YES I CAN: INTELLECTUAL PROPERTY FAIR USE IN FRANCHISING

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BIOGRAPHIES
I. INTRODUCTION: OVERVIEW OF FAIR USE CONCEPTS

Various forms of intellectual property are typically at the heart of a franchise system. Trademarks and logos create customer and public recognition, generating goodwill; copyrights are found in creative works and key franchise system materials such as operating manuals; proprietary products and processes may constitute trade secrets; and the right of publicity/privacy may provide protection for celebrity spokespeople and others associated with the franchise system.

Although franchise systems generally have in place programs to protect their own intellectual property, in many cases there is a more relaxed attitude with respect to the intellectual property of third parties, including competitors. Due to technological developments, third-party intellectual property is more broadly available for copying – by franchisor employees as well as franchisees – than at any other time in history. The internet has proven to be a bruising battleground for brands, while providing a veritable cornucopia of written materials, music, images, movies, multimedia works and other assets nominally protected by intellectual property regimes, but as a practical matter available for copying or downloading by the click of a mouse.

Franchise system participants may well understand that intellectual property laws protect such third party assets and provide potent rights against infringers, but they may also recognize, frequently in a somewhat hazy way, that “fair use” rights may immunize them from infringement claims in certain instances. The concept of fair use was intended to balance the interests of intellectual property rights holders with the public interest in the wider dissemination and use of creative works, ideas and even, in appropriate circumstances, trademarks and publicity rights.

Determining whether fair use applies to a particular factual situation can be challenging and the consequences for misapplication severe. Consideration of fair use rights has become increasingly important for franchise systems as the internet and social media continue to grow in use, and franchisors face risks when their employees or franchisees use content and other rights from other sources. This paper will explore the legal concept of fair use with respect to those intellectual property disciplines most relevant to franchising – trademark, copyright, trade secret, and right of publicity. It will discuss what uses might be fair or foul, and how franchisors and franchisees can go about making what are inherently fact-specific determinations which often have no clear answers.

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2 Patents may also play an important role in franchise systems, but patents will not be dealt with in this paper even though a judicially created doctrine akin to fair use has been recognized in some court decisions. See, e.g., Poppenhusen v. Falke, 19 F. 1048, 1049 (2d Cir. 1861); Madey v. Duke Univ., 336 F. Supp. 2d 583, 590 (M.D.N.C. 2004).
A. First Amendment

The First Amendment arises as an affirmative defense in cases involving freedom of speech concerns.\(^3\) In some cases, courts analyze First Amendment issues, such as the question of a protected parody, not as a defense but as an issue impacting the merits of a likelihood of confusion claim.\(^4\)

1. Trademarks and Artistic Speech

“At the heart of the First Amendment is the recognition of the fundamental importance of the free flow of ideas and opinions on matters of public interest and concern.”\(^5\) Artistic speech, like political speech, is therefore broadly protected from content regulation, which is presumptively invalid with regard to any speech, artistic or otherwise.\(^6\) Artistic speech cannot be restricted simply because either the Government or a private party is offended by that speech or disapproves of it.\(^7\)

The First Amendment’s protection of artistic speech extends to “other mediums of expression, including music, pictures, films, photographs, paintings, drawings, engravings, prints, and sculptures.”\(^8\) Thus, the Ninth Circuit held that certain works of photographer Thomas Forsythe depicting Mattel, Inc.’s famous Barbie doll in “various absurd and often sexualized positions” contributed to the public debate about (as Mr. Forsythe put it) “the conventional beauty myth and the societal acceptance of women as objects,” thus preventing their forming the basis of trademark infringement liability.\(^9\) Mattel had sued Mr. Forsythe’s business entity for copyright, trademark, and trade dress infringement. The court rejected all claims and held, with respect to the trademark claim, that “the public interest in free and artistic expression greatly outweighs its interest in potential consumer confusion about Mattel’s sponsorship of Forsythe’s work.”\(^10\)

*ETW Corp. v. Jireh Publishing, Inc.*,\(^11\) turned in substantial part on the status of defendant’s expression as noncommercial speech, entitling it to full First Amendment protection.

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\(^7\) Id. See also Hustler v. Falwell, 485 U.S. at 53–54 (reciting with approval the long history of often caustic cartoons in the United States “from the early cartoon portraying George Washington as an ass down to the present day” and holding that “the First Amendment prohibits [imposing liability for outrageous speech] in the area of public debate about public figures.”).

