrighted material, like patented ideas, will eventually pass into the public domain. The trademark laws are based on the needed protection of the public and business interests and there is no reason why trademarks should ever pass into the public domain by the mere passage of time.

Although our decision here may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs, we think that the two become so intermeshed when viewed against the backdrop of the common law of unfair competition that both the public and plaintiffs are better served by granting the relief sought by plaintiffs.

Underlying our decision are three persuasive points. *First,* the major commercial value of the emblems is derived from the efforts of plaintiffs. *Second,* defendant sought and ostensibly would have asserted, if obtained, an exclusive right to make and sell the emblems. *Third,* the sale of a reproduction of the trademark itself on an emblem is an accepted use of such team symbols in connection with the type of activity in which the business of professional sports is engaged. We need not deal here with the concept of whether every artistic reproduction of the symbol would infringe upon plaintiffs' rights. We restrict ourselves to the emblems sold principally through sporting goods stores for informal use by the public in connection with sports activities and to show public allegiance to or identification with the teams themselves.

As to 15 U.S.C.A. § 1114.

Plaintiffs indisputably have established the first three elements of a § 1114 cause of action. Plaintiffs' marks are validly registered and defendant manufactured and sold emblems which were (1) substantial duplications of the marks, (2) without plaintiffs' consent, and (3) in interstate commerce. The issue is whether plaintiffs have proven elements four and five of an action for mark infringement under the Lanham Act, i. e., whether the symbols are used in connection with the sale of goods and whether such use is likely to cause confusion, mistake or deception.

The fourth requisite of a § 1114 cause of action is that the infringing use of the registered mark must be in connection with the sale, offering for sale, distribution or advertising of any goods. Although the district court did not expressly find that plaintiffs had failed to establish element four, such a finding was implicit in the court's statement that "in the instant case, the registered trade mark is, in effect, the product itself."

Defendant is in the business of manufacturing and marketing emblems for wearing apparel. These emblems are the products, or goods, which defendant sells. When defendant causes plaintiffs' marks to be embroidered upon emblems which it later markets, defendant uses those marks in connection with the sale of goods as surely as if defendant had embroidered the marks upon knit caps. See *Boston Professional Hockey Association, Inc. v. Reliable Knitting Works, Inc.*, 178 USPQ 274 (E.D. Wis. 1973). The fact that the symbol covers the entire face of defendant's product does not alter the fact that the trademark symbol is used in connection with the sale of the product. The sports fan in his local sporting goods store purchases defendant's fabric and thread emblems because they are embroidered with the symbols of ice hockey teams. Were defendant to embroider the same fabric with the same thread in other designs, the resulting products would still be emblems for wearing apparel but they would not give trademark identification to the customer. The conclusion is inescapable that, without plaintiffs' marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams. It becomes clear that defendant's use of plaintiffs' marks is in connection with the sale, offering for sale, distribution, or advertising of goods and that plaintiffs have established the fourth element of a § 1114 cause of action.

The fifth element of a cause of action for mark infringement under 15 U.S.C.A. § 1114 is that the infringing use is likely to cause confusion, or to cause mistake or to deceive. The district court decided that there was no likelihood of confusion because the usual purchaser, a sports fan in his local sporting goods store, would not be likely to think that defendant's emblems were manufactured by or had some connection with plaintiffs. Cf. *Sun-Maid Raisin Growers of California v. Sunaid Food Products, Inc.*, 356 F.2d 467 (5th Cir. 1966). This court has held that the findings of a district court as to likelihood of confusion are factual and not to be overturned unless clearly erroneous. *Hang Ten International v. Sherry Manufacturing Co.*, 498

F.2d 326 (5th Cir. 1974); *American Foods, Inc. v. Golden Flake, Inc*., 312 F.2d 619 (5th Cir. 1963). In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer *knew* that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

The plaintiffs, with the exception of Toronto, have satisfied all elements of a cause of action for mark infringement in violation of 15 U.S.C.A. § 1114. Plaintiffs are entitled to an injunction permanently enjoining defendant from the manufacture and sale, in interstate commerce, of emblems embroidered with substantial duplications of plaintiffs' marks without plaintiffs' consent, and such other relief as might flow from the facts.

As to 15 U.S.C.A. § 1125.

The district court held that plaintiffs failed to prove a cause of action under 15 U.S.C.A. § 1125 for false designation of origin of the goods in question or for false description by means of symbols. Because all plaintiffs, with the exception of Toronto, have established a cause of action for registered mark infringement, the district court's decision in regard to a § 1125 cause of action only affects plaintiff Toronto. The district court based its denial of a § 1125 cause of action on two findings of fact: (1) there was no likelihood of confusion as to the source of the emblems and (2) defendant did not make any false representations concerning the origin of the emblems. Our decision that confusion is self-evident from the nature of defendant's use of plaintiffs' marks applies with equal force in plaintiff Toronto's case. We reverse.

On appeal, defendant does not contest that the facts establish the use necessary to give Toronto service mark protection. Defendant

simply argues that the mere imitation of a product cannot constitute a false designation of origin or a false representation concerning goods in commerce under § 1125.

In the case *sub judice,* defendant did not merely copy a product of the Toronto team. Defendant reproduced Toronto's common law mark on embroidered emblems with the intent that the public recognize and purchase the emblems as the symbol of the Toronto team. In the language of § 1125, defendant used a symbol, Toronto's mark, which tended falsely to represent goods, the embroidered emblems, in commerce. Where the consuming public had the certain knowledge that the source and origin of the trademark symbol was in the Toronto team, the reproduction of that symbol by defendant constituted a violation of § 1125.

To warrant injunctive relief under § 1125, a plaintiff must demonstrate that the false representations have a tendency to deceive the consumer. *Geisel v. Poynter Products, Inc.*, 283 F.Supp. 261 (S.D.N.Y.1968). Our decision that defendant's use of plaintiffs' marks entails a likelihood of confusion under § 1114 establishes that defendant's identical use of Toronto's mark constitutes a false representation under § 1125. See *Girl Scouts v. Personality Posters Mfg. Co.*, 304 F.Supp. 1228 (S.D.N.Y.1969). Accordingly, we reverse the decision of the district court and hold that Toronto has established a cause of action under 15 U.S.C.A. § 1125.

As to Unfair Competition.

Although the district court denied plaintiffs relief under the applicable provisions of the Lanham Act, the court found that the actions of defendant constituted unfair competition. The court stated that defendant's use of plaintiffs' marks had ". . . the prospect of trading on the competitive advantage the mark originator has to the public which desires the 'official' product." Unfair competition is a question of fact, *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474 (5th Cir. 1974). Our review is narrowly circumscribed by F.R.Civ.P. 52(a). We find that there is substantial evidence which reflects that defendant competed unfairly with plaintiffs and, accordingly, we affirm the decision of the district court in this regard.

The unfair competition cannot, however, be rendered fair by the disclaimer ordered by the district court. The exact duplication of the symbol and the sale as the team's emblem satisfying the confusion requirement of the law, words which indicate it was not authorized by the trademark owner are insufficient to remedy the illegal confusion.

Only a prohibition of the unauthorized use will sufficiently remedy the wrong.

Additional Defenses to Relief

Defendant makes two arguments against an extension of Lanham Act protection to plaintiffs which need consideration. Adopting the district court's rationale, defendant asserts first, that plaintiffs' marks when embroidered on emblems for wearing apparel are functional and, thus, serve no trademark purpose and, second, that there is some overriding concept of free competition which, under the instant facts, would remove plaintiffs from the protective ambits of the Lanham Act.

The short answer to defendant's arguments is that the emblems sold because they bore the identifiable trademarks of plaintiffs. This fact clearly distinguishes the case from *Pagliero v. Wallace China Co.,* 198 F.2d 339 (9th Cir. 1952), relied upon by the district court. *Pagliero* involved designs on chinaware which were neither trademarked, patented nor copyrighted. The court found no unfair competition on the ground that the designs were functional, that is, they connoted other than a trademark purpose. "The attractiveness and eye-appeal of the design sells the china," 198 F.2d at pp. 343-344, not the trademark character of the designs. In the case at bar, the embroidered symbols are sold not because of any such aesthetic characteristic but because they are the trademarks of the hockey teams. Those cases which involved utilitarian articles such as pole lamps, *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), fluorescent lighting fixtures, *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) and toggle clamps, *West Point Mfg. Co. v. Detroit Stamping Co.*, 222 F.2d 581 (6th Cir. 1955), all involved products which had a consumer demand regardless of their source or origin. The principles involved in those cases are not applicable to a trademark symbol case where the design or symbol has no demonstrated value other than its significance as the trademark of a hockey team.

