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Advanced Seminar on Trademark Law 2005

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*KP PERMANENT MAKE-UP AND
FAIR USE OF TRADEMARKS*

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I. INTRODUCTION

On December 8, 2004, the United States Supreme Court held that a party raising the statutory affirmative defense of “fair use” in a trademark infringement action does not have the burden to negate any likelihood that such use would create consumer confusion. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. ____, 125 S.Ct. 542, 72 U.S.P.Q. 2d 1833, 2004 U.S. LEXIS 8170 (2004). In reaching this conclusion, the Court noted that “some possibility of consumer confusion must be compatible with fair use” and, in fact, the possibility of confusion “is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.” However, the Court did suggest that the existence and scope of confusion might have a bearing on whether a particular use was truly fair.

This paper will discuss the *KP Permanent Make-Up* decision and its future implications for the fair use defense as well as a variety of other issues pertaining to what is and what is not fair use of a trademark.

II. THE KP PERMANENT MAKE UP DECISION

A. The Issue and Holding

Section 33(b)(4) of the Trademark Act of 1946, as amended, (“Lanham Act”) establishes a “fair use” defense in a trademark infringement action even when the mark being asserted is incontestable. 15 U.S.C. §1115(b)(4). The defense applies when:

...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 the geographical origin.

Id. (emphasis added).

The specific question presented to the Supreme Court in *KP Permanent Make-Up* was whether a party raising the affirmative defense of fair use “has a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected.”

The Court, in the unanimous¹ opinion written by Justice Souter, answered “no.”

At the risk of oversimplification, the decision seems to rest on three fundamental considerations:

1. *Strict Statutory Construction*: If the Lanham Act doesn’t expressly state that the party asserting a fair use defense has such a burden (it doesn’t), the party doesn’t have the burden.
2. *Common Sense*: The only time the affirmative defense could be truly asserted “affirmatively” is after the trademark owner established its *prima facie* case; that is after the owner establishes some possibility of confusion. It defies logic to argue that an affirmative defense should be precluded in the only situation when it might be of real benefit. Moreover, it is the plaintiff’s burden to establish a likelihood of confusion and not the defendant’s burden to show confusion is unlikely.
3. *More Common Sense/ Caveat Emptor*: Anyone who adopts a mark that consists of a descriptive term must accept the risk of confusion from third party fair use.

The Court’s reasoning will be discussed in more detail in section II(c).

B. The Facts

The case involves the use by two different parties of variations of the term “micro color” in connection with what is known as “permanent makeup” which is a type of color pigment that is injected, tattoo like, into the skin to hide more serious types of skin imperfection. Appellee Lasting Impression I, Inc. (“Lasting”) has used the MICRO COLORS mark since 1992 and owns an incontestable trademark registration for the mark MICRO COLORS in a design format for “color pigments” (Reg. No. 1,769,592). The mark, as registered, is shown below:

1. Justice Scalia joined all but footnotes 4 and 5 of the Opinion (which refer to legislative history issues) and Justice Breyer joined in all but footnote 6 (which discussed the issues that might be raised on remand).



Petitioner KP Permanent Make-Up, Inc. (“KP”) claimed to have used the term microcolor on pigment bottles as early as 1990 or 1991 and in advertising as early as 1991. Prior to 1999, KP used the term “microcolor” on bottle labels, displaying the term in capital letters immediately prior to an identification of the color at issue - MICRO-COLOR: BLACK. In 1999, KP began to use a more stylized depiction of the term, as shown below, on a new line of marketing brochures.



It was this new marketing campaign that apparently attracted the attention of Lasting. In 1999, in apparent response to the new KP advertising brochure, Lasting sent a letter demanding that KP cease use of the term microcolor. KP responded by filing a declaratory judgment action seeking a declaration of non-infringement. Lasting counter-claimed for trademark infringement. KP ultimately moved for summary judgment asserting the fair use defense.

After finding that Lasting had “conceded” KP used the term only to describe its product and not as a mark, and after finding that KP had used the term microcolor since prior to Lasting’s adoption of its two word MICRO COLORS mark, the District Court for the Central District of California found KP’s use to be fair and entered summary judgment in favor of KP based on Section 33(b)(4).²

The Ninth Circuit, disagreed. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003). The Appeals court found that a use could not be fair if it caused confusion, the District Court erred in failing to address the confusion issue, and the case

2. The District Court did not consider whether KP’s use was likely to cause confusion. [Note: The District Court also found the term microcolor was generic and the Ninth Circuit reversed, finding the term had not been proven to be generic. The Supreme Court did not address the issue.]

should be remanded for findings in that regard. Although the Ninth Circuit did not expressly state that the party asserting fair use has the burden of establishing the absence of consumer confusion, it did (as the Supreme Court notes) by its decision, appear to have imposed just such a burden.

