

Track 2: Fair Use in View of KP Permanent Make-Up

Uli Widmaier

*Pattishall McAuliffe Newbury Hilliard & Geraldson LLP
Chicago, IL*

Exhibit

Exhibit A PowerPoint Presentation 2-3

Exhibit A
PowerPoint Presentation

Institute of Continuing Legal Education
2005 Intellectual Property Spring Seminar
Kellogg Center, East Lansing, MI
March 14, 2005

Fair Use in View of
KP Permanent Make-Up

Uli Widmaier
Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP
Chicago, IL

**PATTISHALL,
MCAULIFFE**

**A New Fair Use Standard in
Trademark Cases**

- *KP Permanent Make-Up, Inc., v. Lasting Impression I, Inc.*, 125 S.Ct. 542 (2004).
- Decided December 8, 2004.
- Supreme Court resolved Circuit split regarding proper standard for fair use defense.
- Unanimous decision.

**PATTISHALL,
MCAULIFFE**

Another Supreme Court case on Trademark Law?

- **Copyright v. trademark law:**

Dastar Corp. v. 20th Century Fox Film Corp., 123 S.Ct. 2041 (2003).

- **Dilution under federal law:**

Moseley v. V Secret Catalogue, Inc., 537 U.S. 418 (2003).

PATTISHALL,
MCAULIFFE

Another Supreme Court case on Trademark Law?

- **Patent v. trade dress law:**

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

- **Trade dress protection and
secondary meaning:**

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

PATTISHALL,
MCAULIFFE

The Supreme Court's Interest in Intellectual Property Law

- *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.* (oral argument scheduled for March 29, 2005).
- *Eldred v. Ashcroft*, 123 S.Ct. 769 (2003).
- *New York Times Co., Inc., v. Tasini*, 533 U.S. 483 (2001).

PATTISHALL,
MCAULIFFE

Two kinds of Fair Use in Trademark Cases

- **Classic Fair Use:**
the issue before the Supreme Court in *KP Permanent Make-Up*.
- **Nominative Fair Use:**
a specialized doctrine created by the Ninth Circuit. **Was NOT before the Supreme Court!**

PATTISHALL,
MCAULIFFE

Classic Fair Use - what is it?

- Fair use is an affirmative defense against any trademark claims. It permits the defendant to make descriptive, non-trademark use of another's mark if made in good faith.

PATTISHALL,
MCAULIFFE

In contrast, **nominative fair use** occurs when the alleged infringer uses the trademark holder's mark as a mark to describe the *trademark holder's* product.

See, e.g., KP Permanent Make-Up, Inc., v. Lasting Impression I, Inc., 328 F.3d 1061, 1071-72 (9th Cir. 2003).

PATTISHALL,
MCAULIFFE

Scope of the Classic Fair Use defense

- The defense applies to trademark infringement claims, unfair competition claims, and trademark dilution claims.

See, e.g., KP Permanent Make-Up, 328 F.3d at 1071 (infringement); *Wonder Labs, Inc., v. Procter & Gamble Co.*, 728 F. Supp. 1058 (S.D.N.Y. 1990 (unfair competition); *Nabisco, Inc., v. PF Brands, Inc.*, 191 F.3d 208 (2nd Cir. 1999) (dilution), *overruled on other grounds, Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

PATTISHALL,
MCAULIFFE

Fair Use - where does it come from?

- Fair use is a creature of the common law. 125 S.Ct. at 550.
- Fair use is *partially* codified in the Lanham Act, 15 U.S.C. 1051 *et seq.*

PATTISHALL,
MCAULIFFE

Fair Use - a foundational doctrine of trademark law

- “It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark. . . . This **common-law principle** is codified in the Lanham Act.”

Car-Freshner Corp. v. S.C. Johnson & Son, Inc., 70 F.3d 267, 269 (2nd Cir. 1995) (emphasis added).

