Annual Update

Significant Developments in U.S. Trademark, False Advertising, and Right of Publicity Law

2018

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Seventh Circuit closes civil door on fantasy sports right of publicity case.

In November's *Daniels v. Fanduel, Inc.*, the Seventh Circuit ended a long-running civil case over whether two online fantasy sports companies violated Indiana's right of publicity by using former college football players' names, likenesses, and statistics without permission or compensation.

The two defendants, FanDuel and Draft Kings, run online fantasy sports gaming services. Consumers who want to participate in the defendants' competitions can assemble virtual rosters of real-life athletes to compete against other users' teams. To populate these rosters, FanDuel and Draft Kings use real athletes' names, images, and statistics. Whenever those athletes play games in real life, FanDuel and Draft Kings update the athletes' profiles with points to track the athletes' game performance. Consumers win competitions based on the points their virtual teams accumulate. FanDuel and Draft Kings never asked for the plaintiffs' consent to provide these services.

The plaintiffs sued FanDuel and Draft Kings under Indiana's right of publicity law. That law forbids nonconsensual use of people's names, images, likenesses, or other personality traits. But it permits uses that have newsworthy value, as FanDuel and Draft Kings argued their own uses had.

The district court agreed with FanDuel and Draft Kings that the athletes' information had newsworthy value. So it dismissed the suit on the pleadings. The plaintiffs then appealed, and the Seventh Circuit certified a narrow question to the Indiana Supreme Court: "Whether online fantasy-sports operators that condition entry on payment, and distribute cash prizes, need the consent of players whose names, pictures, and statistics are used in the contests, in advertising the contests, or both."

The Indiana Supreme Court held that no such consent was necessary because the athletes' information was newsworthy, exempting it from the statute's scope. It first noted that the statute did not define what is "newsworthy." In addressing this issue, the court rejected two of plaintiffs' arguments for narrowing the definition at the outset: first, it held that the statute did not require newsworthy uses to be non-commercial, and second, it held that the statute did not require parties to be media or news companies in order for their uses to be newsworthy. Continuing in its analysis, the court reviewed common law development of the concept of "newsworthiness." It found that the case law—including U.S. Supreme Court cases—held that the term should be interpreted in broad, liberal, and far-reaching terms. Sports personalities and statistics fit within this broad category. Further, all this information was publicly available and published daily, without controversy, in newspapers, broadcasts, and websites around the country. This too led the court to conclude that plaintiffs' information was newsworthy.

After the Indiana Supreme Court's decision, the case returned to the Seventh Circuit. There, the plaintiffs did not challenge the state appellate court's holding on newsworthiness. Rather, they asked the Seventh Circuit to remand the case so the district court could evaluate whether the defendants' entire business model was a criminal enterprise, rendering it outside the newsworthiness exception in the Indiana right of publicity statute.

The Seventh Circuit declined to consider the plaintiffs' request, noting that the Indiana Supreme Court could have considered this exemption—but did not. Accordingly, the Seventh Circuit ruled that the case was over. But it specifically noted that it was not ruling on whether the defendants' businesses violated Indiana criminal laws. That question, the court said, was for state prosecutors and the state judiciary to answer.

Eighth Circuit invalidates Sturgis Motorcycle Rally trademarks.

In November's *Sturgis Motorcycle Rally, Inc. v. Rushmore Photos & Gifts, Inc.*, the Eighth Circuit reversed findings that Sturgis Motorcycle Rally, Inc.—which claimed to own trademarks related to a famous motorcycle rally—owned valid trademark rights in various marks related to that rally.

Since 1938, motorcycle enthusiasts have converged on Sturgis, South Dakota every August. The rally has continued annually, driven by bikers' interest and media attention.

Around 1986, the Sturgis Area Chamber of Commerce accepted a central role in promoting the rally after one of the rally's supporters joined the Chamber, turning it into the central source of information for people who wanted to attend the rally. Also in 1986, Tom Monahan, a local artist and vendor at the Sturgis rally, donated to the Chamber a composite mark related to the rally (the "Monahan" mark):

In 1987, the Chamber debuted a licensing program for the Monahan mark. In 1996, the Chamber registered the mark federally. And in the 2000s, it acquired two word marks that some Sturgis rally vendors had federally registered: "Sturgis Bike Week" and "Take the Ride to Sturgis." SMRI also asserted common law trademark rights in the phrases "Sturgis Motorcycle Rally" and "Sturgis Rally & Races."

