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High Court Rules Trademark Use May Be Confusing, but Still Fair

On Dec. 8, 2004, in *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc.*,¹ the U.S. Supreme Court ruled that a plaintiff who demonstrates that the defendant's use of a trademark is likely to cause consumer confusion may nonetheless fail to establish trademark infringement.

Rather, if the defendant shows that it used the designation not as a trademark identifying its products, but, instead, in a purely descriptive way-to wit, a fair use — it can escape liability.

The popular press hailed the decision as a "limitation" on a trademark owner's rights.² However, trademark law practitioners may debate whether the Court "limited" trademark rights or simply applied the defense of fair use set forth in the federal trademark statute, the Lanham Act.

To be sure, the Court's decision resolved, in favor of prospective defendants in infringement cases (and those seeking declarations of noninfringement), a split among the lower courts as to whether a finding of "likelihood of consumer confusion" precludes fair use. A more detailed recitation of the facts of the case than the Supreme Court provided and a close examination of those questions it answered (and those it left open) leave little doubt as to the widespread impact the decision will have.

Split Among Appellate Courts

As the Supreme Court noted early in its opinion, appellate courts across the country were divided 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." The appellate court whose decision the Supreme Court reviewed, in the U.S. Court of Appeals for the Ninth Circuit,³ as well as appellate courts in the U.S. Court of Appeals for the Fifth⁴ and Sixth⁵ circuits, had held that a finding of likelihood of confusion, one of the elements of trademark infringement, precluded a fair use defense. On



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the other hand, the appellate courts in the U.S. Court of Appeals for the Second,⁶ Fourth⁷ and Seventh⁸ circuits adopted the opposing viewpoint, finding that the fair use defense could succeed even if consumer confusion is likely.

The Facts

The Supreme Court was called upon to resolve this split when petitioner sought review of the Ninth Circuit's decision reversing a grant of summary judgment in petitioner's favor. The petitioner, KP Permanent Make-Up Inc. (KP) used the designation MICRO COLOR either as one word or two purportedly to describe its permanent cosmetic makeup. It brought an action seeking a declaratory judgment of noninfringement when the respondents, the owner of an incontestable trademark registration for MICRO COLOR and its licensee (collectively, Lasting),

contended that its use infringed the rights they held in the mark and demanded that KP cease such use. Since 1990 or 1991, the parties had both used the terms concurrently (though Lasting had applied to register the mark in 1992).

The specific use that precipitated Lasting's protest, and KP's lawsuit, was KP's production of a 10-page advertising brochure in 1999 which used the designation MICROCOLOR in a large, stylized typeface. Though the Supreme Court did not further describe the brochure, the Ninth Circuit appended, as in Appendix B (see below), an image of the MICROCOLOR designation as it appeared in the brochure, to its decision. The image shows the stylized use of MICROCOLOR followed, immediately beneath it, by the word "PIGMENT" in capital letters, also stylized, albeit in a different font. Next to the designation "MICROCOLOR PIGMENT" is the depiction of a bottle showing pigment spilling out of it. (Permanent makeup is sold in small bottles containing the pigment to be applied by trained professionals.) In Appendix A (also see below), the Ninth Circuit depicted Lasting's mark, as registered.

The Ninth Circuit also noted that permanent makeup is commonly referred to as "micropigmentation." Additionally, the Ninth Circuit noted that from 1990 or 1991, prior to launching the "new" use of MICROCOLOR contained in its brochures, KP used the designation MICRO COLOR only on labels for the bottles containing the permanent makeup immediately followed by the color of the pigment in the bottle (e.g., MICRO COLOR: BLACK).

The Ninth Circuit's Decision

The Ninth Circuit reversed the grant of summary judgment to KP. KP had argued, inter alia, that "KP was free to use the designation MICROCOLOR under the fair use doctrine." The Ninth Circuit proceeded to describe two types of "fair use" which, ultimately, were critical in its conclusion that KP's use could not be "fair" if it was also likely to confuse consumers. According to the Court, the two types of fair use are (1) "classic fair use," which

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occurs when an alleged infringer has used the trademark owner's mark to describe its own, but not the trademark owner's, product; and (2) "nominative fair use" which occurs when the alleged infringer uses a mark to describe the trademark owner's product, even though the ultimate purpose of the use may be to describe the alleged infringer's product.

The Ninth Circuit proceeded to find that a defense of fair use is precluded in a "classic fair use" case by likelihood of confusion; but that likelihood of confusion need not even be considered in a nominative fair use analysis. Notably, the Ninth Circuit's conceptual bifurcation of the fair use defense and, specifically, its adoption of a defense of "nominative fair use" which replaced the likelihood of confusion analysis, had been explicitly rejected by at least one other appellate court.⁹

According to the Ninth Circuit, KP's use was "classic fair use", because "KP is using the term 'micro color' to describe its own products, not that of Lasting." Therefore, KP could not establish fair use unless there was no likelihood of confusion. Since the question of likelihood of confusion is factually loaded, summary judgment was not appropriate. The Ninth Circuit reversed the grant in KP's favor.

