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TRADEMARK NOMINATIVE FAIR USE: TOWARD A UNIFORM STANDARD

By *J. David Mayberry**

I. INTRODUCTION

In the 1992 case *New Kids on the Block v. News America Publishing, Inc.*, the U.S. Court of Appeals for the Ninth Circuit coined the term “nominative fair use” to describe a type of permitted trademark use in which one person is allowed to use the trademark of another without consent, but in a lawful and non-confusing manner.¹ Nominative fair use typically arises when the defendant has used the plaintiff’s mark intentionally to refer to the plaintiff but not to designate the source of the defendant’s own products or services. Because the defendant used the plaintiff’s mark in a poll to refer to the plaintiff and not to designate the source of its own newspaper in the *New Kids* case, the Ninth Circuit discarded the familiar seven-factor test normally employed to judge likelihood of confusion in favor of a three-factor test, which it framed in terms of a “defense” to infringement, as opposed to a mitigating factor.”² The three factors were: (1) the trademark owner’s products or services or its source must not be readily identifiable without reference to the trademark owner’s trademark; (2) the nominative fair user shall have used only so much of the trademark owner’s mark as is reasonably necessary to identify the product or service of the trademark owner; and (3) the nominative fair user must do nothing in conjunction with the mark that would suggest sponsorship or endorsement by the trademark owner.

Following *New Kids*, the Ninth Circuit struggled at times to apply the new standard, with results that increasingly isolated the Ninth Circuit from other circuits and from mainstream trademark law. In 2004, the Supreme Court in *KP Permanent Make-Up, Inc. v. Lasting Impression, Inc.*³ cast doubt on the continuing validity of nominative fair use as a defense. In that case, which involved descriptive fair use (as opposed to nominative fair use),⁴ the Court held that a defendant in a trademark case has no independent

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1. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992).
2. *Id.* at 308.
3. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).
4. *Id.* at 124.

burden to negate likelihood of confusion in raising descriptive “fair use” as an affirmative defense. Although the case dealt with the descriptive fair use defense,⁵ rather than nominative fair use, the Supreme Court’s ruling calls into question whether the nominative fair use defendant would have the burden of negating sponsorship or endorsement confusion with the trademark owner.

Notwithstanding *KP Permanent Make-Up*, the Third Circuit picked up the line of reasoning developed by the Ninth Circuit in *New Kids* and breathed new life into the concept of nominative fair use as a defense to trademark infringement.⁶ Departing from *New Kids*, however, the Third Circuit created a new two-step approach, which incorporates a modified version of the ordinary likelihood of confusion analysis employed by the courts by eliminating certain factors that do not neatly “fit” in the nominative fair use context.⁷ Once a plaintiff meets its burden of proving that confusion is likely, under the modified set of factors, the Third Circuit shifts the burden to the defendant to show that its nominative use of the plaintiff’s trademark is nonetheless fair.⁸ To do so, a defendant must satisfy a three-factor test that the court derived from the original *New Kids* factors established by the Ninth Circuit.⁹

In the author’s view, much confusion arises from attempting to cast nominative fair use as a defense. Because one “element” of the defense is proving that there is no suggestion of sponsorship or endorsement by the trademark owner, requiring proof of this element by the defendant would conflict with Supreme Court authority in the *KP Permanent Make-Up* case. In the author’s view, the better approach is to treat nominative fair use as a type of non-confusing use rather than a true affirmative defense. However, the author concurs that the traditional multi-factor test works clumsily at best to determine infringement and that a more refined standard is needed to judge “nominative fair use.”

This article (a) reviews the statutory and case law background that predated the Ninth Circuit’s groundbreaking *New Kids* decision; (b) traces the history of the nominative fair use doctrine in the U.S. courts; and (c) argues, in Section III below, in favor of a new two-step standard for determining infringement where the defendant claims nominative fair use of the trademark owner’s mark. The new standard combines elements from both the Ninth

5. In this article, the author will use the terminology “descriptive fair use” to refer to descriptive “fair use” defense recognized by the U.S. Trademark (Lanham) Act, 15 U.S.C. § 1115(b)(4), and the terminology “nominative fair use” to refer to the judicially recognized type of non-confusing use that negates likelihood of confusion that is the subject of discussion in this article.

6. *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211 (3d Cir. 2005).

7. *Id.* at 222.

8. *Id.*

9. *Id.* at 228.

Circuit and Third Circuit tests but does not cast the burden on defendant to negate sponsorship confusion. I contend that this new standard will clarify some of the confusion that currently exists in the case law regarding nominative fair use and help the courts to apply a uniform standard.

II. BACKGROUND

A. Early Analogues to Nominative Fair Use

Although the term “nominative fair use” was coined by Ninth Circuit Judge Alex Kozinski in 1992, the concept itself is not new. Over 100 years ago, in 1910, the Supreme Court decided a case on the same principle.¹⁰ In a case involving an early form of “compare to” advertising, the label of defendant’s bottled mineral water identified the product as “Artificial Hunyadi,” advertising that its mineral water had properties “Conforming to Fresenius Analysis of Hunyadi Janos Springs.”¹¹

The owner of wells in Budapest, Hungary, the source of waters known by the name “Hunyadi Janos,” sought to enjoin the seller from using the name Hunyadi Janos on its label. Justice Holmes, resolving a split between circuit courts and writing for the court, held that “there was no unfair competition and no fraud.”¹² He explained that the real intent of the plaintiff’s suit was to “extend the monopoly of such trademark or trade name as she may have to a monopoly of her type of bitter water” by preventing manufacturers from telling the public in a way that will be understood what they are copying and trying to sell.¹³ Distinguishing those cases that found liability, Justice Holmes colorfully explained that such manufacturers do nothing amiss because “they are not trying to get the goodwill of the name but the goodwill of the goods.”¹⁴

Fourteen years later, in 1924, Justice Holmes expounded upon his earlier opinion. In *Prestonettes, Inc. v. Coty*, a manufacturer of toiletries purchased genuine Coty perfumes and genuine powders. It resold the perfume in smaller bottles that it labeled “Prestonettes, Inc., not connected with Coty, states that the contents are Coty’s . . . independently rebottled in New York.”¹⁵ It sold the powder in compacts, which it similarly labeled, “compact of face powder herein was independently compounded by it from Coty’s . . . loose powder.”

10. Saxlehner v. Wagner, 216 U.S. 375 (1910).

11. *Id.* at 380.

12. *Id.*

13. *Id.*

14. *Id.* at 380-81.

15. *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 367 (1924).

Speaking for the court, Justice Holmes stated, “[t]he existence of a trademark would have no bearing on the question. . . . It does not confer a right to prohibit the use of the word or words.”¹⁶ “A trademark only gives the right to prohibit the use of it so far as to protect the owner’s good will against the sale of another’s product as his.”¹⁷ Framing the issue as one of the lawful extent of one’s trademark rights, Holmes opined that a plaintiff trademark owner has no right to prohibit a defendant from making a “collateral reference” to the plaintiff’s mark.¹⁸

B. The Modern Development of Nominative Fair Use

Prior to *New Kids*, the courts did not explicitly distinguish between descriptive fair use as defined in the Lanham Act and nominative fair use as defined by the *New Kids* court. However, cases involving fact patterns we would now consider to involve the issue of nominative fair use did arise.