Because there was a dispute among the Circuits³ as to the existence of this burden, the Supreme Court decided to hear the case.

C. Analysis

1. Statutory Construction

The Supreme Court's analysis began with basic statutory construction, to determine what the Lanham Act did and did not say. As it turns out, what it did say was that the burden is on the trademark owner to establish a likelihood of confusion. What it did not say was that a party asserting a fair use defense has the burden of establishing that confusion is unlikely.

In particular, the Court noted that the Lanham Act provides that the owner of a registered mark, whether or not incontestable, may bring a civil action against anyone employing an imitation of the mark in commerce when "such use is likely to cause confusion, or to cause mistake, or to deceive." (15 U.S.C. § 1114(1)). Although an incontestable registration is entitled to certain benefits under 15 U.S.C. § 1115, the owner of an incontestable registration still has to establish a likelihood of confusion to succeed. *KP Permanent Make-Up*, 125 S. Ct. at 548.

By contrast, the "fair use" affirmative defense, as set forth in 15 U.S.C. § 1115(b), doesn't mention likelihood of confusion. As the Court stated, "Congress said nothing about likelihood of confusion

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3. Compare *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (likelihood of confusion bars the fair use defense.); *PACCAR Inc. v. TeleScan Technologies, LLC*, 319 F.3d 243, 256 (6th Cir. 2003) ("[A] finding of a likelihood of confusion forecloses a fair use defense."); and *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983) (alleged infringers were free to use words contained in a trademark "in their ordinary, descriptive sense, so long as such use [did] not tend to confuse customers as to the source of the goods."), with *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30-31 (2nd Cir. 1997) (the fair use defense may succeed even if there is a likelihood of confusion.); *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) ("[A] determination of likely confusion [does not] preclude considering the fairness of use."); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (likelihood of confusion did not preclude the fair use defense.)

in setting out the elements of the fair use defense in § 1115(b)(4).” *Id.*

In view of these two “textural fixed points” (*i.e.* the existence of express language requiring a trademark owner to establish a likelihood of confusion and the absence of any language requiring one who asserts the fair use defense to establish there is no likelihood of confusion), the Court concluded that “it takes a *long stretch* to claim that a defense of fair use entails any burden to negate confusion.” *Id.* (emphasis added). The Court concluded:

It is just not plausible that Congress would have used the descriptive phrase “likely to cause confusion, or to cause mistake, or to deceive” in § 1114 to describe the requirement that a markholder show likelihood of consumer confusion, but would have relied on the phrase “used fairly⁴” in § 1115(b)(4) in a fit of terse drafting meant to place a defendant under a burden to negate confusion.

Id.

The Court further noted (in a legislative history footnote in which Justice Scalia did not join) that the failure of Congress to include language specifically imposing a burden on the defendant in the “fair use” section “was almost certainly not an oversight” because the House Subcommittee on Trademarks had declined to forward a proposal (in 1941!) that would have required a defendant asserting a fair use defense to demonstrate that such use was “[un]likely to deceive the public.” *Id.* n.4.

Thus, on one level, the *KP Permanent Make Up* decision is nothing more than a relatively simple example of basic statutory construction and a reluctance to read into a statute something that is not already expressly there. In that regard, the decision is similar to the 2003 Supreme Court decision finding that the Federal Trademark Dilution Act (“FTDA”) required proof of *actual dilution* of a famous mark—*i.e.*, “causes dilution” as the statute said—as a prerequisite for relief rather than the more subjective “likelihood of

4. The Court rejects the argument made by Lasting that the term “used fairly” is an “oblique incorporation of a likelihood-of-confusion test developed in the common law of unfair competition.” After reviewing some of the relevant common law case law, the Court concluded that while the cases are consistent with taking account of the likelihood of consumer confusion as one consideration in deciding whether a use is fair, they do not stand for the proposition that an assessment of confusion alone may be dispositive and “[c]ertainly one cannot get out of them any defense burden to negate it entirely.” *KP Permanent Make-Up*, 125 S. Ct. at 549.

dilution” standard which some argued could or should be read into the statute. *Victor Moseley and Cathy Moseley, d.b.a. Victor’s Little Secret v. V Secret Catalogue, Inc.*, 537 U.S. 418, 123 S. Ct. 1115, 155 L. Ed. 2d 1 (2003) (“*Victoria’s Secret*”).

