

Navigating Trademark Nominative Fair-Use Issues

Stephen R. Baird
Drake Weseman
Greenberg Traurig, LLP
Minneapolis

§ 7.1 INTRODUCTION

The split among the U.S. Courts of Appeals regarding the treatment of nominative fair use remains perhaps the most important unresolved split in trademark law, presenting questions ripe for Supreme Court review or federal legislation. Yet as recently as 2016, the Supreme Court passed on its opportunity to weigh in, and while Congress included an express provision for nominative fair use as an exclusion from dilution in the Federal Trademark Dilution Act of 1995, and expanded that provision in the Trademark Dilution Revision Act of 2006, no such clarity has been added to the trademark infringement provisions in the Trademark Act.



COMMENT

Although the common term “fair use” in “nominative fair use” is shared with the doctrines of “copyright fair use” and “classic,” “statutory,” or “descriptive” trademark fair use, these doctrines represent significantly separate tests with little to no meaningful overlap with “nominative fair use.”

It may be that the Supreme Court and Congress will leave nominative fair use to the judgment of the circuit courts, much the same as has been done with likelihood of confusion and the multifactor test that varies from circuit to circuit. However, nominative fair use steadily has been growing in application and influence over the last nearly 30 years, perhaps on a parallel track of trademark influence with the increasing influence of First Amendment jurisprudence. The feasibility of regional regimes for resolving nominative fair use seems ever more short-lived, as telecommunications and online advertising accelerate and more and more advertising campaigns are nationally deployed across the internet and various social media platforms.

Therefore, it seems more likely that it is inevitable that the Supreme Court will decide, or Congress will legislate, answers to these important questions: (1) whether nominative fair use is expressly recognized; (2) what the nominative fair-use test should be; and (3) whether nominative fair use is an affirmative defense or just part of the likelihood-of-confusion analysis.

Unfortunately, until that time, a chilling effect on commercial speech may continue to exist, based on the aggression of some trademark owners who may believe that their trademarks cannot be used without permission under any circumstances, even though that is a false overstatement. Highly litigious brand owners with a bloated and unrealistic view of their scope of rights have led to the ongoing so-called “trademark bullying” discussion that persists in the media, and this dynamic unfortunately has tarnished trademark law and legitimate enforcement efforts by brand owners.

Partly to blame is the reality that trademark rights are dynamic (not static, meaning they can grow or shrink over time) and therefore not amenable to precise demarcation like a real estate property line, so the highly subjective and fact-specific nature of legal trademark lines are typically tested at the U.S. Patent and Trademark Office and in federal court. Under current law, what is “fair use” is not always immediately or necessarily self-evident, given the relevance of so many factors and the context, and the multijurisdictional nature of the issue. This lack of clarity enables, and some would say requires, brand owners to be aggressive actors when in doubt.

Thus, while nominative fair use can have obvious application to and should provide refuge for businesses in the context of their comparative advertising campaigns, even when the referen-

tial and comparative use of a competitor’s trademark is lawful and non-confusing, absent Supreme Court precedent or a uniform federal law, there always will be some anxiety over using another’s trademark without permission, even when such permission is not required because the use is non-infringing—in other words, when the use does not otherwise result in a likelihood of confusion.

This chapter in the 2020 Midwest IP Institute’s *IP Book* seeks to provide a roadmap through the current landscape of trademark nominative fair use and also serve as a call to action for the Supreme Court or Congress to give nominative fair use its day.

§ 7.2 RELEVANT STATUTORY FRAMEWORK TO CONSIDER NOMINATIVE FAIR USE

A trademark is any word, name, symbol, or design, or any combination thereof, used in commerce to identify and distinguish the goods or services of one manufacturer or seller from those of another and to indicate the source of the goods or services. *See* 15 U.S.C. § 1127.

Federal law prohibits trademark uses that are likely to confuse or deceive consumers as to the source, sponsorship, or affiliation of goods or services offered under the trademark. 15 U.S.C. §§ 1114(1); 1125(a)(1). Federal law also prohibits the use of famous marks if the use is likely to cause dilution by blurring or tarnishment, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. 15 U.S.C. § 1125(c). In both cases, injunctive relief and monetary damages may be available. 15 U.S.C. § 1117(a).

“Nominative” appears just once in the Lanham Act as an express statutory exception to a federal dilution cause of action, in close association with descriptive fair use (also called “classic” and/or “statutory” fair use):

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

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) (emphasis added).

Given that singular reference to “nominative” fair use and given the numerous amendments to the Lanham Act over many decades, the notion appears quite persuasive that Congress has so far deliberately chosen not to make nominative fair use a statutory defense to trademark infringement claims.

§ 7.3 WHAT THE SUPREME COURT HAS SAID ABOUT STATUTORY, CLASSIC, TRADEMARK DESCRIPTIVE FAIR USE

The Lanham Act codifies various affirmative defenses to trademark infringement. *See* 15 U.S.C. § 1115. One such defense, the statutory affirmative defense of descriptive fair use, provides a complete defense to trademark infringement if the following elements are established: “That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark ... of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.” 15 U.S.C. § 1115(b)(4). In other words, the fact that one party uses a term as a trademark does not mean that another party cannot use the same term descriptively, not as a trademark, but to communicate information about goods or services.

In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), the U.S. Supreme Court, reviewing 15 U.S.C. § 1115(b), held a defendant facing a claim of trademark infringement has no burden to negate any likelihood of confusion when raising and proving the statutory affirmative defense of descriptive fair use under 15 U.S.C. § 1115(b)(4).

In fact, Justice Souter, writing for the unanimous Court, noted that when descriptive trademark fair-use defense is established, it is a complete defense even if facts also show the possibility of some level of confusion:

Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals’s view) that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law’s tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.

KP Permanent Make-Up, 543 U.S. at 123.

As a result, *KP Permanent Make-Up* teaches: “In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 U. S. C. §1115(b), while the defendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, §1115(b)(4).” *Id.*

Importantly, the Supreme Court limited its decision in *KP Permanent Make-Up* to ruling on the statutory trademark fair-use defense under 15 U.S.C. § 1115(b)(4), specifically indicating that the Court was not taking a position on nominative fair use. *Id.* at 123 n.3. “Nominative fair use” is the judicially-created doctrine permitting the use of another’s trademark to refer to or identify another’s brand, its owner, its goods, or services. The general rule is that this kind of use that refers to, identifies, or “names” the real owner of a mark is lawfully referential and not an infringement, so long as there is no likelihood of confusion.

The judicially-created trademark doctrine of nominative fair use has been developing in a variety of courts and venues over the last nearly three decades, without any guidance from the Supreme Court. Many brand owners and practitioners would like to hear from the Supreme Court on how, if at all, the principles in *KP Permanent Make-Up* should apply to non-statutory trademark nominative fair use.

In fact, the International Trademark Association, in a 2016 amicus brief, encouraged the U.S. Supreme Court to review the Second Circuit’s nominative fair-use decision in *International Information Systems Security Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153 (2d Cir. 2016), *cert denied*, 137 S. Ct. 624 (2017), raising the following concerns in an effort, albeit an unsuccessful one, to motivate the Court to grant certiorari:

[The Second Circuit’s new test] will exacerbate the already present forum shopping that the current split foments, and will inevitably lead to inconsistent outcomes among the Circuits, uncertainty for trademark owners, and confusion among consumers. For example, a defendant who uses a trademark owner’s mark in a nationwide advertising campaign could face a different result in an infringement action in a district court in New York than in New Jersey.

Brief of the International Trademark Association as Amici Curiae in Support of Petitioners, at 20 (Oct. 19, 2016).

Although the Supreme Court declined to hear that case, it is only a matter of time before the Supreme Court eventually is confronted with the right case to resolve the present split in the various circuits.

§ 7.4 WHAT LOWER COURTS HAVE SAID REGARDING NOMINATIVE FAIR USE

Despite a clear absence from the Lanham Act apart from the singular reference in the context of an exception to dilution liability, nominative fair use is a viable judicially-created “defense” to trademark infringement.