In a First Circuit case decided just prior to *New Kids*, a television station in Boston, Massachusetts, broadcast the words “Boston Marathon” in coverage of that live event.¹⁹ The owners of the federally registered service mark BOSTON MARATHON sued for an injunction claiming infringement of their service mark rights.²⁰ In rejecting the plaintiff’s claim, the First Circuit acknowledged, “[o]bviously, we do not have before us the common garden variety type of confusion that might arise with typical trademark infringement.”²¹ The court noted that the Lanham Act does not give the trademark owner any “property right” in its mark except “the right to prevent confusion.”²² Distinguishing its earlier decision in a case involving the reprinting of the BOSTON MARATHON trademark on tee shirts, the court found no evidence of any intent to use the words “Boston Marathon” to suggest official sponsorship of the broadcast.²³ Instead the words “describe” the event that the television station will broadcast.²⁴ Citing the trademark statute, the court held, “In technical trademark jargon, the use of words for descriptive purposes is called a ‘fair use,’ and the law usually permits it even if the words themselves also

16. *Id.* at 368.

17. *Id.*

18. *Id.* at 369. The term “collateral use” has also been employed to indicate what the Ninth Circuit called nominative fair use. See 4 Louis Altman & Malla Pollack, Callmann on Unfair Competition, Trademarks & Monopolies § 22:25 (4th ed. 2010).

19. WCVB-TV v. Boston Athletic Ass’n, 926 F.2d. 42 (1st Cir. 1991).

20. *Id.* at. 43-44.

21. *Id.* at 44.

22. *Id.* at 45.

23. *Id.*

24. *Id.* at 46.

constitute a trademark.”²⁵ This is precisely the type of fact pattern that the Ninth Circuit would describe a few months’ later as nominative fair use in *New Kids*.

With this background in mind, we turn to a more detailed discussion of the modern evolution of the nominative fair use defense.

C. Nominative Fair Use—“*The New Kid on the Block*”

The New Kids on the Block was a “boy band” formed in 1984 by producer Maurice Starr. The band was composed of several teenage boys and was quite popular among younger girls.²⁶ Two newspaper tabloids had conducted a poll among their readers that asked “Which one of the New Kids is the most popular?”²⁷ The band members and their management company filed suit, claiming that the newspapers’ use of their band name in its poll for commercial purposes infringed their rights in their trademark.²⁸ In a sweeping review of trademark law, Judge Kozinski noted that since “at least the middle ages,” trademarks have served primarily to identify the source of goods and services.²⁹ The law has protected trademarks since the early seventeenth century with the primary focus on preventing misappropriation—the problem of one producer’s placing his rival’s mark on his own goods.³⁰ As noted by Judge Kozinski, throughout the development of trademark and unfair competition law, the wrong prevented has been a limited one: preventing “free-riding” on rival’s marks.³¹

Judge Kozinski noted that a related issue arises when a trademark also describes a person, a place or an attribute of a product. If the trademark holder were allowed exclusive rights in such use, the language would be depleted. Thus, the Lanham Act itself recognizes a “fair use” defense where a term that is registered as a mark is used in the descriptive sense of the term. This statutory “fair use” defense—what we have described in this article as “descriptive fair use”—precludes a trademark registrant from appropriation of a descriptive term for one’s exclusive use and so prevent others from accurately describing a characteristic of their goods.

Referring to the BOSTON MARATHON case discussed above, Judge Kozinski concluded that cases where the defendant’s use of the plaintiff’s mark is not to identify or describe the defendant’s

25. *Id.*

26. Dougherty, Steve, *The Hearthrobs of America*, People, Aug. 13, 1990, at 89.

27. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 304 (9th Cir. 1992).

28. *Id.*

29. *Id.* at 305.

30. *Id.* This language is derived from the First Circuit’s Boston Marathon decision.

31. *Id.*

own products but specifically to refer to those of the plaintiff are best understood as involving use of a mark to which trademark laws simply do not apply.³² He generalized a “class of cases” where the use of the trademark does not attempt to capitalize on consumer confusion or appropriate the cachet of the mark for another’s use.³³ Such “nominative use” of a mark is allowed where the mark is the only term reasonably available to identify the plaintiff’s goods or services.³⁴ Because use of the mark in this context, i.e., to refer to the legitimate source, does not implicate the source-identification function that is the purpose of trademarks, it does not constitute unfair competition.³⁵ In a critical passage, Judge Kozinski opined, “Such use is fair because it does not imply sponsorship or endorsement by the trademark holder.”³⁶

Judge Kozinski distinguished this case from one of descriptive fair use. The statutory defense of descriptive fair use applies when a defendant has used a plaintiff’s mark in its ordinary non-trademark sense to describe an attribute of the defendant’s *own* product.³⁷ Here, however, the defendants used the NEW KIDS trademark to refer to the band members, the “New Kids” themselves. Based upon this distinction, Judge Kozinski coined the term “nominative fair use,” which he framed as a “defense” to infringement and which is established upon proof of three elements.

But, where the defendant uses a trademark to describe plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense provided he meets the following three requirements: First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.³⁸

Conspicuously absent from this decision was any discussion, let alone application, of the Ninth Circuit’s multi-factor *Sleekcraft*³⁹

32. *Id.* at 307.

33. *Id.* at 308.

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.*

39. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (setting forth an eight-factor test used in the Ninth Circuit for likelihood of confusion).

test, the usual test applied by that circuit to test likelihood of confusion.

D. Other Ninth Circuit Cases

In cases that followed, the Ninth Circuit continued to evolve the concept of nominative fair use, struggling at times to apply the test. In *Playboy Enterprises v. Welles*,⁴⁰ the court held that the three-factor *New Kids* test should be applied, instead of the test for likelihood of confusion set forth in *Sleekcraft*, in any case in which a defendant raises a nominative use defense.⁴¹

At issue in *Playboy Enterprises* was defendant Welles's use of the title "Playboy Playmate of the Year 1981" on her website, on which she advertised photographs of herself for sale, offered memberships in her photo club, and promoted her services as a spokesperson.⁴² The defendant had, in fact, been named in the plaintiff's magazine, *Playboy*, as its "Playmate of the Year" for 1981. The court reasoned that the application of the usual test, which focuses on the similarity of the marks used by the plaintiff and the defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing uses.⁴³ The court held that the three-factor test "better evaluates" the likelihood of confusion in cases involving nominative use of the plaintiff's mark.⁴⁴ Applying the test, the court reached a mixed decision, concluding that "[e]xcept for the use of PEI's protected terms in the wallpaper of Welles' website, we conclude that Welles' uses of PEI's trademarks are permissible, nominative uses. They imply no current sponsorship or endorsement by PEI. Instead, they serve to identify Welles as a past PEI 'Playmate of the Year.'"⁴⁵

In *Cairns v. Franklin Mint Co.*,⁴⁶ the next case to consider the issue, the Ninth Circuit took another step toward establishing nominative fair use as an affirmative defense. At issue was the defendant's reproduction of a statute of Princess Diana's image complete with a nameplate that used her name. The court held that the defendant bears the burden of proving all three elements of the defense.⁴⁷ The Ninth Circuit observed that although the issue of suggested sponsorship or endorsement may be a "closer call" than the other two elements, it concluded that use of the

40. 279 F.3d 796, 802 (9th Cir. 2002).

41. *Id.* at 801.

42. *Id.* at 799. PEI alleged infringement of its registered PLAYBOY and PLAYMATE OF THE YEAR service marks.

43. *Id.*

44. *Id.* at 801.

45. *Id.* at 800.

46. 292 F.3d 1139, 1151 (9th Cir. 2002).

47. *Id.* at 1152.

name and likeness of Princess Diana was a permissible nominative use.⁴⁸

In contrast, in *Brother Records, Inc. v. Jardine*,⁴⁹ the Ninth Circuit found that the defendant's nominative fair use defense failed. It found that Al Jardine, one of the original members of the rock band the Beach Boys, which first became famous in the 1960s, began a solo tour using the name "Al Jardine of the Beach Boys and Family & Friends" and similar names that incorporated the terms "The Beach Boys" and "Family and Friends." The Ninth Circuit held that Jardine, in marketing his solo appearances, used the term "The Beach Boys" in a manner that suggested that his band was sponsored by The Beach Boys. In support of this conclusion, the Ninth Circuit observed that Jardine's promotional materials displayed the words "The Beach Boys" more prominently and boldly than "Family and Friends," and that his manager recommended including the trademark THE BEACH BOYS in the name of Jardine's band in order to create or enhance its marquee value.⁵⁰ Furthermore, the court relied upon evidence that Jardine's use of the trademark caused actual consumer confusion, as event organizers and fans were confused about which band was performing.