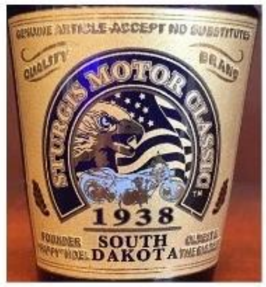
In 2010, the Chamber created a new corporate entity to handle licensing of its marks: Sturgis Motorcycle Rally, Inc. ("SMRI"). SMRI's sole purpose was to license the Chamber's marks. But beyond those marks, SMRI also sought to control essentially all rally-related merchandise, including anything using the geographic terms "Sturgis" or "Black Hills." For its licensing fee, SMRI charged about eight percent of wholesale price for every item sold.

In 2011, SMRI sued Rushmore Photo & Gifts and its owners. Rushmore sells souvenirs in Rapid City, South Dakota, most of which are related to the Sturgis rally and use the words "Sturgis" or the phrase "Sturgis Motor Classic." (SMRI also sued Wal-Mart Stores, Inc. for retailing some of the allegedly infringing products.)

After a jury trial on SMRI's claims, the jury found that Rushmore infringed both SMRI's federally registered and common law marks. Rushmore appealed, and SMRI cross-appealed on several post-trial orders that did not favor it.

On appeal, the primary dispute concerned whether SMRI had shown that its federally registered "Sturgis" and related common law marks had acquired secondary meaning. SMRI claimed it had shown "long and exclusive" use of the "Sturgis" mark on SMRI-licensed goods before Rushmore allegedly infringed the mark. The court disagreed, explaining that the record showed many people had used the word "Sturgis" on rally-related goods and services since the rally's 1930s-era founding up to the 2000s, before the Chamber or SMRI had acquired rights to the word "Sturgis." So apart from the fact that SMRI's use of the mark was relatively recent, it certainly was not exclusive. Nor had SMRI shown that the Chamber's involvement with the rally—where the Chamber was one promoter of the rally among many—was itself long or exclusive. For similar reasons, the court found that SMRI had failed to prove secondary meaning for its common law "Sturgis Motorcycle Rally" and "Sturgis Rally and Races" marks.

Next, the court evaluated Rushmore's appeal from the jury's finding that Rushmore intentionally and willfully infringed the Monahan mark by selling a shot glass with a similar mark, which SMRI contended made it a counterfeit good:



The Eighth Circuit ruled that the record supported the jury's findings as to the shot glass, based on the similarities between the shot glass and the Monahan mark—namely, the circular shape, right-facing eagle, the geographic references to "Sturgis" and "Black Hills," the motorcycle, and other details shared by the two marks. Further, the court held that the glass's statement, "Genuine Article – Accept No Substitutes," could reasonably infer to a jury that Rushmore meant to make consumers associate its glass with the similar Monahan mark.

Despite these findings on Rushmore's willfulness and intent, the Eighth Circuit reversed the jury's finding that the shot glass was a counterfeit. As the court explained, although the image on Rushmore's glass was extremely similar to the Monahan mark, the two were not "substantially indistinguishable." For instance, Rushmore's glass used different fonts and a few different visual elements alongside the motorcycle and eagle. Because the court viewed these differences as obvious, it ruled that the jury had no basis for finding the glass to be counterfeit.

Last, the court remanded the question of whether the district court properly applied certain equitable defenses to preclude SMRI from recovering its damages. SMRI claimed that Rushmore was not entitled to argue these equitable defenses because Rushmore had unclean hands because of its alleged infringement of SMRI's marks. Because the Eighth Circuit held most of the marks in the case invalid—but upheld intentional and willful infringement of the Monahan mark on the shot glass—the court ruled that the district court should decide whether any equitable defenses would apply only to the SMRI's marks that were not invalidated.

Conservative activist loses bid to oppose nephew's beer company trademark application.