The argument that the symbols could be protected only if copyrighted likewise misses the thrust of trademark protection. A trademark is a property right which is acquired by use. *Trade-Mark Cases*, 100 U.S. 82 (1879). It differs substantially from a copyright, in both its legal genesis and its scope of federal protection. The legal cornerstone for the protection of copyrights is Article I, section 8, clause 8 of the Constitution. In the case of a copyright, an individual creates a unique design and, because the Constitutional fathers saw fit

to encourage creativity, he can secure a copyright for his creation for a period of 28 years, renewable once. After the expiration of the copyright, his creation becomes part of the public domain. In the case of a trademark, however, the process is reversed. An individual selects a word or design that might otherwise be in the public domain to represent his business or product. If that word or design comes to symbolize his product or business in the public mind, the individual acquires a property right in the mark. The acquisition of such a right through use represents the passage of a word or design out of the public domain into the protective ambits of trademark law. Under the provisions of the Lanham Act, the owner of a mark acquires a protectable property interest in his mark through registration and use.

The time limit on copyright protection not being sufficient for plaintiffs' purposes, they acquainted the public with their marks and thereby created a demand for those marks. Through extensive use, plaintiffs have acquired a property right in their marks which extends to the reproduction and sale of those marks as embroidered patches for wearing apparel. What plaintiffs have acquired by use, the substantive law of trademarks as it is embodied in the Lanham Act will protect against infringement. There is no overriding policy of free competition which would remove plaintiffs, under the facts of this case, from the protective ambits of the Lanham Act.

Defendant argues to us that the district court decision can be sustained on an alleged antitrust defense. The district court considered the antitrust defense solely in connection with plaintiffs' unfair competition claim and held that defendant had failed to prove that plaintiffs had used their marks in violation of the antitrust laws. Accordingly, the district court drew an order striking defendant's antitrust defense, at least insofar as defendant asserted the defense against the unfair competition action. The district court did not reach this defense in connection with the Lanham Act claim, and neither do we. There has been no cross-appeal from the order of the district court striking the defense as asserted against the unfair competition cause of action, and since we affirm the finding of unfair competition and direct only a change in the relief that should have been provided, as to that cause of action the matter is evidently not still open for litigation. Nevertheless, we leave these matters for the district court to unravel on a remand of this case for such further proceedings as are consistent with this opinion.

Reversed and remanded.

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27.4 Case: *Job's Daughters v. Lindeburg & Co.* (9th Cir. 1980) (membership jewelry)

The superscript tilde (˜) indicates an ellipsis. Some footnotes and citations reformatted. Parallel citation matter and some footnotes removed along with footnote references without specific notation. Case names italicized in many cases. Heading numbering was removed without specific notation. Some paragraphing and spacing might be different from the original. –EEJ

International Order of Job's Daughters v. Lindeburg & Co.

U.S. Court of Appeals for the Ninth Circuit
633 F. 2d 912 (1980)

FLETCHER, Circuit Judge:

Appellee, the International Order of the Daughters of Job (Job's Daughters), sued appellant Lindeburg and Co. (Lindeburg), for trademark infringement arising out of Lindeburg's manufacture and sale of jewelry bearing the Job's Daughters insignia. The district judge granted judgment for Job's Daughters. Lindeburg appeals, invoking appellate jurisdiction under 28 U.S.C. § 1291. We reverse and remand.

Job's Daughters is a young women's fraternal organization. Since its establishment in 1921 it has used its name and emblem[1] as collective marks.[2]

[1] The emblem consists of a representation of three girls within a double triangle. The girls carry a dove, an urn, and a cornucopia. Between the bases of the two triangles are the words "Iyob Filiae," the Latin translation of "Daughters of Job."

[2] A collective mark denotes membership in an organization. A trademark, in contrast, identifies goods produced, sponsored, or endorsed by a particular organization and distinguishes them from goods originating from others. *Compare* 15 U.S.C. § 1127, ¶ 13 *with* 15 U.S.C. § 1127, ¶ 10. *See* J. McCarthy, *Trademarks & Unfair Competition* § 4:4 (1973). The distinction has no import in this case and we have used the terms interchangeably.

Since its inception Job's Daughters has licensed at least one jeweler to produce jewelry for it. Job's Daughters sells some of the licensed jewelry directly to its members. Jewelry bearing the name or emblem is also sold by approximately 31,000 retailers across the nation. Most of these retailers presumably have no connection with the Job's Daughters organization. Some sell jewelry manufactured by Job's Daughters' licensees; others sell jewelry manufactured by jewelers not licensed by the organization.

Lindeburg makes and sells fraternal jewelry. In 1954 it began selling jewelry and related items bearing the Job's Daughters insignia. In 1957 Lindeburg asked the Job's Daughters trademark committee to designate it an "official jeweler." The committee refused and in 1964 and 1966 asked Lindeburg to stop manufacturing and selling unlicensed jewelry. Lindeburg did not comply with this request. In 1973 Lindeburg again sought permission to act as an official jeweler for Job's Daughters. Permission was granted for one year and then withdrawn.

In 1975 Job's Daughters brought this suit against Lindeburg, alleging that he had infringed their "common law trademark" rights. The district court granted judgment for Job's Daughters after an extensive trial and enjoined Lindeburg from further use of the name or emblem. The court held, however, that Job's Daughters' long acquiescence in Lindeburg's infringement barred the award of damages.~

INFRINGEMENT

This court held in *New West Corp. v. NYM Co. of California,* 595 F.2d 1194 (9th Cir. 1979), that section 43 of the Lanham Act, 15 U.S.C. § 1125(a), created a federal remedy against the deceptive use of unregistered trademarks to designate falsely the origin of goods ("passing off"). 595 F.2d at 1198, 1201. *New West* also held that the test for false designation of origin was similar to that for infringement of a registered trademark under 15 U.S.C. § 1114. Both statutes preclude the use of another's trademark in a manner likely to confuse the public about the origin of goods. 595 F.2d at 1201. Thus, we must decide whether Lindeburg is likely to confuse the public about the origin of its jewelry by inscribing the Job's Daughters name and emblem on it.

Resolution of this issue turns on a close analysis of the way in which Lindeburg is using the Job's Daughters insignia. In general, trademark law is concerned only with identification of the maker,

sponsor, or endorser of the product so as to avoid confusing consumers. Trademark law does not prevent a person from copying so-called "functional" features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product.

The distinction between trademarks and functional features is illustrated in *Pagliero v. Wallace China Co.,* 198 F.2d 339 (9th Cir. 1952), where plaintiff, Wallace China, claimed trademark infringement on account of the use by others of the design it used on its china. The court found no trademark infringement because the design served primarily as a functional part of the product:

> Imitation of the physical details and designs of a competitor's product may be actionable, if the particular features imitated are "non-functional" and have acquired a secondary meaning. But, where the features are "functional" there is normally no right to relief. "Functional" in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden. ... Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

198 F.2d at 343 (citation omitted). See also *Famolare, Inc. v. Melville Corp.*, 472 F.Supp. 738, 742-45 (D. Hawaii 1979); *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 360 F.Supp. 459, 463-64 (N.D. Tex.1973), rev'd, *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.), cert. denied, 423 U.S. 868 (1975); Restatement of Torts § 742, comment (a) (1938).

Application of the *Pagliero* distinction to this case has a special twist because the name "Job's Daughters" and the Job's Daughters insignia are indisputably used to identify the organization, and members of Job's Daughters wear the jewelry to identify themselves as members. In that context, the insignia are trademarks of Job's

Daughters. But in the context of this case, the name and emblem are functional aesthetic components of the jewelry, in that they are being merchandised on the basis of their intrinsic value, not as a designation of origin or sponsorship.

It is not uncommon for a name or emblem that serves in one context as a collective mark or trademark also to be merchandised for its own intrinsic utility to consumers. We commonly identify ourselves by displaying emblems expressing allegiances. Our jewelry, clothing, and cars are emblazoned with inscriptions showing the organizations we belong to, the schools we attend, the landmarks we have visited, the sports teams we support, the beverages we imbibe. Although these inscriptions frequently include names and emblems that are also used as collective marks or trademarks, it would be naive to conclude that the name or emblem is desired because consumers believe that the product somehow originated with or was sponsored by the organization the name or emblem signifies.