2. Common Sense: Avoiding Incoherence

The Court also noted that “a look at the typical course of litigation in an infringement action points up the *incoherence* of placing a burden to show nonconfusion on the defendant.” *KP Permanent Make-Up*, 125 S. Ct. at 549 (emphasis added). Put simply, the burden is on the plaintiff to prove a likelihood of confusion and not on the defendant to prove no likelihood of confusion. “It would make no sense,” the Court found, “to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element (like confusion)” when “all the defendant needs to do is to leave the fact finder unpersuaded that the plaintiff has carried its own burden on that point.” *Id.* In short, “[a] defendant has no need of a court’s true belief when agnosticism will do.” *Id.*

In addition, what good is an affirmative defense if it can only be asserted where defendant must first show that plaintiff has no *prima facie* case, *i.e.* that confusion is unlikely. “Put another way,” the Court continued, “it is only when a plaintiff has shown likely confusion by a preponderance of the evidence [including proof of likelihood of confusion] that a defendant could have any need of an affirmative defense” but, “under Lasting’s theory [which is also the position adopted by the Ninth Circuit] the defense would be foreclosed in such a case.” *Id.*

[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant.’ *Shakespeare Co. v. Silstar Corp.*, 110 F.3d at 243. Nor would it make sense to provide an affirmative defense of no confusion plus good faith, when merely rebutting the plaintiff’s case on confusion would entitle the defendant to judgment, good faith or not.

Id.

3. More Common Sense and Caveat Emptor

Finally, it seems to be the Court’s belief that when you adopt a mark that incorporates a descriptive term you must accept the consequences. As the Court stated: “some possibility of consumer confusion must be compatible with fair use.” *Id.* at 550. Accordingly “if any confusion results, that is a risk the plaintiff accepted when it

decided to identify its product with a mark that uses a well known descriptive phrase.” *Id.* (quoting *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30 (2d. Cir. 1997)).

D. Issue for the Future: At What Point Does the Extent of Confusion Suggest the Use Is Not Fair

Although the Supreme Court recognized that fair use can entail some degree of confusion, it did not rule out the possibility that the existence and extent of confusion may have a bearing on whether the use is really fair. The premise is simple: some confusion may be compatible with fair use, but a significant amount of confusion might suggest that the use is not really so fair.

Without expressly adopting this position, the Court noted that it does have some legal support:

Two Courts of Appeals have found it relevant to consider such scope, and commentators and *amici* here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant’s use of it cannot realistically be called descriptive. See *Shakespeare Co. v. Silstar Corp.*, *supra*, at 243 (“[T]o the degree that confusion is likely, a use is less likely to be found fair...” (emphasis omitted)); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d, at 1059; Restatement (Third) of Unfair Competition, §28.

Id. at 550 – 51 (Amici citations omitted).

For the time being, however, the Supreme Court sidestepped the issue by saying that it would not “rule out” the pertinence of the degree of consumer confusion in a fair use analysis. *Id.* at 551 (See below).

E. Issue for the Future: Is Accuracy the Only Issue?

The Court also did not close the door with respect to the issue of whether the term “used fairly,” simply means used accurately and nothing else:

Since we do not rule out the pertinence of the degree of consumer confusion under the fair use defense, we likewise do not pass upon the position of the United States, as *amicus*, that the “used fairly” requirement in § 1115(b)(4) demands only that the descriptive term describe the goods accurately. Tr. of Oral Arg. 17. Accuracy of course has to be a consideration in assessing fair use, but the proceedings in this case so far raise no occasion to evaluate some other concerns that courts might pick as relevant, quite apart from attention to confusion. The Restatement raises possibilities like commercial justification and the

strength of the plaintiff's mark. Restatement §28. As to them, it is enough to say here that the door is not closed.

Id.

So there is some suggestion that other issues, such as commercial justification and the strength of the trademark owner's mark, may also come into play.

F. Issue for the Immediate Future: Manner of Display

The Supreme Court remanded the *KP Permanent Make-Up* case for further proceedings consistent with its opinion. In doing so, it hinted that the manner in which KP displayed the term microcolor might be determinative. In particular, it noted in footnote six (in which Justice Breyer did not join) that although the District Court found that Lasting conceded KP's use was descriptive, it was "arguable" that Lasting made those concessions only as to KP's use of "microcolor" on bottles and flyers in the early 1990s, not as to the stylized version of "microcolor" that appeared in KP's 1999 brochure. *Id.* n.6.