Ruling on an appeal from a Trademark Trial and

Appeal Board ("TTAB") decision in *Schlafly v. The Saint Louis Brewery LLC* in November, the Federal Circuit held that conservative activist Phyllis Schlafly could not stop her nephew—also surnamed Schlafly—from using his name to sell beer.

The late Phyllis Schlafly is best known as a conservative activist who led the anti-feminist, anti-abortion group the Eagle Forum from its 1972 founding until Ms. Schlafly's death in 2016. During that time, Ms. Schlafly published numerous books and articles espousing her views. She was also a regular presence on radio and television programs.

Ms. Schlafly's nephew, Thomas Schlafly, has run a craft brewery called The Saint Louis Brewery ("SLB") in the Schaflys' hometown of Saint Louis, Missouri, since 1989. SLB sells beer in over a dozen states, in many retail locations and restaurants. It also advertises extensively across many different types of media. Further, SLB owns trademark registrations in two logo trademarks that include the Schlafly name.

In 2011, SLB filed a trademark registration application for the word mark "Schlafly," for use with various types of beer. Ms. Schlafly—and then her estate, after her death—opposed the mark's registration. She claimed that the surname Schlafly was mainly associated with Ms. Schlafly and her conservative values, not with SLB and its beers.

The TTAB granted SLB's application, holding that its mark had acquired secondary meaning through long continuous use, geographic scope of the mark, the variety of products using the mark in commerce, the mark's prominent placement on SLB's products, the large sales volume of Schlafly beer, the total revenue for Schlafly-branded products, and numerous awards and media reports lauding Schlafly beer. The TTAB declined to rule on whether the Schlafly mark was primarily a surname, not a trademark. Ms. Schlafly's estate appealed.

Ruling on Ms. Schlafly's appeal, the Federal Circuit first noted that Lanham Act Section 2(f) permits registration of marks that have acquired distinctiveness by use in commerce. Concluding that the TTAB applied the appropriate legal standard at the outset, the court moved on to address Ms. Schlafly's contentions that SLB could not register the Schlafly mark because it was "primarily merely a surname," something Section 2(f) prohibits from registration unless the mark has acquired distinctiveness.

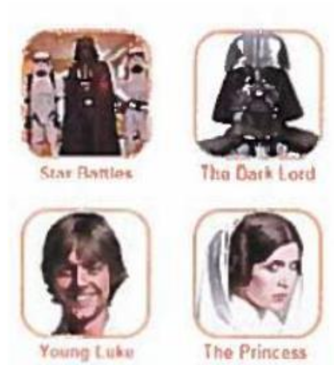
Ms. Schlafly claimed that Section 2(f)'s prohibition on surnames was dispositive: her name was a surname, after all, and the parties did not dispute that she was a public figure.

The Federal Circuit rejected Ms. Schlafly's argument, on two grounds. First, it held that SLB had established secondary meaning on the facts presented to the TTAB. So it was not dispositive that Ms. Schlafly had a famous surname, given SLB's showing that the public associated the Schlafly name with its beers. Second, the court rejected Ms. Schlafly's overly simplistic reading of Section 2(f)'s prohibition on registering marks that were "primarily merely" surnames. As the court explained, the statute expressly stated that marks could be registered if they became distinctive of the applicant's goods—and although some marks were still excluded from the Lanham Act's provision for distinctive marks, surnames were not in that group.

Mixed outcome for entertainment companies in trademark suit.

In August's *Disney Enterprises, Inc. v. Sarelli*, a New York federal court ruled that a party company, which had copied the appearances of various well-known Disney, Marvel, and LucasFilm characters, did not infringe those companies' trademark rights. But the court ruled that the plaintiffs' trademark dilution and copyright infringement claims could proceed.

Plaintiffs Disney, Marvel, and LucasFilm own the rights to the characters in many popular franchises, including, for example, Luke Skywalker and others from Star Wars, Hulk from The Avengers, and Princess Elsa from Frozen. Defendant Nick Sarelli owns a company called Characters for Hire, LLC ("CFH"), which sends costumed performers to children's parties to entertain guests with choreographed fight scenes or songs. CFH's performers dress up as obviously recognizable characters from plaintiffs' franchises—but CFH very slightly changes the costumes and names to clearly evoke plaintiffs' characters without copying them exactly. For example, below is a screenshot from some of CFH's marketing materials referenced in the complaint:



These are, of course, characters from Disney and LucasFilm's Star Wars franchise. But CFH calls the franchise "Star Battles," and renames the characters: Darth Vader becomes "The Dark Lord," Luke Skywalker is "Young Luke," and Princess Leia is renamed "The Princess."