Job's Daughters relies on *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.,* 510 F.2d 1004 (5th Cir.), *cert. denied,* 423 U.S. 868 (1975), in which the Boston Bruins and other National Hockey League clubs brought a trademark infringement suit against a company that sold replicas of the NHL team emblems. The Fifth Circuit, applying the Lanham Act infringement test and focusing on the "likelihood of confusion," found infringement:

> The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were the plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

510 F.2d at 1012.[9] Job's Daughters asserts that *Boston Hockey* supports its contention that even purely functional use of a trademark violates the Lanham Act. We reject the reasoning of *Boston Hockey.*

[9] Similar conclusions were reached in *Rolls Royce Motors, Ltd. v. A & A Fiberglass, Inc.*, 428 F.Supp. 689 (N.D. Ga. 1977), and *Nat'l Football League Properties, Inc. v.*

> *Consumer Enterprises, Inc.*, 26 Ill.App.3d 814 (1975), cert. denied, 423 U.S. 1018 (1975).

Interpreted expansively, *Boston Hockey* holds that a trademark's owner has a complete monopoly over its use, including its functional use, in commercial merchandising.[10]

> [10] The Fifth Circuit itself has apparently retreated from a broad interpretation of *Boston Hockey.* In *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.,* 549 F.2d 368 (5th Cir. 1977), the court began its analysis of Kentucky Fried Chicken's infringement claim by noting that it "reject[ed] any notion that a trademark is an owner's 'property' to be protected irrespective of its role in the protection of our markets," and described the *Boston Hockey* holding as premised on a finding that consumers were likely to believe that the emblems somehow originated from the hockey clubs. 549 F.2d at 389.

But our reading of the Lanham Act and its legislative history reveals no congressional design to bestow such broad property rights on trademark owners. Its scope is much narrower: to protect consumers against deceptive designations of the origin of goods and, conversely, to enable producers to differentiate their products from those of others. *See Smith v. Chanel, Inc.,* 402 F.2d 562, 566-70 (9th Cir. 1968). *See also HMH Publishing Co., Inc. v. Brincat,* 504 F.2d 713, 716 (9th Cir. 1974); *Developments in the Law-Trademarks and Unfair Competition,* 68 Harv. L. Rev. 814, 816-17 (1955). The *Boston Hockey* decision transmogrifies this narrow protection into a broad monopoly. It does so by injecting its evaluation of the equities between the parties and of the desirability of bestowing broad property rights on trademark owners.[11]

> [11] We express no opinion about whether Job's Daughters could prevent Lindeburg from using its name and emblem under federal patent law, federal copyright law, or state unfair competition law.

A trademark is, of course, a form of business property. *See* J. McCarthy, *Trademarks and Unfair Competition* §§ 2:6-2:7 (1973). But the "property right" or protection accorded a trademark owner can only be understood in the context of trademark law and its purposes. A trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's goods. *See id.* The *Boston Hockey* court decided that broader protection was desirable. In

our view, this extends the protection beyond that intended by Congress and beyond that accorded by any other court. *Cf. Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.,* 549 F.2d 368, 389 (5th Cir. 1977) (rejecting the "notion that a trademark is an owner's `property' to be protected irrespective of its role in the operation of our markets").

Indeed, the court in *Boston Hockey* admitted that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs." 510 F.2d at 1011. We think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners. It is an extension we cannot endorse. *See General Mills, Inc. v. Henry Regnery Co.,* 421 F.Supp. 359, 362 & n.2, (N.D. Ill.1976). Instead, we agree with Judge Waterman of the Second Circuit, who recently said that under the Lanham Act "one can capitalize on a market or fad created by another provided that it is not accomplished by confusing the public into mistakenly purchasing the product in the belief that the product is the product of the competitor." *American Footwear Corp. v. General Footwear Co. Ltd.,* 609 F.2d 655, 662 (2d Cir. 1979), *cert. denied,* 445 U.S. 951 (1980) (finding that the manufacturer of a "Bionic Boot" did not infringe the trademark of the producers of the "Bionic Woman" television program).

Our holding does not mean that a name or emblem could not serve simultaneously as a functional component of a product and a trademark. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,* 604 F.2d 200, 204 (2d Cir. 1979). That is, even if the Job's Daughters' name and emblem, when inscribed on Lindeburg's jewelry, served primarily a functional purpose, it is possible that they could serve secondarily as trademarks if the typical customer not only purchased the jewelry for its intrinsic functional use and aesthetic appeal but also inferred from the insignia that the jewelry was produced, sponsored, or endorsed by Job's Daughters. *See generally,* Grimes & Battersby, *The Protection of Merchandising Properties,* 69 TMR 431, 441-45 (1980). We recognize that there is some danger that the consumer may be more likely to infer endorsement or sponsorship when the consumer is a member of the group whose collective mark or trademark is being marketed. Accordingly, a court must closely examine the articles themselves, the defendant's merchandising practices, and any evidence that consumers have

actually inferred a connection between the defendant's product and the trademark owner.

The trial court made comprehensive findings of fact that provide an adequate record for this court to review the trial court's conclusion of law that the names and emblems were trademarks. *See Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.,* 616 F.2d 440, 443-44 (9th Cir. 1980); *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 346-47 (9th Cir. 1979).[12]

[12] The trial court concluded:

> Defendant has used plaintiff's trademarks in its catalogues and on merchandise and such use creates a likelihood of confusion in the public mind as to the relationship between plaintiff and defendant. See {*Boston Hockey*}.

We conclude from our examination of the trial judge's findings and of the underlying evidence that Lindeburg was not using the Job's Daughters name and emblem as trademarks. The insignia were a prominent feature of each item so as to be visible to others when worn, allowing the wearer to publicly express her allegiance to the organization. Lindeburg never designated the merchandise as "official" Job's Daughters' merchandise or otherwise affirmatively indicated sponsorship. Job's Daughters did not show a single instance in which a customer was misled about the origin, sponsorship, or endorsement of Lindeburg's jewelry, nor that it received any complaints about Lindeburg's wares. Finally, there was evidence that many other jewelers sold unlicensed Job's Daughters jewelry, implying that consumers did not ordinarily purchase their fraternal jewelry from only "official" sources. We conclude that Job's Daughters did not meet its burden of proving that a typical buyer of Lindeburg's merchandise would think that the jewelry was produced, sponsored, or endorsed by the organization. The name and emblem were functional aesthetic components of the product, not trademarks. There could be, therefore, no infringement.

The judgment of the district court is reversed and the case is remanded for the entry of judgment in favor of appellant Lindeburg.

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27.5 Then, back in Pittsburgh …

In June 1983, in the case of *University of Pittsburgh v. Champion Products, Inc.,* the U.S. District Court for the Western District of Pennsylvania held:

> We have considerable sympathy for the plaintiff, University of Pittsburgh ('Pitt'). The notion that a university's name and insignia are its own property, to do with as it chooses, has a certain common-sense appeal. An examination of the law and the facts in this case has convinced us, however, that neither Congress, nor the Pennsylvania Legislature, nor the common law has created the property right that Pitt asserts here. We believe that were we to rule in favor of Pitt, we would be creating a new substantive right in an area of the law in which Congress and the states have legislated extensively. The relief sought by Pitt is not minor; it amounts to a judicially created, perpetual monopoly on a product, Pitt-insignia soft goods, which many people wish to purchase.~ {W}e believe that Pitt has failed to prove a violation of either federal or state trademark law by Champion Products, Inc.

University of Pittsburgh v. Champion Products, Inc., 566 F. Supp. 711, 712 (W.D. Pa. 1983).

The *University of Pittsburgh* litigation was appealed. In October 1983, the parties reached a settlement and made a joint motion to dismiss. The Third Circuit Court of Appeals subsequently dismissed the appeal and issued an order, dated February 2, 1984, vacating as moot the judgment of the district court. See *University Book Store v. Board of Regents of the Univ. of Wisconsin System*, 33 U.S.P.Q.2d 1385, 1391 n.17 (T.T.A.B. 1994).

27.6. Prof. Dogan and Prof. Lemley on merchandizing and trademark law

In the following snippet, curly brackets indicate an insertion and corresponding ellipsis. Footnotes and footnote references were removed without notation. – EEJ

Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 464–65 (2005)

{I}t would be reasonable to expect the law and practice of merchandising rights to be well-settled and reflect a considered balancing of the interests of trademark holders and their competitors. In reality, however, much of the multi-billion dollar industry of merchandise licensing has grown around a handful of cases from the 1970s and 1980s that established merchandising rights with little regard for the competing legal or policy concerns at stake. Those cases are far from settled law—indeed, many decisions decline to give trademark owners the right to control sales of their trademarks as products.

