

# Stranger Than Fiction

## When Fictional Trademark Use Blocks Real-World Trademarks

By Anna K. Robinson

Trademarks play an important role in the modern marketplace, efficiently providing information to consumers about the source or sponsorship of goods and services. A customer can immediately recognize a brand name or logo and associate it with a particular manufacturer or seller. More recently, trademarks have become even more valuable as intellectual property rights. Brand names and logos appear not just on products or in advertising, but also are featured prominently on apparel and other merchandise.

In many ways, the role of brands continues to evolve. In the era of social media where entertainment abounds, brands are even present in fictional settings. A recent case demonstrates the evolving nature of trademark rights in our increasingly brand-conscious society. In *Viacom Int'l, Inc v IJR Capital Investments, LLC*, the U.S. Court of Appeals for the Fifth Circuit held that trademark law protects a well-recognized, fictional business even though it exists only as a literary feature.<sup>1</sup>

### Trademark law

Trademark law protects names, symbols, and phrases used to represent a company or its products and to distinguish those products from products of others. The law may protect a company's *trade name*—the name a business uses to distinguish itself from other entities (e.g., Boeing and McDonald's). It also protects a company's *trademarks*, which are any words (e.g., Tide), names (e.g., Betty Crocker), symbols (e.g., Nike's "swoosh"), phrases (e.g., "Just do it"), or combinations of those elements used to identify a company's products and distinguish them from those sold by others. Trademark law can also protect a product's design or packaging style, known as *trade dress*. Companies that provide services instead of goods can protect their names (e.g., Red Lobster) via *service marks*.<sup>2</sup>

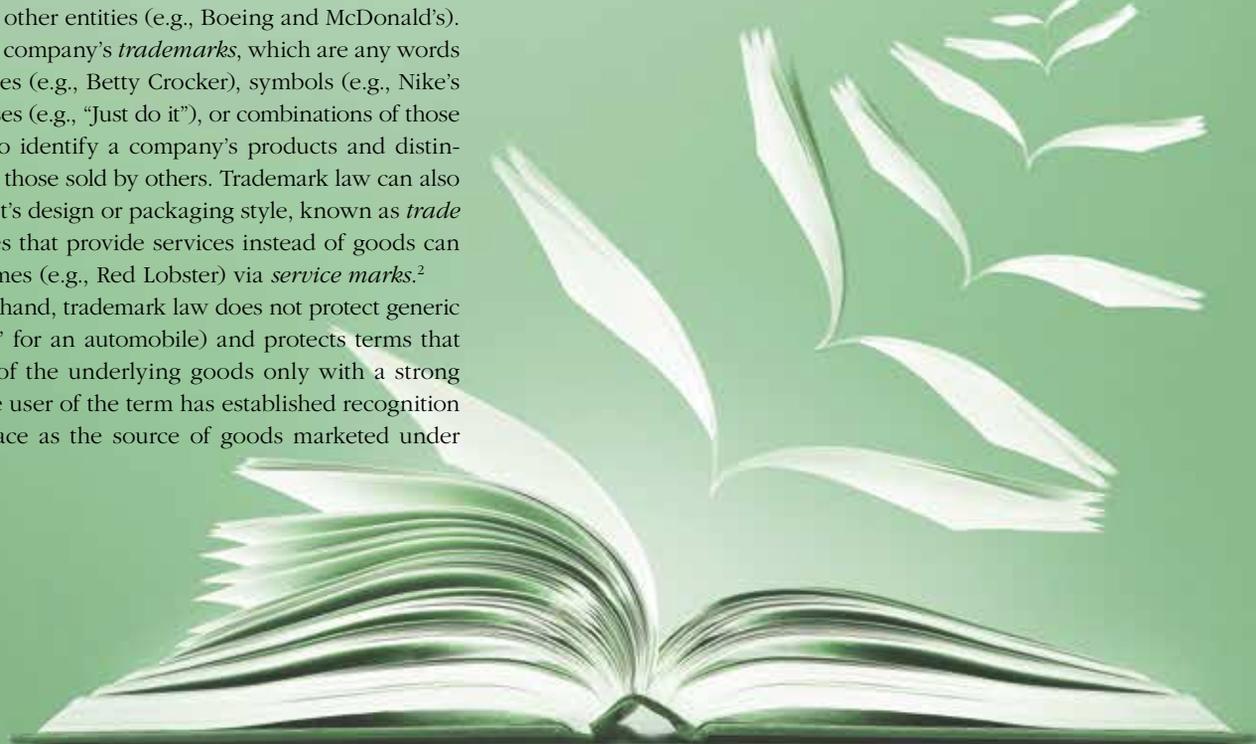
On the other hand, trademark law does not protect generic terms (e.g., "car" for an automobile) and protects terms that are descriptive of the underlying goods only with a strong showing that the user of the term has established recognition in the marketplace as the source of goods marketed under the term.<sup>3</sup>