Most often, nominative fair use arises in the context of comparative advertising. Another common scenario is when a company advertises that it sells or repairs genuine goods of another without express authorization. The driving principle underlying nominative fair use is that significant meaningful discourse essentially would be curtailed if infringement arose whenever a trademark is used to reference another’s product or company. For this reason, nominative fair use is expressly excluded from any possible federal dilution liability. *See* 15 U.S.C. § 1125(c)(3)(B).

Nominative fair-use analysis is complicated by the fact that courts, if they do so at all, apply the doctrine of nominative fair use as either an alternative or augmented likelihood-of-confusion test, with one rare exception in the Third Circuit, where it is treated as an actual affirmative defense. Analysis is further complicated by the fact that the multifactor tests to determine whether there is a “likelihood of confusion” vary from circuit to circuit, typically consisting of six to ten factors, often referred to with reference to the case name setting forth the local factors, i.e., *DuPont*, *Sleekcraft*, *Lapp*, or *Polaroid*. One of the most important factors in these tests is the similarity of the marks. Nominative fair use usually involves the use of identical marks, so most (but not all) courts modify the test for likelihood of confusion to account for this otherwise strong signal that confusion would be likely.

The survey and analysis of the treatment of nominative fair use that follows starts with a review of key Ninth Circuit cases, where the doctrine of nominative fair use was judicially created, followed by the different approach of the Third Circuit and the recent hybrid approach of the Second Circuit. After that, the analysis is circuit-by-circuit, providing which, and to what extent, the competing treatments of nominative fair use have been adopted, if it all, by these other circuits or district courts within the various circuits across the country.

§ 7.5 THE ORIGIN OF NOMINATIVE FAIR USE: THE NINTH CIRCUIT’S *NEW KIDS* TEST

All the way back in 1992, the Ninth Circuit Court of Appeals created and articulated the idea of “nominative fair use” as a way of analyzing certain types of trademark infringement cases involving legitimate, referential, non-infringing uses of another’s trademark. *New Kids on the Block v. News Am. Publ’n, Inc.*, 971 F.2d 302 (9th Cir. 1992). The *New Kids* decision created a rule that non-

confusing nominative use is fair use when “it does not imply sponsorship or endorsement by the trademark holder.” *Id.* at 308.

According to the *New Kids* decision, in the Ninth Circuit, if nominative fair use is invoked, the infringement analysis will not follow the court’s traditional *Sleekcraft* likelihood-of-confusion factors, but rather, three brand new alternative factors:

We therefore do not purport to alter the test applicable in the paradigmatic fair use case. If the defendant’s use of the plaintiff’s trademark refers to something other than the plaintiff’s product, the traditional fair use inquiry will continue to govern. But, where the defendant uses a trademark to describe the plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense provided he meets the following three requirements: First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Id. (emphasis added).

This is Professor McCarthy’s paraphrased version of the *New Kids* test, updated to be more modeled like factors in determining if actionable confusion is likely:

- (1) Is there a real need to use the trademark to identify the plaintiff?
- (2) Has the trademark been used more than necessary?
- (3) Has there been some false suggestion of connection or endorsement?

4 J. MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23.11 (5th ed. 2019).

In the Ninth Circuit, when plausible nominative fair use is invoked, it is the plaintiff’s burden of proof to establish likelihood of confusion, but under the three *New Kids* factors, not the typical *Sleekcraft* factors. Put another way, the defendant need only demonstrate that its use of the plaintiff’s mark refers to the plaintiff; the burden then is on the plaintiff to show that the defendant’s use of the plaintiff’s mark is not nominative fair use. See *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1182 (9th Cir. 2010) (“[plaintiff] must bear the burden of establishing that the [defendant’s] use of the [plaintiff’s] 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.... 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.... The burden then reverts to the plaintiff to show a likelihood of confusion”). This burden-shifting is a direct result of the Ninth Circuit’s application of the Supreme Court’s analysis regarding descriptive fair use in *KP Permanent Make-Up*; prior to *KP Permanent Make-Up*, the Ninth Circuit had placed the burden of proof on the defendant. *Id.* (citation omitted). The Ninth Circuit determined that *KP Permanent Make-Up* “effectively overruled” the Ninth Circuit’s prior rule of requiring the defendant to prove no likelihood of confusion. *Id.* (citations omitted).

Turning back to the three *New Kids* factors, the first *New Kids* factor seeks to determine whether there is a legitimate need to use the mark in question. In other words, by asking whether there is a suitable substitute term or image for identifying the trademark owner or its products or services. Sometimes, a specific word, phrase, or symbol better conveys the intended meaning—for example, “the professional baseball team from Minnesota” may be unreasonable, ambiguous, vague, wordy, and not as evocative as a simple reference to the Minnesota Twins.

The second *New Kids* factor seeks to determine whether the mark in question, if necessary, has been used with appropriate restraint or used too prominently, too often, or with too much emphasis, for example in size or repetition. With regard to this second factor, the Ninth Circuit left the following footnote, considering the hypothetical use of Coca-Cola’s script:

Thus, a soft drink competitor would be entitled to compare its product to Coca-Cola or Coke, but would not be entitled to use Coca-Cola’s distinctive lettering.

New Kids, 971 F.2d at 308 n.7 (citing *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir. 1969) (“Church did not use Volkswagen’s distinctive lettering style or color scheme, nor did he display the encircled ‘VW’ emblem”); *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 758 (9th Cir. 1978) (taking “more than was necessary” can defeat copyright fair-use defense)).

Some might be tempted to interpret the dicta in footnote 7 of the *New Kids* case for the broader proposition that using another’s unique logo instead of a standard character word mark automatically constitutes using more than necessary under the second element of the *New Kids* test. However, beyond that, the hypothetical in footnote 7 constitutes mere dicta, in fact, double-dicta; the problem with the substance of the overbroad assertion is that it is not well-supported in the statute, the cited case law, or common sense. Clearly, legitimate and lawful comparative advertising could be created comparing Pepsi and Coke in a taste test that shows both products, and in doing so, reveals both marks, logos, and even trade dress. And, just because one context—the unique context of automobile repair shops that service well-known brands—may tend to have conveyed in the 1970s that use of a logo instead of plain text may suggest authorization (in the form of an authorized dealer relationship with an automobile brand owner), this does not justify broader application of this principle in other contexts devoid of the same consumer experiences and expectations.

With respect to the Ninth Circuit's reliance on a copyright fair-use case that ruled against a party because it "took more than necessary," copyright fair use is an unhelpful analogue because "trademark fair use and copyright fair use are distinct defenses for distinct claims. These defenses derive from wholly separate statutory provisions, which are constructed differently and formulated specifically for each respective subject area." *Warner Bros. Entm't, Inc. v. X One X Prods.*, 840 F.3d 971, 980 (8th Cir. 2016).

Moreover, in terms of common sense, and especially given the new ways in which marketing has dramatically evolved over the last 30 years since *New Kids* with the proliferation of digital websites, online sales and advertising, and the common use of powerful hand-held devices having precious little visual "real estate," resulting from the limited screen size to view online content, the idea that using another's logo or other brand icon in a referential manner is automatically using too much under the second *New Kids* factor, seems to defy a wide variety of relevant contextual uses and the full range of potentially non-confusing logo uses.

Logos and other visual depictions of brands, like trade dress, are probably necessary in the modern advertising landscape, which often requires visually compelling ads more than ever because such ads may be displayed on small phone screens or in small webpage banners. This likely was not true in 1969 (the *VW* case) or even in 1992 (the *Coca-Cola* hypothetical).

Indeed, Professor McCarthy agrees that, despite the dicta of footnote 7 in *New Kids*, there is no per se rule against the nominative fair use of logo trademarks, and context will be key:

In the author's opinion, there is no rule that a use of a logo is always unnecessary to identify the owner of a trademark. For example, most people would agree that a business magazine or web site illustration could properly use the logos of companies whose economic performance is being discussed. The same will be true with many parodies and expressive criticisms of the owner of a trademark. Whether logo use is more than necessary is a highly factual intensive issue that must be determined on a case by case basis.

