

CAN FAIR USE CONFUSE?

For the fifth time in four years, the Supreme Court has granted certiorari to review a trademark-related case, this time on the issue of fair use. In each of the prior four decisions, the Supreme Court has narrowed the scope of trademark protection.¹ The case presently before the Court, *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *cert. granted*, 124 S. Ct. 981 (2004), may halt this trend.²

At issue in *KP Permanent* is the classic fair use defense. That defense applies when a defendant uses another's mark in good faith to describe, in a nontrademark fashion, its own products. The issue before the Supreme Court is whether a party asserting a fair use defense must demonstrate that its fair use will not create a likelihood of confusion.

1. Background

Both parties in *KP Permanent* market permanent makeup supplies. Unlike tattooing, permanent make-up—also called micropigmentation—has primarily medical and cosmetic functions. Micropigmentation can, for example, soften or conceal the appearance of scars, or highlight facial features, such as eyebrows or lips.

Lasting Impression began using the term “micro color” as a trademark for its line of permanent makeup pigments in 1992, and now owns an incontestable federal registration of the mark. In 1990, KP Permanent began using the term “microcolor” to describe its array of micropigments. In 1991, KP Permanent began using the term to indicate the type of pigment contained within the bottle, as in MICROCOLOR: BLACK. In 1999, KP Permanent prominently displayed a stylized MICROCOLOR PIGMENT Design on its brochures. Lasting Impression demanded that KP cease such use. In response, KP sued in the district court for the Central District of California seeking a declaratory judgment that microcolor is a generic term or that KP used the term fairly only to describe the qualities of its own products.

Granting summary judgment on KP's fair use defense, the district court noted that Lasting Impressions conceded KP was using “microcolor” descriptively. KP also began using the term before Lasting Impression, which indicated KP's good faith. Finding that the fair use defense applied, the court declared it need not analyze likelihood of confusion.

The Ninth Circuit reversed, stating that when “the classic fair use defense is raised, it is still necessary to analyze likelihood of confusion ... Therefore, KP can only benefit from the fair use defense if there is no likelihood of confusion.” *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir., 2003). The court then remanded for likelihood of confusion analysis.

2. The Supreme Court

The Supreme Court granted certiorari to resolve the circuit split over whether the party asserting a fair use defense must also demonstrate absence of a likelihood of confusion. The Ninth Circuit is the only circuit that still expressly requires a finding of no likelihood of confusion for fair use defense. The Ninth Circuit does not support this rule through either statutory construction or policy arguments, but instead suggests that a finding of likely confusion is probative evidence that the defendant's use was in fact trademark use and thus not fair use.³ The Second Circuit, before switching to the majority rule, announced a somewhat plausible rationale for requiring a showing of no likelihood of confusion: the Lanham Act's principal purpose is to protect consumers against marketplace confusion; it would therefore be illogical to deem fair a competitor's use that creates such confusion.⁴

The Fifth Circuit and the Second Circuit previously cleaved to a similar rule, but have since joined the Fourth Circuit in expressly holding that a fair use defense applies even in the face of likely confusion.⁵ Two principal rationales emerge from the decisions of these courts. First, well-known descriptive phrases may become protectable marks once they acquire secondary meaning, such that the phrase's primary meaning (describing a product's attributes) is overlaid with another meaning (indicating the source of the product). While the owner of a descriptive mark imbued with secondary meaning may protect against encroachment on the source-identifying nature of the mark, it should have no recourse against merely descriptive uses. As argued in the amicus brief submitted by the International Trademark Association⁶, the fair use defense facilitates the free exchange of truthful information about products in the marketplace by permitting competitors to use another's descriptive mark, so long as they use it in a nontrademark way to describe their own products. As one court put it: “[I]f 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.” *Cosmetically Sealed Indus., Inc. v. Cheesbrough-Pond's USA Co.*, 125 F.3d 28 (2nd Cir. 1997).

The second reason is that such a requirement “would effectively eviscerate a fair use defense.”⁷ “If a fair-use defense is not to be considered when there is a likelihood of confusion,” the Fourth Circuit reasoned, “then it is never to be considered. The fair-use defense comes into play only when infringement ... has been established.”⁸

3. Amicus Briefs

Amicus parties INTA and American Intellectual Property Law Association also argue that the Ninth Circuit rule is without support in the text of the Lanham Act. The Lanham Act itself articulates only three elements to the fair use defense: a party must show that it adopted the contested term (a) in good faith, (b) to describe its own goods, and that it (c) uses the contested term in a non-trademark fashion. It does not include as an element an absence of likelihood of confusion.

