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Why SCOTUS' ‘narrow path’ in Spaniels could cause ripples

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The landmark Jack Daniel’s case involving a dog toy leaves questions over the Rogers test and could see a shift in infringement standards, says Mark Stallion of Greensfelder.

In the *Jack Daniel’s Properties v VIP Products* case on appeal before the US Supreme Court (SCOTUS), the court sided with the whiskey maker, vacating a decision that had overturned a district court’s ruling in a dispute over whether a dog toy called ‘Bad Spaniels’ infringed the trademark rights of Jack Daniel’s.

Earlier this month, SCOTUS remanded the case for further proceedings consistent with the court's opinion.

SCOTUS did not decide, however, whether the *Rogers* test for trademark infringement (see *Rogers v Grimaldi, 1989*) is ever appropriate or when it should be applied, or how far the 'non-commercial use' exclusion extends in relation to dilution.

Parody defence

SCOTUS did decide that the parody defence and *Rogers* test is not a threshold inquiry when the challenged use is of a mark as a source identifier. Further, non-commercial use as a defence against a claim of dilution does not shield parody or other commentary when the challenged use of a mark is as a mark. Both findings are based on "whether the use of the mark in question is serving as a source-designation function".

In favour of VIP Products, the US Court of Appeals for the Ninth Circuit previously overturned a district court's ruling in favour of Jack Daniel's, which found that VIP Products' dog toy called 'Bad Spaniels' infringed the trademark rights of Jack Daniel's.

The squeaker toy resembles the familiar Jack Daniel's whiskey bottle and labelling. The Ninth Circuit asserted that the trial court should have found that the squeaker toy is an expressive work under the First Amendment, thereby preventing a finding of infringement. SCOTUS, however, concluded that the Ninth Circuit erroneously decided that because parody was present, the claim of infringement was subject to the *Rogers* test as a threshold inquiry.

The appellate court ruling sent the case back to the trial court to reassess under the *Rogers* test. Under the test, an expressive work can only be infringed if the work is explicitly misleading or has no artistic relevance.

The Ninth Circuit cited a 2007 Fourth Circuit decision involving Louis Vuitton; yet SCOTUS distinguished that case—asserting that the application of *Rogers* in that decision and other similar decisions only occurred when the mark in question was not used to designate a work's source but solely performed an expressive function.

Satire and mockery

SCOTUS concludes that *Rogers* is not a threshold test as applied by the Ninth Circuit, because if it were, it would wrongly insulate the use of a trademark from the ordinary likelihood of confusion scrutiny if the use of the trademark is used as a trademark to identify the defendant's brand, goods, or services.

Before SCOTUS, Jack Daniel's argued that IP rights are a type of property right, which by definition should restrict free speech. VIP argued there is no likelihood of confusion, and if parody or expression is present, then the *Rogers* test is a threshold test to a finding of infringement.

A common definition of trademark parody is a work that calls to mind the actual branded product or service, but at the same time, the parody is necessarily distinguished from the original brand and communicates an element of satire, ridicule, joking, or mockery.

An effective parody reduces the risk of confusion by only using enough of the trademark to allow the consumer to grasp the parody. The expressive purposes of parody, including criticism and commentary, which arguably is an exercise of free speech, must be balanced with the trademark owner's interest.

For example, the parody should not result in the dilution of the owner's trademark by impairing or blurring a famous mark's distinctiveness or tarnishing the reputation or goodwill of a famous mark.

The plastic squeaky toy version of a Jack Daniel's whiskey bottle features the name on the label as 'Bad Spaniels' and includes an image of a spaniel. Instead of listing 40% alcohol by volume, it lists '43% poo' and '100% smelly' on the label. The toy also replaces the 'Old No. 7' branding with 'Old No. 2.'

Post-remand decision

VIP asserts that no reasonable consumer would confuse the toy with Jack Daniel's as the source. Rather, VIP argues its product is a humorous and expressive work, and thus immune from the whiskey company's charge of infringement.

It is unclear where the courts will land post-remand. The facts of the case beg the question of whether an argument that parody doesn't exist and whether an argument that the VIP dog toy doesn't fall within free speech is reasonable, but SCOTUS doesn't decide.

Arguably, the VIP toy meets the textbook definition of parody in that it calls to mind Jack Daniel's brand but has several distinguishing features that communicate an element of satire or joking.

However, SCOTUS concludes that parody as a defence is not relevant here and can't circumvent the likelihood of confusion analysis when the mark in question is being used as a trademark to identify the source of the defendant's product, which VIP essentially conceded.

However, SCOTUS at least suggests that although parody isn't a threshold test given the set of facts, parody can be a significant consideration when assessing whether there is a likelihood of confusion—an essential element for a finding of infringement.