McCarthy, *supra*, at § 23:11.

Therefore, factual evidence to support a successful nominative fair-use position will be important to gather and maintain, should a brand owner and competitor later object to use of its logo. Some evidence that may be helpful is evidence of what consumers are exposed to generally.

Although an aggrieved plaintiff might argue that use of a logo goes too far, saying the plain company name could be used instead, the visual need for use of logos may become clear in certain contexts. For example, when multiple third-party brands are used in an industry comparison, espe-

cially when the brand names without the more singular logo are less certain in identifying the desired party. The adage that “pictures say a thousand words” is applicable here.

Some identical word marks are and can be used and registered by a multitude of different and unrelated owners for a wide variety of goods and services. The Delta® trademark illustrates this point well. Delta® can and does peacefully coexist on the Principal Register with many others, and those many live registrations are owned by a multitude of different third parties, in connection with faucets, airlines, wood boards, bed frames, cigars, safety harnesses, watches, and solar cells, among others. But each one is represented—singularly—by a different logo or script.

Although it is certainly subject to interpretation, footnote 7 to the second *New Kids* factor should not be construed to mean there is a per se rule prohibiting the use of distinctive lettering or logos, or that such rule should be adopted in all contexts, including contexts not involving competitors selling identical and competing goods. Perhaps because there has been no Supreme Court clarification, some treat the footnote dicta as a rule of law, and in 2010, the Ninth Circuit further muddied the waters by making the same argument in a domain name trademark infringement case brought by Toyota over a dealership’s use of its LEXUS marks, without citation to any authority other than the court’s own 1992 footnote:

[Defendants] 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.

See Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1181 (9th Cir. 2010) (citing *New Kids on the Block v. News Am. Publ’n, Inc.*, 971 F.2d 302, 308 n.7 (9th Cir. 1992)).

The third *New Kids* factor is designed to determine if the defendant has taken some additional action or used the mark in a way or in a setting that falsely suggests sponsorship, affiliation, or approval by the trademark owner. While not necessary, many have interpreted this factor to support use of disclaimers in close cases.

The Ninth Circuit’s expression of the nominative fair-use doctrine is not necessarily confined to the Ninth Circuit, as other jurisdictions have adopted it, but it has not developed consistently across all circuits and in some circuits the doctrine is not recognized. However, it is fair to say that even when it is not explicitly recognized, the underlying principles have influenced likelihood-of-confusion analyses in ways consistent with the concerns the doctrine seeks to address. The split

is essentially three-fold: (1) whether the doctrine is expressly recognized; (2) what the test should be; and (3) whether nominative fair use is an affirmative defense or just part of the likelihood-of-confusion analysis.

§ 7.6 THE AFFIRMATIVE DEFENSE TREATMENT: THE THIRD CIRCUIT'S APPROACH

The Third Circuit agrees with the concept of nominative fair use, but it has taken the doctrine further than any other jurisdiction by treating it as an actual affirmative defense. See *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 228 (3d Cir. 2005).

The *Century 21* decision resulted from a divided (2-1) panel and is considered controversial because it purported to take its guidance from the Supreme Court's decision in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), discussed in section 7.8.D, *infra*, a case dealing with the descriptive fair-use defense. In *Century 21*, the 2-1 panel majority concluded:

After that [*Supreme Court KP Permanent Make-Up*] decision, it seems to us that neither classic or nominative fair use should rise and fall based on a finding of likelihood of confusion. Classic fair use and nominative fair use are different in certain respects, but it is unclear to us why we should ask radically different questions when analyzing a defendant's ability to refer to a plaintiff's mark in the two contexts.

Id. at 222–23.

Perhaps the most obvious answer to the panel's rhetorical question might be that descriptive fair use is a defined statutory affirmative defense, 15 U.S.C. § 1115(b)(4), blessed by Congress, while the concept of nominative fair use has been developed in case law by judges over the last three decades without guidance from Congress or the Supreme Court as to whether it is an affirmative defense or an alternate test. If the latter, as in the Ninth Circuit, then, unlike the classic statutory fair-use defense (which the Supreme Court found in *KP Permanent Make-Up* may be compatible with some level of likely confusion), non-statutory and case law-based nominative fair use would seem to be incompatible with any actionable likelihood of confusion. The Third Circuit, by creating an affirmative defense, creates a different paradigm altogether, where presumably nominative fair use could be compatible with some likelihood of confusion.

However, given the present composition of the Supreme Court and observing the Court's recent obedience in following the specific Lanham Act language that Congress chose to right certain wrongs, it would be surprising to these authors if the Court were to ever adopt the Third Circuit's outlier perspective on nominative fair use as an actual affirmative defense.

For cases being decided under the Third Circuit’s *Century 21* precedent, if a plaintiff establishes likelihood of confusion under the traditional 10-part *Lapp* likelihood-of-confusion factors, the defendant may nevertheless assert and prove nominative fair use. Ironically, the Third Circuit affirmative defense co-opts these slightly reframed elements from the Ninth Circuit’s *New Kids* test:

- (1) Is the use of plaintiff’s mark necessary to describe: (a) plaintiff’s product or service; (b) defendant’s product or service?
- (2) Is only so much of the plaintiff’s mark used as is necessary to describe plaintiff’s products or services?
- (3) Does the defendant’s conduct or language reflect the true and accurate relationship between plaintiff and defendant’s products or services?

Id. at 228.

As an affirmative defense under Third Circuit precedent, nominative fair use is a much more powerful litigation tool for defendants, as they are free to seek summary judgment if there is no dispute as to any material fact regarding the above three factors, even if likely confusion exists. The question remains though, where is the statutory support for this special kind of treatment?

§ 7.7 A HYBRID APPROACH: THE SECOND CIRCUIT’S TREATMENT

Another popular trademark court of appeals, the Second Circuit, decided in 2016 to apply its *Polaroid* test for likelihood of confusion along with three nominative fair-use factors that mimic the Ninth Circuit’s *New Kids*’ analysis, while specifically rejecting the treatment of nominative fair use as an affirmative defense, contrary to the Third Circuit’s *Century 21* case. See *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153 (2d Cir. 2016), *cert. denied*, 137 S. Ct. 624 (2017).

In other words, rather than replace its *Polaroid* likelihood-of-confusion test, the Second Circuit has directed district courts also to consider, in addition to and alongside the eight *Polaroid* factors, its version of the three Ninth Circuit factors in *New Kids*:

- (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.

Id. at 168.

Accordingly, the Third Circuit remains the only circuit to treat nominative fair use as an affirmative defense, placing the burden on the defendant to establish the defense after likely confusion has been shown by the plaintiff. The Ninth and Second Circuits do not consider nominative fair use as an affirmative defense; instead nominative fair use is considered another way of saying confusion is unlikely, leaving the plaintiff with the burden of proving likelihood of confusion under a modified or augmented likelihood-of-confusion tests.

§ 7.8 A HODGEPODGE OF APPROACHES: THE OTHER CIRCUITS

A. First Circuit

In 2013, the First Circuit continued its longstanding resistance to adopt any treatment of nominative fair use promoted by the Ninth Circuit, the Third Circuit, or any other circuit:

In the First Circuit, we have recognized the “underlying principle” of nominative fair use, but like several other circuits, we have never endorsed any particular version of the doctrine.

Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc., 704 F.3d 44, 53 (1st Cir. 2013) (citations omitted).

However, the First Circuit has adopted the position that a plaintiff must show a likelihood of confusion before the defendant need prove nominative fair use:

Without at this time endorsing any particular approach to the nominative fair use doctrine, it is enough to observe that whether the factors serve as the plaintiff's case-in-chief (as appears to be true in the Ninth Circuit) or as an affirmative defense (as in the Third), a trademark defendant has no burden to prove anything until the plaintiff has first met its responsibility to show infringement by demonstrating that the defendant's use of its mark is likely to confuse consumers.