{Reviewing the case law} provides little support for trademark owners' assumptions about merchandising. Doctrinally, the most broad-reaching merchandising cases—which presumed infringement based on the public recognition of the mark as a trademark—were simply wrong in their analysis of trademark infringement and have been specifically rejected by subsequent decisions. Philosophically, even a merchandising right that hinges on likelihood of confusion raises competition-related concerns that should affect courts' analysis of both the merits of and the appropriate remedies in merchandising cases. Most importantly, recent Supreme Court case law suggests that, if the Supreme Court had the opportunity to evaluate the merchandising theory (something it has never done), it would deny the existence of such a right. Further, the Court would be right to do so. When a trademark is sold, not as a source indicator, but as a desirable feature of a product, competition suffers—and consumers pay—if other sellers are shut out of the market for that feature.

27.7. Case: LSU v. Smack Apparel (5th Cir. 2008) (trash-talk t-shirts)

The superscript tilde ˜ indicates an ellipsis. The superscript curly brackets {} indicate an insertion. Some footnote material worked into the main body text, and punctuation altered for the purpose, without specific indication. Many footnotes, footnote references, citations, and portions of citations removed without specific indication. –EEJ

Board of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co.

U.S. Court of Appeals for the Fifth Circuit
550 F.3d 465 (2008)

REAVLEY, Circuit Judge:

These consolidated appeals concern a trademark dispute between four universities and an apparel company and its principal. The Universities alleged in the district court that the defendants violated the Lanham Act and infringed their trademarks by selling t-shirts with the schools' color schemes and other identifying indicia referencing the games of the schools' football teams. The district court granted summary judgment to the Universities for trademark infringement and conducted a jury trial as to damages, with the jury returning a verdict favoring the plaintiffs. The defendants appeal the summary judgment order~. We conclude that the colors, content, and context of the offending t-shirts are likely to cause confusion as to their source, sponsorship, or affiliation, and we AFFIRM.

I. Background

The plaintiffs are Louisiana State University (LSU), the University of Oklahoma (OU), Ohio State University (OSU), the University of Southern California (USC), and Collegiate Licensing Company (CLC), which is the official licensing agent for the schools. The defendants are Smack Apparel Company and its principal, Wayne Curtiss (collectively Smack).

Each university has adopted a particular two-color scheme as its school colors (purple and gold for LSU, crimson and creme for OU, scarlet and gray for OSU, and cardinal and gold for USC). The Universities have used their respective color combinations for over one hundred years, and the color schemes are immediately recognizable to those who are familiar with the Universities. The schools use these color schemes in many areas associated with university life, including on campus signs and buildings, on printed brochures, journals, and magazines, and on materials sent to potential donors. The Universities also use the color schemes extensively in connection with their athletic programs, particularly on team uniforms, resulting in wide-spread recognition of the colors among college sports fans. Each university operates a successful collegiate football program, and the respective football teams have appeared on

numerous occasions in nationally televised football games that have been viewed by millions of people.

The schools also grant licenses for retail sales of products, including t-shirts, that bear the university colors and trademarks. In recent years, the total annual sales volume of products bearing the school colors along with other identifying marks has exceeded $93 million for all the Universities combined. The Universities hold registered trademarks in their respective names and commonly used initials. They do not, however, possess registered trademarks in their color schemes.

Smack Apparel Company is located in Tampa, Florida. Since 1998 Smack has manufactured t-shirts targeted toward fans of college sports teams, and it uses school colors and printed messages associated with the Universities on its shirts. Smack sells some of the shirts over the Internet, but most are sold wholesale to retailers and t-shirt vendors. The shirts frequently appear alongside those that have been officially licensed by the Universities. The instant case involves six of Smack's t-shirt designs that concern the appearance of the OU and LSU football teams in the 2004 Sugar Bowl in New Orleans, Louisiana, and the number of national championships previously won by OSU and USC. The district court described these Smack shirt designs as follows:

- OU (2 shirt designs): (1) "Bourbon Street or Bust" (with the "ou" in "Bourbon" in a different typestyle) (front), "Show us your beads!" (with the "ou" in "your" in a different typestyle) and "Sweet as Sugar!" (back) (2) "Beat Socal" (front), "And Let's Make it Eight!" (back). These shirts refer to 2004 Sugar Bowl contest in New Orleans between the OU and LSU football teams. A victory in the Sugar Bowl could have given OU a claim to an eighth national football championship. One of OU's principal rivals to this claim was USC.
- LSU (2 shirt designs): (1) "Beat Oklahoma" (front), "And Bring it Back to the Bayou!" and "2003 College Football National Championship" (back) (2) "2003 College Football National Champions" (front), colored circular depiction of game scores, with "2003 College Football National Champions" and "Sweet as Sugar" (back). These shirts refer to the 2004 Sugar Bowl contest in New Orleans between OU and LSU, which was played to determine the Bowl Championship Series national football champion.

- OSU: "Got Seven?" (front), "We do! 7 Time National Champs," with depiction of the state of Ohio and a marker noting "Columbus Ohio" (back). This shirt refers to the seven college football national titles claimed by OSU.
- USC: "Got eight?" (front), "We Do! Home of the 8 Time National Champions!" and depiction of the state of California with a star marked "SoCal" (back). This design refers to USC's claim to eight college national football championships.

Bd. of Supervisors of LA State Univ. v. Smack Apparel Co. 438 F.Supp.2d 653, 655 (E.D.La. 2006). In addition to the messages described above, each shirt included Smack's own logo in a space approximately 2.5 inches wide and the words "Talkin' the Talk."

The Universities sued Smack, alleging that the above six shirt designs infringed their trademark rights. The Universities alleged causes of action for federal trademark infringement and dilution, unfair competition, and deceptive trade practices under the Lanham Act, 15 U.S.C. §§ 1051-1141n; unfair trade practices under the Louisiana Unfair Trade Practices and Consumer Protection Act (LUTPA), LA.REV. STAT. § 51:1409; common law trademark infringement and unfair competition; and state trademark dilution. The plaintiffs alleged that each schools' color combination acts as a source-identifier for the respective schools, especially when used in connection with other indicia identifying or suggesting the schools. They alleged that Smack's shirts infringed their unregistered trademarks by "combining Plaintiffs' Marks with references to, *inter alia,* ... (a) well-known and highly-publicized athletic events in which a University participated; (b) a University's opponent in the referenced athletic event; (c) the geographic area in which the referenced event takes place; (d) titles and honors bestowed as a result of the referenced athletic event; (e) a University's earlier athletic successes and accomplishments; and (f) the geographic area in which the University is located or associated."

The Universities claimed that Smack's products are similar to and competed with goods sold or licensed by the Universities and are sold directly alongside merchandise authorized by the plaintiffs at or near events referenced in the shirts. In this way, according to the Universities, the sale of Smack's products is likely to deceive, confuse, and mislead consumers into believing that Smack's products are

produced, authorized, or associated with the plaintiff Universities. The Universities sought injunctive relief, lost profits, {and} damages~.

The parties filed cross-motions for summary judgment on the issue of liability for trademark infringement. The district court granted summary judgment for the Universities, holding that the Universities' trademarks in their color schemes, logos, and designs on shirts referring to the schools or their accomplishments had acquired secondary meaning. The district court concluded that the marks were strong, having been used for decades as a reference to the Universities, and that Smack's infringing shirts were likely to cause confusion as to the source, affiliation, or sponsorship of the shirts. The district court found that the marks at issue were virtually identical. The court reasoned that Smack used the same color schemes and similar logos and designs as the plaintiffs; that Smack marketed and sold its shirts in a manner similar to the Universities' products and sometimes alongside those of the Universities; and that Smack used the color schemes, logos, and designs with the specific intent to rely upon their drawing power in enticing fans of the Universities to purchase its shirts. The court noted that Smack admitted using the school colors and other indicia with the intent of identifying the Universities as the subject of the message in the shirt designs. The court also noted that a likelihood of confusion existed because the shirts, which are relatively inexpensive, are not purchased with a high degree of care by consumers. The district court rejected Smack's defenses of functionality, nominative fair use, and laches.

After deciding the liability issue, the district court conducted a jury trial on the issue of damages.~ The jury then returned a verdict in favor of the plaintiffs and answered special interrogatories finding that Smack's "infringement caused actual confusion of the public or caused the public to be deceived." The jury awarded the Universities actual damages of $10,506.80 and lost profits of $35,686. The district court also enjoined Smack from manufacturing, distributing, selling, or offering for sale any of the six t-shirt designs found to be infringing or any other similar designs.