\(^8\) ETW Corp. v. Jireh Publishing, Inc., 332 F.3d 915, 924 (6th Cir. 2003) (citing numerous Supreme Court and other precedents).

\(^9\) Mattel, Inc., v. Walking Mountain Productions, 353 F.3d 792, 796 (9th Cir. 2003).

\(^10\) Id. at 807.

\(^11\) 332 F.3d 915, 924-927 (6th Cir. 2003) (citing numerous Supreme Court and other precedents).
In that case, the licensing agent for the famous golfer Tiger Woods tried to stop the defendant publisher’s marketing of limited edition art prints of a painting by the well-known sports artist Rick Rush, which depicted Woods’ 1997 victory at the Masters Tournament. The licensing agent asserted trademark rights in Woods’ name and likeness, and alleged infringement and right of publicity violations. The painting showed three views of Woods in various poses, with other famous golfers, such as Jack Nicklaus and Arnold Palmer, in the background looking down on him. Summary judgment was granted and affirmed against the licensing agent. “A piece of art that portrays a historic sporting event communicates and celebrates the value our culture attaches to such events. It would be ironic indeed if the presence of the image of the victorious athlete would deny the work First Amendment protection.” The court also concluded that the prints “do not propose a commercial transaction [and thus] are entitled to the full protection of the First Amendment,” and that the “purely descriptive” use of the “Tiger Woods” name on the inside flap of the envelope for each print and in the narrative description was permitted under the Rogers v. Grimaldi test for artistic relevance. Accordingly, plaintiff’s rights, including Mr. Woods’s right of publicity (discussed later), “must yield to the First Amendment.”

In University of Alabama Board of Trustees v. New Life, Inc., the Eleventh Circuit reached a similar result. The defendant painted historical University of Alabama football scenes, featuring the University’s football uniforms, school colors, etc., and sold the resulting paintings, prints and calendars without a license. Agreeing with its sister circuits “that we should construe the Lanham Act narrowly when deciding whether an artistically expressive work infringes a trademark,” the court considered whether the defendant’s work had “no artistic relevance” or, if it did, whether “it explicitly misleads as to the source or content of the work.” It decided: “the First Amendment interests in artistic expression so clearly outweigh whatever consumer confusion that might exist on these facts that we must necessarily conclude that there has been no violation of the Lanham Act with respect to the paintings, prints and calendars.”

Charles Atlas, Ltd., v. DC Comics, Inc., offers a helpful analysis and summary of the law of parody and artistic speech vis-à-vis trademark law. To advertise its services, plaintiff, a company selling bodybuilding courses, had developed an ad campaign featuring a comic strip character and a predictable story line. Defendant, creator and publisher of comic books, based a comic strip on plaintiff’s character and story line. The resemblance was clear, but defendant had also introduced substantial variations into the story line and changed plaintiff’s message. The court granted summary judgment in defendant’s favor on plaintiff’s infringement and dilution claims. Defendant raised a twofold challenge to plaintiff’s claims, asserting, first, that its use of

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12 Id. at 936.
13 Id. at 925, 927, 936-938 (discussing Rogers v. Grimaldi; 875 F. 2d 944 (2d Cir. 1989)).
14 Id. at 938.
15 683 F. 3d 1266 (11th Cir. 2012).
16 Id. at 1278.
17 Id. at 1276.
19 Id. at 331.
20 Id. at 332.
plaintiff’s ad did not constitute use in commerce as required by the Lanham Act and, second, that its use constituted a parody entitled to First Amendment protection.\(^21\) The court, in an instructive restructuring of defendant’s position, stated that “both of DC’s asserted defenses ultimately lead to the same analysis, the question of whether defendant used the mark for an expressive purpose, or to create an incorrect association in order to confuse the public.”\(^22\) The court found that:

DC used plaintiff’s comic ad not to advance a competing product, but rather as part of a comic book storyline, to convey an idea through a literary/artistic work .... As such, we find that defendant’s use of plaintiff’s ad to be a form of expression, protected by the First Amendment. Against this expressive usage of plaintiff’s comic ad, we must balance the question of whether [defendant’s comic] character is likely to cause confusion on the part of consumers.\(^23\)

After an analysis of the facts, the court found any likelihood of confusion to be “slim, and [to be] clearly outweighed by the public interest in parodic expression.”\(^24\) Defendant’s motion for summary judgment was therefore granted.\(^25\)