Trademark law protects a company's trademarks by forbidding others from using trademarks or names in a manner that is likely to create confusion among customers. From an economic perspective, the law protects the value of the trademark owner's reputation and its investment in advertising. But the use of a trademark in a way that is not likely to confuse customers is not actionable.<sup>4</sup>

Trademark rights in the United States arise from use, not registration. So even if a mark is not registered, the owner can acquire substantial common law rights in the geographic area where the mark is actually used. However, most businesses with significant goodwill built up in a brand will enhance and extend the protection of their marks through federal registration. In addition, a federal "intent to use" trademark application for a mark not yet in actual use can establish priority, for a limited period, for future use of the mark as against others who later apply for or adopt the mark.<sup>5</sup>

### The Krusty Krab

As most 10-year-olds know, The Krusty Krab is a fictional restaurant featured in the popular Nickelodeon animated program, *SpongeBob SquarePants*. The Krusty Krab is a regular element of the program, appearing in 166 of 203 episodes as



## AT A GLANCE

Although trademarks generally arise from use of a name or symbol in connection with a good or service sold in a real physical marketplace, prominent features from the literary world also can be protected under the Lanham Act. Clients should carefully evaluate the risks before adopting a brand name or logo that is based on an element in a motion picture, television program, or other popular work.



well as the series pilot and two full-length animated motion pictures. Viacom, the owner of the *SpongeBob SquarePants* franchise, has granted licenses to use The Krusty Krab for various products. Viacom has not, however, applied for a federal trademark registration for The Krusty Krab and has neither used nor licensed the name for use in an actual restaurant. The Krusty Krab restaurant only exists in the world of *SpongeBob* and the other denizens living under the sea.<sup>6</sup>

IJR Capital Investments, LLC planned to open a restaurant named the Krusty Krab and filed a federal intent to use application with the U.S. Patent and Trademark Office. IJR stated that it was unaware of the Krusty Krab element in *SpongeBob SquarePants* and independently selected the name. Viacom became aware of the registration and, when IJR refused to withdraw the registration, filed a lawsuit in the U.S. District Court for the Southern District of Texas alleging trademark infringement under the Lanham Act, trademark dilution, unfair competition, and related state-law claims. The district court granted summary judgment in favor of Viacom on its Lanham Act claim.<sup>7</sup> IJR then appealed to the Fifth Circuit.<sup>8</sup>

## Trademarks in literary characters

The *Viacom* case is one of a limited number of cases in which a plaintiff has sought to enforce intellectual property rights in features of a literary work. These cases raise challenging issues.