E. KP Permanent Make-Up: The Handwriting on the Wall

In 2004, in *KP Permanent Make-Up*, the United States Supreme Court granted certiorari to resolve a conflict among the circuits regarding the descriptive fair use defense. The issue at bar was whether an infringement defendant who claims descriptive fair use has any obligation to show that its use is unlikely to cause confusion.⁵¹ The alleged infringer claimed that it was using the term "Micro Color" not as a mark but as a descriptive term to describe its products. Because the defendant used the term "micro colors" to describe its own products, rather than invoking the trademark of the plaintiffs, the Ninth Circuit treated the defendant's use of "micro colors" as invoking the descriptive fair use defense rather than a nominative fair use defense.⁵² The Ninth Circuit considered this initial distinction as outcome determinative. Under its precedents, the Ninth Circuit stated, when addressing nominative fair use, it is not necessary to

48. *Id.* at 1156.

49. 318 F.3d 900 (9th Cir. 2003).

50. *Id.* at 908.

51. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004).

52. *KP Permanent Make-Up v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003).

separately address likelihood of confusion; the nominative fair use analysis “replaces the likelihood of confusion analysis.”⁵³ To be successful, the alleged infringer must prove the three elements discussed above. In contrast, when descriptive fair use is raised, as in the instant case, the Ninth Circuit held, it is still necessary to analyze likelihood of confusion.⁵⁴ The descriptive fair use defense requires proof that “there not be a likelihood of confusion.” Therefore, the Ninth Circuit held that it is incumbent upon the accused infringer to address and foreclose likelihood of confusion as part of one’s descriptive fair use defense.

The Supreme Court granted certiorari to review only the Ninth Circuit’s descriptive fair use holding. The Supreme Court expressly withheld comment on the Ninth Circuit’s discussion about “nominative fair use.”⁵⁵ The Court reversed the Ninth Circuit’s holding that a defendant must foreclose likelihood of confusion to take advantage of the descriptive fair use defense.⁵⁶ In its analysis, the Court reasoned that “two points are evident.”⁵⁷ First, Section 33 of the U.S. Trademark (Lanham) Act places a burden of proving infringement (that is likelihood of confusion) on the party charging infringement, even when relying on an incontestable registration. Second, in setting out the elements of the fair use defense in Section 33(b)(4), Congress said nothing about likelihood of confusion.⁵⁸ Thus in requiring the defendant to negate likelihood of confusion, the Ninth Circuit had impermissibly shifted the burden of proof from the plaintiff.

Although the Supreme Court limited its holding to descriptive fair use, its reasoning that a defendant is not required to foreclose likelihood of confusion casts doubt on the validity of the Ninth Circuit’s view of nominative fair use as a defense. Under the Ninth Circuit jurisprudence, to successfully assert the nominative fair use defense, the alleged infringer must show, among other requirements, that the nominative fair user did nothing that “would suggest sponsorship by the trademark holder.”⁵⁹ Inasmuch as sponsorship confusion is expressly recognized under the Lanham Act as one type of confusion that is sufficient to prove infringement, the Ninth Circuit’s requirement that the alleged infringer must negate any activities suggesting sponsorship by the trademark holder appears to shift the burden of proof on an

53. *Id.*

54. *Id.*

55. In a footnote, the Supreme Court expressed, “Nor do we address the Court of Appeal’s discussion of ‘nominative fair use.’” *Id.* at 115 n.3.

56. *Id.* at 118.

57. *Id.*

58. *Id.* at 119.

59. *KP Permanent Make-Up v. Lasting Impressions, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003).

element of the claim, directly contrary to the Supreme Court's holding in *KP Permanent Make-Up*.

F. The Third Circuit Revives the Defense

In the first appeal invoking nominative fair use to arise after the Supreme Court's decision in *KP Permanent Make-Up*, the Third Circuit ambitiously undertook to revisit the standard for judging nominative fair use in its *Century 21 v. LendingTree* case.⁶⁰ The court stated its task as follows, "We must determine what role likelihood of confusion plays in a trademark infringement case where the defendant claims that its use was nominative and fair."⁶¹ In that case, Lending Tree, an online mortgage company, which operated a real estate referral service as well, boasted that it was "affiliated with more than 700 certified brokers, such as Coldwell Banker, Century 21, Prudential, ERA and RE/MAX."⁶² As one of the listed brokers, the plaintiff objected to LendingTree's reproduction of its CENTURY 21 service mark on its website, claiming that while certain of its independent brokers, who are licensed to use the mark, chose to participate in the defendant's referral service, the plaintiff itself, a franchise company, did not endorse the service.⁶³ The district court applying the Third Circuit's ten-factor likelihood of confusion test,⁶⁴ found that the defendant's use constituted trademark infringement.⁶⁵

On appeal, the Third Circuit traced the precedent from other circuits and the Ninth Circuit on the evolution of nominative fair use. The court observed that the lower court's "difficulty in applying the traditional test for likelihood of confusion, together with the nominative fair use defense, highlights the need to clarify the proper analysis in this area of the law."⁶⁶

The panel concluded that, while it agreed with the Ninth Circuit that a "distinct analysis" is needed for nominative fair use cases, "we do not accept the legal basis or advisability of supplanting the likelihood of confusion test entirely."⁶⁷ First, it did not see nominative fair use as so different from classic fair use to warrant such different treatment. A defendant's nominative use has the potential of confusing consumers because "even an

60. *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211 (3d Cir. 2005).

61. *Id.* at 214.

62. *Id.* at 215.

63. *Id.* at 215-16.

64. *Id.* at 224, citing *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978) and *Interpace Corp. v. Lapp, Inc.* 721 F.2d 460, 463 (3d Cir. 1983) (hereinafter the "*Lapp* factors").

65. *Century 21*, 425 F.3d at 216.

66. *Id.* at 219.

67. *Id.* at 220.

accurate nominative use could potentially confuse consumers about the plaintiff's endorsement or sponsorship of the defendant's products or services."⁶⁸ Furthermore, in the Third Circuit's estimation, the approach of the Ninth Circuit relieves the plaintiff of the burden of proving the key element of a trademark infringement case—likelihood of confusion. Such an approach, the court held, is simply not viable in the aftermath of the Supreme Court's *KP Permanent Make-Up* decision.⁶⁹ As discussed below, the Ninth Circuit now is itself in agreement on this point.

In its place, the Third Circuit fashioned a new test: "Today we adopt a two-step approach in nominative fair use cases."⁷⁰ The plaintiff must first prove that confusion is likely as a result of the defendant's use of the plaintiff's mark. Once it has done so, the burden then shifts to the defendant to show that its nominative use of the plaintiff's mark is nonetheless fair.⁷¹

Finding common ground with the Ninth Circuit, the Third Circuit held that because its traditional likelihood of confusion test does not apply "neatly" to nominative fair use cases, "we suggest eliminating those factors used to establish confusion . . . that do not fit in the nominative use context."⁷² In reviewing the Third Circuit's *Lapp* factors for likelihood of confusion analysis, the court eliminated factors 1 (degree of similarity between the marks) and 2 (strength of marks).⁷³ The court agreed with the Ninth Circuit that these two factors would stack the deck unfairly in favor of a plaintiff. The court focused on factors 3 (degree of care and attention expected of purchasing consumers), 4 (length of time of co-existing uses), 5 (intent of defendant), and 6 (actual confusion) as the critical factors.⁷⁴ It observed that the remaining factors seven through ten, while perhaps not appropriate in this case, could be analyzed in future cases.⁷⁵

The court then turned to the standard that should be used in proof of the affirmative defense of nominative fair use.⁷⁶ The court tweaked two of the Ninth Circuit's factors and replaced the third factor with a new one altogether. Under the Third Circuit's newly minted "fairness" test, a defendant must prove (1) that the identification by the defendant of the plaintiff's product or service would be rendered significantly more difficult without use of the

68. *Id.*

69. *Id.* at 221.