2. **Trademarks and Classic Parody**

* Lyons Partnership v. Giannoulas,\(^26\) provides an analysis of the relationship of parody and trademark law that is broadly representative of the courts’ approach to this topic. Plaintiff owned the rights to the children’s character “Barney”—the ubiquitous and cloyingly happy “six-foot tall purple ‘tyrannosaurus rex.’”\(^27\) Defendant played a sports mascot known as the Chicken and frequently appeared at baseball games.\(^28\) As the court put it, “the Chicken’s principal means of income could, perhaps loosely, be referred to as ‘performance art.’”\(^29\) Importantly for this case, “the Chicken is renowned for his hard hitting satire.”\(^30\) The dispute arose over the Chicken’s act involving the Chicken’s appearance together with a Barney look-alike, whom the Chicken would then “flip, slap, tackle, trample, and generally assault …” to the amusement of grown-ups and the dismay of some children.\(^31\) The court held that the Chicken’s act was clearly a parody, which the court defined as “an artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule.”\(^32\) In assessing the likelihood of confusion, the court

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\(^21\) *Id.* at 335.

\(^22\) *Id.*

\(^23\) *Id.* at 338–39.

\(^24\) *Id.* at 341.

\(^25\) *Id.*

\(^26\) 179 F.3d 384 (5th Cir. 1999).

\(^27\) *Id.* at 385.

\(^28\) *Id.* at 386.

\(^29\) *Id.*

\(^30\) *Id.*

\(^31\) *Id.*

\(^32\) *Id.* at 388 (citing *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994)).
stated that the strength of plaintiff’s mark “may actually make it easier for the consumer to realize that the use is a parody.”\textsuperscript{33} The court then explained the proper method for analyzing parody claims in the context of trademark infringement allegations:

Simply put, although the fact that conduct is a parody is not an affirmative defense to trademark infringement, a parody should be treated differently from other uses that infringe on a trademark. While it is only one factor to consider, it is a factor that must be considered in conjunction with all of the other digits of confusion. When, as here, a parody makes a specific, ubiquitous trademark the brunt of its joke, the use of the trademark for satirical purposes affects our analysis of the factors to consider when determining whether the use is likely to result in consumer confusion.\textsuperscript{34}

Based on these principles, the court affirmed the district court’s judgment in the Chicken’s favor.

In reaching its holding, the Lyons court refused to follow a principle endorsed in several earlier decisions, namely that “trademarks are property rights and as such, need not yield to the exercise of First Amendment rights under circumstances where alternative avenues of communication exist.”\textsuperscript{35} Similarly, in American Family Life Insurance Co. v. Hagan,\textsuperscript{36} the court refused to “equat[e] the rights of a trademark owner with the rights of a property owner.”\textsuperscript{37} This criticism was also set forth in Cardtoons, L.C., v. Major League Baseball Players Ass’n,\textsuperscript{38} which stated, “[i]ntellectual property, unlike real estate, includes the words, images, and sounds that we use to communicate, and we cannot indulge in the facile assumption that one can forbid particular words without also running a substantial risk of suppressing ideas in the process.”\textsuperscript{39}

An intent to parody plaintiff’s mark does not, by itself, permit an inference that defendant’s parodic use creates a likelihood of confusion. In Jordache Enterprises, Inc., v. Hogg Wyld, Ltd.,\textsuperscript{40} the defendant marketed a line of “blue jeans for larger women,”\textsuperscript{41} under the mark “Lardashe,” an obvious pun on the slang word “lardass” for corpulent people on the one hand and plaintiff’s famous JORDACHE brand of clothes on the other.\textsuperscript{42} Plaintiff asserted that defendant intended to trade upon plaintiffs’ mark, permitting an inference of likelihood of confusion.\textsuperscript{43} The court of appeals disagreed. “Our single concern here, however, is whether an intent to parody an existing trademark supports an inference of a likelihood of confusion under

\begin{itemize}
\item \textsuperscript{33} Id. at 389.
\item \textsuperscript{34} Id. at 390.
\item \textsuperscript{35} Id. (citing Dallas Cowboy Cheerleaders, Inc., v. Pussycat Cinema, Ltd., 604 F.2d 200 (2d Cir.1979)).
\item \textsuperscript{36} 266 F. Supp. 2d 682 (N.D. Ohio 2002).
\item \textsuperscript{37} 266 F. Supp. 2d at 697.
\item \textsuperscript{38} 95 F.3d 959, 971 (10th Cir. 1996).
\item \textsuperscript{39} Id. (citation and quotation marks omitted).
\item \textsuperscript{40} 828 F.2d 1482 (10th Cir. 1987).
\item \textsuperscript{41} Id. at 1483.
\item \textsuperscript{42} Id.
\item \textsuperscript{43} Id. at 1485.
\end{itemize}
the reasoning that one who chooses a mark similar to an existing mark intends to confuse the public.... We hold that it does not. An intent to parody is not an intent to confuse the public."\textsuperscript{44}