If an actor or star of a media property acquires his or her own commercially valuable persona, unauthorized use of the name, likeness, or characteristics may be the basis of a right-of-publicity claim. For example, in the Sixth Circuit, television personality Johnny Carson was successful in suing a portable toilet service for using his characteristic introduction, “Heeere’s Johnny!”<sup>9</sup> In another case, Vanna White prevailed in a right-of-publicity suit based on an ad with a robotic letter-turner.<sup>10</sup>

Trademark law also has been applied to protect literary references adopted as trademarks in commerce. For example, another Viacom trademark, Bubba Gump Shrimp Co., refers to a fictional business in the popular motion picture *Forrest Gump*. Based on the box-office success of that film, Viacom

registered the mark and licensed it to a restaurant group. Thus, the trademark was used for a chain of actual functioning restaurants.<sup>11</sup>

In other cases, a purely literary work has been protected by copyright. For example, one court ruled that the Batmobile was a literary character entitled to copyright protection, and enforced the copyright against a company making and selling a vehicle resembling Batman’s vehicle.<sup>12</sup>

## Fifth Circuit rules that extensive literary use triggers trademark status

In a decision written by Circuit Judge Priscilla R. Owen, the Fifth Circuit noted that trademark protection has been recognized for “certain characters, places, and elements of a broader entertainment entity.”<sup>13</sup> Although Viacom had not used The Krusty Krab mark in an actual restaurant and had not licensed it for use in connection with a restaurant, the court concluded that it nonetheless had a protectable trademark interest.

The court noted that, to succeed, Viacom was required to show “(1) that it owns a legally protectable mark in The Krusty Krab and (2) that IJR’s use of the mark creates a likelihood of confusion as to source, affiliation, or sponsorship.”<sup>14</sup>

As to the critical first issue, the court noted that trademark status was based on how Viacom had used The Krusty Krab. “The question in this case, however, is whether Viacom uses The Krusty Krab to indicate origin because the purpose of trademark law is to ‘prevent[ ] competitors from copying a source-identifying mark.’”<sup>15</sup>

The court noted that trademark status had been recognized for some literary elements. For example, “General Lee,” the muscle car decorated with a Confederate battle flag, was a protectable element of the *Dukes of Hazzard* television series.<sup>16</sup> However, in that case, unlike in *Viacom*, the owner of the literary property had granted exclusive licenses to use the General Lee in toys, the specific product that the defendant was making.<sup>17</sup>

The Fifth Circuit distinguished a similar Trademark Trial and Appeal Board case involving a trademark registration for the Romulan design mark, which the applicant sought to register for live and recorded musical performances.<sup>18</sup> The Board ruled that the opposer, Paramount (which owned the *Star Trek* franchise) used the device in television episodes, books, comic books, and other literary works, but failed to show that it had used it as a trademark. “As far as we can tell from this record, opposer has not used the term ‘Romulan’ (or ‘Romulans’) as a mark to identify and distinguish any services of opposer.... Appearance of the Romulans as characters in the story line of the STAR TREK television series or movies does not make Romulans a trademark or service mark for either.”<sup>19</sup>

The Fifth Circuit explained the *Paramount* decision as based merely on the tangential significance of Romulans to the *Star Trek* story line.

The court also pointed to cases involving the Daily Planet<sup>20</sup> and Kryptonite<sup>21</sup> from *Superman*, both of which were involved in extensive licensing by DC Comics. It concluded:

When an element plays a more central role in a franchise, trademark protection is ordinarily granted....The Krusty Krab is analogous to protected marks like the Daily Planet, General Lee, and Conan the Barbarian. The mark is integral to “SpongeBob SquarePants,” as it appears in over 80% of episodes, plays a prominent role in the SpongeBob films and musical, and is featured online, in video games, and on licensed merchandise. The Krusty Krab’s central role in the multi-billion dollar SpongeBob franchise is strong evidence that it is recognized in itself as an indication of origin for Viacom’s licensed goods and television services.<sup>22</sup>

It decided that “The Krusty Krab’s key role in ‘SpongeBob SquarePants’ coupled with the consistent use of the mark on licensed products establishes ownership of the mark because of its immediate recognition as an identifier of the source for goods and services.”<sup>23</sup>

The court also held that Viacom established that The Krusty Krab had acquired distinctiveness through the applicable factors: “(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant’s intent in copying the [mark].”<sup>24</sup>

## Real-world application and trademark searching

In view of the *Viacom* decision, businesses not only need to be aware of real-world trademark uses, but must also consider fictional uses of terms that may be entitled to trademark protection. When does a fictional use have a prominent role that would be considered protectable? Or, for the entertainment franchise, how does one ensure that elements in a literary work or media program are protected from third-party adoption and use?