Sometimes, CFH actually used the plaintiffs' trademarked names. But when CFH did so, it used different fonts, styles, and colors. And in contracts with customers, CFH specifically disclaimed any affiliation with the plaintiffs. CFH also explained that for copyright reasons, its actors' costumes would vary slightly from those of their official counterparts.

Plaintiffs sued CFH for trademark infringement, unfair competition, false designation of origin, trademark dilution, and copyright infringement. They claimed that the slight changes CFH made to plaintiffs' characters and franchises were bad faith attempts to copy plaintiffs' intellectual property yet avoid liability. They also pointed to bad reviews of CFH on Yelp and the Better Business Bureau. According to plaintiffs, these reviews used plaintiffs' trademarked names—not CFH's analogs—and were proof of actual confusion and consumer harm.

Both parties moved for summary judgment. The court first analyzed plaintiffs' trademark infringement, unfair competition, and false designation of origin together—as they all turned on whether plaintiffs could show consumer confusion.

The court found that only two points favored plaintiffs: plaintiffs' marks were strong because they were so well known in popular culture, and defendants' marks were similar to plaintiffs' marks despite the minor differences. But the court ruled that all other factors favored defendants. Most particularly, the court concluded that plaintiffs had not shown proof of any actual confusion, as even the bad reviews of CFH did not suggest that the reviewers thought plaintiffs were the source of CFH's services. Further, the court held that plaintiffs had not shown proof of defendants' bad faith, because CFH disclaimed any affiliation with plaintiffs, and CFH slightly changed characters' names. According to the court, such actions were likely to put customers on notice that CFH was not affiliated with plaintiffs—as opposed to showing that consumers were confused. The court granted summary judgment for defendants on these claims.

But the court held that summary judgment was improper on plaintiffs' trademark dilution and copyright infringement claims. As to dilution, the court explained that CFH's use of plaintiffs' marks could tarnish plaintiffs' reputation, as a reasonably jury could conclude that CFH's services are of poor quality—even if they do not think plaintiffs are the source of those services. As to copyright infringement, the court recognized plaintiffs' ownership of copyright in many works incorporating their characters, such as model sheets, licensing kits, style guides, and motion pictures. But the court found that plaintiffs' copyright infringement allegations relied on unauthenticated evidence, such as screenshots of CFH's website and social media accounts, or unsigned event contracts. These claims therefore remain for trial.

Ninth Circuit revives "Honey Badger" lawsuit.

In July's *Gordon v. Drape Creative, Inc.*, the Ninth Circuit reversed a lower court's grant of summary judgment in favor of a greeting card maker that had used the plaintiff's "Honey Badger Don't Care" catchphrases.

In 2011, plaintiff Christopher Gordon posted a video on YouTube in which he narrated National Geographic footage of a honey badger. His irreverent narration repeated variations on the phrases "Honey Badger Don't Care" and "Honey Badger Don't Give a S—." After the video went viral, Gordon began selling goods featuring the catch phrases, such as books, calendars, shirts, costumes, toys, mugs, and decals. He eventually registered "Honey Badger Don't Care" as a trademark with the Patent and Trademark Office, covering a variety of goods that included greeting cards.

In 2012, Gordon's agent approached American Greetings, which is the parent company of defendant Papyrus-Recycled Greetings, Inc. ("PRG"), a greeting card manufacturer and distributer that works with co-defendant Drape Creative, Inc. ("DCI"). Gordon's agent and American Greetings discussed licensing Gordon's Honey Badger marks for greeting cards. But the talks never resulted in defendants signing a license with Gordon. Even so, defendants later began selling seven different greetings cards featuring variations on Gordon's catchphrases.