AIPLA also argues that requiring a fair-use party to prove no likelihood of confusion upends the statutory burdens of proof. A plain reading of the statute requires a plaintiff asserting trademark rights to show infringement, which necessitates a showing of likelihood of confusion. Once this showing has been made, it is then incumbent on a defendant to establish that its use is entitled to the fair use defense. “By requiring a party raising the affirmative defense of fair use to negate a necessary element of the plaintiff's case, the Ninth Circuit's rule effectively forces the accused infringer to assume the trademark holder's burden.” Brief for Amicus Curiae AIPLA at 10, *KP Permanent*.

While INTA and AIPLA have urged the Supreme Court to overturn the Ninth Circuit, they have also argued that likelihood of confusion analysis should remain relevant to a consideration of the fair use defense. Certain factors in this analysis, such as the existence of actual confusion and defendant's intent, may be probative of whether defendant's use is non-trademark use adopted in good faith.

4. Conclusion

Firms that use a competitor's mark to describe their own products may risk litigation. Under the current Ninth Circuit rule, the risk is greater because a firm that uses a mark in good faith in what it believes to be a non-trademark fashion to refer to qualities of its own products, may still be liable upon a finding of likelihood of confusion. This risk may dissuade firms from using certain

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descriptive terms to inform consumers about their wares. Under the majority rule, consumers and trademark owners bear the risk that fair use may result in confusion. If the Supreme Court approves the majority rule, the users of descriptive terms will have greater certainty concerning the risks posed by their marketing practices but trademark owners may find the fair use defense more difficult to defeat.

— Matthew A. Griffin

1. The Court declared that a product design can never be inherently distinctive in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 525 U.S. 205 (2000), held that the existence of a design patent creates a presumption that the covered element is functional and therefore unprotectable trade dress in *Traffix Devices v. Mktg. Displays*, 532 U.S. 23 (2001), required that dilution claimants prove actual dilution rather than merely a likelihood of dilution, *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003), and precluded the owner of an expired copyright from thereafter claiming trademark

protection in the material claimed in the expired copyright, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003).

2. The case is now set for oral argument in October 2004.
3. See *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984).
4. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, n. 9 (2nd Cir. 1979).
5. *Compare Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791, 796 (5th Cir. 1983) with *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 547 n.12 (5th Cir. 1998); compare *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, n.9 (2nd Cir. 1979) with *Cosmetically Sealed Indus., Inc. v. Cheesebrough-Pond's USA Co.*, 125 F.3d 28 (2nd Cir. 1997); see *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234 (4th Cir. 1997).
6. Brief for Amicus Curiae INTA, *KP Permanent*.
7. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1189 n.30 (5th Cir. 1980); see also *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234 (4th Cir. 1997).
8. *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234 (4th Cir. 1997).

Firm Update/Announcements

Presentations

On April 2, 2004, **Thad Chaloeintiarana** served as the moderator of a panel session at the American Bar Association's 19th Annual Intellectual Property Law Conference entitled "Downloading Drama: Strategies for Copyright Protection in the Digital Era".

Chad J. Doellinger ... gave a presentation to the Chicago Bar Association, Patents, Trademark & Copyright Section entitled "Trademark Law: A Doctrine in Flux" and also gave a presentation entitled "IP Jurisprudence: The Supreme Court's New Vision," to the Chicago Bar Association, Young Lawyers Section in March 2004.

Jonathan S. Jennings ... moderated and participated in a panel discussion on "Federal Trademark Dilution Act of 1995 And Its Interpretation By The Supreme Court in the *Victoria's Secret* Case," for a national ABA Teleconference (June 2004). **Jonathan** will moderate and participate in another ABA Teleconference on August 17, 2004, on "Trademark Fair Use – Confusion Versus Free Competition and the pending U. S. Supreme Court Case: *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*" Finally, **Jonathan** is coordinating and will moderate a program on "Trademark and Copyright Fair Use and Open Source" on October 15, 2004, at the AIPLA Annual Meeting in Washington, D.C.