Before selecting a new trademark, it benefits brand owners to engage in trademark searching.<sup>25</sup> Searching helps businesses determine whether a trademark is available and identifies potential risks to adopting a trademark. Sometimes, it is important to think outside of the box and carefully review common-law search results that appear innocuous at first—such as a fictional element in a television show—to determine whether such use would cause confusion. For the entertainment franchise or literary owner looking to protect an element of its work for future licensing opportunities, the franchise should not only emphasize the element in its work

or media property, but diligently monitor newly filed third-party trademark applications and uses. After all, sometimes truth is stranger than fiction. ■



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## ENDNOTES

- Viacom Int'l, Inc v IJR Capital Investments, LLC*, 891 F3d 178 (CA 5, 2018).
- See generally US Patent and Trademark Office, *Protecting Your Trademark: Enhancing Your Rights Through Federal Legislation* (September 2018) <<https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf>> (accessed October 29, 2018).
- Id.* at 8.
- Id.* at 4.
- Id.* at 20.
- Intellectual property concerns are not alien to *SpongeBob SquarePants*. A common thread running through the *SpongeBob* story line is the effort by Mr. Krabs, The Krusty Krab’s proprietor, to protect the secret recipe for the popular “Krab Patty” entrée. The IP issue in the *Viacom* case, however, involves trademark law.
- Viacom Int'l, Inc v IJR Capital Investments, LLC*, 242 F Supp 3d 563 (SD Tex, 2017).
- Viacom Int'l, Inc v IJR Capital Investments, LLC*, 891 F 3d 178 (CA 5, 2018).
- Carson v Here's Johnny Portable Toilets, Inc*, 698 F2d 831 (CA 6, 1983).
- White v Samsung Electronics American, Inc*, 971 F2d 1395 (CA 9, 1992).
- Viacom*, 891 F3d at 183.
- DC Comics v Towle*, 802 F3d 1012 (CA 9, 2015).
- Viacom*, 891 F3d at 186.
- Id.* at 185.
- Id.* at 186, citing *Dastar Corp v Twentieth Century Fox Film Corp*, 539 US 23, 34; 123 S Ct 2041; 156 L Ed 2d 18 (2003).
- Warner Bros, Inc v Gay Toys, Inc*, 658 F2d 76 (CA 2, 1981).
- In fact, the Second Circuit seems to have premised the relief granted on the economic injury to Warner’s licensing program: “If the injunction is denied, Warner Bros. and its licensees will suffer substantial lost sales, and its licensing program will lose much of the confidence reposed in it by the licensees, who also made substantial investments based upon the exclusivity of their licenses.” *Id.* at 79.
- Paramount Pictures Corp v Romulan Invasions*, 7 USPQ2d 1897 (TTAB, March 31, 1988).
- Id.*
- DC Comics, Inc v Powers*, 465 F Supp 843 (SD NY, 1978).
- DC Comics, Inc v Kryptonite Corp*, 336 F Supp 2d 324 (SD NY, 2004).
- Viacom*, 891 F3d at 187–188.
- Id.* at 189.
- Id.* at 190, citing *Test Masters Educ Servs, Inc v Robin Singh Educ Servs, Inc*, 799 F3d 437, 445 (CA 5, 2015).
- A basic search of federal trademark registrations and applications can be performed through the US Patent and Trademark Office website using the Trademark Electronic Search System, available at <<https://www.uspto.gov/trademarks-application-process/search-trademark-database>> (accessed October 29, 2018). This search will not uncover all risks, such as common-law (use-based) rights or variations of searched marks. Professional trademark search vendors, such as Corsearch, TrademarkNow, or CompuMark, provide more comprehensive search results.