In 2015, Gordon sued defendants for trademark infringement and other claims. At summary judgment, the district court ruled for defendants, holding that their greeting cards were expressive works protected under the First Amendment and the Second Circuit's Rogers v. Grimaldi test. That test holds that if an expressive work incorporates a trademark, the work's creator is not liable for trademark infringement if its use of the mark is (1) artistically relevant to the work, and (2) not explicitly misleading to consumers. Gordon appealed.

Reviewing the lower court's holding, the Ninth Circuit began by concluding that defendants' greeting cards were clearly expressive works. Citing decades of precedent, the court noted that expressive works did not need to rise to the level of Anna Karenina or Citizen Kane. A pithy greeting card conveying a humorous message about an event was enough.

Having concluded that defendants met their initial burden of showing the work was expressive, the court turned to whether Gordon could raise a triable issue of fact as to at least one of the two Rogers prongs.

The court concluded that Gordon raised a triable issue of fact as to artistic relevance. As a threshold point, the court noted that proving "artistic relevance" was generally a low bar for defendants: use of the mark must merely relate to defendants' work, and defendants must add their own artistic expression rather than copying the goodwill of a mark wholesale.

Here, the court concluded that it could not rule for defendants where the record showed that they had not added their own artistic expression or elements to Gordon's mark. They simply copied it and used it for exactly the same purposes as Gordon: "[T]here is evidence that defendants simply used Gordon's mark in the same way that Gordon was using it—to make humorous greeting cards in which the bottom line is, 'Honey Badger don't care.'" From this, the court explained, a reasonable jury could conclude that defendants' cards are only intelligible to readers who are familiar with Gordon's work, and that the cards deliberately trade on the goodwill associated with Gordon's brand. So the district court erred in finding artistic relevance as a matter of law.

Fifth Circuit rules Viacom has trademark rights in cartoon eatery name.

In May's *Viacom International, Inc. v. IJR Capital Investments, LLC*, the Fifth Circuit ruled that a real-life restaurant infringed Viacom's trademark rights in a purely fictional establishment.

Since 1999, Viacom's Nickelodeon network has featured the animated show "SpongeBob SquarePants." The show revolves around its titular hero: a sentient, square sea sponge who works at an undersea restaurant called The Krusty Krab. Most of the show's episodes feature that restaurant. So do several SpongeBob feature films, a mobile game, a Broadway play, and numerous advertisements. Beyond the show, Viacom has licensed the name "The Krusty Krab" to various toymakers, aquarium accessory manufacturers, and apparel companies. Viacom has never licensed the name to a restaurant. But its subsidiary Paramount Pictures Corporation has licensed the fictional "Bubba Gump Shrimp Co." name—from the 1994 film "Forrest Gump"—to seafood restaurants.

In 2014, IJR Capital Investments decided to open a chain of seafood restaurants in California and Texas. Its owner claimed that, during a brainstorming session involving crusted glazes on seafood, he and a friend stumbled upon the phrase "Crusted Crab"—which evolved into "The Krusty Krab." IJR's owner and friend denied having SpongeBob and his restaurant in mind during this conversation. But they later admitted that people might think of SpongeBob when they see their putative restaurant name. Also, an IJR investor apparently mentioned SpongeBob "out of the blue" when talking about the restaurant. Even so, IJR's owner said he only learned about Viacom's fictional restaurant when he searched for his chosen restaurant name on Google, to see if any restaurants already used the name. None did.

After finding that no real restaurant was named "The Krusty Krab," IJR applied to register the mark before the U.S. Patent and Trademark Office (PTO) in 2014. The PTO approved the mark and published it for opposition. No one opposed it, so the PTO authorized issuance of the mark if IJR could later file an affidavit of actual use in commerce. Meanwhile, IJR began drawing up business plans and logos for The Krusty Krab, none of which mentioned or referenced SpongeBob or the fictional restaurant. IJR also registered several domain names, leased property in California, and bought restaurant equipment.

Viacom sued IJR in 2016, alleging federal unfair competition and state trademark infringement. Viacom asserted that IJR's use of The Krusty Krab name was likely to cause confusion among consumers by making them think IJR's restaurants were affiliated with, sponsored by, or otherwise connected with Viacom. Viacom also commissioned a survey, which found that 30 percent of respondents thought IJR's The Krusty Krab restaurant was connected with Viacom. Another 35 percent associating the hypothetical restaurant with Viacom.