Id.

B. Fourth Circuit

The Fourth Circuit has not adopted a specific analytical framework for nominative fair use. However, the court of appeals has held that a district court does not commit reversible error if it chooses to set aside certain likelihood of confusion factors when evaluating “referential, nontrademark use.” *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 155 (4th Cir. 2012). In *Rosetta Stone*, the Fourth Circuit expressly stopped short of adopting a position as to whether nominative fair use should be treated as an alternative to the traditional likelihood-of-confusion test or as an affirmative defense:

We hasten to add that we are not adopting a position about the viability of the nominative fair-use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way. That question has not been presented here and we leave it for another day... We have merely attempted to highlight the problems inherent in the robotic application of each and every factor in a case involving a referential, nontrademark use.

Id.

In a later case, citing the *New Kids* opinion, the Fourth Circuit denied application of the nominative fair-use defense on the facts, but affirmed the policy behind it: “[I]t is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark.” *Radiance Found., Inc. v. Nat’l Ass’n for Advancement of Colored People*, 786 F.3d 316, 332 (4th Cir. 2015) (citing *New Kids on the Block v. News Am. Publ’n, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)).

C. Fifth Circuit

The Fifth Circuit declined to endorse “any particular method” for consideration of nominative fair use in *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526 (5th Cir. 1998).

In *Tour 18*, the defendant, Tour 18, created two golf courses made up of golf holes copied from famous golf courses, including the plaintiff’s famous Pebble Beach course.

After finding a likelihood of confusion, the U.S. District Court for the Southern District of Texas considered Tour 18’s nominative fair-use defense and determined that Tour 18 had prominently used Pebble Beach’s marks on advertising material, a menu, and signs pointing to tees, not as a fair nominative use to identify Pebble Beach for comparative advertising, but rather to directly identify and distinguish Tour 18’s own services in an infringing manner that suggested affiliation, sponsorship, or approval.

The Fifth Circuit affirmed the district court, relying on two factors of the *New Kids* test: “the defendant (1) may only use so much of the mark as necessary to identify the product or service; and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.” *Tour 18*, 155 F.3d at 546 (noting that the *New Kids* requirement that “the product or service in question must be one not readily identifiable without use of the trademark” would always be satisfied in a comparative advertising case).

The Fifth Circuit also clarified that even though “a different approach would not have altered the result” the district court should not have considered nominative fair use only as a defense, after first finding a likelihood of confusion. *Id.* at 547. Instead, the Fifth Circuit stated that the traditional likelihood-of-confusion test is applicable and that “the court should usually consider the nominative-use claim in conjunction with its likelihood-of-confusion analysis to avoid lowering the standard of confusion.” *Id.*

Although the Fifth Circuit relied on the *New Kids* test for its analysis, it did not adopt it, nor did the Fifth Circuit “express an opinion as to whether [the omitted *New Kids* factor] should or should not be imposed in other circumstances of claimed nominative use. *Id.* at 546 n.13; 547 n.14.

D. Sixth Circuit

In 2003, the Sixth Circuit rejected the doctrine of nominative fair use, holding that “a likelihood of confusion forecloses a fair use defense.” *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003), *abrogated by KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

The Sixth Circuit also expressly rejected the *New Kids* approach of replacing the traditional likelihood-of-confusion test with a modified version for nominative fair-use cases. *Id.* (“This circuit has never followed the nominative fair-use analysis, always having applied the *Frisch’s Restaurants* test. We are not inclined to adopt the Ninth Circuit’s analysis here.”). This rejection of the *New Kids* approach is ironic because the Sixth Circuit’s likelihood-of-confusion test, the *Frisch’s Restaurants* test, is based entirely on the Ninth Circuit’s *Sleekcraft* likelihood-of-confusion test. *See Frisch’s Rests., Inc. v. Elby’s Big Boy*, 670 F.2d 642 (6th Cir. 1982); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

Much like the absence of guidance from the Supreme Court, the lack of guidance in the Sixth Circuit has led to district court hesitation on the topic of nominative fair use. *See, e.g., Volkswagen AG v. Dorling Kindersley Publ’g, Inc.*, 614 F. Supp. 2d 793, 811 (E.D. Mich. 2009) (“[T]his Court is not in a position to adopt the doctrine when the Sixth Circuit has explicitly declined to do so.”).

Other decisions from district courts have created confusion about how to expect nominative fair use to be treated in the Sixth Circuit. For example, the U.S. District Court for the Southern

District of Ohio determined that nominative fair use should be treated as an affirmative defense and determined like descriptive fair use, requiring consideration of two factors: whether the mark was used: (1) in its descriptive sense; and (2) in good faith. *State Farm Mut. Auto. Ins. Co. v. SWCC*, No. 1:07cv457, 2007 U.S. Dist. LEXIS 86651, at *6 (S.D. Ohio Nov. 26, 2007) (citing *ETW Corp. v. Jireh Publ'g, Inc.*, 332 F.3d 915, 920 (6th Cir. 2003)). In *SWCC*, because there were genuine issues of material fact as to whether use of State Farm's name in red letters on a sign reading "We Handle State Farm Claims, See Us First! Lifetime Warranty" in front of an automobile collision center was descriptive and in good faith, summary judgment was denied to the defendant, despite the court also denying summary judgment to plaintiff on likelihood of confusion:

Based on the above analysis, the Court finds that these factors, when viewed together, do not indicate that there is a likelihood of consumer confusion. While Defendants concede the strength of Plaintiff's mark, and the Court has found that Defendants use of "State Farm" is identical to Plaintiff's mark, the Court finds that the weight of these factors is lessened in light of the discussion of Defendants' affirmative defense of fair use. Moreover, there are genuine issues of material fact regarding the factors of customer care and Defendant's intent, and there is no evidence of actual confusion.

Id. at *19–20.

Nevertheless, the district court issued a preliminary injunction against the defendant enjoining the display of any sign reading "We Handle State Farm Claims, See Us First! Lifetime Warranty." *Id.* at *28.

E. Seventh Circuit

The Seventh Circuit has not expressly adopted the doctrine of nominative fair use. *Slep-Tone Entm't Corp. v. Coyne*, 41 F. Supp. 3d 707, 717 (N.D. Ill. 2014). Yet the Seventh Circuit appears to acknowledge the principles underlying the doctrine of nominative fair use in comparative advertising. See *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995) (comparative advertising permissible when "use of a rival's mark ... does not engender confusion about the origin or quality" because consumers benefit from being able to "learn at a glance what kind of product is for sale and how it differs from a known benchmark."). Likewise, albeit in a trademark dilution case involving online secondary market sales of Beanie Babies plush toys, the Seventh Circuit has said directly: "You can't sell a branded product without using its brand name, that is, its trademark." *TY Inc. v. Perryman*, 306 F.3d 509, 512 (7th Cir. 2002).

Despite the lack of clear guidance from the Seventh Circuit, some district courts within the Seventh Circuit have recognized nominative fair use and used the Ninth Circuit's *New Kids* test. See

Slep-Tone Entm't Corp. v. Elwood Enters., Inc., No. 13 C 7346, 2014 U.S. Dist. LEXIS 54872, at *15 (N.D. Ill. Apr. 21, 2014) (applying *New Kids* test and citing *DeVry, Inc. v. Univ. of Med. & Health Sci.-St. Kitts*, No. 08 C 3280, 2009 WL 260950, at *5 (N.D. Ill. Feb. 3, 2009)).

For example, in *Slep-Tone*, the U.S. District Court for the Northern District of Illinois determined that the defense of nominative fair use would not protect a karaoke disc jockey from using a karaoke company's mark on bootlegs, because such use suggests "affiliation, sponsorship, or endorsement." *Id.* at *9 (citing *R.J. Reynolds Tobacco Co. v. Premium Tobacco Stores, Inc.*, No. 99 C 1174, 2001 WL 747422, at *6 (N.D. Ill. June 29, 2001)).