70. *Id.* at 222.

71. *Id.*

72. *Id.*

73. *Id.* at 224-25.

74. *Id.* at 225.

75. *Id.*

76. *Id.* at 228.

plaintiff's mark; (2) that the quantum of use by the defendant of the plaintiff's mark is appropriate to describe the plaintiff's product or service; and (3) that the defendant's conduct or language reflect the true and accurate relationship between the plaintiff's and the defendant's products or services.⁷⁷ The Third Circuit remanded the case to the district court to apply the test.⁷⁸

Judge Fisher issued a lengthy concurring opinion in which he joined in the decision to remand the case to the District Court but dissented from the reasons provided by the majority.⁷⁹ He strongly criticized the majority's bifurcated analysis as shifting the burden of negating confusion to the defendant in contravention of binding case law.⁸⁰ In a similar vein, he wrote that the majority's bifurcated test is also judicially unmanageable because it requires courts to address identical factors on both sides of the equation.⁸¹

In explaining his opinion, Judge Fisher noted that Ninth Circuit case law makes it clear that nominative fair use is nothing more than a "likelihood-of-confusion" substitute, which makes it an inappropriate foundation for an affirmative defense.⁸² He also noted that, if anything, to the extent there is discernible jurisprudence regarding the Ninth Circuit's approach, the trend is against adopting its test. He noted that in *Presonettes v. Coty*, the Supreme Court addressed a similar issue without referring to a separate test, as did the Third Circuit itself in an earlier decision.⁸³

Judge Fisher then turned to the three prongs of the nominative fair use test and argued that each prong is nothing more than a likelihood of confusion inquiry.⁸⁴ For example, the third prong looks to the *truthfulness* of the use of the mark. But this inquiry is identical to the statutory inquiry that asks whether the use is likely to *deceive*.⁸⁵ Because the majority places identical likelihood of confusion factors on both sides of the equation, Judge Fisher concluded, the majority test requires the defendant to prove non-confusion⁸⁶ and is therefore nothing more than a venture into *Lapp* territory—intent as shown through the defendant's purpose, prominence, and truthfulness in connection with the plaintiff's marks.⁸⁷

77. *Id.*

78. *Id.* at 232.

79. *Id.* at 233.

80. *Id.*

81. *Id.*

82. *Id.* at 235.

83. *Id.*

84. *Id.* at 238-42.

85. *Id.* at 242.

86. *Id.*

87. *Id.*

Judge Fisher concluded his opinion by suggesting yet another test to determine nominative fair use. He recommended that in cases where a defendant has used a plaintiff's mark to refer in part to the plaintiff, that is, nominative use, the district court should simply ignore the first two *Lapp* factors and consider factors 3 through 10.⁸⁸

G. The Ninth Circuit Revisits “Nominative Fair Use”

Following the Supreme Court's decision in *KP Permanent Make-Up*, in the case of *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, Judge Kozinski took the opportunity to revisit the Ninth Circuit's nominative fair use standard.⁸⁹ The defendants, Farzad and Lisa Tabari, who Judge Kozinski described as “the personal shoppers of the automobile world” were auto brokers who, for a fee, contacted authorized dealers, solicited bids, and arranged for delivery of luxury cars, including LEXUS automobiles, for their well-heeled customers.⁹⁰ The defendants advertised the availability of their services on websites under the domain names “buy-a-lexus.com” and similar domain names.⁹¹ The plaintiff, described as “the jealous guardian of the Lexus mark” complained that the defendant's domain name was “likely to cause confusion as to the source of the Tabaris' web site.”⁹² The district court, applying the *Sleekcraft* factors, had found that the defendants' use of such domain names infringed the plaintiff's LEXUS mark.⁹³ Again applying the *Sleekcraft* factors, the court rejected the defendants' proffered nominative fair use defense. It found that an Internet domain name containing a trademark “generally” suggests sponsorship or endorsement by the trademark holder.

Again writing for the court, Judge Kozinski concluded that the district court applied the wrong legal standard when it applied the eight-factor *Sleekcraft* test. He wrote, “But we've held that the *Sleekcraft* analysis doesn't apply where a defendant uses the mark to refer to the trademarked good itself.”⁹⁴ When the defendants “say Lexus, they mean Lexus.” He added, “We've long held that such use of the trademark is a fair use, namely nominative fair use” and “fair use is, by definition, not infringement.”⁹⁵

88. *Id.* at 246-47.

89. *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175 (9th Cir. 2010).

90. *Id.* at 1174-75.

91. *Id.* at 1174.

92. *Id.* at 1175.

93. *Id.* at 1175.

94. *Id.* at 1175.

95. *Id.*

Turning to the question of which party bears the burden of proving such “fair use,” the Ninth Circuit held that the District Court erred “when it treated nominative fair use as an affirmative defense to be established by the Tabaris only after Toyota showed a likelihood of confusion under *Sleekcraft*. The court admitted it had “previously said the opposite.”⁹⁶ But, citing *KP Permanent Make-Up*, the court acknowledged that the rule shifting the burden to the defendant to disprove likelihood of confusion had been “effectively overruled.”⁹⁷ The court directed on remand: “Toyota must bear the burden of establishing that the Tabaris’ use of the Lexus mark was *not* nominative fair use. A finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion.”⁹⁸ In order to prove the defendant’s use was “not nominative fair use,” the Ninth Circuit also directed that the District Court “must eschew application of *Sleekcraft* and analyze the case solely under the rubric of nominative fair use.”⁹⁹ In allocating the burdens, the court concluded, a defendant seeking to assert nominative fair use as a defense “need only show that it used the mark to refer to the trademarked good. . . . The burden then reverts to the plaintiff to show a likelihood of confusion” using the three-factor replacement test.¹⁰⁰

III. NOMINATIVE FAIR USE IN OTHER CIRCUITS

Courts in other circuits have been slow to embrace either the three-factor nominative fair use non-infringement standard of the Ninth Circuit, or for that matter, treatment of nominative fair use as an affirmative defense, as proposed by the Third Circuit. In most cases the issue before the court has been whether to recognize nominative fair use as a defense to infringement, and if so, whether to even apply the traditional digits of confusion test, a substitute test to determine likelihood of confusion, or neither. Not every circuit has addressed “nominative fair use,” at least by name, but in the section that follows, we briefly summarize the discussion of those circuit courts that have been presented with an appeal in modern times (including pre-*KP Permanent Mark-Up* cases) that raises what the Ninth Circuit has described as a “nominative fair use” issue.

96. *Id.* at 1183.

97. *Id.*

98. *Id.*

99. *Id.* at 1182.