One can certainly argue that with the element of satire and joking, a consumer couldn't possibly mistake Jack Daniel's as the source of the parody or a source of the toy itself—even if Jack Daniel's was in the business of branded dog toys. Therefore, it may be difficult for Jack Daniel's to win by simply arguing on the basis of likelihood of confusion.

Amusing, not confusing

As previously described, parody is a juxtaposition of the original trademark against a humorous and editorial representation of the mark, which makes some comment on the original.

Such findings can be seen in *Louis Vuitton Malletier v Haute Diggity Dog*, (4th Cir. 2007), where a dog toy mimicking a high fashion handbag was held to be a parody, and *Louis Vuitton Malletier v My Other Bag* (2016), in which an inexpensive canvas tote displaying famous brand symbols was deemed parodic.

And in the copyright infringement case, *Campbell v Acuff-Rose* (1994), the defendant's song *Big Hairy Woman* was found to be a parody of the classic Roy Orbison song *Pretty Woman.*

The Supreme Court in *Acuff-Rose* drew a distinction between parody—which comments at least in part on the original—and satire, which does not, but simply mimics the style of the original to attract consumer attention.

However—in an action for trademark infringement—the public interest in free speech must be weighed against the trademark owner's right to protect its goodwill and the public interest in avoiding consumer confusion.

Even legitimate parodies can constitute trademark infringement if there exists a likelihood of confusion. In *Seuss Enters v Penguin Books US* (1997), the Ninth Circuit held that "a non-infringing parody is merely amusing, not confusing".

In the present case, there is a strong indication that confusion does not exist due to the nature of the modifications as compared to the original famous Jack Daniel's brand.

One can reasonably conclude that to be successful, Jack Daniel's must assert that the parody and free speech have crossed the line and resulted in dilution by impairing or blurring Jack Daniel's famous mark's distinctiveness and by tarnishing the reputation or goodwill of the mark.

Further, Jack Daniel's can argue that using terms such as 'poo' and 'smelly' is clearly tarnishing. Parody can be a defence, but not at the expense of consumer confusion and tarnishing the brand, as illustrated in *Seuss Enters v Penguin Books* (1997), and *Anheuser-Busch v Balducci*, (1994).

Jack Daniel's may assert that the parodist is not commenting on the famous brand at all but is simply leveraging the goodwill of the famous brand to draw attention to their own product.

Rather than arguing that a parody does not exist and that the VIP mark does not constitute free speech and that there is a likelihood of confusion, dilution may be a better argument for Jack Daniel's.

A narrow path

One can reasonably argue that the carve-out for parody and First Amendment free speech certainly was not intended to allow an entity to leverage the goodwill of a famous mark to generate sales.

Predictably, SCOTUS took a narrow path. The parody defence and *Rogers* do not apply when the challenged use of a mark is the use of a mark as a mark. Further, non-commercial use as a defence against a claim of dilution does not shield parody or other commentary when the challenged use of a mark is the use of a mark as a mark. Both findings are based on, "whether the use of the mark in question is serving as a source-designation function". The likelihood of confusion and dilution are the issues on remand.

SCOTUS decided that a parody *Rogers* test is not a threshold test when the mark in question is being used as a trademark identifying a source should result in a sigh of relief for famous brand owners and that a likelihood of confusion analysis should be performed. However, SCOTUS at least suggests that the presence of parody may be probative in any likelihood of confusion analysis. This should cause famous brand owners to pause.

If SCOTUS had concluded that *Rogers* is a threshold test, a floodgate of entities would have been able to leverage the goodwill of famous marks for the purpose of drawing attention to their products.

A defendant can be found to infringe even when the mark in question is substantially different due to parody and may unduly empower famous brand owners like Jack Daniel's.

Ultimately, it will not be surprising if Jack Daniel's wins the battle because the courts may ultimately find that parody and expression, although differentiating a mark, should not go so far that it dilutes a famous mark or leverages the goodwill of a famous mark primarily for selling a product.

Ripples to come

If the courts ultimately land on a finding of dilution, I believe the trademark universe stays relatively balanced, preventing future players like VIP from diluting a famous mark and maybe more importantly leveraging the goodwill embodied in a famous mark for their product's benefit.

However, dilution is difficult to prove, and the courts can't allow too much weight to be placed on marketing surveys. Any marketing firm worth its weight in salt can engineer a survey to get the desired results. The courts must also require more hard evidence of dilution.

If the courts find infringement based on the likelihood of confusion, then the trademark universe will feel a ripple. Given the significant difference in the Bad Spaniels mark, it seems unreasonable that a consumer is likely confused.

There would appear to be a shift in the standard for infringement, which looks to the would-be infringer's intent to leverage the goodwill of a famous mark even though no likelihood of confusion is found.

Mark Stallion *leads the IP practice at law firm Greensfelder. He can be contacted at mstallion@greensfelder.com*.