Jeremiah D. McAuliffe ... spoke on "The Law of the Horse" on May 25, 2004, at the North Shore Rotary Club.

Mark V.B. Partridge ... conducted a two day seminar on "work product and business protection" at the Regional Meeting of the American Society of Mechanical Engineers, held in Lexington, Kentucky, March 27-28, 2004. His presentation is available at www.GuidingRights.com.

Robert W. Sacoff ... spoke at the FTC Conference at the University of California, Berkeley's Boalt Hall School of Law on April 16th. The program was entitled "Ideas Into Action: Implementing Reform of the Patent System." **Bob** reported on the tentative positions being developed by the ABA Section of Intellectual Property Law on the FTC's Report on the balance between antitrust and patent policy, and its ten recommendations for changing the patent law system.

Uli Widmaier ... spoke on the "Federal Trademark Dilution Act of 1995 And Its Interpretation By The Supreme Court in the *Victoria's Secret Case*," for a national ABA Teleconference in June 2004.

Publications

Brett A. August's article entitled: "Plus Ca Change: How a French Court May Have Changed Internet Advertising Forever: Google France Fined for Selling Trademarked 'Keywords,'" was published in the spring issue of Northwestern Law School's *Journal of Technology and Intellectual Property*.

In March 2004 **Bradley L. Cohn** co-authored an article which was published by the American College of Emergency Physicians, entitled "You Wrote It, But Who Owns It? A Copyright Overview," to assist physicians and medical professionals in preparing and using written materials such as training manuals, research, and protocols.

Chad J. Doellinger ... has published "Recent Developments in Trademark Law: The Ongoing Refinement of Rights", in the *John Marshall Review of Intellectual Property Law* (RIPL), Volume 3, Issue 2 (Spring 2004). **Chad's** article entitled "Trademarks, Domain Names and Cyber-Infringement: A New Approach to an Old Problem" was published in *The IP Litigator*, Vol 10, No. 2 (March/April 2004).

Jonathan S. Jennings ...has published an article entitled "The Right of Publicity and the Internet" in the *Advertising Compliance Service*, Vol. 24, Page 5, (May 3, 2004).

Appointments

Brett A. August ... was appointed Chair of the Nominating Committee for the Yale Law School Executive Committee.

Bradley L. Cohn ... has been elected to the Board of Directors of the Chicago Bar Association's Young Lawyers Section.

Chad J. Doellinger ...has been appointed to the position of Co-Chair of the ABA Intellectual Property Law Student Judicial Internship Committee and to the *Amicus Curiae* Committee of the ABA's Intellectual Property Law Section.

Jonathan S. Jennings ... has been appointed to Chair the committee that will plan the Intellectual Property Law Section's events at the ABA Annual Meeting in Chicago next year.

Sanjiv Sarwate ... was named co-chair of the Chicago Bar Association Young Lawyers Section Creative Arts Committee for 2004-05.

Belinda J. Scrimenti ... has been appointed to the INTA Programs Committee for 2004-05, and the Anticounterfeiting Forum 2005 Project Team.

Joseph N. Welch II ... has been re-appointed as co-chair of the Amicus Committee for the American Bar Association's Intellectual Property Law section, and continues as a Director of the American Intellectual Property Law Association and the Chicago Intellectual Property Alliance.

Uli Widmaier ... has been appointed to the *Amicus Curiae* Committee of the Intellectual Property Law Section of the American Bar Association.

Noteworthy

Brett August attended the bi-annual meeting of AIPPI (the International Intellectual Property Association) in Geneva, Switzerland, as the U.S. delegate to AIPPI's Trademark Harmonization Committee.

Raymond I. Geraldson, David C. Hilliard, Mark V.B. Partridge, Robert W. Sacoff and **Joseph N. Welch II** have been nominated by in house counsel and practitioners for inclusion in the *Guide to the World's Leading Trade Mark Practitioners 2004* (5th Edition).

Illinois attorneys recently selected **Brett A. August, Raymond I. Geraldson, David C. Hilliard, Jonathan S. Jennings, Robert M. Newbury, Mark V.B. Partridge, Robert W. Sacoff** and **Joseph N. Welch II** "Leading Lawyers" in intellectual property law based on a state-wide survey conducted by The Law Bulletin Publishing Company. Fewer than 5% of licensed attorneys in the state earned this distinction in their respective areas of law.