Ultimately, the court found there was no likelihood of confusion.\textsuperscript{45} The court’s resolution of plaintiff’s dilution claim under New Mexico law is also instructive. “Our review of the record convinces us that the public will not associate Lardashe jeans with the appellant or, if they do, they will only make the association because of the parody and not because they believe Jordache Enterprises, Inc. manufactures Lardashe jeans. Therefore, there is no likelihood of an injury to appellant, and its dilution claim must fail.”\textsuperscript{46}

Direct and obviously intentional parody of plaintiff’s product and mark was at issue in \textit{Hormel Foods Corp v. Jim Henson Productions}.\textsuperscript{47} Jim Henson, creator of the famous “Muppets,” was planning to release a movie containing a character named Spa’am.\textsuperscript{48} Spa’am was a boar, and the name was chosen deliberately to evoke plaintiff’s famous mark SPAM for pork luncheon meat. Plaintiff’s trademark infringement claim was not directed against the Spa’am character in the movie itself, but rather against use of the name and character on movie-related merchandise.\textsuperscript{49} The court found that “[t]he elements of parody in Henson’s Spa’am merchandise distinguish those products from ones manufactured by [plaintiff],” obviating consumer confusion.\textsuperscript{50} The court therefore affirmed the lower court’s judgment for defendant.

Parody that is merely a pretext for defendant’s commercial exploitation of plaintiff’s mark is not protected under the First Amendment and can be enjoined under the Lanham Act. In \textit{Harley-Davidson, Inc. v. Grottanelli},\textsuperscript{51} the Second Circuit rejected defendant’s claim that its use of plaintiff’s famous bar-and-shield logo in connection with motorcycle-related products was a “protectable parody.”\textsuperscript{52} The court explained the principle for distinguishing permissible from impermissible parody: “We have accorded considerable leeway to parodists whose expressive works aim their parodic commentary at a trademark or a trademarked product, ... but have not hesitated to prevent a manufacturer from using an alleged parody of a competitor’s mark to sell a competing product ....”\textsuperscript{53} In the context of defendant’s use of a parodic version of plaintiff’s mark in effect as a trademark for a competing service, “[permissible] parodic use is sharply limited.”\textsuperscript{54} Give the facts of the case, there was no protected parody. “Grottanelli’s mark makes no comment on Harley’s mark; it simply uses it somewhat humorously to promote his own products and services, which is not a permitted trademark parody use.”\textsuperscript{55} The court thus

\textsuperscript{44} Id. at 1486.
\textsuperscript{45} Id. at 1488.
\textsuperscript{46} Id. at 1491.
\textsuperscript{47} 73 F.3d 497 (2d Cir. 1996).
\textsuperscript{48} Id. at 500–501.
\textsuperscript{49} Id. at 501.
\textsuperscript{50} Id. at 505.
\textsuperscript{51} 164 F.3d 806 (2d Cir. 1999).
\textsuperscript{52} Id. at 812–13.
\textsuperscript{53} Id. at 812 (citations omitted).
\textsuperscript{54} Id. at 813.
\textsuperscript{55} Id.
affirmed the injunction against defendant.56

A defendant’s parody that uses plaintiff’s mark normally must take aim at plaintiff or plaintiff’s mark, rather than merely use plaintiff’s mark to make an unrelated point. In other words, if the use of plaintiff’s mark is irrelevant to the point of the parody, the parody may enjoy no First Amendment privilege. This principle was applied in Elvis Presley Enterprises, Inc., v. Capece.57 Elvis Presley Enterprises appealed the district court’s judgment that defendants’ service mark, “The Velvet Elvis,” for its nightclub, did not infringe or dilute its trademarks and did not violate its right of publicity in Elvis Presley’s name. The Fifth Circuit reversed, because the district court had failed sufficiently to consider the impact of Capece’s advertising practices, and that the district court had misapplied the doctrine of parody.

