

How Much Confusion Is Fair?

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In December 2004, the United States Supreme Court handed down a decision in the case of *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.* (2004) 125 S.Ct. 542. The case involved a trademark dispute related to the fair use defense detailed in the Lanham Act. The Court granted certiorari to address the inconsistent circuit court opinions regarding which party shall have burden of proving a likelihood of consumer confusion when such a defense is raised.

Although the Supreme Court determined which party shall be charged with the burden, they specifically left the door open concerning some important details on how this ruling will affect disputes in this important area of law.

I. Procedural History

KP Permanent Make-Up, Inc. (hereafter, KP) and Lasting Impressions I, Inc. (hereafter, Lasting) are competitors in the permanent make-up industry. Their products are injected into the skin to permanently color facial features or to cover scars or tattoos. KP began using the term “microcolor” to describe their products in 1990 or 1991. In 1992, Lasting registered a trademark, which included the words “Micro Colors”; the trademark became incontestable¹ in 1999. That same year KP released an advertising brochure that used the term “microcolors” to describe and market their product. Upon learning of the brochure, Lasting sent a cease and desist letter to KP claiming trademark infringement. KP responded by filing suit for declaratory relief in the federal District Court for the Central District of California. While not disputing Lasting’s ownership of the trademark, KP’s motion for summary judgment rested on the statutory affirmative defense of “fair use” as stated in the Lanham Act, 15 U.S.C.S. §1115 (b)(4).

Lasting opposed KP’s motion for summary judgment on the grounds that KP’s use of the term “microcolors” was likely to cause confusion, thereby precluding a fair use defense. The District Court granted KP’s motion for summary judgment. Lasting appealed to the Ninth Circuit Court of Appeals. The Ninth Circuit reversed the District Court’s ruling and held

1. 15 U.S.C.S. §1065.

that if there is actual or even the likelihood of confusion, the court must reject a fair use defense.² KP petitioned the United States Supreme Court for certiorari on this issue.

II. Defenses To Trademark Infringement

The Lanham Act, 15 U.S.C.S. §1115, recognizes different categories of possible terms that might be incorporated into a trademark. “Generic” terms are those which use a common descriptive word. The Lanham Act does not protect generic terms.³ In contrast, a “merely descriptive” term “merely describes qualities and characteristics of goods and services.”⁴ Such a term may be protected only if the plaintiff can show that the descriptive word has acquired a meaning secondary to and apart from its generic meaning.⁵

However, the registration of a certain term as a trademark does not deprive other parties from using that term in its original descriptive sense.⁶ This “fair use” allows the use of a descriptive term regardless of trademark status.

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or 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. (Emphasis added.)⁷

III. Analysis

Lasting’s appeal to the Ninth Circuit was based on the District Court’s failure to consider the issue of consumer confusion in the context of the fair use defense. Lasting renewed their assertion that KP’s use of the term could not be considered “fair” if there was any likelihood of confusion between the marks in issue.

The Ninth Circuit, parting from the majority of the Courts of Appeals, has distinguished between two types of fair use: classic fair use and nominative fair use. The Court has utilized a different analysis depending upon

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

3. 15 U.S.C.S. §1065(4).

4. Park ‘N Fly, Inc. v. Dollar Park and Fly, 469 U.S. 189, 194 (1985).

5. *Park ‘N Fly, Inc.*, 469 U.S. at 194.

6. Restat 3d of Unfair Competition, § 28, Comment c. See also: WCVB-TV v. Boston Athletic Association, 926 F.2d 42 (1st Cir.1991); Eli Lilly and Co. v. Revlon, Inc., 577 F.Supp. 477, 486 (S.D.N.Y.1983); Citrus Group, Inc. v. Cadbury Beverages, Inc., 781 F.Supp. 386 (D.Md.1991); Schmid Laboratories v. Youngs Drug Products Corp., 482 F.Supp. 14 (D.N.J.1979).