II. Discussion

We review a district court's grant of summary judgment de novo.~ Although the secondary meaning of a mark and the likelihood of confusion are ordinarily questions of fact, *Elvis Presley Enterprises, Inc. v. Capece,* 141 F.3d 188, 196 (5th Cir. 1998), summary judgment may

be upheld if the summary judgment record compels the conclusion that the movant is entitled to judgment as a matter of law.

To prevail on their trademark infringement claim, the plaintiffs must show two things. First, they must establish ownership in a legally protectible mark, and second, they must show infringement by demonstrating a likelihood of confusion.

A. Protectible trademark and secondary meaning

~The marks at issue in this case are unregistered, and, as noted by the district court, were described by the Universities as "color schemes in the context of merchandise that makes reference to the Plaintiff Universities or their accomplishments and is directed to their fans and other interested consumers."

The protectability of unregistered marks is governed generally by the same principles that qualify a mark for registration under the Lanham Act. *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768 (1992). The key is whether the mark is "capable of distinguishing the applicant's goods from those of others." *Id.* Marks are generally classified as (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. *Id.* The parties here do not articulate a classification for the marks at issue, but the briefs show that they, and indeed the district court, have treated the marks as descriptive. This type of mark is not inherently distinctive because it does not inherently identify a particular source of the product; instead, it requires secondary meaning to be protected under the Lanham Act.

The parties correctly agree that a color scheme can be protected as a trademark when it has acquired secondary meaning and is non-functional. *Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159, 163-64 (1995). Although the parties discuss color at length in their briefs, the Universities do not claim that every instance in which their team colors appear violates their respective trademarks. Instead, the claimed trademark is in the colors on merchandise that combines other identifying indicia referring to the Universities. It is appropriate therefore to consider not only the color but also the entire context in which the color and other indicia are presented on the t-shirts at issue here.

Smack contends that the claimed marks are too broad to encompass a trademark because the concept of color along with other identifying indicia is not distinctive. We disagree. ~{T}he statute contemplates that a trademark may include any word, name, or symbol "*or any combination thereof.*" 15 U.S.C. § 1127 (emphasis

added). The Supreme Court has recognized that the Lanham Act describes the universe of permissible marks "in the broadest of terms." *Qualitex,* 514 U.S. at 162. Because the Court recognizes that trademarks may include color, we see no reason to exclude color plus other identifying indicia from the realm of protectible marks provided the remaining requirements for protection are met. Thus, the first step here is to ask whether the Universities' claimed marks have acquired secondary meaning.

Secondary meaning "occurs when, 'in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.'" *Wal-Mart Stores, Inc. v. Samara Bros., Inc.,* 529 U.S. 205, 211 (2000) (citation omitted). The inquiry is one of the public's mental association between the mark and the alleged mark holder. A mark has acquired secondary meaning when it "has come through use to be uniquely associated with a specific source." *Pebble Beach Co. v. Tour 18 I Ltd.,* 155 F.3d 526, 536 (5th Cir. 1998) (internal quotation marks omitted) *abrogation on other grounds recognized by Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH,* 289 F.3d 351, 356 (5th Cir. 2002). We have applied a multifactor test for determining secondary meaning. The factors include: "(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant's intent in copying the trade dress." *Pebble Beach,* 155 F.3d at 541. These factors in combination may show that consumers consider a mark to be an indicator of source even if each factor alone would not prove secondary meaning. *Id.*

There is no dispute in this case that for a significant period of time the Universities have been using their color schemes along with other indicia to identify and distinguish themselves from others. Smack admits in its brief that the Universities' colors are well known among fans "as a shorthand nonverbal visual means of identifying the universities." But according to Smack, the longstanding use of the school colors to adorn licensed products is not the same as public recognition that the school colors identify the Universities as a unique source of goods. We think, however, that the factors for determining secondary meaning and an examination of the context in which the school colors are used and presented in this case support the conclusion that the secondary meaning of the marks is inescapable.

The record shows that the Universities have been using their color combinations since the late 1800s. OSU adopted its school colors in 1878, while LSU has been using its colors since 1893, and OU and USC since 1895. The color schemes appear on all manner of materials, including brochures, media guides, and alumni materials associated with the Universities. Significantly, each university features the color schemes on merchandise, especially apparel connected with school sports teams, and such prominent display supports a finding of secondary meaning. *See Pebble Beach,* 155 F.3d at 541-52 (prominent display of golf hole's trade dress in advertising supported finding of secondary meaning as a designator of source). The record also shows that sales of licensed products combining the color schemes with other references to the Universities annually exceed the tens of millions of dollars. For example, LSU sells between $10 and $20 million worth of goods each year, while the annual sales volume for the other schools is approximately $13 million for USC, $20 million for OU, and $50 million for OSU. As for advertising, the district court held that the Universities "advertise items with their school colors in almost every conceivable manner ...." It is not clear from the summary judgment evidence where and how the Universities advertise their merchandise, but they certainly do use their color schemes and indicia in numerous promotional materials aimed at students, faculty, alumni, and the public in general, which strengthens the conclusion that the color schemes and indicia viewed in context of wearing apparel also serves as an indicator of the Universities as the source or sponsor of the apparel. Furthermore, the district court correctly observed that the school color schemes have been referenced multiple times in newspapers and magazines and that the schools also frequently refer to themselves using the colors. For example, LSU and third parties have referred to that university as the "Purple and Gold." The district court did not specifically refer to any consumer-survey evidence or direct consumer testimony, but it noted that Smack admitted it had incorporated the Universities' color schemes into its shirts to refer to the Universities and call them to the mind of the consumer. Thus, Smack itself believed that the Universities' color schemes had secondary meaning that could influence consumers, which further supports the conclusion that there is secondary meaning here.[35]

[35] We also note that the record does contain survey evidence compiled by the Universities indicating that approximately thirty percent of consumers interviewed believed two of Smack's t-shirts were produced or sponsored by the Universities. We have indicated that

> survey evidence often may be the most direct and persuasive evidence of secondary meaning. *Sugar Busters LLC v. Brennan,* 177 F.3d 258, 269 (5th Cir. 1999). Nevertheless, Smack moved in limine to exclude the Universities' survey evidence, and the district court found it unnecessary to rule on the motion because of the other evidence in the record. Because no party has raised the issue, we express no opinion on the correctness of the district court's belief and merely note the presence of the survey evidence in the record.

Given the longstanding use of the color scheme marks and their prominent display on merchandise, in addition to the well-known nature of the colors as shorthand for the schools themselves and Smack's intentional use of the colors and other references, there is no genuine issue of fact that when viewed in the context of t-shirts or other apparel, the marks at issue here have acquired the secondary meaning of identifying the Universities in the minds of consumers as the source or sponsor of the products rather than identifying the products themselves.

We think this conclusion is consistent with the importance generally placed on sports team logos and colors by the public. We have previously noted, although not in the context of secondary meaning, that team emblems and symbols are sold because they serve to identify particular teams, organizations, or entities with which people wish to identify. *See Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.,* 510 F.2d 1004, 1011 (5th Cir. 1975). We think this desire by consumers to associate with a particular university supports the conclusion that team colors and logos are, in the minds of the fans and other consumers, source indicators of team-related apparel. By associating the color and other indicia with the university, the fans perceive the university as the source or sponsor of the goods because they want to associate with that source.

Smack argues that because photographs of businesses near the campuses of the Universities show use of school colors by those businesses, consumers in college towns merely associate school colors with "support of the home team." Smack cites no authority or supporting evidence for its contention, however. Moreover, the fact that other businesses in college towns may use the same colors as a local university does not create an issue of fact as to the secondary meaning of the colors used in merchandise that the Universities

indisputably produce, especially given Smack's admission of intentional use of the colors to influence consumers.~

We conclude that the record establishes secondary meaning in the marks here.

B. Likelihood of confusion

Once a plaintiff shows ownership in a protectible trademark, he must next show that the defendant's use of the mark "creates a likelihood of confusion in the minds of potential customers as to the 'source, affiliation, or sponsorship'" of the product at issue. "Likelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion." *Taco Cabana,* 932 F.2d at 663-64. When assessing the likelihood of confusion, we consider a nonexhaustive list of so-called "digits of confusion," including: "(1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual confusion." *Id.* at 664. Courts also consider (8) the degree of care exercised by potential purchasers. No single factor is dispositive, and a finding of a likelihood of confusion need not be supported by a majority of the factors.