Generally, the court in Elvis Presley Enterprises held that “a parody of a mark needs to mimic the original mark and from this necessity arises the justification for the mimicry, but this necessity wanes when the original mark is not the target of the parody.”58 The court also observed that “while not a defense, parody is relevant to a determination of a likelihood of confusion and can even weigh heavily enough to overcome a majority of the digits of confusion weighing in favor of a likelihood of confusion.”59 However, “[w]ithout the necessity to use Elvis’s name, parody does not weigh against a likelihood of confusion in relation to [plaintiff’s] marks. It is simply irrelevant.”60 Defendants’ “parody of the faddish bars of the sixties does not require the use of [plaintiff’s] marks because it does not target Elvis Presley; therefore, the necessity to use the marks significantly decreases and does not justify the use.”61 The court proceeded to evaluate the likelihood of confusion without further reference to defendant’s asserted parody, ultimately finding that plaintiff was entitled to injunctive relief.62

A similar result obtained in Dr. Seuss Enterprises, L.P., v. Penguin Books USA, Inc.63 Defendant had published a book recounting the O.J. Simpson murder trial in a style closely mimicking that of Dr. Seuss’s famous children’s book The Cat in the Hat.64 The court rejected defendant’s claim that the work was a protectable parody. “Although [defendant’s book] does broadly mimic Dr. Seuss’ characteristic style, it does not hold his style up to ridicule. The stanzas have no critical bearing on the substance or style of The Cat in the Hat.”65 The court affirmed the grant of a preliminary injunction against defendant on copyright and trademark grounds, citing the proposition that “the claim of parody is no defense where the purpose of the similarity is to capitalize on a famous mark’s popularity for the defendant’s own commercial

56 Id. at 814.
57 141 F.3d 188 (5th Cir. 1998).
58 Id. at 199-200.
59 Id. at 198.
60 Id. at 200 (emphasis added).
61 Id.
62 Id. at 200-206.
63 109 F.3d 1394 (9th Cir. 1997).
64 Id. at 1396.
65 Id. at 1401 (emphasis in original) (quotation marks omitted).
use.\textsuperscript{66}

Where defendant’s parody of plaintiff’s mark is insufficiently transformative, \textit{i.e.}, so similar to the original mark that consumers may easily be confused because they cannot tell that they are looking at a parody, an injunction may issue. This is true even though defendant’s parodic intent is genuine and defendant is not seeking to exploit plaintiff’s mark to sell competing goods. In \textit{Anheuser-Busch, Inc., v. Balducci Publications},\textsuperscript{67} the issue was defendant’s parody of plaintiff’s mark on the back cover of defendant’s humor magazine, without any admixture of comparative advertising. Nevertheless, plaintiff prevailed. Plaintiff, one of the world’s leading breweries, owned “the Michelob family of beers.”\textsuperscript{68} Defendant’s intent in its fake ad for the fictitious “Michelob Oily” beer clearly was to create a parody of plaintiff’s ads.\textsuperscript{69} It claimed an “absolute First Amendment right to use plaintiff’s trademark in its parody.”\textsuperscript{70} But defendant had altered plaintiff’s marks too little. “Balducci carefully designed the fictitious ad to appear as authentic as possible …. The disclaimer is virtually undetectable.”\textsuperscript{71} As a result, plaintiff was able to show notable amounts of consumer confusion.\textsuperscript{72} On the basis of these facts, the court issued a carefully nuanced ruling reversing the lower court’s judgment in defendant’s favor.

We do not hold that Balducci’s extensive borrowing of Anheuser-Busch’s trademarks amounts to a \textit{per se} trademark violation. Unlike copyright and patent owners, trademark owners have no right in gross …. By taking steps to insure that viewers adequately understood this was an unauthorized editorial, Balducci might have avoided or at least sharply limited any confusion, and thereby escaped from liability. Absent such measures, Balducci’s ad was likely to confuse consumers and fall subject to federal trademark law.\textsuperscript{73}

