FAST FACTS

Private labelers must make prominent use of the retailer's trademark and omit distinctive features from the national brand package.

Retailers have some potential liability to both the private labelers and national brands.

Retailers can be enlisted to mediate disputes between private labelers and national brands.

Look-Alike PACKAGING

A balance of principle and pragmatism

By Andrew M. Grove

PRIVATE LABELERS AND RETAILERS WANT PACKAGE DESIGNS THAT SELL. One very common design approach is to mimic the package shape and colors of the national brand. In fact, we see this everywhere if we take a casual stroll through any retailer.

This makes sense for everyone except the national brand maker whose package is being mimicked. The national brand maker tends to see this private labeling design approach as a threat of lost sales and diluted brand strength, so it sues private labelers for trade dress infringement, trade dress dilution, and various forms of unfair competition. Basically, the national brand makers argue that similar private label packages confuse consumers, and consumers buy the private label package thinking that they are getting the national brand. The national brand makers claim damages and seek preliminary and permanent injunctions against what they see as "copycat" packaging.

Courts have had a chance to consider this common private label design approach; and so far, they seem to favor private labelers and tolerate the approach as long as certain etiquette is followed.[1] First, private labelers must make prominent use of a trademark—preferably the retailer's mark. This is very important in reducing the likelihood of customer confusion. The retailer typically has a strong mark, and the prominent placement of the mark on the package alerts the consumer that the package is indeed a house brand and not the national brand. Second, private labelers should omit several items in the overall "look" of the national brand packaging. If the private labeler can point to several distinctive features that it did not borrow from the national brand, courts will be more likely to tolerate use of the national brand's colors and package shape. Private labelers can also put "Compare to" statements on the front of the package, along with disclaimers and the name of the private labeler on the back of the package. This etiquette can help create a winning legal position.

Unfortunately, even if the private labelers have a winning position, they can still pay lawyers hundreds of thousands of dollars to win the case. In many instances, business insurance will pick up some of the tab for trademark-type lawsuits. But there is still all of the headache and lost productivity of a lawsuit; and there is still the matter of the insurance deductible, which is typically tens of thousands of dollars. There is also the likelihood that business insurance premiums will rise after the first lawsuit. Accordingly, sometimes private labelers have to rise above principle and get pragmatic.

Above all, the private labeler needs to establish a good relationship with the retailer, and alert the retailer to the issues that might arise. The retailer needs to know that there is a chance the national brand maker will sue the private label manufacturer. The retailer will not want to take much responsibility if this happens—retailers being what they are; and neither of the vendors—private label and national brand—will want to irritate the retailer. But the fact is that the retailer could have some liability to both vendors, and the retailer's lawyer knows this even if the retailer's buyer does not. Accordingly, the private labeler can enlist the retailer to negotiate with the national brand maker. The retailer can approve a modest packaging change that is less threatening to the national brand maker, and the retailer as the customer is in a better position to persuade the national brand maker to see good business sense. So, while it helps to have a good legal position, the private labeler should be ready to use the retailer to help effect a compromise with the national brand maker. This can save a great deal of money and aggravation. ✦

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Footnote

1. *McKeon Products, Inc v Flents Products Co,* 69 US PQ2d 1032 (ED Mich 2003).