Smack argues that there were genuine issues of material fact whether its t-shirt designs were likely to cause confusion among consumers. We disagree. The first digit, the type of mark, refers to the strength of the mark. Generally, the stronger the mark, the greater the likelihood that consumers will be confused by competing uses of the mark. We agree with the district court that the plaintiffs' marks, which have been used for over one hundred years, are strong. As noted above, Smack concedes that the Universities' color schemes are well-known and are used to identify the plaintiff Universities. It argues, however, that the district court disregarded evidence of third-party use of the Universities' team colors in a non-trademark manner~.

Smack presented photographs of three businesses in Louisiana, eight businesses in Ohio, and approximately 20 businesses in Oklahoma that incorporated in their signage color schemes similar to the school colors of LSU, OSU, and OU, respectively. The businesses included several restaurants and bars, a driving school, a pain management clinic, a theater, a furniture store, a dry cleaners, a motel, a donut shop, an apartment complex, and a car care company. All third-party use of a mark, not just use in the same industry as a

plaintiff, may be relevant to whether a plaintiff's mark is strong or weak. But the key is whether the third-party use diminishes in the public's mind the association of the mark with the plaintiff — surely lacking where colors are shown on a store wall. Smack's evidence falls far below that of extensive use, and the specific photographs of third-party use here fail to create an issue of fact concerning the public's association between the plaintiffs and color schemes and other indicia that clearly reference the Universities. We conclude that the Universities possess strong marks in their use of color schemes and other identifying indicia on college sports-themed merchandise.

The second digit is the similarity of the marks. This factor requires consideration of the marks' appearance, sound, and meaning. The district court held that the marks at issue are virtually identical. Smack argues that there was no evidence that any of its shirts were identical to any shirts licensed by the Universities and that its t-shirt designs are not at all similar to any of the Universities' licensed products. Smack's contention is belied by the record, and even a cursory comparison of Smack's designs with the plaintiffs' licensed products reveals striking similarity.

For example, one of Smack's shirt designs in purple and gold is referred to as the "sundial" shirt and was targeted toward LSU fans. The front of the shirt proclaims "2003 National Champions," and the back contains the scores from twelve games won by LSU. The scores are arranged in a circle with a short phrase poking fun at each opponent. The shirt also contains the final score of the 2004 Sugar Bowl, which LSU won, and the phrase "Sweet as Sugar!" Although the shirt does not use the initials "LSU" anywhere, its identification of LSU as the national champion is unmistakable from the colors and from the references to the games in which LSU played. This shirt is strikingly similar to LSU's own merchandise that also uses the purple and gold colors and proclaims LSU as the national champion. Several of the official designs contain the scores of the games from LSU's season and at least two designs present those scores in a circular arrangement. The official designs also contain the phrases "Ain't It Sweet!" and "Pour It On!"

Another Smack shirt directed at LSU fans is the "Beat Oklahoma" shirt. It states, "Bring it Back to the Bayou." This is very similar to two official designs that state in part "Bring It Home" and "We'll Have Big Fun on the Bayou."

The evidence of similarity is not limited to the shirts targeted toward LSU fans. For example, the "Bourbon Street or Bust!" shirt

directed at OU fans highlights the letters "OU" in a different type face in the words "Bayou" and "your." It also states "Sweet as Sugar," references beads, and contains a picture of a mardi gras mask. OU presented evidence of official t-shirt designs that also highlight the letters "OU," contain phrases such as "Ain't Nothin' Sweeter" and "100% Pure Sugar," and contain depictions of mardi gras masks and beads. Another Smack OU design encourages, "Let's Make it Eight," while official designs proclaim "Sugar is Sweet But ... 8 is Great!"

In the district court, Smack presented the affidavit of its principal, Wayne Curtiss, who explained that Smack uses humor and creative language to distinguish its t-shirt designs from those of the purportedly more conservative licensed or school-endorsed apparel. Curtiss asserted that the "got seven?" and "got eight?" shirts directed toward OSU and USC fans, respectively, are parodies of the "got milk" campaign. He further averred that he has used a similar design on shirts for LSU and OU fans. It is clear from the record, however, that use of creative language is not unique to Smack and does not make Smack's shirts dissimilar to the Universities' own products. For example, LSU presented evidence of a school-endorsed design that included the phrase "got sugar?" We conclude that Smack's shirts and the Universities' products are similar in look, sound, and meaning, and contain very similar color schemes, words, and images. The similarities in design elements are overwhelming and weigh heavily in favor of a likelihood of confusion. The district court correctly held there is no genuine issue of material fact with respect to this digit of confusion.[54]

> [54] Because we conclude that there is no issue of fact as to the similarity of the use of the marks in the t-shirt designs, we need not consider Smack's contention that the district court erroneously stated there had been instances where consumers actually believed Smack's shirts were affiliated with or sponsored by the Universities. Smack points to a stipulation by the parties at the summary judgment stage that there was no evidence any consumer purchased a Smack shirt believing it to be licensed by one of the Universities. Actual confusion on the part of a consumer is not required to find a likelihood of confusion, however. *Elvis Presley Enters.,* 141 F.3d at 203.

The third digit in the likelihood of confusion analysis is the similarity of the products or services. We disagree with Smack's assertion that the district court did not find a great deal of similarity

between the plaintiffs' products and the t-shirts at issue, as the district court specifically held that "[i]t is undisputed that both Smack and the universities market shirts bearing the same color schemes, logos, and designs." The district court went on to reject Smack's argument that its t-shirts differed from the Universities' products because of the use of irreverent phrases or slang language, reasoning that Smack's use of such phrases and language was a misuse of the Universities' good will in its marks. Smack denies that it appropriated the Universities' good will, but it does not make an argument here that its shirts are distinguishable from those of the Universities because of particular language on its shirts. We therefore find this factor weighs in favor of a likelihood of confusion.

Smack concedes that the fourth factor of the analysis — identity of retail outlets and purchasers — weighs in favor of a likelihood of confusion because the Universities' licensed products are often sold wholesale to the same retailers who purchase Smack's products.

The fifth digit is the identity of advertising media.~ We conclude that this digit~ is minimally probative.

The sixth digit of confusion further supports a likelihood of confusion. Although not necessary to a finding of likelihood of confusion, a defendant's intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion. As noted by the district court, Smack admitted that it "'used school colors and "other indicia" with the intent of identifying the university plaintiffs as the subject of the message expressed in the shirt design.'" Curtiss testified that it was "no coincidence" that Smack's shirts incorporated the color schemes of the plaintiff Universities and that he designed the shirts to make people think of the particular school that each shirt targeted. Smack asserts that its intent to copy is not the same as an intent to confuse. The circumstances of this case show, however, that Smack intended to capitalize on the potential for confusion. Smack knew that its shirts were sold in the same venues as and sometimes alongside officially licensed merchandise, and it intentionally incorporated color marks to create the kind of association with the Universities that would influence purchasers.~

We believe that Smack's admitted intent and the similarity in appearance between Smack's shirts and the Universities' licensed products is strong evidence of a likelihood of confusion.

Smack argues that an intent to confuse is negated by its use of its own logo and the words "Talkin' the Talk," which it maintains

identifies it as the source of the shirt. We are not persuaded. Smack's logo appears in a space that is only 2.5 inches wide. We cannot conclude, without more, that this small and inconspicuous placement of the logo would disabuse consumers of a mistaken belief that the Universities sponsored, endorsed or were otherwise affiliated with the t-shirts. Smack has not pointed to evidence that its own logo is recognizable by consumers or that it was acting to trade off its own reputation as a producer of specialty t-shirts. Nor are we convinced that Smack's logo on the shirts acts as a disclaimer. The Universities point out that they require all licensed products to contain the licensee's name. Therefore, a consumer could believe that Smack's logo merely indicated that it was a licensee. We conclude that the intent digit weighs in favor of a conclusion that there is a likelihood of confusion.

The seventh digit is evidence of actual confusion. Evidence that consumers have been actually confused in identifying the defendant's use of a mark as that of the plaintiff may be the best evidence of a likelihood of confusion. It is well established, however, that evidence of actual confusion is not necessary for a finding of a likelihood of confusion. The district court did not resolve whether there was sufficient evidence of actual confusion, and because such evidence is not required we also find it unnecessary to pass on the question further.