The Court further noted that the fair use analysis of KP's employment of the stylized version of "microcolor" on its brochure may differ from that of its use of the term on the bottles and flyers. *Id.*

Thus, the manner of display could be important not just to the ultimate resolution of this case but also to future analysis of the fair use issue in other cases. The display of a descriptive term in simple block print using the same font size and prominence as the surrounding text may be more likely to be considered a descriptive term than a prominent use of the term in a manner that might more resemble a trademark use more than a descriptive use.

G. Brief Aside: The Supreme Court: A Decade of Tightening the Screws on Trademark Protection?

In a broad sense, the *KP Permanent Make-Up* decision *may* be reflective of a trend in recent decisions of the Supreme Court, over the last decade, strictly interpreting or, at the very least, refusing to expand the scope of protection available to trademark claimants. Consider:

- 1995 – Although color can serve as a trademark, color *per se* can never be inherently distinctive and can only be protected with a showing of acquired distinctiveness *Qualitex Co. v. Jacobson Products Co, Inc.*, 514 U.S. 159, 115 S. Ct. 1300, 131 L. Ed .2d 248 (1995).

- 1999 – States can't be sued for false advertising under Section 43 of the Lanham Act. The Trademark Remedy Clarification Act (TRCA) did not abrogate, nor did Florida's activities in interstate commerce voluntarily waive, state sovereign immunity to a private claim of false advertising (and presumably trademark infringement in general). *College Savings Bank v. Florida Pre-paid Postsecondary Education Expense Board*, 527 U.S. 666, 119 S. Ct. 2219, 144 L. Ed. 2d 605 (1999).
- 2000 – Product design can never be considered to be inherently distinctive and can only be protected upon a showing of secondary meaning. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S. Ct. 1339, 146 L. Ed. 2d 182 (2000).
- 2001 – The existence of a patent was strong evidence that the features were functional and not entitled to trade dress protection. For good measure, the Court engages in discussion of the benefits of copying. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001).
- 2003 – The Federal Trademark Dilution Act requires proof of actual dilution and not the lesser standard of likelihood of dilution. *Victoria's Secret*.
- 2003 – A claim for false designation of origin under the Federal Trademark Act does not include the unaccredited copying of a work in the public domain. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003).
- 2004 – A party raising the statutory affirmative defense of fair use to a claim for trademark infringement found not to have the burden to negate any likelihood that the practice complained of caused consumer confusion. *KP Permanent Make Up*.

The remainder of this paper will deal with various and sundry issues, hopefully of interest, that pertain to the fair use of trademarks.

III. OTHER LANHAM ACT “FAIR USE” PROVISIONS

A. The Lanham Act Fair Use Provisions

The Lanham Act does not define “fair use.” The Act, however, does provide for the assertion of the fair use defense to charges of trademark infringement, dilution, and cybersquatting.

B. Fair Use as a Defense to Trademark Infringement

Section 33(b)(4) of the Lanham Act, which was interpreted in *KP Permanent Make-Up*, is a federal statutory embodiment of what is known as a “classic” fair use defense (See Section III) to a charge of trademark infringement. SIEGRUN D. KANE, *TRADEMARK LAW: A PRACTITIONERS GUIDE* §12:2.4 (4th ed. Oct. 2004 release); *Sugar Busters LLC v. Brennan*, 177 F.3d 258 (5th Cir. 1999). The statute, as written, only refers to incontestable marks. However, it is recognized that this fair use defense also is applicable as a defense to charges of infringement of contestable and non-registered marks. 2 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS* §11.49 (4th ed. March 2005 release).

C. Fair Use as a Defense to Dilution

The concept of fair use also has been incorporated as an express defense to a claim for trademark dilution of a famous mark under the Federal Trademark Dilution Act (“FTDA”) as set forth in Section 43(c) of the Lanham Act (15 U.S.C. §1125(c)). In particular, Section 43(c)(4)(A) provides that:

(4) The following shall not be actionable under this section:

- A) *Fair use* of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark (emphasis added).

15 U.S.C. §1125(c)(4)(A).

This is the only section in the FTDA that expressly uses the term “fair use.” However, the two other defenses set forth in Section 43(c)(4) also incorporate what some might call fair use considerations. For example, Section 43(c)(4)(B) provides that “*non commercial use* of a mark” also is a defense to a claim of dilution. Finally, Section 43(c)(4)(C), which closes out the three express exceptions, provides that “all forms of *news reporting and commentary*” are exempt from a claim of dilution.