In contrast to \textit{Balducci}, the court in \textit{Black Dog Tavern Co., Inc., v. Hall},\textsuperscript{74} found that defendant’s parody of plaintiff’s mark was sufficiently different from its target to make confusion unlikely. Defendant sold t-shirts emblazoned with one of two parodic versions of the well-known logo for plaintiff’s restaurant and bakery.\textsuperscript{75} Plaintiff’s logo prominently feature a black dog.\textsuperscript{76} Defendant replaced the dog with either a black hog or the skeleton of a dog. The court found that defendant’s parody conveyed “just enough of plaintiff’s Black Dog marks to allow an ordinarily prudent consumer to appreciate the point of the parody, thereby diminishing the risk of

\begin{thebibliography}{9}
\bibitem{66} ld. at 1405–06 (citation and quotation marks omitted).
\bibitem{67} 28 F.3d 769 (8th Cir. 1994).
\bibitem{68} ld. at 771.
\bibitem{69} ld. at 774-775.
\bibitem{70} ld. at 775.
\bibitem{71} ld. at 774.
\bibitem{72} ld. at 772–73.
\bibitem{73} ld. at 777 (citations omitted).
\bibitem{74} 823 F. Supp. 48 (D. Mass. 1993).
\bibitem{75} ld. at 51–52.
\bibitem{76} ld.
\end{thebibliography}
A humorous reference in defendant’s ad to plaintiff’s mark may be permissible where defendant uses only limited elements of plaintiff’s mark, and it is perfectly clear that defendant’s reference is a spoof, even though defendant’s purpose is entirely commercial. In *Eveready Battery Co., Inc. v. Coors*, plaintiff, creator of the popular “Energizer Bunny” commercials for its battery products, sued defendant for running a beer commercial featuring well-known actor Leslie Nielsen, outfitted in “a conservative, dark business suit, fake white rabbit ears, fuzzy white tail and rabbit feet ..., [carrying] a life-size bass drum imprinted with the COORS LIGHT logo,” and engaging in conduct reminiscent of, but not identical to, the conduct displayed by plaintiff’s Energizer Bunny in the familiar commercials. The court found confusion unlikely, and defendant’s ad to be a protected parody.

Although the Coors parody contains similarities to the Eveready mark, it contains conspicuous and resounding differences as well. To the extent that the Coors commercial conveys the message ‘that it is the original,’ it emphatically conveys ‘that it is not the original.’ Thus, the court construes the Coors commercial as a permissible parody which does not violate the provisions of the Lanham Act.

If the likelihood of confusion is dispelled by defendant’s parodic reference to plaintiff’s marks, trademark infringement liability will not attach. The First Amendment is then simply not needed to resolve the case. *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, was decided along these lines. The case involved a parody-like use by defendant of plaintiff’s well-known brand. Plaintiff, the New York Stock Exchange, owned trademark rights in its name as well as in the famous façade of its building in Manhattan. Defendant was the owner of a hotel and casino in Las Vegas. The casino had a Manhattan theme, “with replicas of several famous buildings including the Empire State Building and the Chrysler Building.” The cashiers in the hotel were located in a “Financial District” kiosk, which bore a large replica of the façade of plaintiff’s building, on which the words NEW YORK NEW YORK SLOT EXCHANGE appeared. Based on these facts, plaintiff sued for trademark infringement and dilution. The court held, on the trademark infringement claim, that “[t]he obvious pun in the

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77 Id. at 57.
78 Id. at 60.
80 Id. at 443.
81 Id. at 450.
82 Id.
83 69 F. Supp. 2d 479 (S.D.N.Y. 1999), rev’d on other grounds, 293 F.3d 550 (2d Cir. 2002).
84 Id. at 487.
85 Id. at 481.
86 Id.
87 Id.
88 Id. at 482.
variation of the marks, together with the difference in the services offered by the Casino and NYSE, dispel the likelihood of confusion."\textsuperscript{89}

On the other hand, where defendant’s use of plaintiff’s mark is predominantly an attention-getting device and the claim of parodic intent is implausible, plaintiff will probably prevail notwithstanding the genuine humorousness of defendant’s use of plaintiff’s mark. In \textit{Kraft Foods Holdings, Inc., v. Helm},\textsuperscript{90} the court rejected defendant’s First Amendment defense. Plaintiff, owner of the famous VELVEETA brand for cheese products, had sued defendant for marketing his artwork—characterized by the court as being “of an admittedly adult nature, which is geared toward ‘mature audiences,’”\textsuperscript{91}—under the name “King VelVeeda.” Defendant asserted that his use of plaintiff’s mark was intended as a parody.\textsuperscript{92} In a twist the court called “perhaps most fatal” to defendant’s parody claim, defendant had previously “stated twice that he never parodied Kraft or Velveeta and that his use of the name ‘VelVeeda’ is not a parody of the Kraft cheese products.”\textsuperscript{93} Given this concession, the court rejected defendant’s First Amendment arguments and granted a preliminary injunction in plaintiff’s favor.\textsuperscript{94}