With respect to the eighth digit of confusion — the degree of care exercised by potential purchasers — the district court held that the t-shirts at issue are relatively inexpensive impulse items that are not purchased with a high degree of care. Where items are relatively inexpensive, a buyer may take less care in selecting the item, thereby increasing the risk of confusion. Smack contends there was insufficient evidence for the district court's conclusion. In response, the Universities note Curtiss' testimony that he hoped customers' decisions to purchase Smack's shirts would be "quick," and they point out that the shirts sell for less than $18. Smack cites no evidence to demonstrate an issue of fact on this point, and we agree with the district court that this digit weighs in favor of a likelihood of confusion.

After reviewing the record, we conclude that there is no genuine issue of fact that Smack's use of the Universities' color schemes and other identifying indicia creates a likelihood of confusion as to the source, affiliation, or sponsorship of the t-shirts. As noted above, the digits of confusion — particularly the overwhelming similarity of the

marks and the defendant's intent to profit from the Universities' reputation — compel this conclusion. This is so, we have noted, because Smack's use of the Universities' colors and indicia is designed to create the illusion of affiliation with the Universities and essentially obtain a "free ride" by profiting from confusion among the fans of the Universities' football teams who desire to show support for and affiliation with those teams. This creation of a link in the consumer's mind between the t-shirts and the Universities and the intent to directly profit therefrom results in "an unmistakable aura of deception" and likelihood of confusion.

Smack contends that there is no evidence that consumers care one way or the other whether t-shirts purchased for wear at a football game are officially licensed and that, absent evidence that consumers prefer licensed merchandise, it was error for the district court to conclude there was a likelihood of confusion. Smack relies in part on our decision in *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Company.* The context of that case is different from the instant case.

In *Rainbow for Girls,* a fraternal organization and its official jeweler sued a retailer for trademark infringement based on the retailer's sale of jewelry bearing the organization's registered mark. Purchasers in the fraternal-organization jewelry market bought jewelry to show membership and status in the organization. We upheld the district court's finding of no likelihood of confusion, concluding that "[t]he fact that purchasers purchased Rainbow jewelry as a direct result of the presence of the Rainbow emblem does not compel the conclusion that they did so believing that the jewelry was in any way endorsed, sponsored, approved or otherwise associated with Rainbow, *given the court's findings.*" The district court had held that there was no historic custom or practice specific to Rainbow jewelry or to the fraternal jewelry industry that Rainbow jewelry could be manufactured only with Rainbow's sponsorship or approval. Instead, the court noted that fraternal organizations exercised little control over the manufacture of jewelry bearing their emblems. Furthermore, the court had held that because Rainbow's "official jeweler" was itself well-advertised and used its own distinctive mark on the jewelry, any jewelry without that distinctive mark could not cause confusion. We noted that the district court's findings distinguished the case from our decision in *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing,* 676 F.2d 1079 (5th Cir. 1982).

In *Boston Hockey,* we held that the defendant infringed the plaintiff's trademark rights by selling embroidered patches containing the emblems of professional hockey teams. There, the emblems were sold for use by the public to show "allegiance to or identification with the teams." We held that the likelihood of confusion requirement was met because the defendant duplicated and sold the emblems "knowing that the public would identify them as being the teams' trademarks" and because the public's "certain knowledge ... that the source and origin of the trademark symbols were in plaintiffs satisfies the requirements of the act."

Subsequently, in *Kentucky Fried Chicken Corporation v. Diversified Packaging Corporation,* 549 F.2d 368, 389 (5th Cir. 1977), we recognized that *Boston Hockey* might be read to dispose of the confusion issue when buyers undoubtedly know that the plaintiff is the source and origin of a mark. We reiterated that a showing of likelihood of confusion was still required. But we noted that the circumstances in *Boston Hockey* supported the likelihood of confusion there insofar as the sale of products "universally associated" with the hockey team "supported the inescapable inference that many would believe that the product itself originated with or was somehow endorsed by Boston Hockey." In *Rainbow for Girls,* the district court opinion, which we upheld, also recognized in reference to *Boston Hockey* that "'(i)t is not unreasonable to conclude, given the degree to which sports emblems are used to advertise teams and endorse products, that a consumer seeing the emblem or name of a team on or associated with a good or service would assume some sort of sponsorship or association between the product's seller and the team.'"

We agree with this reasoning as applied to this case, which is more like *Boston Hockey* than *Rainbow for Girls.* We hold that given the record in this case and the digits of confusion analysis discussed above — including the overwhelming similarity between the defendant's t-shirts and the Universities' licensed products, and the defendant's admitted intent to create an association with the plaintiffs and to influence consumers in calling the plaintiffs to mind — that the inescapable conclusion is that many consumers would likely be confused and believe that Smack's t-shirts were sponsored or endorsed by the Universities. The Universities exercise stringent control over the use of their marks on apparel through their licensing program. It is also undisputed that the Universities annually sell millions of dollars worth of licensed apparel. We further recognize the

public's indisputable desire to associate with college sports teams by wearing team-related apparel. We are not persuaded that simply because some consumers might not care whether Smack's shirts are officially licensed the likelihood of confusion is negated. Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored. For the foregoing reasons, we conclude that a likelihood of confusion connecting the presence of the Universities' marks and the Universities' themselves was demonstrated in this case.

C. Functionality

A product feature that is functional does not qualify for protection under the Lanham Act. The party seeking protection under the Lanham Act has the burden of establishing nonfunctionality. *TrafFix Devices, Inc. v. Marketing Displays, Inc.* 532 U.S. 23, 32 (2001). The Supreme Court has recognized two tests for determining functionality. "[T]he primary test for determining whether a product feature is functional is whether the feature is essential to the use or purpose of the product or whether it affects the cost or quality of the product." *Eppendorf,* 289 F.3d at 356 (citing *TrafFix*). This is the "traditional" test. "Under this traditional definition, if a product feature is 'the reason the device works,' then the feature is functional." Under a secondary test for functionality "a functional feature is one the exclusive use of which would put competitors at a significant non-reputation-related disadvantage." This is the "competitive necessity" test.

In *Boston Hockey,* we held that emblems of a hockey team sold on embroidered patches had no demonstrated value other than their significance as the trademarks of the team. Relying on our decision in *Boston Hockey,* the district court here similarly held that the Universities' color schemes, logos, and designs also had no significance other than to identify with the Universities and were therefore nonfunctional. We agree. Fans and other members of the public purchase Smack's shirts only because the shirts contain the plaintiffs' colors and indicia identifying the Universities' football teams, just as people purchased the defendant's emblems in *Boston Hockey* only because they contained the hockey team's trademarks. In other words, the presence of the plaintiffs' marks serve no function unrelated to trademark.

Smack argues that the Universities' colors do perform functions unrelated to trademark because the Universities use the colors in activities and programs in connection with student life, buildings, and other programs and events and that the colors are not used solely to identify the Universities as a source of goods. However, the claimed trademarks are in the color schemes and other indicia of the Universities when combined on merchandise that refer to the Universities. It is proper, therefore, to examine that context when determining the functionality of the claimed marks. As explained above, the Universities' colors and indicia when used on merchandise creates secondary meaning tending to identify the Universities in the minds of consumers as the producers, sponsors, or endorsers of the product.

The school colors and other indicia used here do not make the t-shirts "work." The t-shirts would function just as well as articles of clothing without the colors and designs. Smack's t-shirts are sold not because of any functionality in the marks Smack placed on them but rather because they bear the identifiable marks of the plaintiff Universities. The marks fail under the traditional test for functionality and are protectible.

Smack urges, however, that the Universities' colors on the t-shirts serve several functional purposes. It contends that the shirts allow groups of people to bond and show support for a philosophy or goal; facilitate the expression of loyalty to the school and a determination of the loyalties of others; and identify the wearer as a fan and indicate the team the fan is supporting. These claimed functional uses are nothing more than the kind of aesthetic uses at issue in *Boston Hockey.* Our circuit has consistently rejected the concept of aesthetic functionality.~

We conclude that the district court correctly held that the marks at issue here are nonfunctional.

D. Nominative fair use

Smack argues that it incorporated the Universities' colors in its t-shirts to identify the Universities as the subject of the shirts. It contends that this was a protected nominative fair use.~

Smack used the Universities' colors and indicia in more than a nominative sense. It did not incorporate the colors and other indicia to describe or compare its shirts with shirts licensed by the Universities, nor did it do so to tell the public what it had copied. Smack did incorporate the marks to identify the Universities as the

subject of the shirts, but it did so in a way that improperly suggested affiliation, sponsorship, or endorsement.

To take a simple example, two shirt designs targeted toward the fans of OSU and USC refer to the number of national championships those universities have won and ask, respectively, "got seven?" and "got eight?" Both shirts proclaim "WE DO!" and contain other specific indicia identifying the schools. Smack did not win any national championships — the respective Universities did. The use of the inclusive first-person personal pronoun "we" easily permits the inference that the schools are the speakers in the shirts and therefore endorsed the message.