100. *Id.*

A. First Circuit

As previously discussed in the background section of this article, the First Circuit's discussion of fair use in the *Boston Marathon* case presaged Judge Kozinski's opinion in the *New Kids* case and influenced the Ninth Circuit's formulation of a replacement test for determining infringement in nominative fair use cases. In *Universal Communication Systems, Inc. v. Lycos*,¹⁰¹ a case that arose after the Third Circuit's *Century 21* case, at issue were negative postings about the plaintiff and its "financial condition, business prospects and management integrity" on message boards hosted by Lycos.¹⁰² The plaintiff claimed trademark dilution under Florida law, not infringement. The District Court dismissed the complaint for failure to state a claim.¹⁰³ On appeal the First Circuit, noting "serious First Amendment issues" that would be raised if the plaintiff's claim were allowed to go forward, affirmed. In doing so, the First Circuit acknowledged that Lycos "derives advertising revenues" from the use of its message boards but this does not transform the use into "commercial use." The First Circuit, citing *New Kids*, then commented that other circuits have dealt with "similar issues under the rubric of a nominative fair use defense." The First Circuit observed, "This court has not previously decided whether to endorse the Ninth Circuit's test for nominative fair use, and we have no occasion to do so here."¹⁰⁴ The court noted that "[w]e have, however recognized the underlying principle" citing its the *Boston Marathon* decision.¹⁰⁵ Applying that principle, the court held that whether Lycos's use of the plaintiff's trade name "is viewed as a noncommercial use, as a nominative use, or in some other way," such use is not a type of use that would subject Lycos to trademark liability.¹⁰⁶

B. Second Circuit

In *Tiffany (NJ) Inc. v. eBay Inc.*, defendant eBay, the well-known online auction site, used the plaintiff's mark on its website and by purchasing Internet advertising (i.e., "sponsored links") to advertise the availability of TIFFANY jewelry for sale on its website.¹⁰⁷ The plaintiff complained that because a significant percentage of "TIFFANY" goods offered on eBay.com was

101. *Universal Commc'n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413 (1st Cir. 2007).

102. *Id.* at 416.

103. *Id.*

104. *Id.* at 424.

105. *Id.*

106. *Id.*

107. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010).

counterfeit, eBay's use of the TIFFANY trademark was improper. After first finding that eBay actively policed its website to mitigate the sale of counterfeit goods and that there were genuine TIFFANY goods to be found on the site, the district court rejected Tiffany's claims, holding that eBay's use of its mark in connection with sales of genuine TIFFANY products was protected by the doctrine of nominative fair use.¹⁰⁸

On appeal, the Second Circuit, after reciting the Ninth Circuit standard, noted: "[w]e have referred to the [nominative fair use] doctrine, albeit without adopting or rejecting it" and other courts have done so similarly.¹⁰⁹ The Second Circuit found it unnecessary, however, to address the viability of the doctrine to resolve Tiffany's claim. It held, "We have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement."¹¹⁰ Trademark law does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the mark.¹¹¹ Without applying that circuit's *Polaroid* factors for evaluating likelihood of confusion,¹¹² the Second Circuit held simply:

We agree with the district court that eBay's use of Tiffany's mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website.¹¹³

C. Fourth Circuit

The Fourth Circuit recently discussed the nominative fair use defense in *dicta* in *Rosetta Stone v. Google*.¹¹⁴ In *Rosetta Stone*, the plaintiff, owner of the trademark ROSETTA STONE and related marks for language learning software programs, sued the defendant, operator of the popular GOOGLE Internet search engine,¹¹⁵ for, *inter alia*, trademark infringement and dilution based upon Google's activities with respect to its trademarks. It

108. *Id.*

109. *Id.*

110. *Id.*

111. *Id.* at 103.

112. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.) *cert. denied*, 368 U.S. 820 (1961).

113. *Id.*

114. 676 F.3d 144 (4th Cir. 2012).

115. An Internet search engine is a program that enables individuals to find websites and online content generally through the use of "keywords." *Rosetta Stone*, 676 F.3d at 150.

was undisputed that Google permitted advertisers (i) to bid at auction and purchase keywords corresponding to any of the plaintiff's marks so that the advertisers' ads would appear above the natural search results as "Sponsored Links" when the mark was used in an Internet search, and (ii) to use the plaintiff's ROSETTA STONE marks, with certain restrictions, in the text of such advertisements for third parties offering either competing language-learning software programs or purporting to be resellers of genuine ROSETTA STONE language programs, which frequently turned out to be counterfeit.¹¹⁶

The plaintiff contended that Google's policies concerning the use of trademarks as keywords and in advertising text created not only a likelihood of confusion but also actual confusion and misled Internet users into purchasing counterfeit ROSETTA STONE software.¹¹⁷ In support of its claim, the plaintiff cited Google's internal studies, which suggested that unrestricted use of trademarks by a third party in the text of an advertisement might confuse Internet users) plus anecdotal and survey evidence of actual confusion.¹¹⁸ The district court entered summary judgment against the plaintiff on its trademark infringement claim, concluding, among other things, that no genuine issue of fact existed regarding likelihood of confusion.¹¹⁹

On appeal, the plaintiff argued that the district court committed reversible error in considering only three of the Fourth Circuit's nine confusion factors: (1) the defendant's intent; (2) actual confusion; and (3) the consuming public's sophistication in the Fourth Circuit's multi-factor confusion test and disregarding the other factors in its analysis.¹²⁰

The Fourth Circuit disagreed, noting that "this judicially created list of factors is not intended to be exhaustive or mandatory."¹²¹

This is "especially true when the offending use of the plaintiff's mark is referential or nominative in nature." Unlike the typical infringement fact pattern wherein the defendant "passe[s] off another's mark as its own," . . . a nominative use is one in which the defendant . . . "makes it clear to consumers that the plaintiff, not the defendant, is the source of the trademarked product or service[.]"¹²²

. . .

116. *Rosetta Stone*, 676 F.3d at 151.

117. *Id.* at 152.

118. *Id.* at 156.

119. *Id.* at 152.

120. *Id.* at 153.

121. *Id.* at 154.

122. *Id.* (internal citations omitted) (internal quotations omitted).

In the context of a referential or nominative type of use, “the application of the traditional multi-factor test is difficult” because often many of the factors are either unworkable or “not suited or helpful as indicators of confusion in this context.”¹²³

The court stated that the first two likelihood of confusion factors, namely, the “similarity of the marks” and the “strength” of the plaintiff’s mark, are of limited probative value. The court also noted that two other factors not addressed by the district court—the similarity of facilities and the similarity of advertising—likewise have “no relevance.”¹²⁴ The key question those factors address is whether both products are sold in the same channels of trade, a factor that “does not aid the likelihood of confusion analysis when the defendant itself was not selling competing or related products.”¹²⁵

The Fourth Circuit made clear that its discussion of nominative fair use was simply illustrative of the proposition that all likelihood of confusion factors are not relevant in all situations:

We hasten to add that we are not adopting a position about the viability of the nominative fair-use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way. That question has not been presented here and we leave it for another day.¹²⁶

D. Fifth Circuit

In *Board of Supervisors for Louisiana State University Agriculture & Mechanical College v. Smack Apparel Co.*,¹²⁷ the defendant sold tee shirts using school colors and referencing the football team’s past national championships without approval of the university. The plaintiff filed suit alleging that the defendant’s use of its color scheme and other school indicia infringed their

123. *Id.* (citing *Century 21*, 425 F.3d at 217).

124. *Rosetta Stone*, 676 F.3d at 155.

125. *Id.* at 155 (citing 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 24:51 (4th ed. 2012)) (internal quotations omitted).

126. *Rosetta Stone*, 676 F.3d at 155. Although the *Rosetta Stone* court rejected plaintiff’s argument that the district court committed reversible error in failing to consider all the confusion factors, it reversed the entry of summary judgment on other grounds. *See also* *Lamparello v. Falwell*, 420 F.3d 309, 314 (4th Cir. 2005) (where defendant created a website using the domain name *www.falwell.com* to respond to what he believed were Reverend Falwell’s “untruths about gay people,” the court cited *New Kids* without adopting the Ninth Circuit’s substitute likelihood of confusion test, concluding that no one “would believe that Reverend Falwell sponsored a site criticizing himself, his positions, and his interpretations of the Bible” and, “most importantly,” because Reverend Falwell and Lamparello do not offer similar goods or services, but rather they offer opposing ideas and commentary).