3. Trademarks and Political Speech

Several cases have involved a defendant’s parodic use of plaintiff’s mark in the context of defendant’s political speech. Such speech is, of course, protected under the First Amendment. It depends on the facts of the case, however, whether defendant’s parodic use in this context is also protected. If the use gives rise to a substantial likelihood of confusion, it is subject to Lanham Act liability regardless of the political context. In \textit{MasterCard Int’l. Inc. v. Nader 2000 Primary Committee, Inc.},\textsuperscript{95} the court resolved a case with strong First Amendment implications entirely via trademark doctrine. For several years, MasterCard had aired its well-known “Priceless Advertisements” containing the slogans “THERE ARE SOME THINGS MONEY CAN’T BUY. FOR EVERYTHING ELSE THERE’S MASTERCARD,” and “PRICELESS.”\textsuperscript{96} MasterCard claimed service mark rights in these slogans. For his 2000 campaign ads, presidential candidate Ralph Nader appropriated these slogans in this form: “Finding out the truth: priceless. There are some things that money can’t buy.”\textsuperscript{97} MasterCard sued for trademark infringement, federal and state dilution, misappropriation, and copyright infringement. The court found, after carefully examining all confusion factors, that there simply was no likelihood of consumer confusion between the Nader ads and the MasterCard ads. With respect to the dilution claims, the court found the Nader ads to be noncommercial and hence exempt from dilution claims, but went on to say that even had the ads been commercial, they

\textsuperscript{89} Id. at 488.
\textsuperscript{90} 205 F. Supp. 2d 942 (N.D. Ill. 2002).
\textsuperscript{91} Id. at 944.
\textsuperscript{92} Id. at 952.
\textsuperscript{93} Id. at 953.
\textsuperscript{94} Id. at 955.
\textsuperscript{95} Case No. 00 Civ. 6068 (GBD), 2004 U.S. Dist. LEXIS 3644 (S.D.N.Y. March 8, 2004).
\textsuperscript{96} Id. at *1–*2.
\textsuperscript{97} Id. at *1.
were not dilutive of MasterCard’s marks.98 “[T]here is no evidence on the record that defendants’ limited and political use of plaintiff’s marks could weaken those marks’ ability to serve as a unique identifier of plaintiff’s goods or services.”99

Additional cases involving the intersection of trademark law and overtly political speech include Farah v. Esquire Magazine,100 in which plaintiff alleged that an Esquire article falsely asserting withdrawal from sale of plaintiff’s book, which questioned whether President Obama was born in the U.S., constituted defamation and violation of the Lanham Act, among other things. The court held that the Esquire article was satire and protected political speech. Further, the plaintiff book publisher and Esquire magazine were not competitors for purposes of the Lanham Act merely because they competed in the “marketplace of ideas.” The court affirmed dismissal of plaintiffs’ case.101 The plaintiff in Lucasfilm, marketer of the famous STAR WARS movies, sued two public interest groups that used the expression “Star Wars” in their political materials “to characterize the Reagan Administration’s Strategic Defense Initiative (SDI) ....”102 The plaintiff lost because the defendant's use of “Star Wars” was non-commercial and it advanced a viewpoint that was the subject of both public interest and political debate.103 In Brach, however, there was a mixed result where the defendant was a coalition of public interest groups devoted to “prevent [plaintiff] from closing its candy factory on the West Side of Chicago.”104 The court noted that defendant's use of Brach's name as part of its cause was permissible and, consequently, enjoining defendant's use of Brach's logo did not "unduly hinder" defendant's ability to communicate its message.105

The cases use rather different methodologies. Lucasfilm was decided on the ground that “purveying points of view is not a service,” and therefore “defendants have not affixed any trademark to any goods or services for sale.”106 Therefore, trademark law did not apply at all to defendants’ conduct. Brach reached the opposite conclusion. “We believe that [defendant’s political activities] constitute[] a ‘service within the meaning of the Lanham Act.”107 Since, in the court’s view, “the trademark law generally prevails over the First Amendment where the trademark functions to connote the source of the product or message, rather than being used in a communicative message,” and since “[b]eing enjoined from using Brach’s logo, but not the Brach’s name, will not unduly hinder [defendant’s] ability to communicate its ideas,” defendant was enjoined from using plaintiff’s logo.108