As noted by the district court, Smack copied the mark with "an intent to rely upon the drawing power in enticing fans of the particular universities to purchase their shirts." Such an attempt to capitalize on consumer confusion is not a nominative fair use.~

E. Laches

Smack asserts that it is undisputed the LSU Athletic Department purchased several of its purple and gold t-shirt designs, none of which are at issue in this case, for sale in the LSU stadium gift shop between 2001 and 2004. It argues that because LSU never objected to the shirt designs even though they were similar to the designs involved in this case, the doctrine of laches is applicable.

Laches is "an inexcusable delay that results in prejudice to the defendant."~ A defendant who intentionally infringes a trademark with the bad faith intent to capitalize on the markholder's good will lacks the clean hands necessary to assert the equitable defense.

The district court held that because Smack admitted it intentionally copied the plaintiffs' color schemes, Smack's bad faith precluded the assertion of laches.~ The district court properly declined to apply the defense of laches.~

AFFIRMED.

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–EEJ

28. Expressive Uses and the First Amendment

Jack Daniel's Properties, Inc. v. VIP Prod. LLC

599 U.S. 140 (2023)

{Edit by EEJ in '26. Page references removed. Italicization altered.}

No. 22–148. Argued March 22, 2023. Decided June 8, 2023. Appealed from the Ninth Circuit. 953 F.3d 1170, vacated and remanded. Kagan, J., delivered the opinion for a unanimous Court. Sotomayor, J., filed a concurring opinion, in which Alito, J., joined. Gorsuch, J., filed a concurring opinion, in which Thomas and Barrett, JJ., joined.

The SYLLABUS of the opinion of the Court by KAGAN:

The Lanham Act, the core federal trademark statute, defines a trademark by its primary function: identifying a product's source and distinguishing that source from others. In serving that function, trademarks help consumers select the products they want to purchase (or avoid) and help producers reap the financial rewards associated with a product's good reputation. To help protect trademarks, the Lanham Act creates federal causes of action for trademark infringement and trademark dilution. In a typical infringement case, the question is whether the defendant's use of a mark is "likely to cause confusion, or to cause mistake, or to deceive." 15 U. S. C. §§1114(1)(A), 1125(a)(1)(A). In a typical dilution case, the question is whether the defendant "harm[ed] the reputation" of a famous trademark. §§1125(c)(2)(A), (C).

Respondent VIP Products makes a squeaky, chewable dog toy designed to look like a bottle of Jack Daniel's whiskey. But not entirely. On the toy, for example, the words "Jack Daniel's" become "Bad Spaniels." And "Old No. 7 Brand Tennessee Sour Mash Whiskey" turns into "The Old No. 2 On Your Tennessee Carpet." These jokes did not impress petitioner Jack Daniel's Properties, which owns trademarks in the distinctive Jack Daniel's bottle and in many of the words and graphics on its label.

Soon after the Bad Spaniels toy hit the market, Jack Daniel's demanded that VIP stop selling it. VIP filed suit, seeking a declaratory judgment that Bad Spaniels neither infringed nor diluted Jack Daniel's trademarks. Jack Daniel's counterclaimed for infringement and dilution. At summary judgment, VIP argued that Jack Daniel's infringement claim failed under the so-called *Rogers* test—a threshold test developed by the Second Circuit and designed to protect First Amendment interests in the trademark context. See *Rogers v. Grimaldi*, 875 F.2d 994. When "expressive works" are involved, VIP contended, that test requires dismissal of an infringement claim at the outset unless the complainant can show either (1) that the challenged use of a mark "has no artistic relevance to the underlying work" or (2) that it "explicitly misleads as to the source or the content of the work." Id., at 999. Because Jack Daniel's could not make that showing, VIP claimed, the Lanham Act's statutory "likelihood of confusion" standard became irrelevant. And as for the dilution claim, VIP urged that Jack Daniel's could not succeed because Bad Spaniels was a parody of Jack Daniel's and therefore made "fair use" of its famous marks. §1125(c)(3)(A)(ii).

The District Court rejected both of VIP's contentions for a common reason: because VIP had used the cribbed Jack Daniel's features as trademarks—i.e., to identify the source of its own products. As the District Court saw it, when another's trademark is used for "source identification," Rogers does not apply, and instead the infringement suit turns on likelihood of confusion. The court likewise rejected VIP's invocation of the fair-use exclusion, holding that parodies fall within that exclusion only when they do not use a famous mark to identify the source of the alleged diluter's product. The case proceeded to a bench trial, where the District Court found that consumers were likely to be confused about the source of the Bad Spaniels toy and that the toy's negative associations with dog excrement (e.g., "The Old No. 2") would harm Jack Daniel's reputation. The Ninth Circuit reversed. Finding the infringement claim subject to

the threshold Rogers test, the Court of Appeals remanded the case to the District Court to decide whether Jack Daniel's could satisfy either prong of that test. And the Court of Appeals awarded judgment on the dilution claim to VIP, holding that because Bad Spaniels parodies Jack Daniel's, it falls under the "noncommercial use" exclusion. §1125(c)(3)(C). On remand, the District Court found that Jack Daniel's could not satisfy either prong of Rogers, and so granted summary judgment to VIP on infringement. The Court of Appeals summarily affirmed.

Held:

1. When an alleged infringer uses a trademark as a designation of source for the infringer's own goods, the *Rogers* test does not apply.

(a) The Second Circuit created the Rogers test for titles of "artistic works" based on its view that such titles have an "expressive element" implicating " First Amendment values" and carry only a "slight risk" of confusing consumers about the "source or content" of the underlying work. 875 F. 2d, at 998–1000. Over the decades, lower courts adopting Rogers have confined it to similar cases, in which a trademark is used not to designate a work's source, but solely to perform some other expressive function. See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 901 (use of the Barbie name in band's song "Barbie Girl" was "not [as] a source identifier"). The same courts, though, routinely conduct likelihood-of-confusion analysis in cases where trademarks are used as trademarks—i.e., to designate source. See, e.g., *Tommy Hilfiger Licensing, Inc. v. Nature Labs*, LLC, 221 F. Supp. 2d 410, 414–415 (parodic pet perfumes did not trigger *Rogers* because defendant's use of Tommy Hilfiger's mark was "at least in part" for "source identification"). Thus, whatever *Rogers*' merit—an issue on which this Court takes no position—it has always been a cabined doctrine: It has not insulated from ordinary trademark scrutiny the use of trademarks as trademarks.

That conclusion fits trademark law, and reflects its primary mission. Consumer confusion about source—trademark law's cardinal sin—is most likely to arise when someone uses another's trademark as a trademark. In such cases, *Rogers* has no proper application. Nor does that result change because the use of a mark has other expressive content. Under the Ninth Circuit's approach, Bad Spaniels was automatically entitled to *Rogers*' protection because it "communicate[d] a humorous message." 953 F.3d 1170, 1175. On that view, few trademark cases would ever get to the likelihood-of-confusion analysis. And the Ninth Circuit was mistaken to believe that

the First Amendment demanded such a result. When a mark is used as a source identifier, the First Amendment does not demand a threshold inquiry.

(b) In this case, VIP conceded that it used the Bad Spaniels trademark and trade dress as source identifiers. And VIP has said and done more in the same direction with respect to Bad Spaniels and other similar products. The only question remaining is whether the Bad Spaniels trademarks are likely to cause confusion. Although VIP's effort to parody Jack Daniel's does not justify use of the Rogers test, it may make a difference in the standard trademark analysis. This Court remands that issue to the courts below.

2. The Lanham Act's exclusion from dilution liability for "[a]ny noncommerical use of a mark," §1125(c)(3)(C), does not shield parody, criticism, or commentary when an alleged diluter uses a mark as a designation of source for its own goods. The Ninth Circuit's holding to the contrary puts the noncommercial exclusion in conflict with the statute's fair-use exclusion. The latter exclusion specifically covers uses "parodying, criticizing, or commenting upon" a famous mark owner, §1125(c)(3)(A)(ii), but does not apply when the use is "as a designation of source for the person's own goods or services," §1125(c)(3)(A). Given that carve-out, parody is exempt from liability only if not used to designate source. The Ninth Circuit's expansive view of the noncommercial use exclusion—that parody is always exempt, regardless whether it designates source—effectively nullifies Congress's express limit on the fair-use exclusion for parody.

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