Viacom moved for summary judgment against IJR. The trial court granted the motion, holding that Viacom had established ownership of The Krusty Krab mark through sales and licensing, that the mark had acquired distinctiveness, and that every likelihood of confusion factor favored Viacom. IJR appealed, arguing mainly that Viacom had no valid trademark interest in The Krusty Krab because it was "just a cartoon restaurant," not a real one.

The Fifth Circuit ruled for Viacom. First, it considered whether Viacom indeed had a legally protected interest in The Krusty Krab. To do so, the court considered whether Viacom uses The Krusty Krab as a source identifier, and whether the mark is distinctive. At the outset, the court cited various authorities holding that elements "integral" to a fictional show could serve as source identifiers for their respective franchise owners. For example, courts have held that The Daily Planet and Kryptonite, both from the Superman franchise, identify publisher DC Comics as Superman's source even though those elements are purely fictional. Analogizing such elements to The Krusty Krab, which has always featured prominently in Viacom's SpongeBob franchise, the court ruled that the name itself identified Viacom as the origin of the SpongeBob properties. Then, the court found that The Krusty Krab had acquired distinctiveness through secondary meaning. As the court explained, because Viacom had long used and promoted The Krusty Krab in association with SpongeBob, the public had come to associate The Krusty Krab with Viacom's show—not with The Krusty Krab fictional restaurant in itself.

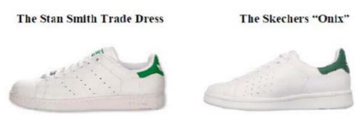
After that, the court had little trouble finding a likelihood of confusion. Applying the Fifth Circuit's multi-factor confusion test, the court found in Viacom's favor that The Krusty Krab mark was strong, that IJR copied it identically, and that both marks referred to restaurants. On the latter point, the court noted that Viacom's restaurant was fictional, but explained that Viacom might reasonably expand into real restaurants given its past use of Bubba Gump Shrimp Co. The court also found that Viacom's confusion survey, even if anecdotal, favored finding confusion. Because these factors so strongly favored Viacom, the court gave little weight to the lack of record evidence on overlap among purchasers, identity of advertising media, or IJR's intent.

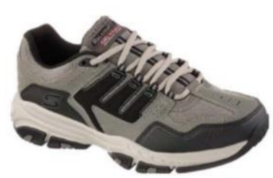
Viacom v. IJR will likely be useful precedent for owners of franchises that feature fictional brands like The Krusty Krab—so long as these owners use the brands prominently, in both fictional properties and real-world marketing.

Ninth Circuit rejects part of Adidas's sales ban on Skechers shoes.

The Ninth Circuit, in May's [Adidas America, Inc. v. Skechers USA, Inc.]() decision, upheld part of shoe company Adidas's preliminary injunction banning sales of competitor Skechers's allegedly infringing shoes. But it reversed another part of that ban, holding that Adidas had failed to show irreparable harm—a necessary injunctive relief element that, after the Supreme Court's eBay Inc. v. MercExchange, LLC, is no longer presumed upon showing likelihood of success on the merits.

Adidas sued Skechers in 2015, asserting that Skechers's Onix shoe infringed and diluted Adidas's unregistered trade dress in its Stan Smith shoe, which featured green-and-white detailing and small perforations. Adidas also claimed that Skechers's Cross Court shoe infringes and dilutes Adidas's registered Three-Stripe mark—a set of three parallel lines featured on the side of many Adidas shoes.





(The Skechers Cross Court shoe.)

Adidas moved for a preliminary injunction to bar Skechers from selling its Onix or Cross Court shoes. The trial court agreed on both points, holding that Adidas had established all four factors from the Supreme Court's Winter v. NRDC decision: (1) Adidas was likely to succeed on the merits, (2) it was likely to suffer irreparable harm absent injunctive relief, (3) the balance of equities favored Adidas, and (4) an injunction was in the public interest. Skechers appealed, arguing as to each of its products that the trial court erred in ruling for Adidas on the first two Winter factors.