PATTISHALL,
MCAULIFFE

Fair Use: The Statutory Standard

- 15 U.S.C. 1115(b)(4):
Liability will not attach where “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.”

PATTISHALL,
MCAULIFFE

Context:

Fair Use in the Lanham Act

- 15 U.S.C. 1115(b): sets forth rights flowing from statutory incontestability of a registered mark:

“To the extent that the right to use the registered mark has become incontestable under section 15 [15 U.S.C. 1065], the registration shall be exclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the mark in commerce.”

PATTISHALL,
MCAULIFFE

Context:

limits on incontestability rights

- 15 U.S.C. 1115(b)(1)-(9):
“Such conclusive evidence of the right to use [an incontestable] registered mark . . . shall be subject to the following defenses or defects:”
(1) fraud in obtaining the registration; (2) abandonment; (3) permission of registrant; **(4) fair use**; (5) and (6) prior use or registration; (7) violation of antitrust laws; (8) functionality; (9) equitable defenses such as laches, estoppel, acquiescence.

PATTISHALL,
MCAULIFFE

Lanham Act Fair Use: **partial** codification of Common Law

- 15 U.S.C. 1115(a): addresses registered but not incontestable marks:
“Any [federal] registration . . . shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark . . . but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b), **which might have been asserted if such mark had not been registered. . . .**”

PATTISHALL,
MCAULIFFE

Against which plaintiffs' marks does the fair use defense apply?

- Under 15 U.S.C. 1115(b)(4):
All incontestable marks.
- Under 15 U.S.C. 1115(a):
All federally registered marks, whether incontestable or not.
- Under 15 U.S.C. 1115(a) and the common law:
All common law marks.

PATTISHALL,
MCAULIFFE

What does “fair use” mean?

- Defendant **must not make trademark use** of the term in question.
- 2 relevant statutory provisions:
 - (a) “otherwise than as a mark.”
 - (b) “only to describe the goods or services.”

PATTISHALL,
MCAULIFFE

Fair Use: NOT trademark use

- **A trademark or service mark is any symbol or device used to distinguish the goods or services of the mark’s owner from those of others and to indicate their source.**
See 15 U.S.C 1127 (definition of “trademark” and “service mark”).

PATTISHALL,
MCAULIFFE

Simple enough, right?

- If defendant can show it makes fair use (*i.e.* good-faith descriptive use) of the plaintiff's mark, defendant wins.

PATTISHALL,
MCAULIFFE

NOT SO FAST!

PATTISHALL,
MCAULIFFE

The Circuit Split on Fair Use

- “We granted KP’s petition for *certiorari* . . . to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim, and the obligation of a party defending on that ground to show that its use is unlikely to cause consumer confusion.”
125 S.Ct. at 547.

PATTISHALL,
MCAULIFFE

The Situation before December 8, 2004

- 5th, 6th, and 9th Circuits:
A finding of likelihood of confusion **precludes a fair use defense.**
- 2nd, 4th and 7th Circuits:
A finding of likelihood of confusion **does not preclude a fair use defense.**

PATTISHALL,
MCAULIFFE

Case Study:
The 9th Circuit's decision in *KP
Permanent Make-Up*

- 328 F.3d 1061 (2003).

KP Permanent



Lasting Impression



**PATTISHALL,
MCAULIFFE**

The 9th Circuit's decision

- “[T]he fair use analysis only complements the likelihood of customer confusion analysis.”
- “KP can only benefit from the fair use defense if there is no likelihood of confusion between KP’s use of the term ‘micro color’ and Lasting’s mark.”
- “In addressing KP’s motion for summary judgment, we must determine whether there are genuine issues of fact that exist with respect to likelihood of confusion.”

**PATTISHALL,
MCAULIFFE**

The 9th Circuit's decision

- “Due to the factual nature of likelihood of confusion, determining whether a likelihood of confusion exists at the summary judgment is generally disfavored because a full record is usually required to fully assess the facts.”