At least one district court has understood the nominative fair-use landscape in the Seventh Circuit to suggest adoption of a hybrid approach for comparative advertising cases, considering the Seventh Circuit likelihood-of-confusion factors along with the *New Kids* factors. See *Dwyer Instruments, Inc. v. Sensocon, Inc.*, 873 F. Supp. 2d 1015, 1030–31 n.4 (N.D. Ind. 2012). In *Dwyer Instruments*, the U.S. District Court for the Northern District of Indiana concluded that use of a registered mark followed by the word "alternative" for an air pressure gauge was not sufficient to avoid likelihood of confusion on summary judgment, in part because it would remain unclear whether the registered owner was affiliated with or endorsing the alternative gauge as a compatible product.

F. Eighth Circuit

The Eighth Circuit has not addressed the nominative fair-use defense. As a result, district courts have used at least three different approaches—the Ninth Circuit's *New Kids* test, the Third Circuit's *Century 21* test, and the Eighth Circuit's traditional likelihood-of-confusion analysis.

In *Visual Dynamics, LLC v. Chaos Software Ltd.*, 309 F. Supp. 3d 609, 625 (W.D. Ark. 2018), the district court quoted *New Kids* for the proposition that nominative fair use applies "where the trademark at issue is 'the only word reasonably available to describe a particular thing' and is therefore 'pressed into service' by the demands of the occasion." (Citing *New Kids on the Block v. News Am. Publ'n, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).) The district court nevertheless rejected the defense and granted injunctive relief because, in the context of the use of another's mark as a domain name, the court concluded that the defendant "[did] not need to use a website with the domain name of [plaintiff].com" in order to legitimately resell authentic products of the plaintiff online. *Visual Dynamics*, 309 F. Supp. 3d at 626.

In 2016, the U.S. District Court for the District of South Dakota applied the Eighth Circuit's traditional test for likelihood of confusion because it determined that "it is unclear in the Eighth Circuit how to analyze the 'likelihood of confusion' when a defense of nominative fair use is asserted by the defendant. Thus the Court will turn to the Eighth Circuit's traditional test for likelihood of confusion." *Cheval Int'l v. Smartpak Equine, LLC*, No. CIV. 14-5010, 2016 WL 1064496,

at *8–9 (D.S.D. Mar. 15, 2016) (applying the Eighth Circuit’s traditional likelihood-of-confusion analysis). Defendant Smartpak had continued to list the plaintiff’s horse supplements on its e-commerce website after a business relationship ended stating that the plaintiff’s products were no longer available; the plaintiff claimed consumers were confused and thought it had gone out of business, as expressed in email from the plaintiff to the defendant:

Here is my huge concern – my number one selling product I googled to day: Black As Knight. It appeared that you were the manufacturers of BlackAsK-night. Nonetheless, I click on it and I go straight to the page of your’s and black-enalls “knockoff” and in red it says “Black As Knight is no longer available, but don’t worry you can buy our.... No wonder I’ve been getting calls from panicking customers asking if we went out of business!

Id. at *3.

Applying the Eighth Circuit’s likelihood-of-confusion factors from *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980), the district court denied the defendant’s motion for summary judgment with respect to infringement of plaintiff’s distinct marks. *Id.* at *24.

In another 2016 case, the U.S. District Court for the District of Minnesota recognized the Ninth Circuit’s *New Kids* nominative fair-use test in a dispute concerning comparative advertising online and denied the defendant summary judgment. *Select Comfort Corp. v. Baxter*, 156 F. Supp. 3d 971, 987 (D. Minn. 2016).

Likewise, in a 2015 case, the U.S. District Court for the District of Nebraska noted that “[t]he Eighth Circuit has not discussed the doctrine, and the Ninth Circuit’s approach has not been universally adopted, but the broad parameters of the doctrine are consistent.” *Infogroup, Inc. v. Databasellc*, 95 F. Supp. 3d 1170, 1189 (D. Neb. 2015). The district court denied the plaintiff’s request for a preliminary injunction against its former founder because the defendant former founder’s “descriptions of his experience [as a former founder of plaintiff] are sufficiently accurate” to cast doubt about plaintiff’s likelihood of succeeding on the merits.” *Id.* at 1190.

In *Edina Realty, Inc. v. TheMLSonline.com*, No. Civ. 04-4371JRTFLN, 2006 WL 737064, at *14 (D. Minn. Mar. 20, 2006), the district court recognized that the doctrine of nominative fair use had not been considered in the Eighth Circuit but was “well developed in the Ninth Circuit.” Nevertheless, the district court applied the Third Circuit’s *Century 21* nominative fair-use test and determined that the defendant’s use of the plaintiff’s marks on its website and in keyword advertising failed to constitute nominative fair use as a matter of law.

G. Tenth Circuit

The Tenth Circuit has not yet addressed the doctrine of nominative fair use. However, in 2016, the U.S. District Court for the District of New Mexico held even though the Tenth Circuit had not recognized the nominative fair-use defense, it “has long recognized ‘confusion’ as the keystone of trademark infringement” and that nominative fair use would be a question of fact relevant to the likelihood-of-confusion analysis. See *Navajo Nation v. Urban Outfitters, Inc.*, No. CIV 12-0195 BBLAM, 2016 U.S. Dist. LEXIS 179611, at *7 (D.N.M. July 5, 2016).

In support of that view, the U.S. District Court for the District of Colorado held that nominative fair use should not be treated as an affirmative defense. See *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1241–42 (D. Colo. 2009) (acknowledging that the “Tenth Circuit has not yet addressed” nominative fair use, and stating: “[T]he nominative fair use doctrine, if applied here, would supplement [the Tenth Circuit’s] traditional six factor test for assessing the likelihood of confusion element of a plaintiff’s prima facie trademark claim. The defendant does not bear the burden of proving nominative fair use, and nominative use of a mark is not an affirmative defense to liability.”).

H. Eleventh Circuit

The Eleventh Circuit has not evaluated or expressly adopted the nominative fair-use defense, but district courts in the Eleventh Circuit have recognized it and have looked to both the Ninth Circuit and the Third Circuit in their analysis. See *Ford Motor Co. v. O.E. Wheel Distribs., LLC*, 868 F. Supp. 2d 1350, 1368–69 (M.D. Fla. 2012).

In *Ford Motor*, the district court determined on summary judgment that O.E., an aftermarket wheel seller, could not use Ford’s trademarks in certain formats (for example, O.E. MUSTANG WHEELS) to identify which of its wheels fit Ford products, because use in such formats was infringing as a matter of law, not nominative fair use:

Such listings advertising “O.E.” Ford wheels which are in reality not manufactured by Ford fail to “reflect the true and accurate relationship between the plaintiff and defendant’s products and services,” as they suggest that Ford manufactured, and/or is affiliated with these wheels.

Id. at 1369 (citing *Century 21 Real Estate*, 425 F.3d at 232 and *New Kids*, 971 F.2d at 308).

However, the district court left open the possibility of nominative fair use for other listing titles, acknowledging that in order for O.E. to sell wheels that were compatible with various Ford automobiles under a variety of listings “it was necessary to use Ford’s trademarks in order to inform potential customers that its wheels would fit Ford vehicles.” *Id.*

In a case from the Southern District of Florida, citing *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003), the district court granted a preliminary injunction after determining that the nominative fair-use defense was likely to fail when the defendant’s use in a domain name was not “the minimum necessary to identify” the plaintiff’s products. *Tracfone Wireless, Inc. v. Clear Choice Connections, Inc.*, 102 F. Supp. 3d 1321 (S.D. Fla. 2015) (citing *PACCAR*, 319 F.3d at 256). Intent also played a role in the court’s analysis:

The Court finds that there is sufficient evidence in the record to support a finding that Clear Choice has used TracFone’s marks in its domain names with the improper intent to capitalize on TracFone’s business reputation. Without any explicit authorization from TracFone, Clear Choice adopted its marks and used them in domain names using the “.com” construction that is likely to lead a reasonable consumer to believe that the websites were controlled or otherwise affiliated with TracFone.