D. Fair Use as a Defense to Cybersquatting

The federal Anti Cybersquatting Protection Act, (“ACPA”), as set forth in Section 43(d) of the Lanham Act (15 U.S.C. §1125(d)), provides that in determining whether the requisite “bad faith” is present to establish cybersquatting, a Court may consider a number of factors. These include the “person’s bona fide *noncommercial or fair use* of the mark in a site accessible under the domain name.” 15 U.S.C. §1125(d)(1)(B)(i)(IV). Similarly, the section also expressly provides that bad faith intent shall not be found in any case in which the Court determines that the person believed that the “use of the domain name was a *fair use* or otherwise lawful.” (15 U.S.C. §1125(d)(1)(B)(ii)) (emphasis added).

IV. TYPES OF FAIR USE

A. “Classic” v. “Nominative” Fair Use

The term “fair use” is often used to refer to two very different types of use. These are:

- 1) “*Classic*” Fair Use - the traditional and long standing notion that it is fair to use a descriptive word in its purely descriptive sense even if another claims trademark rights in a mark using the word; and
- 2) “*Nominative*” Fair Use - the relatively newer concept (which appears to have its origin and its strongest support in the Ninth Circuit), which recognizes a party’s right to use a third party’s mark fairly to identify that third party or its goods or services.

As one commentator stated:

[Classic] [f]air use occurs when defendant uses plaintiff’s English-language word mark to describe defendant’s own products. Nominative use, a doctrine espoused primarily by the Ninth Circuit, occurs when defendant uses plaintiff’s marks to identify plaintiff or plaintiff’s products. (footnote omitted).

KANE, §11:5.2

Or as the Ninth Circuit has stated:

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

Cairns v. Franklin Mint Co., 292 F.3d 1139 (9th Cir. 2002) (emphasis in original) (footnotes omitted).

B. Other Types of Fair Use?

While some commentators have argued that the use of a mark in comparative advertising is not really technical fair use, the Lanham Act, correctly or incorrectly, clearly uses the term fair use in a comparative advertising context when it exempts from a dilution claim: “*Fair use* of a famous mark by another person in comparative commercial advertising...” 15 U.S.C. § 1125 (c)(4)(A). Moreover, the standards used to evaluate nominative fair use are not all that different from those used to evaluate what is and is not permissible in comparative advertising as both, in essence, involve the permissible limits for use of another’s mark.

Similarly, although possibly not traditionally considered to be a technical fair use, the related exemption allowed for “all forms of news reporting and commentary” also has fair use/first amendment overtones. 15 U.S.C. § 1125 (c)(4)(C)

Nevertheless, for the purposes of this section, the discussion shall be limited primarily to what is referred to as “classic” and “nominative” fair use.

C. Classic Fair Use

1. The Classic Fair Use Defense

As noted, Section 33(b)(4) of the Lanham Act, which was interpreted in *KP Permanent Make-Up*, is a statutory embodiment of a classic fair use defense.

The idea behind the classic fair use defense is that a party who chooses a mark which incorporates descriptive terms should not be permitted to exclude others from using those terms accurately and in good faith, in a descriptive, non-trademark sense.

As indicated in Section 33(b)(4), there are three components required to establish a classic fair use defense:

- a) The use must be a non-trademark use, *i.e.* used “otherwise than as a mark;”
- b) The term used must be descriptive; and
- c) The term must be used fairly and in good faith, only to describe the goods or services of the defendant.

Some representative recent cases applying the classic fair use defense are summarized below.

D. Fair

- *Packman v. Chicago Tribune Company*, 267 F.3d 628 (7th Cir. 2001).

The Chicago Tribune use of the “The joy of six” slogan as a headline in recognition of the Chicago Bulls’ sixth NBA championship and additionally in a commemorative collage printed on t-shirts found to be a descriptive use of a term describing a newsworthy event. (The Tribune’s masthead was present on the newspaper and each piece of memorabilia.)

- *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28 (2nd Cir. 1997).

Defendant’s use of the phrase “Seal it with a Kiss” in conjunction with a complimentary postcard that was issued to promote its new brand of lipstick was a fair use that did not infringe plaintiff’s mark “Sealed With A Kiss.” The Court held that Chesebrough’s use of the phrase was a clear instance of a non-trademark use of terms in a descriptive manner. According to the Court, the phrase “Seal it with a Kiss” conveyed the instruction to seal by kissing the postcard and thus, the phrase was used to describe an action that defendant hoped the customer would take using their product. The Court further noted that even though defendant’s phrase was close to the plaintiff’s mark, any confusion that resulted was a risk that the plaintiff decided to take when it decided to identify its product with a mark that utilized a well-known descriptive phrase.

- *McDonald’s Corporation v. Burger King Corporation*, 107 F. Supp. 2d 787 (E.D. Mich. 2000).