(All quotes from 328 F.3d at 1072.)

**PATTISHALL,
MCAULIFFE**

The effect of the Rule in the 5th, 6th, and 9th Circuits

- Permitting a fair use defense only where there is no likelihood of confusion effectively puts the burden on the defendant to disprove the gravamen of the claim and makes avoiding trial virtually impossible.

**PATTISHALL,
MCAULIFFE**

The Supreme Court Speaks

- “Starting from [the text of Section 1115(b)], it takes a long stretch to claim that a defense of fair use entails any burden to negate confusion.”
125 S.Ct. at 548.

PATTISHALL,
MCAULIFFE

The Supreme Court Speaks

- “[A] look at the typical course of litigation in an infringement action points up the incoherence of placing a burden to show nonconfusion on a defendant.”
125 S.Ct. at 549.

PATTISHALL,
MCAULIFFE

The New Standard

- “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.**”
125 S.Ct. at 550 (emphasis added).

PATTISHALL,
MCAULIFFE

The New Standard

- “In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the *prima facie* case . . . , 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”
125 S.Ct. at 551.

PATTISHALL,
MCAULIFFE

What does the new standard mean?

How does the new standard affect your clients?

PATTISHALL,
MCAULIFFE

Open Issues

- Does likelihood of confusion still play a role in a fair use inquiry?
- Is nominative fair use affected?
- Does the Supreme Court's holding reach only incontestable marks?
- Has the Supreme Court strengthened First Amendment defenses in trademark actions?

PATTISHALL,
MCAULIFFE

Fair Use and Likelihood of Confusion

- Does confusion still matter when asserting or opposing a fair use defense?

Absolutely!

PATTISHALL,
MCAULIFFE

Fair Use and Likelihood of Confusion

- “[O]ur holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair.”
125 S.Ct. at 550.

PATTISHALL,
MCAULIFFE

Fair Use and Likelihood of Confusion

- “[W]e do not rule out the pertinence of the degree of consumer confusion under the fair use defense.”
125 S.Ct. at 551.

**PATTISHALL,
MCAULIFFE**

Fair Use and Likelihood of Confusion

- A defendant who wants to assert a fair use defense has no burden to show there is no consumer confusion.
- The plaintiff always has the burden of showing likelihood of confusion.
- Use can be fair even though it creates some consumer confusion.
- But high levels of confusion may indicate that a certain use is not, in fact, fair.

**PATTISHALL,
MCAULIFFE**

Nominative Fair Use

- "We distinguish between two types of fair use: **classic fair use**, in which the defendant has used the plaintiff's mark to describe the defendant's *own* product, and **nominative fair use**, in which the defendant has used the plaintiff's mark to describe the *plaintiff's* product for the purpose of, for example, comparison to the defendant's product." *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002)

PATTISHALL,
MCAULIFFE

Nominative Fair Use

- A creation of the Court of Appeals for the Ninth Circuit. *See New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992).
- **UNAFFECTED by KP Permanent Make-Up.**

PATTISHALL,
MCAULIFFE

What marks are affected by *KP Permanent Make-Up?*

- In its holding, the Supreme Court speaks of “a plaintiff claiming infringement **of an incontestable mark**”
125 S.Ct. at 551 (emphasis added).
- Is the Supreme Court’s holding therefore limited to cases involving incontestable marks?

PATTISHALL,
MCAULIFFE

What marks are affected by *KP Permanent Make-Up?*

- The Supreme Court affirmed the ancient common-law rule on fair use:
“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.”
125 S.Ct. at 550, citing to an 1872 (!) case.

PATTISHALL,
MCAULIFFE

Marks affected by *KP Permanent Make-Up*

- The Supreme Court's ruling probably redefines the fair use defense not only for incontestable marks, but for **all marks, whether incontestable, registered, or common-law.**

PATTISHALL,
MCAULIFFE

First Amendment Issues

- What First Amendment issues?
- **NOT ONCE** does the opinion mention the terms "First Amendment" or "freedom of speech."