Reviewing the district court's decision for abuse of discretion, the Ninth Circuit affirmed the injunction as to the Onix shoe—but reversed it as to the Cross Court shoe.

Ruling on Adidas's Onix shoe injunction, the Ninth Circuit affirmed the district court's findings that Adidas's claims were likely to succeed. It ruled that the Stan Smith design was non-functional and had acquired secondary meaning, and that there was substantial likelihood of confusion between Adidas's and Skechers's products. The Ninth Circuit also ruled that the trial court appropriately concluded that Adidas had shown irreparable harm. Adidas had built a specific reputation around the Stan Smith shoe's intangible benefits, based on Adidas's tight control over the supply of Stan Smith shoes, and on the extensive and targeted advertising and unsolicited media about those shoes. Such benefits, the Ninth Circuit explained, could be irreparably lost if Skechers continued to sell infringing shoes.

But the Ninth Circuit rejected the district court's findings on Adidas's Cross Court injunction. There, the court ruled that although the trial court appropriately found Adidas's claims likely to succeed, Adidas had failed to establish irreparable harm absent an injunction.

Adidas presented only a narrow theory of harm to the trial court: consumers see Adidas as high quality and Skechers as low quality. So Skechers harms Adidas's ability to control its brand if consumers see Skechers's similar shoes and associate them with Adidas's Three-Stripe mark.

Critically, as the Ninth Circuit found, Adidas submitted no probative evidence of Skechers's allegedly less favorable reputation. It only submitted its own employees' testimony and evidence of Skechers's lower price point. The Ninth Circuit found neither of those submissions convincing. As another reason for ruling against Adidas, the court found Adidas's theory of harm to be in irreconcilable tension with Adidas's argument for likelihood of confusion. After all, the court asked, if consumers view Adidas's Three Stripe-branded goods as high quality, and if the Cross Court shoe copies the Three Stripe branding, how could those Adidas-savvy consumers simultaneously see the Cross Court shoe as low quality when they see it and associate it with Adidas? Viewing this as a fundamental contradiction in Adidas's theory, the court found that the trial court had abused its discretion on this point.

Judge Clifton, in dissent, would have been more deferential to the trial court's findings on the Cross Court product. As he explained, the lower court was within its discretion to infer that confusion between Skechers's purportedly lower-end products and Adidas's higher-end footwear would harm Adidas's reputation. Judge Clifton explained further, "This is precisely the harm that is 'irreparable' insofar as it cannot be adequately compensated for by money damages."

Ninth Circuit holds laches is no bar to trademark suit against Whole Foods.

In January's *Eat Right Foods Ltd. v. Whole Foods Market, Inc.*, the Ninth Circuit held that a New Zealand cookie company's delay in suing grocery giant Whole Foods was arguably reasonable—so the suit should not have been dismissed based on laches or acquiescence.

Eat Right Foods sold "EatRight"-branded cookies to Whole Foods for many years. Eat Right's owner had seen Whole Foods using the "EatRight" mark in 2010, but that use was apparently on non-infringing books or DVDs—not snack foods. That year, Eat Right reached out to Whole Foods to ask whether Whole Foods might want to purchase the "EatRight" brand. By 2011, Whole Foods was using the EatRight mark on food products. The companies negotiated and even discussed possible litigation until April 2012, when Whole Foods declined to make a deal with Eat Right. The parties exchanged letters disputing each other's positions through late 2012. In December 2013, Eat Right sued Whole Foods for trademark infringement.

The parties cross-moved for summary judgment before a Washington federal court. The district court found that Eat Right "knew, or in the exercise of reasonable diligence, should have known" that Whole Foods was using the EatRight mark by 2010 at the latest. Further, the court ruled that Eat Right allowed and encouraged Whole Foods to use the mark. The court concluded that Eat Right's claims were barred by the doctrines of laches and acquiescence—i.e., Eat Right unreasonably waited too late to bring suit, prejudicing Whole Foods, and Eat Right also made Whole Foods think its use of the EatRight mark was acceptable. Eat Right appealed.