7. 15 U.S.C.S. §1115(b)(4).

which type of fair use is at issue in a particular case. The Ninth Circuit defined the two types of fair use as follows:

Classic fair use is that in which the alleged infringer “has used the [trademark holder’s] mark only to describe his own product, and not at all to describe the [trademark holder’s] product.” In contrast, nominative fair use occurs when the alleged infringer uses “the [trademark holder’s] mark to describe the [trademark holder’s] product, even if the [alleged infringer’s] ultimate goal is to describe his own product.” Nominative fair use also occurs if the only practical way to refer to something is to use the trademarked term.⁸

The Ninth Circuit characterized KP as asserting the classic fair use defense. Following their previous decisions, the Court stated that when the classic fair use defense is raised an analysis of the likelihood of confusion was necessary. “As expressed in *Cairns*, the fair use analysis ‘only complements the likelihood of customer confusion analysis.’”⁹ The Ninth Circuit effectively shifted the burden of proof regarding consumer confusion to KP. Thus, on remand, KP had the burden of showing an absence of consumer confusion.

Contrary to the Ninth Circuit, the majority of the Courts of Appeals have held that allowing a likelihood of confusion finding to trump a fair use defense would negate the defense. The United States Supreme Court is in agreement with the majority, having stated, “[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant.”¹⁰

The United States Supreme Court acknowledged that Lasting, based on their incontestable trademark which includes the term “Micro Color,” has an “exclusive right to use” the mark under 15 U.S.C.S. §1115. However, the Court acknowledged that in order to succeed in an infringement suit a plaintiff must show “that the defendant’s actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.”¹¹ This rule is grounded in the Congressional intent behind the statute, the statutory language of 15 U.S.C.S. §1115(b), and case law.

Regarding Congressional intent, the Court noted that the House Subcommittee on Trademarks expressly declined to put forth a draft of the fair use defense (15 U.S.C.S. §1115(b)(4)), which would have included a required showing of the absence of consumer confusion as an element of the

8. *KP Permanent Make-Up, Inc.*, 328 F.3d at 1072. Citing *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002) and *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

9. *KP Permanent Make-Up, Inc.*, 328 F.3d at 1072. Citing *Cairns v. Franklin Mint Co.*, 292 F.3d 1139 at 1150.

10. *Shakespeare Company v. Silstar Corporation of America, Inc.*, 110 F.3d 234, 243 (4th Cir. 1997).

11. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S.Ct. 542, 547 (2004).

defense.¹²“Two points are evident. Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration. And Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in §1115(b)(4).”¹³The Court thus concluded that the language of 15 U.S.C.S. §1115(b)(4) can only be interpreted to mean that, in trademark infringement cases, the burden of proof to show consumer confusion rests squarely on the plaintiff.¹⁴ Since the burden of proving the likelihood of consumer confusion is part of plaintiff’s prima facie case, requiring the defendant to negate this element in establishing a defense would have the effect of making the defense of fair use completely irrelevant.

Lasting argued that the inclusion of the words “used fairly” in 15 U.S.C.S. §1115(b) is a veiled incorporation of a “likelihood-of-confusion” test, which has been further developed in case law.^{15,16} The Court disagreed, stating that while Lasting was correct in their assertion that unfair competition cases have considered the likelihood of confusion, it remains only one aspect of the analysis and is not dispositive.¹⁷ Contrary to Lasting’s argument, the Court’s review of common law of trademark infringement and unfair competition concluded that “*some degree* of confusion from a *descriptive use* of words contained in another person’s trademark” is tolerable.^{18,19}

The Court expressly left open the question of how much confusion is tolerable. “It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair. . . . Since we do not rule out the pertinence of some degree of consumer confusion. . . .the door is not closed.”²⁰

The Court stated that delving further into the amount of tolerable confusion would exceed the Ninth Circuit’s “consideration of the subject.”²¹ However, in 1962, the Second Circuit Court of Appeals established an eight factor test to measure consumer confusion:

Where the products are different, the prior owner’s chance of success is a function of many variables: 1) the strength of his mark, 2) the degree of

12. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 548, fn. 4.

13. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 548.

14. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 550.

15. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 548.

16. See *Baglin v. Cusenier Co.*, 221 U.S. 580, 602 (1911); *Herring-Hall-Marvin Safe Co. v. Hall’s Safe Co.*, 208 U.S. 554, 559 (1908).

17. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 548.

18. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 548. Emphasis added.

19. See *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924); *Canal Co. v. Clark*, 80 U.S. 311 (1872).

20. *KP Permanent Make-Up, Inc.*, 125 S.Ct. at 550, 551.

21. *KP Permanent Make-Up, Inc.*, 125 S.Ct. 550.

similarity between the two marks, 3) the proximity of the products, 4) the likelihood that the prior owner will bridge the gap, 5) actual confusion, and 6) the reciprocal of defendant's good faith in adopting its own mark, 7) the quality of defendant's product, and 8) the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account.²²

These have come to be known as the “Polaroid factors.” They have been widely used, sometimes with slight modifications, in the District Courts of California and the Courts of Appeals, including the Ninth Circuit, in weighing consumer confusion in trademark infringement and unfair competition cases.²³

IV. Conclusion

To date the United State Supreme Court's decision in *KP* has only been cited by one case.²⁴ That opinion did not address the question of what amount of consumer confusion will be permitted in protecting a party claiming the fair use defense. *KP* is cited in the annotated code of 2005, which states:

Plaintiff claiming infringement of incontestable mark must show likelihood of consumer confusion as part of prima facie case, 15 U.S.C.S. §1115(b), while defendant has no independent burden to negate likelihood of any confusion in raising affirmative defense that term is used descriptively, not as mark, fairly, and in good faith under §1115(b)(4).

The Supreme Court's decision has substantial implications for both trademark owners and companies using terms descriptively which are also a registered trademarks of others. Those seeking trademark protections must now carefully consider the use of any term that could have descriptive value relating to the product. A trademark is not likely to protect such a term from use by competitors in describing their products. This decision has made it clear that a party asserting the fair use defense to an infringement suit shall not have the burden of proving that no likelihood of confusion exists. Moreover, the court acknowledged that some likelihood of confusion would not bar a fair use defense but that the likelihood of confusion was rather an issue to be considered by the factfinder in considering

22. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2nd Cir. 1962) Numbering added.

23. See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979); *Thompson Med. Co. v. Pfizer Inc.*, 753 F.2d 208, 214 (2nd Cir. 1985); *E. & J. Gallo Winery v. Gallo Cattle Co.*, 1989 U.S. Dist. LEXIS 7950; *Death Tobacco v. Black Death USA*, 1993 U.S. Dist. LEXIS 20646 (1993); *Arrow Fastner Co. v. Stanley Works*, 59 F.3d 384, 391 (2nd Cir. 1995); *New Kayak Pool Corp. v. R&P Pools, Inc.*, 246 F.3d 183 (2nd Circuit, 2001); *Major League Baseball Props., Inc. v. Opening Day Prods., Inc.*, 2004 U.S. Dist. LEXIS 26436 (D.N.Y., 2004); *ATS Logistics Servs. v. Gregory*, 2004 U.S. Dist. LEXIS 25556 (D. Minn., 2004).

24. *DeNofa v. National Loan Investors, L.P.* 2005 U.S. App. LEXIS 2872 (3rd Cir. 2005).

such a defense. The Second Circuit's eight-part test may be helpful in future cases.

Trademark holders have always faced the risk of others using their mark in a descriptive manner. The decision of the Supreme Court in this case makes it potentially more difficult for trademark owners to prevail in claims that another party is infringing on their exclusive right to use a trademark when the other party is using the mark in a descriptive sense, i.e., to describe the product or service that they are selling. Just as the right of the trademark holder has been reduced by this decision so the right of descriptively using another's registered mark has expanded. According to the court, a trademark holder knowingly accepts this risk when it identifies its product with a well known descriptive word or phrase.