PATTISHALL,
MCAULIFFE

Free Speech Interests

- The opinion is driven by a powerful desire to keep the English language fully available to all.

PATTISHALL,
MCAULIFFE

Free Speech Interests

- “The common law’s tolerance of a certain degree of confusion on the parts of consumers followed from . . . the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.”
125 S.Ct. at 550.

PATTISHALL,
MCAULIFFE

Free Speech Interests

- The Court's goal:
 - "prevent commercial monopolization of language"
 - "protect the right of society at large to use words or images in their primary descriptive sense."

125 S.Ct. at 550.

PATTISHALL,
MCAULIFFE

Free Speech Interests

- The Court cited with approval testimony given at the hearings on the original Lanham Act in 1941:
"Everybody has got a right to the use of the English language and has got a right to assume that nobody is going to take that English language away from him."

125 S.Ct. at 550 n.5.

PATTISHALL,
MCAULIFFE

Modern Parody Defense

- Where defendant's conduct involves protected speech, plaintiff must show a higher risk of consumer confusion than when it does not.

See, e.g., Cliffs Notes, Inc., v. Bantam Doubleday Dell Publishing Group, Inc., 886 F.2d 490 (2nd Cir. 1989).

PATTISHALL,
MCAULIFFE

Iconic Mark Defense

- “[Some] trademarks transcend their identifying purpose[,] enter our public discourse and become an integral part of our vocabulary. . . . Were we to ignore the expressive value that some marks assume, trademark rights would grow to encroach upon the zone protected by the First Amendment.”

Mattel, Inc., v. MCA Records, Inc., 296 F.3d 894, 900 (9th Cir. 2002).

PATTISHALL,
MCAULIFFE

Iconic Mark Defense

- “Simply put, the trademark owner does not have the right to control public discourse whenever the public imbues his mark with a meaning beyond its source- identifying function.”

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

PATTISHALL,
MCAULIFFE

KP Permanent Make-Up strengthens parody defense:

- both fair use defense and parody defense **tolerate some consumer confusion** in the name of safeguarding freedom of speech.

PATTISHALL,
MCAULIFFE

KP Permanent Make-Up strengthens iconic mark defense

- both fair use defense and iconic mark defense **restrict the scope of a mark's protection** in the name of safeguarding freedom of speech.

PATTISHALL,
MCAULIFFE

A Cautionary Tale

- Mattel sued photographer for copyright infringement, trademark infringement and dilution for selling pictures involving the Barbie doll.
- Defendant claimed First Amendment protection.
- The Court of Appeals agreed.
- *See Mattel, Inc., v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003).

PATTISHALL,
MCAULIFFE

A Cautionary Tale

- On remand, the District Court held:
Mattel's claims were **“groundless and unreasonable.”**
- More than **\$1.8 million** in attorneys' fees and costs assessed against Mattel.
Mattel, Inc., v. Walking Mountain Productions, 2004 WL 1454100 (C.D. Cal. June 21, 2004).

**PATTISHALL,
MCAULIFFE**

Free Speech: A Crucial Practical Consideration

- How do free speech interests affect my case?
- An interconnected checklist:
 - (1) Is plaintiff's mark iconic?
 - (2) Is defendant's use fair?
 - (3) Is defendant using plaintiff's mark in an expressive way - via parody, humor, criticism, political speech, artistic speech etc.?

**PATTISHALL,
MCAULIFFE**

Guidance through the Minefield

- Pierre Leval, *Trademark: Champion of Free Speech*, 27 Columbia Journal of Law & the Arts 187 (Winter 2004).

**PATTISHALL,
MCAULIFFE**

Thank You!

Uli Widmaier

Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP
311 South Wacker Drive
Suite 5000
Chicago, IL
(312) 554-8000
uwidmaier@pattishall.com

**PATTISHALL,
MCAULIFFE**