Id. at 1332.

In another case from the Middle District of Florida, the district court granted injunctive relief after determining that the nominative fair-use defense was meritless when the defendant’s use of plaintiff’s mark was not “the minimum necessary to identify” the defendant’s historical relationship to the plaintiff. *See Commodores Entm’t Corp. v. McClary*, 314 F. Supp. 3d 1246, 1249 (M.D. Fla. 2018) (citing *PACCAR*, 319 F.3d at 256.). In *Commodores*, the district court had already ruled that Thomas McClary, a former member of the band Commodores, could not use various band names referring to Commodores such as “The Commodores featuring Thomas McClary,” “The 2014 Commodores,” or “COMMODORES’ Founder Thomas McClary,” while permitting use of the Commodores’ name in “an historically accurate manner,” subject to the following parameters:

- (1) Plaintiff’s Marks are *preceded* by the reference; and
- (2) the Marks are not more prominent than other words contained in the band name.

Id. (emphasis in original).

The district court also already had provided two permissible band names conforming to its guidelines: “Thomas McClary original founding member of the Commodores” and “Thomas McClary formerly of the Commodores.” *Id.* Nevertheless, McClary began performing under various names featuring the phrase “Commodores Experience,” for example, “The Commodores Experience starring founder Thomas McClary.” *Id.* The district court determined that these too failed the nominative fair-use test because they suggested endorsement by the plaintiff, holding that “a defendant is not entitled to *any* truthful, historical reference; rather, such a reference must precede the plaintiff’s

mark and the mark itself must not be more prominently featured than the associational language. *Id.* at 1250 (emphasis in original) (citing *Kassbaum v. Steppenwolf Prods.*, 236 F.3d 487, 492–93 (9th Cir. 2000)).

I. D.C. Circuit

In *American Society for Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437, 456 (D.C. Cir. 2018), the D.C. Circuit recognized the doctrine of nominative fair use, without adopting any particular approach for evaluating nominative fair-use claims:

The parties have not briefed, and we need not resolve today, which approach our court should adopt. What we can say is that under no formulation can a court ignore the nominative fair use factors altogether. Where, as here, there is a claim of nominative fair use, the likelihood of confusion analysis remains incomplete without at least some discussion of these factors. Indeed, the particulars of this case show just how consideration of these factors can provide valuable insight both into whether trademark infringement has occurred and, if so, how broad a remedy is needed to address the injury.

The plaintiff, American Society for Testing Materials (ASTM), and other standards developing organizations sued the defendant, Public Resource.Org. (PRO), for copyright and trademark infringement after PRO, a non-profit organization whose mission is to publicly circulate legal and governmental materials, published hundreds of scanned and retyped copies of the plaintiffs' technical standards that had been incorporated by reference into various laws. The district court granted summary judgment to ASTM on its trademark claim because it found that PRO's reproduction of ASTM's trademarks in the scanned copies was likely to cause confusion and therefore was not nominative fair use. The district court issued permanent injunctions barring PRO from using ASTM's marks without authorization.

On appeal, the D.C. Circuit found that the district court erred in concluding that nominative fair could be rejected on the grounds that a likelihood of consumer confusion existed. Instead, the nominative fair-use factors must be considered in the likelihood-of-confusion analysis, and furthermore, applied to the determination of the boundaries of a remedy for trademark infringement, if such infringement is established.

As guidance for the district court, the D.C. Circuit considered the first factor of the *New Kids* test and questioned the feasibility of publishing a technical standard referenced in a law without referring to it by name at all. *Public.Resource.Org, Inc.*, 896 F.3d at 457. The court then compared that use to use of a logo which, under the second factor of the *New Kids* test, might go beyond what is reasonably necessary to identify the referenced standard for PRO's purposes, noting that the

interplay between the first and second factors “may suggest ways of crafting a narrower remedy that better balances the parties’ competing interests.” *Id.* The court also criticized PRO’s “barebones” disclaimers for potentially failing to mitigate the concern that use of another’s mark may suggest sponsorship or approval, as expressed by the third factor of the *New Kids* test, while recognizing that such a failure did not mean that *any* disclaimer would be unable to mitigate such concern. *Id.* at 457–58.

Accordingly, the D.C. Circuit vacated the permanent injunctions against PRO and remanded the case to the district court for consideration of the nominative fair-use factors in both its determination of likelihood of confusion and its remedy for any infringement.

In a later case, the U.S. District Court for the District of Columbia recognized the following jury instructions, based on the D.C. Circuit’s guidance, as sufficient to withstand a post-trial motion for judgment as a matter of law or a new trial:

In order for a use [of a trademark] to qualify as nominative fair use, courts require that “[1] the product or service in question must be one not readily identifiable without use of the trademark; [2] only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and [3] the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”

Klayman v. Judicial Watch, Inc., No. 06-670 CKK, 2019 U.S. Dist. LEXIS 43569, at *21 (D.D.C. Mar. 18, 2019) (citing *Public.Resource.Org, Inc.*, 896 F.3d at 456 and quoting *New Kids on the Block v. News Am. Publ’n, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)).

J. Federal Circuit

The Court of Appeals for the Federal Circuit has yet to consider nominative fair use in any case.

§ 7.9 PRACTICAL IMPLICATIONS OF NOMINATIVE FAIR-USE CONSIDERATIONS

Despite the differences between the Second, Third, and Ninth Circuits, and the uncertainty brought about by the mixture of approaches in other circuits, there are some nominative fair-use principles that can be gleaned from case law to guide practitioners on a case-by-case basis.

A. Silence or Permission Denied May Draw a Negative Inference

Many clients often wonder whether there is a legal requirement to obtain permission to include third-party company trademarks or logos in their ads. When the contemplated uses are

non-confusing nominative uses, permission or license is almost never required. And even though obtaining permission from each company whose logo may appear in a proposed ad may be the safest way to avoid an objection, it may be better to confirm the legal position that the use is lawful and go forward on that basis for practical, rather than purely legal reasons.

After all, it is too easy for a brand owner to delay responding to a reasonable request, or just say “no.” Unfortunately, asking permission, even if not legally required, while polite, can be turned against the requester by implying the need for permission, especially if use is made after permission has been withheld. Given that there could be an endless variety of internal, even non-legal, reasons that a company might rely upon in declining a request for permission, it may not be worth the risk of potentially being worse off and assuming an even greater risk of a willful infringement claim, by proceeding in the face of silence or outright denial.

For those cases when the brand owner is not responsive to a legitimate request, it is a risky proposition to assume permission exists based on silence. See *Louis Vuitton Malletier S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611, 2012 U.S. Dist. LEXIS 42793 (S.D.N.Y. Mar. 22, 2012). Unfortunately, proceeding in the face of silence risks that facts could be colored adversely against the requesting party, as it was against Hyundai:

Moreover, the record reflects awareness on the part of Hyundai that it believed it needed permission to use other companies’ luxury brands as part of the commercial, through evidence that Hyundai sought permission from numerous companies to use their marks in its campaign. Hyundai sought out permission from thirteen companies to use their brands, and six of them expressly declined. Others, including Louis Vuitton, never responded to the request. When no response came from Louis Vuitton, Hyundai nevertheless proceeded to use the “genericized” Louis Vuitton mark.

Id. at *26–27 (citations omitted).

A party responsible for an ad would be in a much stronger position to defend on the basis that permission was not required in the first place, if a third party later objected. See *Playboy Enters., Inc. v. Terri Welles, Inc.*, 78 F. Supp. 2d 1066, 1080 (S.D. Cal. 1999) (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994)) (rejecting argument that failure to seek permission is evidence of bad-faith reasoning that being denied permission to use a work does not weigh against a finding of good-faith fair use because it “may simply have been made in a good-faith effort to avoid this litigation. If the use is otherwise fair, then no permission need be sought or granted.”).