127. 550 F.3d 465, 488-489 (5th Cir. 2008).

trademark rights even without express use of the plaintiff's name. The Fifth Circuit conducted a factor-by-factor analysis using that circuit's digits of confusion test, on the basis of which it found "likelihood of confusion."¹²⁸ The defendant, however, advanced nominative fair use of the plaintiff's color scheme and other school indicia as a defense. The Fifth Circuit, citing earlier precedent, recited that "the nominative fair use doctrine" permits one to "use another's mark truthfully to identify another's goods or services in order to describe or compare its product to the markholder's product."¹²⁹ The court observed, however, that the right of fair use "is limited" insofar as the "use cannot be one that creates a likelihood of confusion as to the source, sponsorship, affiliation or approval" of a defendant's goods.¹³⁰ The court continued, "We have held that a nominative fair use claim is a claim that a mark's use is non-infringing, and therefore creates no likelihood of confusion."¹³¹ Therefore, a court "ordinarily should consider a nominative fair use claim in conjunction with its likelihood-of-confusion analysis."¹³² The *Smack Apparel* court then proceeded to apply the three-factor *New Kids* standard. The court found:

Smack used the Universities' colors and indicia in more than a nominative sense. It did not incorporate the colors and other indicia to describe and compare its shirts with shirts licensed by the Universities, nor did it do so to tell the public what I had copied. Smack . . . did so in a way that improperly suggested affiliation, sponsorship, or endorsement.¹³³

E. Sixth Circuit

In *Paccar v. Telescan*,¹³⁴ a case that presented the same issue as *Toyota Motor Sales*, a defendant used the domain names *peterbiltnewtrucks.com* and *kenworthnewtrucks.com* for its website, on which it advertised listings for PETERBILT and KENWORTH trucks.¹³⁵ In addition, the defendant displayed those marks on the wallpaper of its manufacturer-specific websites in script similar to font styles used by the plaintiff and in meta-tags, used to affect search engine results.¹³⁶ The Sixth Circuit, applying its eight-

128. *Id.* at 478-85.

129. *Id.* at 488.

130. *Id.*

131. *Id.* at 488-89.

132. *Id.* at 489.

133. *Id.*

134. *Paccar v. Telescan Techs., LLC*, 319 F.3d 243 (6th Cir. 2003).

135. *Id.* at 247-248.

136. *Id.*

factor likelihood of confusion test,¹³⁷ found infringement.¹³⁸ The court also dismissed the defendant's "nominative fair use" defense.¹³⁹ The Sixth Circuit recognized that, under Ninth Circuit law, the nominative fair use analysis replaces the eight-factor likelihood of confusion test.¹⁴⁰ The court held, however, that, "[t]his circuit has never followed the nominative fair use analysis, always having applied the *Frisch's Restaurant* test."¹⁴¹ The Sixth Circuit also distinguished this case from one in which the defendant used a trademark to "describe the plaintiff's product rather than its own."¹⁴² It held that the defendant's argument would have had more merit had the defendant limited use of the plaintiff's marks to the body of its website. According to the court, the defendant's inclusion of the marks in its domain names, "thereby describing its own products—its websites," crossed over the line.¹⁴³

F. Seventh Circuit

In *August Storck K.G. v. Nabisco, Inc.*,¹⁴⁴ the maker of the famous LIFESAVERS candy, which is shaped like a life preserver, branched into the sale of a new line of individually paper-wrapped candy that tasted like and competed with WERTHER'S ORIGINAL candy. To promote its candy, Nabisco included a banner across its packaging that read, "25% LOWER IN CALORIES THAN WERTHER'S ORIGINAL* CANDY."¹⁴⁵ The plaintiff objected to this use of its mark and filed a trademark infringement suit. The district court entered a preliminary injunction, finding that Nabisco's comparative advertising created a "possibility" of confusion.¹⁴⁶ The Seventh Circuit reversed on the basis that the injunction hampers a form of competition highly "beneficial to consumers."¹⁴⁷ Without attempting to apply that circuit's likelihood of confusion factors, the court cited the operative legal standard as follows: "A use of a rival's mark that does not engender confusion about origin or quality is therefore

137. *Id.* at 249-250 (citing *Frisch's Rests. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982) (hereinafter the "*Frisch's Restaurant* test").

138. *Paccar*, 319 F.3d at 256.

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.* (quoting *New Kids on the Block v. NewsAmerica Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (internal quotations omitted)).

143. *Paccar*, 319 F.3d at 256.

144. *August Storck v. Nabisco, Inc.*, 59 F.3d 616 (7th Cir. 1995).

145. *Id.* at 617, 621.

146. *Id.* at 618.

147. *Id.*

permissible.”¹⁴⁸ The court relied heavily on FTC and FDA guidance, which encourages “product comparisons.” The court held:

It is hard to see how anyone could think that the Life Savers® Delites™ package contains Werther’s® Original candies or has anything to do with Storck’s product. Life Savers®, one of the most famous brand names in American life, is emblazoned on the package of Life Savers® Delites™; the candy-gulping public will quickly grasp that the point of the diagonal stripe containing the Werther’s® Original name is to *distinguish* the two candies—to say that one is different from, and better than, the other.¹⁴⁹

IV. TOWARD A UNIFORM STANDARD

As the above review shows, there remains a lack of consensus among the courts as to whether they should recognize nominative fair use as a defense to trademark infringement and, if they do, what standard to apply when a defendant claims its nominative use of the plaintiff’s mark is fair. Some courts have eschewed the defense altogether,¹⁵⁰ while others recognize the principle but without embracing the Ninth Circuit standard.¹⁵¹ Some clarity is needed.

Part of the confusion arises from classification. Originally cast as a “defense,” the first issue is whether nominative fair use should best be understood as an affirmative defense as to which the proponent bears the burden of proof or a specific type of non-infringing use that the plaintiff must overcome to prove likelihood of confusion. The distinction makes a difference. If the former, then the defendant bears the burden of carrying the defense. If the latter, then the burden of proving confusion remains with the plaintiff.

A. Nominative Fair Use Is Not a Defense

In the author’s view, nominative fair use is best understood as a specific type of non-infringing use that the plaintiff must overcome to prove confusion. This view seems more consistent with the cases reviewed above, the majority of which hold “nominative fair use” to be non-confusing use. After reviewing all the Ninth Circuit cases, Judge Fischer concluded that nominative fair use, as originally conceived by Judge Kozinski, should be understood as a

148. *Id.*

149. *Id.*

150. *Paccar v. Telescan Techs, LLC*, 319 F.3d 243, 256 (6th Cir. 2003).

151. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010); *Universal Commc’n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413 (1st Cir. 2007).

replacement test for deciding likelihood of confusion.¹⁵² Judge Kozinski, himself, in *Toyota Motors*, recently seems to have confirmed that view. He wrote, “We’ve long held that such [nominative] use of the trademark is a fair use. And fair use is, by definition, not infringement.”¹⁵³

In treating nominative fair use as an affirmative defense, the Third Circuit stands alone. And, in the author’s view, for good reason. Nominative fair use and descriptive fair use stand on different foundations. Unlike descriptive fair use, in which the law tolerates a “certain degree of confusion on the part of consumers,”¹⁵⁴ nominative fair use, a judicially recognized doctrine, seems incompatible with likelihood of confusion. A core principle is that the defendant do nothing in conjunction with using the mark that would “suggest sponsorship or endorsement” by the trademark owner. In a practical sense, if nominative fair use were recognized as an affirmative defense on which the defendant bears the burden of proof, there is a real risk that both parties would need to try the same issue on both sides of the case. As Judge Fisher correctly observed, in the context of unfair competition, sponsorship confusion and nominative fair use are two sides of the same coin. Shifting the burden of proof to the defendant in these cases is unmanageable. It risks inconsistent verdicts in which the plaintiff first establishes sponsorship confusion, and then the defendant avoids liability by proving “fair use,” using essentially the same evidence.