Supreme Court Decision

The Supreme Court began its opinion by setting forth the rights conferred upon a registered trademark owner by the Lanham Act, including its right to bring a civil action for infringement — that is, use of a mark in commerce "likely to cause confusion, or to cause mistake or to deceive" consumers as the source, sponsorship or association of the alleged infringer's goods or services. It quickly turned to the Lanham Act's affirmative defense of fair use, to wit:

Use of the name, term, or device charged to be an infringement is 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.¹⁰

The Court immediately established from the statute's plain language that the burden lay upon the plaintiff to establish likelihood of confusion; and upon the defendant to establish fair use. It then concluded:

"Starting from these textual fixed points, it takes a long stretch to claim that a defense of fair use entails any burden to negate confusion.

Otherwise, the Court explained, Congress would not have required merely that a defendant demonstrate it had "used fairly" but also that it had used the mark in a nonconfusing fashion. Moreover, if the defendant could establish fair use only by negating a showing of likelihood of

confusion, the defense would simply never be relevant: a plaintiff demonstrates its prima facie case of trademark infringement by establishing likelihood of confusion. It is only when this prima facie case is established that the defendant has any need to establish fair use. However, "under Lasting's theory the defense would be foreclosed in such a case. '[I]t defies logic to argue that a defense may not be asserted in the only situation it even becomes relevant,'" the Court noted.

The Court rejected several of Lasting's statutory interpretations. It held that the statutory language that a use be "fair" did not implicitly incorporate the requirement that it also be unlikely to lead to confusion, according to the common law of unfair competition subsisting at the time of enactment of the Lanham Act. In fact, the Court found, many of these unfair competition cases tolerated some consumer

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confusion when the alleged infringer's use of a mark was descriptive.

Lasting also argued that prior to 1988 the registrant of an incontestable trademark did not need to establish likelihood of confusion. When the Lanham Act was revised in 1988, according to Lasting, it failed to "relieve the fair use defendant of the suddenly strange burden to prove the absence of the very confusion that a plaintiff had a new burden to show in the first place." The Court held that both prior to and since 1988 even an incontestable trademark holder had to establish likely confusion and that, therefore, Lasting's argument was simply misguided.

Scope of Holding

The Supreme Court carefully limited its holding to the proposition that "some possibility of consumer confusion must be compatible with fair use" and summed up its holding thus:

[A] plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 USC §1115(b)

However, the Court explicitly refused to go farther on the grounds it would be "improvident." Specifically, acknowledging the concerns of numerous amici, including the United States, it left open the question of whether the "used fairly" requirement in the

Lanham Act "demands only that the descriptive term describes the goods accurately" and would not "rule out the pertinence of the degree of consumer confusion under the fair use defense." Nor did it rule out such factors as commercial justification and the strength of the plaintiff's mark in weighing fair use. It remanded the case for further findings consistent with its opinion.

Implications

The Supreme Court's decision is in stark contrast to the judicial activism embodied by the Ninth Circuit's approach. While the Supreme Court closely focused on the language of the Lanham Act's fair use provisions, the Ninth Circuit followed doctrines of "classic" and "nominal" fair use of its own invention. By the same token, the Supreme Court acknowledged that a fair use determination might not end with the assessment that use of a mark represented an accurate description of an alleged infringer's goods and suggested that courts had the latitude to weigh the degree of likely confusion, as well as the commercial need for the use and how well-established, as a source identifier, the trademark owner's mark was.

Moreover, the Court did not rule on whether fair use was established in the case before it; rather, it simply remanded the case, instructing the lower court not to require KP to "shoulder the burden on the issue of confusion" — that is, to negate its likely existence. However, despite its limitations, the Supreme Court decision will undoubtedly influence the every day practice of trademark law, and the protection afforded to the trademark owner. It will undoubtedly encourage more who are accused of infringement, as well as their counsel, to closely assess whether a fair use defense can be established, even when some consumer confusion seems likely, and even inevitable.

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1. 543 US — (2004).
 2. See, e.g. "Supreme Court Limits Trademark Protection," *The New York Times*, Dec. 8, 2004.
 3. 328 F3d 1061 (2003).
 4. *Zatarains, Inc. v. Oak Grove Smokehouse*, 698 F2d 786, 796 (5th Cir. 1983).
 5. *PACCAR Inc. v. TeleScan Technologies*, 319 F3d 243, 256 (6th Cir. 2003).
 6. *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F3d 28, 30-31 (2d Cir. 1997).
 7. *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F3d 234, 243 (4th Cir. 1997).
 8. *Summark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F3d 1055, 1059 (7th Cir. 1995).
 9. *PACCAR*, 319 F3d at 256.
 10. 15 USC §1115(b)(4).

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