The Ninth Circuit vacated the lower court's ruling as to Whole Foods' motion. (It ruled the lower court had not abused its discretion on Eat Right's motion, as the lower court had found disputed issues of fact there.) The Ninth Circuit explained that Eat Right had shown facts supporting its claim that its delay was reasonable, as it was trying to settle its dispute. This created a genuine dispute of fact sufficient to defeat Whole Foods' motion for summary judgment. So did the fact that the trial court, in the Ninth Circuit's view, conflated reasonable delay with the different factual elements of reasonable reliance (an element of acquiescence) and prejudice (an element of laches). This error meant that the lower court made no findings at all on the essential reliance or prejudice elements, so its granting summary judgment under those circumstances was an independent reason for reversal.

Dr. Seuss parody creator beats Seuss estate's infringement claim.

The Dr. Seuss estate brought a trademark infringement claim against the creators of a parody book that combined Star Trek and Dr. Seuss. The book in question is "Oh, the Places You'll Boldly Go!" This May, a California federal court ruled that the title—which referenced both Seuss's "Oh, the Places You'll Go!" and Star Trek's motto, "To Boldly Go Where No Man Has Gone Before"—was protected under the First Amendment.

The trial court had rejected the parodist's first attempt to dismiss the complaint based on the Second Circuit's *Rogers v. Grimaldi* test for when the First Amendment protects use of trademarks in expressive works. That test holds that if an expressive work uses a mark in ways artistically relevant to the work and not explicitly misleading, use of the mark does not infringe. But *Rogers* includes a footnote hinting that the First Amendment might not apply when the defendant's work uses a similar title to the plaintiff's title. While the court agreed that the parodist's use of the Seuss marks was relevant to the work's artistic purpose and not explicitly misleading, it observed that the Ninth Circuit had not yet addressed whether the footnote creates an exception for similar titles. Because other district courts had applied that exception, the court refused to dismiss the complaint on First Amendment grounds.

After the trial court's first order, the Ninth Circuit issued an opinion in another case holding that the First Amendment protected a TV network's show title even though it was identical to the plaintiff's business name and music compilation titles. The Ninth Circuit found that the exception suggested by the footnote essentially required a likelihood of confusion analysis, which would conflict with clear precedent applying the *Rogers* test in trademark cases involving expressive works.

The Seuss parodist brought a second motion to dismiss, arguing that the Ninth Circuit had clarified any ambiguity in the *Rogers* footnote with its ruling. The trial court agreed, and held that the First Amendment barred the Seuss estate's infringement claim as to the title of the parody—but the court has not yet addressed the estate's trademark claims regarding the parody's font and illustration style.

Eleventh Circuit concludes that Commodores founder cannot use band name.

In January's *Commodores Entertainment Corp. v. McClary*, the Eleventh Circuit ruled that a founding member of funk band The Commodores cannot continue using the band's marks after his departure.

Thomas McClary was an original member of The Commodores. Originally, the band was formed as a partnership and rights in the band's name were dictated by the partnership agreement. But in 1984, the members transferred all rights in the group's name to a corporate entity. Later that year, McClary left the band to pursue a solo career. The band's corporate entity eventually filed federal registrations for several Commodores marks, and retained all rights in those marks. In the late 2000s, McClary began to promote his own group as "Commodores Featuring Thomas McClary" and "The 2014 Commodores." The band's entity demanded that McClary stop using the marks, and sued to assert its common law and federal rights in the marks when he refused.

Eventually, the trial court enjoined McClary from all non-fair uses of the Commodores marks, and extended that bar extraterritorially. McClary appealed, but the Eleventh Circuit affirmed. First, it found that no reasonable juror could have concluded that McClary retained any right to use the Commodores name. The common law rights were not divisible and remained in the group until they were transferred to the entity, while the federal rights were at all times held by the entity. Furthermore, several agreements executed by the group clearly provided that no member who left the group could identify himself by the Commodores name. The court therefore rejected McClary's arguments that he was the rightful owner of the Commodores marks.

The court also found that the injunction was appropriate, as it would avoid confusion between the Commodores and McClary's group while permitting McClary to fairly use historically accurate names such as "Thomas McClary, founder of The Commodores." The court also found that an extraterritorial injunction was not overbroad.

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