If one accepts that that nominative fair use should be properly understood as a recognized type of non-confusing use, the issue then becomes what test to apply. At the crux, the issue is whether to apply the traditional likelihood of confusion factors or some substitute test. As noted above, some circuits have declined to weigh factors in finding no liability for trademark infringement on the basis of the defendant’s nominative use.¹⁵⁵ On the other hand, the Ninth Circuit advocates replacing the factors with its truncated three-factor test.¹⁵⁶ Still other circuits have employed a traditional likelihood of confusion analysis, using the factors to establish liability, only to re-trudge through the Ninth Circuit’s truncated set of factors to deny the defense.¹⁵⁷

152. *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d at 233-34 (3d Cir. 2005).

153. *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175 (9th Cir. 2010).

154. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121-22 (2004).

155. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010); *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616 (7th Cir. 1995).

156. *Toyota*, 610 F.3d 1171.

157. *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526 (5th Cir. 1998).

B. The Traditional Infringement Standard Does Not Fit

In the author's view, nominative fair use presents the same issue as in other unfair competition cases: whether the defendant's use of the plaintiff's mark is likely to cause sponsorship confusion or source confusion.¹⁵⁸ However, a new standard is needed. In that regard, the Ninth Circuit and the Third Circuit are correct in their determinations that the traditional multi-factor confusion test is awkward to use with the fact pattern presented in nominative fair use cases, where use of the plaintiff's mark is a given. Other courts implicitly have recognized this reality by simply ignoring the digits of confusion in their analyses of likelihood of confusion.¹⁵⁹ However, neither the Ninth Circuit standard nor the Third Circuit standard seems to quite fit the bill.

Under the Ninth Circuit test, the first element requires the trademark owner to prove that the defendant did not need to use the plaintiff's mark. Although this factor is plainly relevant, asking the plaintiff to rebut that element comes close to requiring the plaintiff to "prove a negative." It would make practical sense if the defendant were required to carry the burden of proof on that issue; as noted above, however, from a legal standpoint, nominative fair use is not truly a defense.

The third element in the Ninth Circuit test—that is, that the defendant did something (as opposed to nothing) that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder—is even more problematic. That inquiry simply restates the ultimate issue of likelihood of confusion, and it takes away from the district court many of the tools that the courts customarily use to evaluate the ultimate question.

Unfortunately, the Third Circuit's test has problems of its own. The Third Circuit test fails, in the author's view, to recognize that nominative fair use and descriptive fair use rest on different conceptual bases. The latter is compatible with confusion while the former is not. Where does this leave us?

C. A Proposed Standard for Nominative Fair Use

The author suggests that courts should follow a two-step process that differs in certain respects from those endorsed by either the Ninth or Third Circuits. In the first instance, the court should determine whether the party claiming nominative fair use is using the plaintiff's mark otherwise than as a designation of

158. 15 U.S.C. §§ 1117, 1125.

159. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

source for that party's own goods or services.¹⁶⁰ In the parlance of the Ninth Circuit and other courts, the defendant is using the plaintiff's mark in its trademark sense to refer to the plaintiff. Almost every nominative fair use case reviewed above in this article involves use of the plaintiff's mark in advertising copy in one form or another. Therefore, to make this determination, the court should consider the defendant's use of the plaintiff's mark in the context of the defendant's advertising. The advertising provides context to judge likely consumer perception.

In the few cases where the defendant claims "nominative fair use" based solely on use of the plaintiff's mark on the goods themselves, the court may be well advised to reject the defense and apply the traditional likelihood of confusion standard. One example of such a case might well be the *Smack Apparel* case, in which the defendant used the plaintiff's trademark colors and other indicia on the goods themselves. Another example would be the *Pebble Beach* case in which the plaintiff claimed rights in the design of its golf course hole and the defendant reproduced that claimed mark design on its own course. In these cases where the defendant is using the plaintiff's mark as an indication of source for the defendant's own goods and services, the traditional multi-factor confusion analysis seems well suited to the task. And much "confusion" and headache could be avoided by trying to graft nominative fair use analysis on top of this fact pattern.

Where, however, the context of the defendant's advertising copy or labeling reflects that the defendant is using the plaintiff's mark in such advertising otherwise than as an indication of source of the defendant's goods or services, in the second step, the court should determine whether the defendant's use of the plaintiff's mark is likely to cause sponsorship confusion or source confusion. To do that, the court need not trudge through the multi-factor standard confusion analysis. Instead the court may replace its standard inquiry with a more truncated analysis, including consideration of a more limited set of factors. In determining whether a defendant's use of a plaintiff's mark is likely to cause sponsorship confusion or source confusion, the court should consider the following factors:

- (1) the manner in which the defendant uses the plaintiff's mark, including such things as size, placement, and stylization;

160. Unlike a true affirmative defense, the defendant need not ultimately prove this element by a preponderance of the evidence. Instead, the defendant need only claim or contend that confusion does not exist because the defendant is using the plaintiff's mark to refer to the plaintiff in a non-confusing manner and not using the plaintiff's mark as a designation of source for its own goods or services. In the first instance, the court should determine if the evidence would support a finding in the defendant's favor on this contention. In this respect, the defendant's burden is a limited one, by analogy, to making a *prima facie* showing that the defendant is using the mark in this manner.

(2) the proximity of the plaintiff's and defendant's goods or services, including the likelihood of expansion of the parties' product or service lines;

(3) whether the defendant's advertising truthfully describes the relationship between the parties;

(4) the type of goods or services and the degree of care likely to be exercised by the purchaser;

(5) the defendant's intent; and

(6) evidence of actual confusion.

If these factors seem recognizable, they should. They find support in many of the cases discussed above.

With respect to the first factor, the use of a plaintiff's mark in its stylized form may well connote sponsorship. In *Volkswagenwerk Aktiengesellschaft v. Church*,¹⁶¹ for example, the defendant, an independent auto repair shop advertised on a large sign "Modern Volkswagen Porsche Service."¹⁶² In affirming the District Court's finding of no likelihood of confusion, the Ninth Circuit noted that "the fact is that Church did not use Volkswagen's distinctive lettering style or color scheme, nor did he display the encircled 'VW' emblem."¹⁶³ Likewise, in *Century 21*, the Third Circuit directed the District Court on remand to consider whether the defendant used the plaintiff's "distinctive lettering" when using the plaintiff's mark, or simply "block letters to spell out plaintiff's name"¹⁶⁴ Finally, in *Toyota v. Tabari*, Judge Kozinski agreed with the plaintiff that using the Lexus L logo "might lead some consumers to believe they were dealing with an authorized Toyota affiliate."¹⁶⁵

With respect to the second and third factors, the proximity of the plaintiff's and defendant's goods or services to one another or the perceived likelihood of bridging the gap, both may factor into sponsorship confusion. For example, imagine the hypothetical case of body shop repair service located next door to a Costco membership warehouse club, where the body shop puts up a sign "Costco members—Save 15%." To the extent that Costco has affiliated programs with a large number of many different kinds of service providers including others in the auto industry, these location and line extension proximity factors may weigh in favor of sponsorship confusion. Likewise, with respect to the sale of carpet,

161. 411 F.2d 350 (1969). Judge Kozinski relied upon this case to fashion factor two in his three-factor standard. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 n.7 (9th Cir. 1992).