It is also worth internally asking the question of why the proposed use of a third party’s mark is desired. For example, it was not helpful to Hyundai that discovery revealed a desire to use

the marks in question to raise the image of the Hyundai brand in the mind of the consumer by associating Hyundai with a recognizable symbol of luxury. *Louis Vuitton Malletier*, 2012 WL 1022247, at *27.

B. Avoid Mutilating the Third-Party Mark

Another practical implication might be to keep in mind the advice of the Second Circuit in *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 44–45 (2d Cir. 1994), in which the court, applying New York state anti-dilution law prior to enactment of Federal Trademark Dilution Act of 1995, counseled against mutilating the mark of a directly competing product, while expressing a possible higher tolerance for some mutilation of a mark of a noncompeting product:

As long as the mark is not altered, such use serves the beneficial purpose of imparting factual information about the relative merits of competing products and poses no risk of diluting the selling power of the competitor’s mark.... Not every alteration will constitute dilution, and more leeway for alterations is appropriate in the context of satiric expression and humorous ads for noncompeting products.... Some variations might well be *de minimis*, and the context in which even substantial variations occur may well have such meritorious purposes that any diminution in the identifying and selling power of the mark need not be condemned as dilution.

Deere & Co., 41 F.3d at 44–45.

However, even in the case of a noncompetitive product, mutilation of a mark can lead to a negative inference that the defendant held the belief that the use of the unaltered mark would infringe:

The deliberate alteration to the Louis Vuitton marks also demonstrates a consciousness that Hyundai could not lawfully use the marks. Perry confirmed in the Rule 30(b)(6) deposition that Louis Vuitton [sic] “genericized” the marks but ensured that “they remained very similar” to the Louis Vuitton design. The coloring was “a distinctive special reference” to Louis Vuitton. Boone testified that the design was intended to evoke “Louis Vuitton in particular,” but also that Hyundai’s design “came out of somebody’s imagination, so there was nobody to go seek permission from.” Such testimony reflects the conscious intent within Hyundai to ladder and borrow from the equity of Louis Vuitton marks while also circumventing any obligation to seek Louis Vuitton’s permission.

Louis Vuitton Malletier, 2012 WL 1022247, at *27.

C. Accurately Disclaim Any Relationship or Refer to Factual Relationship

1. Use an Appropriate Disclaimer

It is important, of course, to avoid taking any actions or using other's trademarks in a context that would suggest sponsorship, affiliation, approval, or endorsement. Disclaimers may sometimes be used to address the risk that consumers viewing an ad will perceive it as suggesting connection or endorsement. *Playboy Enters., Inc. v. Welles*, 7 F. Supp. 2d 1098, 1104 (S.D. Cal. 1998) (citing *Consumers Union of U.S. v. Gen. Signal Corp.*, 724 F.2d 1044, 1053 (2d Cir. 1983) (“Disclaimers are a favored way of alleviating consumer confusion as to source or sponsorship.”)).

For example, in a case involving a former Playboy model's reference to her being a “Playmate of the Year 1981” in text on the model's website, the following disclaimer was viewed favorably as evidence of an indication of good faith, weighing in the model's favor:

This site is neither endorsed, nor sponsored by, nor affiliated with Playboy Enterprises, Inc. PLAYBOY, PLAYMATE OF THE YEAR and PLAYMATE OF THE MONTH are registered trademarks of Playboy Enterprises, Inc.

Playboy Enters., Inc. v. Welles, 279 F.3d 796, 800 n.1 (9th Cir. 2002).

Likewise, the Third Circuit viewed the following disclaimer favorably in its foundational nominative fair-use opinion: “LendingTree is not sponsored by or affiliated with the parent franchisor companies of any of the participating members of its network.” *Century 21*, 425 F.3d at 231.

The Third Circuit chastised the district court for “downplaying” the disclaimer, instead finding that it was “far from unimportant” and such disclaimers “must be considered in determining whether the alleged infringer accurately portrayed the relationship that existed between plaintiff and defendant.” *Id.* (citing *Playboy Enters.*, 279 F.3d at 803).

Adequate disclaimers that “reduce or eliminate confusion” also may allow for less onerous injunctive relief. See *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 551–52 (5th Cir. 1998). Even an “inadequate” disclaimer may help insulate a defendant from an award of attorneys' fees because the disclaimers can be evidence that there was no lack of good faith. *Id.* In a recent case involving a defendant's use of a plaintiff's trademarks in promotional material for presentations that were critical of the plaintiff's services, the Ninth Circuit affirmed dismissal of trademark infringement claims “based on the critical nature of the presentation, the disclaimer included in the text, and the fact that Defendants advertised the seminar under [defendant's marks].” *Applied Underwriters, Inc. v. Lichtenegger*, 913 F.3d 884, 897 (9th Cir. 2019).

However, disclaimers are not a silver bullet. For example, in a seminal disclaimer case where Showtime ran ads to promote its services as complimentary to HBO's by using slogans such as "Why SHOWTIME HBO make such a perfect pair," the Second Circuit vacated the district court's order allowing Showtime to use the slogans with a disclaimer and remanded for further consideration of the effectiveness of a disclaimer. *Home Box Office, Inc. v. Showtime/The Movie Channel Inc.*, 832 F.2d 1311 (2d Cir. 1987). The Second Circuit emphasized in its holding that "each case must be judged by considering the circumstances of the relevant business and its consumers" and the defendant bears the burden of proving the effectiveness of proposed disclaimers. *Id.* at 1315 (citing *Charles of the Ritz Grp. v. Quality King Distrib.*, 832 F.2d 1317, 1320 (2d Cir. 1987)).

Disclaimers have been held ineffective for a variety of reasons, such as not being closely proximate to the potentially confusing mark, shown too briefly, using insufficient wording, or being illegible. *See, e.g., Charles of the Ritz*, 832 F.2d at 1320 (district court properly rejected a disclaimer hidden inside the packaging for perfume). In particular, the context and placement of a disclaimer should not be overlooked. *See, e.g., Tempur-Pedic N. Am., LLC v. Mattress Firm, Inc.*, No. H-17-1068, 2017 U.S. Dist. LEXIS 106456 (S.D. Tex. July 11, 2017) (finding insufficient a disclaimer in small print at the bottom of web page and commenting that revised placement under a headline banner "has the effect of reducing some confusion"); *Weight Watchers Int'l v. Stouffer*, 744 F. Supp. 1259 (S.D.N.Y. 1990) (finding insufficient a disclaimer that could be cut away from defendant's promotional reference sheet displaying plaintiff's marks). In the Sixth Circuit, a disclaimer that was "unobtrusive, relatively small, and contained in the fine print associated with technical information about the web site designer" was determined to be ineffective when the plaintiff's marks were used in the domain name and repeated in copycat font in the background of the website. *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 253 n.6 (6th Cir. 2003). Likewise, in the Fifth Circuit, in *Tour 18*, the court of appeals upheld a district court's finding that the defendant's "disclaimers were ineffective due to their absence or inconspicuousness on advertisements and promotional materials" when compared to the defendant's "prominent use" of the plaintiff's marks. *Tour 18*, 155 F.3d at 556.

In somewhat of an outlier case, and without any further explanation, the disclaimer below was found "inadequate" in the Tenth Circuit because it did not "tie particular trademarks to particular holders":

All other copyrights and trademarks are the property of their respective owners. DiscountTanningLotion and it's [sic] affiliated salons are independent distributors. DiscountTanningLotion and it's [sic] affiliates are not associated with and do not represent any manufacturer or any distribu-

tor of any products displayed on its [sic] Web sites. We are a licensed salon promoting advising on professional products for personal consumers.

Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1240 (10th Cir. 2006).