Defendant’s use of the slogan “Big Kids Meal”, to denote a larger portion children’s combination meal, was a fair use that did not infringe any rights McDonald’s might have in the mark Big Kids Meal. Burger King’s use of the slogan was descriptive of the nature of the product, namely a larger portion available for children and that the slogan did not identify the product as being a Burger King Product. The Court also noted that the slogan “Kids Meal” was a generic product name and that had been used by numerous fast food chains for years. Hence, the Court stated that even if McDonald’s had acquired common

law trademark rights in the slogan, the fair use doctrine would present an absolute defense against McDonald's claim of trademark infringement.

E. Not Fair

- *Horphag Research Ltd. v. Garcia*, 337 F.3d 1036 (9th Cir. 2003).

The use of an internet site to advertise and sell various pharmaceutical products, including the product trademarked by the plaintiff, "Pycnogenol," and "Masqueliers: the original French Pycnogenol," was not a fair use because the mark does not possess any other meaning other than its use as a registered mark. The Court held that the fair use affirmative defense solely applies to marks that possess both a primary and secondary meaning and only when the mark is used in a descriptive sense and not in a trademark sense. The Court found that the defendant's use of the plaintiff's mark was not a fair use, especially since the defendant repeatedly used the plaintiff's mark as a meta-tag.

- *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopolos, Inc.*, No. 99-7922, 2000 U.S. App. LEXIS 30761 (2nd Cir. January 24, 2000).

The use of the mark "Swing, Swing, Swing" in conjunction with a golf commercial (as opposed to simply using the term "swing" once) was not necessarily descriptive. As the Court noted:

Swing undoubtedly describes both the action of using a golf club and the style of music used in the soundtrack. Had the single word 'swing' appeared in the commercial, it could not be doubted that defendants' use was descriptive. However, it was error to rule that the alliterative phrase actually used was necessarily identical to the single descriptive word.

Id. at * 22-23.

F. Nominative Fair Use

1. The Nominative Fair Use Defense

Nominative fair use exists where the defendant uses the plaintiff's mark to describe the plaintiff's product, such as for the purposes of comparison, criticism, point of reference, or any similar purpose. *Brother Records, Inc. v. Jardin*, 318 F.3d 900, 905-06 (9th Cir. 2003). Nominative fair use can be found when the only reasonable way to describe a particular thing is to use a trademarked term. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308

(9th Cir. 1992). It is called “nominative” fair use because it “names” the real owner of the mark. McCARTHY §11:45.

The courts consider the following three factors to determine whether defendant’s use of the mark constitutes a nominative fair use:

- (a) the product or service in question is not readily identifiable without use of the trademark, *i.e.* no descriptive substitute exists;
- (b) defendant used only so much of the mark as was reasonably necessary to identify the product or service; and
- (c) defendant did nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. *New Kids on the Block*, 971 F.2d at 308.

Some representative nominative fair use cases are discussed below.

2. Fair

- *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

A newspaper’s use of the then wildly popular “New Kids on the Block” name in conducting fan opinion polls found to be a nominative fair use because it was the only reasonable way to refer to the group, and the reference was made only to the extent necessary to identify the group as the subject of the polls.

- *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002).

The use of the terms “playboy” and “playmate” in the metatags of a website, and the use of the phrase “Playmate of the Year 1981” in the site’s headlines and banner advertisements by Terri Welles, who, in fact was, the 1981 Playmate of the Year found to be a nominative fair use. The court noted that “Welles has no practical way of describing herself without using trademarked terms.” *Id.* at 803. However, the repeated use of the abbreviation “PMOY ‘81” as a watermark on the site’s webpages was not a nominative fair use, and therefore violated the trademark of Playboy Enterprises, Inc.

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

The production, advertisement, and sale of collectors' items including jewelry and dolls bearing the name and likeness of Princess Diana found to be a nominative fair use because Princess Diana's physical appearance was not readily identifiable without the use of her likeness, the marks were used only to the extent reasonably necessary for customers to understand the references to Princess Diana, and there was no suggestion of sponsorship or endorsement by the Diana Princess of Wales Memorial Fund. The Court held that "courts should use the *New Kids* nominative fair use analysis in cases where the defendant has used the plaintiff's mark to describe the plaintiff's product, *even if the defendant's ultimate goal was to describe his own product.*" *Id.* at 1152 (emphasis added).

- *Mattel Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003).