162. *Volkswagenwerk*, 411 F.2d at 351.

163. *Id.* at 352.

164. *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211, 230 (3d Cir. 2005).

165. *Toyota*, 610 F.3d at 1181.

on the one hand, and carpet installation services, on the other hand, one could argue that the complementary nature of these goods and services weigh in favor of confusion. The opposite is also true. Indeed, in the Falwell case, the Fourth Circuit stated “[m]ost importantly, Reverend Falwell and Lamparello do not offer similar goods and services” in support of its conclusion that there existed no sponsorship confusion.¹⁶⁶

With respect to the fourth factor, the more accurately the advertising states the relationship between the parties, the less likely it is that consumers would perceive a relationship. In the *Volkswagen* case, for example, the court found that use of the word “independent,” whenever the terms “VOLKSWAGEN or “VW” appeared, militated against confusion.¹⁶⁷ Likewise, in *Century 21*, the Third Circuit directed the District Court on remand to consider how the defendant’s disclaimer that “LendingTree is not sponsored by or affiliated with the parent franchisor companies of any of the participating members of its network” affects the risk of public confusion.¹⁶⁸ Notably, a “compare to” reference in the advertising may accurately describe and distinguish a competitive offering and therefore help dispel confusion, as in the *Nabisco* case.¹⁶⁹ Conversely, the absence of contextual description of the relationship between the parties may leave room for ambiguity. The plaintiffs will always argue that the mere presence of a plaintiff’s mark in a defendant’s advertising implicitly suggests that the plaintiff endorses the defendant’s product, service, or message. Although there should be no absolute rule that a disclaimer is required¹⁷⁰ the presence or absence of any description or context regarding the relationship between the parties will often be a relevant factor.

With respect to the sophistication of the target purchaser, focusing on the type of goods or services advertised and the degree of purchasing care makes sense in determining affiliation or sponsorship confusion. The inclusion of this factor is relevant because the less care that the target consumer is likely to invest in the purchase, the more likely a consumer would perceive that the plaintiff has authorized or approved the defendant’s services from the defendant’s mere use of, or reference to, the trademark owner’s mark in the defendant’s advertising or on its product labeling. Most recently, the Fourth Circuit focused on the evidence bearing on this factor in reversing summary judgment against Google based on its practice of permitting the plaintiff’s competitors to

166. *Lamparello*, 420 F.3d at 315.

167. *Volkswagenwerk*, 411 F.2d at 351.

168. *Century 21*, 425 F.3d at 231.

169. *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616 (7th Cir. 1995).

170. *Toyota*, 610 F.3d 1177.

purchase “key words” consisting of the plaintiff’s marks and to use those marks in the “Sponsored Links” ads that were served to users as a result, because the record contained deposition testimony from consumers who purchased counterfeit ROSETTA STONE software via such “Sponsored Links” that they believed to be either “affiliated with or authorized by” the plaintiff to sell its software.¹⁷¹ Likewise, in *Century 21*, the Third Circuit focused on the fact that because of “the importance of a real estate purchase to the average consumer” one would expect that consumers going to the website would “be very careful” in learning about the various realtors listed in the defendant’s real estate lending network, which “weighs against a finding of likely confusion.”

With respect to the intent and actual confusion factors, courts long have held that likelihood of confusion may be inferred from proof that the actor used a designation resembling another’s trademark with the intent to cause confusion or to deceive.¹⁷² The rule is often expressed that courts will assume that businesspeople usually succeed when they intend to cause confusion.¹⁷³ In *Brother Records*, in finding sponsorship confusion the court relied on evidence in the record that the band’s manager recommended including the name “The Beach Boys” in the name of the band “in order to create or enhance its marquee” value.¹⁷⁴ The court likewise cited evidence of actual consumer confusion among fans and event promoters.¹⁷⁵

The foregoing discussion would not be complete without mention of the factors excluded from the proposed test. These are: the strength of the plaintiff’s mark, the similarity of the marks, and the marketing channels used. These factors are not included because they are almost always present in every case where a defendant refers to a plaintiff’s mark in its advertising by name. With respect to the strength of a plaintiff’s mark, whether it is a conceptually strong or weak or casts a long or short shadow is not an issue when the defendant admittedly operates inside that shadow. Likewise, it makes little sense to compare the plaintiff’s mark with the defendant’s mark when the defendant is clearly using the plaintiff’s mark in its trademark sense, but claims that it is not using the plaintiff’s mark to designate the source of the defendant’s products or services. With respect to the marketing channels, by referring to the plaintiff’s mark, purchasers are, by definition, likely to be exposed simultaneously to the mark of the

171. *Rosetta Stone v. Google*, 676 F.3d 144, 160 (4th Cir. 2012).

172. Restatement (Third) of Unfair Competition § 22 (1995).

173. For a contrary view that this presumption should not apply, see Thomas Casagrande, *A Verdict for Your Thoughts? Why an Accused Trademark Infringer’s Intent Has No Place in Likelihood of Confusion Analysis*, 101 TMR 1447 (2011).

174. *Brother Records*, 318 F.3d 900, 908 (9th Cir. 2003).

175. *Id.*

plaintiff and the goods or services of the defendant; therefore there is an overlap between the markets. The Fourth Circuit implicitly recognized this reality in the *Rosetta Stone* case, where it found that even though Google sold advertising and the plaintiff sold software on the Internet both directed to the same ultimate customer, “this factor does not aid the likelihood-of-confusion analysis in this case.”¹⁷⁶

Nevertheless, one might argue that fashioning a new standard is not required, as the traditional multi-factor test has stood the test of time. Indeed, the argument would go, the confusion factors were never intended to be a mechanistic test and courts could simply ignore non-relevant factors.¹⁷⁷ However, there seems to be no point in mentioning factors only to ignore them as a matter of course. In this context, their inclusion seems awkward at best and possibly harmful. In this respect, the Ninth Circuit, the Third Circuit, and other courts seem to be on the right path in eschewing the traditional approach to weighing likelihood of confusion in cases that fit the nominative fair use fact pattern.

V. CONCLUSION

The reluctance of many courts to embrace either the Ninth Circuit or Third Circuit’s nominative fair use standard suggests that further refinement of the standard may be needed. The author believes that the courts should regard nominative fair use as a specialized type of non-confusing use, rather than as a separate defense *per se*. Further, where the defendant uses the plaintiff’s mark in the defendant’s advertising not to designate the source of the defendant’s own products or services, but instead to identify the plaintiff by reference to its mark, the court should judge the fairness of such use by determining whether the defendant’s use of the plaintiff’s mark is likely to cause sponsorship confusion or source confusion. To do so, the court need not trudge through all the factors in the multi-factor standard confusion analysis. Instead, the court should use the nominative fair use test delineated herein, which combines certain factors from both the Ninth Circuit test and the Third Circuit tests and yields a confusion test specifically tailored to nominative fair use cases. By categorizing nominative fair use as a specialized type of non-confusing use and following the test delineated in this article, the author hopes that much of the lingering confusion concerning

176. *Rosetta Stone v. Google*, 676 F.3d 144, 156 (4th Cir. 2012).

177. Restatement (Third) of Unfair Competition § 21 (1995); *One Indus., LLC v. Jim O’Neal Distrib., Inc.*, 578 F.3d 1154, 1162 (9th Cir. 2009) (“The Sleekcraft factors are not exhaustive.”); *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 470 (3d Cir. 2005) (describing Lapp factors as a “non-exhaustive test”); *Nautilus Group, Inc. v. ICON Health and Fitness, Inc.*, 372 F.3d 1330, 1335 (Fed. Cir. 2004) (factors are “pliant, and the relative import of each factor is case specific”) (citation omitted).

whether to recognize nominative fair use, and which standard to apply to evaluate it, will be avoided.