Thus, disclaimers may be a double-edged sword if used without due consideration of multiple factors because once scrutinized by a court, an ineffective disclaimer may not only fail its purpose but also draw a negative inference suggesting a likelihood of confusion that is necessary to mitigate. See *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1551 n.35 (S.D. Tex. 1996) (“voluntary act of placing disclaimers” was “an acknowledgment that [defendant’s] use of plaintiff’s marks.... is likely to cause confusion.”) (citing *Conopco, Inc. v. May Dep’t. Stores Co.*, 784 F. Supp. 648, 683 (E.D. Mo. 1992) (finding disclaimer on packaging to be “tacit admission” that use was confusing)), *aff’d on other grounds*, 155 F.3d 526 (5th Cir. 1998); *Charles of the Ritz*, 832 F.2d at 1320 (noting that district court found “hidden” disclaimer to suggest “calculated effort by defendant to escape liability.”).

Generally, disclaimers do more good than harm, if used conspicuously in an appropriate overall context with proper intent. See, e.g., *Toro Co. v. R & R Prods. Co.*, 787 F.2d 1208, 1214 (8th Cir. 1986) (evidence that catalog for aftermarket parts was “quite explicit” in alerting customers that references to original manufacturer’s equipment was for identification purposes only supported finding of no infringement). Disclaimers may be most helpful when likelihood of confusion is already low but litigation risk is nonetheless high, for example in truthful comparative advertising, because an effective disclaimer can bolster the good-faith factor in the likelihood-of-confusion test, or support a favorable finding in a separate nominative fair-use test, at least in some courts, as many cases have shown.

2. Do Not Rely on Calling A Comparative Product the “Other” or “Alternative,” but “Independent” or “Replacement” May Do the Trick

One instance supporting use of a disclaimer is if the goods or services intended to be referenced by the trademark are commingled with other goods or services. See *TY Inc. v. Perryman*, 306 F.3d 509, 514 (7th Cir. 2002). In *TY*, the defendant sold Beanie Babies brand plush toys alongside other plush toys identified as “Other Beanies.” *Id.* The Seventh Circuit acknowledged nominative fair use but determined that use of the term “Other” did not operate as a sufficient disclaimer. *Id.*

In *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir. 1969), a case cited in the footnote in the *New Kids* decision, discussed in section 7.5, *supra*, the Ninth Circuit approved a repair service’s uses of Volkswagen’s word marks due in part to the fact that the service station’s “prominent use of the word ‘Independent’” worked effectively to “distinguish his business in the eye of the consumer.” In the Eighth Circuit, trademark infringement was not found to arise

from an aftermarket parts catalog where explicit disclaimers were present and part listings were “prefaced by phrases like ‘to fit’ or ‘replaces’” *Toro Co. v. R & R Prod. Co.*, 787 F.2d 1208, 1214 (8th Cir. 1986).

However, just as with disclaimers, terms like “independent” are not required, at least in the Ninth Circuit, which sought specifically to distance its reasoning from the reasoning in the Sixth Circuit’s *PACCAR* decision:

Speakers are under no obligation to provide a disclaimer as a condition for engaging in truthful, non-misleading speech.... 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.

Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1177 (9th Cir. 2010) (noting that in *PACCAR* other factors indicated sponsorship or endorsement, including use of stylized versions of the plaintiff’s marks) (citations omitted).

3. Historical Affiliation Needs to be Asserted Clearly and Unambiguously

The fact that an individual or company may have had a historical relationship with another party can be asserted, as long as it is done unambiguously. For example, in *Commodores Entertainment Corp. v. McClary*, 314 F. Supp. 3d 1246, 1249 (M.D. Fla. 2018), the district court considered various possible band names for a former member of the Commodores:

By placing Plaintiff’s Marks—”Commodores”—ahead of Mr. McClary’s name and the other associational and historical language, Defendants have improperly suggested Plaintiff’s endorsement of Mr. McClary’s band.... Under the [nominative fair use] test, a defendant is not entitled to *any* truthful, historical reference; rather, such a reference must *precede* the plaintiff’s mark and the mark itself must not be more prominently featured than the associational language.

Commodores Entm’t, 314 F. Supp. 3d at 1250 (citing *Kassbaum v. Steppenwolf Prods.*, 236 F.3d 487, 492–93 (9th Cir. 2000)).

Other courts also have reached similar conclusions about ambiguous historical references. In *L&A Designs v. Xtreme ATVs, Inc.*, No. 03.10-CV-627-HZ, slip op. at 12–13 (D. Or. Apr.

30, 2012) on a motion for summary judgment, the district court examined the disclaimer “From the designers of the [plaintiff’s mark] starter clutch, this is the same dependable product built to endure Xtreme riding conditions” and determined that it was “ambiguous enough to suggest that the product is produced by Plaintiffs” such that there was a genuine issue of material fact about whether it indicated sponsorship or endorsement. *L&A Designs*, slip op. at 13.

4. Domain Names

Another’s mark should only be used in a domain name with caution as outcomes and the rationale for those outcomes vary widely.

For example, the Sixth Circuit Court of Appeals has held that use of a third party’s mark in a domain name is not “nominative fair use” because, according to the Sixth Circuit, the mark is being used to “describe [defendant’s] own products—it’s web sites... [Defendant’s] use of [plaintiff’s] trademarks in its domain names creates a likelihood of confusion as to whether its web sites are affiliated with [plaintiff].” *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003).

In contrast, the Ninth Circuit held that the district court erred in granting Toyota an injunction against auto brokers using LEXUS in their domain names. *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010). The injunction enjoined the auto brokers from using “any ... domain name, service mark, trademark, trade name, meta tag or other commercial indication of origin that includes the mark LEXUS.” *Id.* at 1176. On appeal, the Ninth Circuit reversed and remanded, finding that the injunction was “plainly overbroad” because nominative fair use allows the “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.” *Id.* at 1177.

5. Strength in Numbers

The rule of thumb that there is “strength in numbers” is generally applicable in a nominative fair-use analysis. Identifying many companies in an ad, without emphasizing any one company, helps reduce risk. Using only one company in an ad may increase risk, because it would more likely suggest association, endorsement, sponsorship, or approval. Logically, it is difficult for a plaintiff to meet its burden to prove likelihood of confusion as to endorsement, sponsorship, or approval where marks owned by multiple parties are used nominatively.

Furthermore, to the extent stylized marks or design marks are used, the use of marks from multiple other parties, especially for noncompetitive purposes, falls outside the scope of footnote 7 in the *New Kids* case, which considered only the stylized mark of one party being used by another party in competition. See *New Kids on the Block v. News Am. Publ’n, Inc.*, 971 F.2d 302, 307 n.7 (9th Cir. 1992).

6. Avoid Litigious Companies

To avoid unnecessary and protracted disputes, even those that could be won on the merits, it still may be prudent to steer clear of companies with a reputation for being highly trademark litigious.

In the end, even when permissible as nominative fair use, using a competitor's trademark may give the competitor more incentive to pay closer attention to an ad, which is why some are advised or otherwise inclined to first seek permission. The problem with seeking advance permission, of course, is that it can be denied for reasons having nothing to do with whether an unlawful trademark line has been crossed.

Perhaps the most significant practical implication of using a competitor's trademark in comparative advertising is the importance of ensuring that all express and implied statements in the ads are truthful and not false or misleading. It is perhaps obvious, but still worth noting that when trademark claims are weak, a motivated plaintiff may turn to probing express and implied statements made in ads to see if a good-faith claim of false or misleading advertising exists.

§ 7.10 CONCLUSION

Regardless of the treatment of nominative fair use, what rang true in 1992 as observed by the Ninth Circuit in *New Kids*, rings true today:

Much 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 a person, company or product by using its trademark.

New Kids, 971 F.2d at 307.

However, the great benefit to commercial discourse that arises from the freedom to use another's trademark fairly and nominatively must be balanced against the potential great harm that could arise if such use is likely to confuse or falsely suggest sponsorship, approval, or endorsement.

Courts have developed different methods for adjudicating that balance, but common guiding principles exist from which informed practitioners can provide recommendations for best practices. Until more definitive guidance is provided from the Supreme Court or passed by Congress, attorneys and their clients will need to continue to monitor this developing area of trademark law, paying close attention to facts concerning the potential applicable case law and potential venues for avoiding or resolving disputes.