Nominative fair use was found where Artist Thomas Forsythe created a series of photographs depicting a nude "Barbie" doll in various absurd and often sexual positions to critique the objectification of women. According to the court:

Forsythe's use of the Barbie trade dress is nominative. Forsythe used Mattel's Barbie figure and head in his works to conjure up associations of Mattel, while at the same time to identify his own work, which is a criticism and parody of Barbie. Where use of the trade dress or mark is grounded in the defendant's desire to refer to the plaintiff's product as a point of reference for defendant's own work, a use is nominative. . . . The goal of a nominative use is generally for the purposes of comparison, criticism [or] point of reference.

Id. at 810 (internal quotations omitted).

- *Bijur Lubricating Corp. v. Devco Corp.*, 332 F. Supp. 2d 722 (D.N.J. 2004).

The use of plaintiff's mark on the defendant's website to indicate that defendant's parts, components, and services for lubricating devices were replacements for plaintiff's goods was nominative fair use. In so deciding, the Court commented on its application to dilution:

When a defendant uses the plaintiff's mark to describe the plaintiff's product, it is not creating an improper association in consumers' minds between the plaintiff's mark and a new product. . . . By describing its parts as replacements for Bijur parts, Devco does not weaken the distinctive link between Bijur and Bijur's goods, which is the sine qua non of dilution by blurring. . . . It is simply using the 'Bijur' name as a point of reference for its own products.

Id. at 734.

3. Not Fair

- *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526 (5th Cir. 1998).

The use of used plaintiff's trademarks in advertisements and promotional materials, on signage placed at each hole of its golf courses, and on its restaurant menus was not a fair use of plaintiffs' marks where the marks were used by defendant to distinguish its products from those of competing golf courses. Accordingly, "[b]ased upon the prominent use of the plaintiffs' marks in advertising and promotional material, use of the marks on its menu, and use of the marks on signs directing players to each tee, Tour 18 has used the marks in ways suggesting affiliation, sponsorship, or approval." *Id.*

- *Brother Records, Inc. v. Jardine*, 318 F.3d 900 (9th Cir. 2003).

Nominative fair use was not found where Al Jardine, a former member of The Beach Boys gave a concert tour under the name "The Beach Boys Family and Friends," because "The Beach Boys" mark was displayed more prominently in the name of the concert tour, suggesting sponsorship by The Beach Boys, there was evidence that the name was chosen to enhance marquee value, and there was evidence of actual confusion by people who attended the concerts. The Court noted that defendant met the first two requirements of the nominative fair use test, since the band The Beach Boys could not be referred to in any other manner, and no logos or other unnecessary marks were used, but the third requirement was not met because the use of the trademark suggested sponsorship or endorsement by the trademark holder.

- *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004).

Defendant’s use of plaintiff’s mark as a term to trigger the display of banner ads for advertisers with no association to PEI failed to meet the first prong of the nominative fair use test because other words could be used to trigger adult-oriented banner advertisements. The Court stated:

Defendants do not wish to identify PEI or its products when they key banner advertisements to PEI’s marks. Rather, they wish to identify consumers who are interested in adult-oriented entertainment so they can draw them to competitors’ websites.

Id. at 1030.

V. FOUL IS FAIR: GRIPE SITES AND THE USE OF TRADEMARKS FOR PURPOSES OF CRITICISM

A. Gripe Sites and Trademark Issue

Sometimes what may seem “foul” to a trademark owner may actually be “fair” for purposes of trademark use. A case in point: the corporate gripe sites.

The globalization of the World Wide Web (“Web”) has provided companies with new avenues to reach their customers. It also has provided new avenues for disgruntled customers and others to vent their displeasure at perceived injustices. Now anyone - concerned citizen or crackpot - with an internet connection “can become a town crier, with a voice that resonates farther than it could from any soapbox.”⁵ Many have taken this opportunity to express their displeasure by setting up gripe sites using the company trademark as part of the domain name.

Is this unfair? United States courts have not applied a uniform bright-line rule to such “gripe sites” cases under the Anticybersquatting Consumer Protection Act (“ACPA”) or other provisions of the Lanham Act. Nevertheless, there appears to be some convergence by the Courts in permitting gripe sites when there is no commercial use and where the sites are used primarily for the purpose of expressive speech. Some examples:

5. *Reno v. Am. Civil Liberties Union*, 521 U.S. 844, 870 (1997).

B. Foul Is Fair

- *Bosley Medical Institute v. Kremer*, No. 04-55962 , D.C. No. CV-01-01752-WQH (9th Cir. April 4, 2005).

In a recent decision, the Ninth Circuit found “that the noncommercial use of a trademark as a domain name of a website. . .does not constitute infringement under the Lanham Act.” *Id.* at 3979. The Court found a non-commercial non-infringing use because, the “[defendant] earns no revenue from the website [highly critical of the plaintiff] and no goods or services are sold on the website.” *Id.* at 3981.

In this particular case, the defendant created a gripe site at “www.BosleyMedical.com,” after receiving an allegedly botched hair job from the plaintiff. The site contained information highly critical of Bosley. There are no links to competitor’s websites, but the site linked to “www.BoeslyMedicalViolations.com” which in turn linked to a newsgroup that contains advertisements from Bosley’s competitors. However www.BosleyMedical.com itself does not sell any goods or services. Bosley brought this action claiming, *inter alia*, trademark infringement, dilution and unfair competition. The District Court ruled in favor of the defendant. On appeal, the Ninth Circuit affirmed, under the Lanham Act, the non-infringing (and non dilutive) use of the plaintiff’s marks in the website domain name. However, the ACPA claim was remanded for further proceedings.

- *TMI Inc. v. Maxwell*, 368 F.3d 433 (5th Cir. 2004)

Defendant’s non-commercial gripe site found not to violate the ACPA or the Texas Anti-Dilution statute. The court held that “TMI [did not] present evidence that Maxwell’s use was ‘in the ordinary course of trade,’ or that it had any business purpose at all,” and hence was a bona fide non commercial use under the ACPA. *Id.* at 438. The addition of an information exchange place on a gripe site with the intent to draw more people to the site does not make it a commercial use, especially if the site does not accept payment for a listing or charge money for viewing the listing.

In this case, Appellant Joseph Maxwell was unhappy with the service provided by TrendMaker Homes and created a website at www.trendmakerhome.com, to tell his story. The site did not contain any paid advertisements. Rather, it contained Maxwell’s story of his dispute with TMI, along with a disclaimer at the top of the home page indicating that it was not TMI’s site. It also contained the “Treasure

Chest,” a place for readers to share and obtain information. The Court held that the site was non-commercial and that Maxwell lacked bad faith intent to profit from use of the homebuilder’s mark.

- *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806 (6th Cir. 2004)

In *Lucas*, the Court of Appeals declined to consider whether the ACPA covers non-commercial activity, opining that “the statute directs a reviewing court to consider only a defendant’s ‘bad faith intent to profit’ from the use of a mark held by another party.” *Id.* at 809. The Court held that there is no violation of the ACPA if trademark owner cannot prove bad faith intent to profit. Upholding the District Court, the Sixth Circuit found that “[t]he practice of informing fellow consumers of one’s experience with a particular service provider is surely not inconsistent with [ACPA’s main objectives].” *Id.* at 810.

- *See also, Mayflower Transit, LLC v. Prince*, 314 F. Supp.2d 362 (D.N.J. 2004) and *Taubman v. Webfeats*, 319 F. 3d 770 (6th Cir. 2003).

C. Foul Is Foul

All is not fair in this war of words in cyberspace. Some courts have found that in certain situations, the use of a third party’s trademark(s) in domain names to describe the site owners own product is not fair.

- *Coca-Cola Company v. Purdy*, 382 F.3d 774 (8th Cir. 2004)

The Court of Appeals upheld the district court’s ruling that defendant had bad-faith intent to profit from plaintiffs’ trademarks through his use of confusingly similar domain names that diluted and tarnished plaintiffs’ marks. The Court held that use of a famous mark to attract an unwitting and possibly unwilling audience to an antiabortion website “could be seen as the information superhighway equivalent of posting a large sign bearing a McDonald’s logo before a freeway exit for the purpose of diverting unwitting travelers to the site of an antiabortion rally.” *Id.* at 787. Thus, the use of a famous mark in a domain name is not protected under the First Amendment “where it is likely to create confusion as to the source or sponsorship of the speech or goods in question.” *Id.*

In this action, plaintiffs, owners of the famous marks COKE, PEPSI, MCDONALD’S, and WASHINGTON POST, sued defendant who had registered numerous domain names incorporating plaintiffs’

marks and linked these names to a website at “abortionismurder.com,” which displayed graphic images of aborted and dismembered fetuses on its home page, and provided antiabortion commentary as well as links to sites selling antiabortion merchandise.

VI. CONCLUSION

This paper has touched on some, but by no means, all of the issues pertaining to what is and what is not fair in the use of trademarks. It will be interesting to watch how the Courts apply the ruling in the *KP Permanent Make Up* case in the coming year and, in particular, how the Courts address the issue suggested in the Supreme Court decision as to whether the existence of a not insignificant amount of confusion might mean that a given use is not really unfair as well as how the Courts continue to grapple with what is and is not fair.