98 Id. at *9.
99 Id.
100 736 F.3d 528 (D.C. Cir. 2013).
101 Id. at 541; See also United We Stand America, Inc., v. United We Stand America, New York, Inc., 128 F.3d 86 (2d Cir. 1997); Brach van Houten Holding, Inc., v. Save Brach’s Coalition for Chicago, 856 F. Supp. 472 (N.D. Ill. 1994); Lucasfilm Ltd. v. High Frontier, 622 F. Supp. 931 (D.D.C. 1985).
102 622 F. Supp. at 932.
103 Id. at 934.
104 856 F. Supp. at 473.
105 Id. at 476.
106 622 F. Supp. at 934.
107 856 F. Supp. at 475–76.
108 Id. at 476.
In *United We Stand v. United We Stand*, the court chose an approach different from both *Lucasfilm* and *Brach*, putting the likelihood of confusion analysis at the center of the inquiry, and rejecting defendant’s First Amendment defense because defendant used plaintiff’s slogan “to suggest the same source identification as plaintiff’s.”

A similar rationale supported the decision in *MGM-Pathe Comm’s. Co. v. Pink Panther Patrol*, another case with political overtones. Defendant had adopted plaintiff’s mark as its own to market its goods and services and could not claim First Amendment protection merely on the basis that the services it offered under the mark constituted political speech. Defendant had appropriated plaintiff’s famous Pink Panther mark for its gay rights organization. The court, per Judge Leval, quickly disposed of defendant’s claim that “because the Patrol is engaged in political speech, it is less subject to the trademark laws.” Judge Leval reasoned: “There is no legal support for this position. The seriousness and virtue of a cause do not confer any right to the use of the trademark of another.” Plaintiff’s motion for a preliminary injunction was granted.

In *American Family Life Insurance Co. v. Hagan*, the plaintiff advertised with the “well-known ‘AFLAC Duck’ commercials, in which a white duck quacks the company’s name in a distinctive, nasal tone.” Defendant, campaigning for Governor of Ohio, ran commercials including a “crudely animated character made up of Governor Taft’s head sitting on the body of a white cartoon duck; the duck quacks ‘TaftQuack’ several times during each commercial.” Plaintiff sued for trademark infringement and dilution. The court found for defendant on all claims, resolving the infringement claim solely on a finding that there was no likelihood of confusion, but resolving the dilution claim by reference to the First Amendment. The fact that defendant engaged in political speech was decisive for the court’s ruling on dilution. “That the consuming public may associate the AFLAC Duck and the TaftQuack character—a proposition the Court accepts—is an insufficient predicate to support injunctive relief of political speech.”

### 4. Trademarks and Humor

A defendant’s humorously imitative use of a plaintiff’s mark may be permissible even though it does not specifically constitute a parody. As with parody proper, the courts apply a mixed analysis of likelihood of confusion and First Amendment considerations. Where there is no or little likelihood of confusion and defendant’s use contains an expressive message, defendant’s nonparodic yet humorous take on plaintiff’s mark may not be actionable.

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109 128 F.3d 86, 92 (2d Cir. 1997).
111 *Id.* at 877.
112 *Id.*
113 *Id.*
114 266 F. Supp. 2d 682 (N.D. Ohio 2002).
115 *Id.* at 685.
116 *Id.* at 691.
117 *Id.* at 701.
In *Yankee Publishing, Inc. v. News America Publishing, Inc.*,\(^{118}\) the court found that defendant’s humorous imitation of plaintiff’s well-known *Old Farmer’s Almanac* trade dress did not violate plaintiff’s trademark rights. “While there is no doubt that [defendant] published on its cover a recognizable imitation or caricature of the Almanac’s trade dress, I find this was done in a manner that made it sufficiently clear to consumers that it was a joke and not a trademark source identifier.”\(^{119}\) “I agree with [plaintiff] that the Christmas cover was not a parody, but believe this makes no difference.”\(^{120}\) The court rejected the parties’ focus on the narrow issue of parody, instead embedding the issue in a wider First Amendment context, stating that the issue “is not merely that *parody* is accorded First Amendment deference, but rather that the use of a trademark in the communication of an expressive message is accorded such deference.”\(^{121}\) Accordingly, the court emphasized that defendant would prevail on a First Amendment basis “even if there was some likelihood of confusion.”\(^{122}\)

In *World Wrestling Federation Entertainment, Inc., v. Big Dog Holdings, Inc.*,\(^{123}\) the court, applying a mixed trademark and First Amendment analysis, found that defendants’ amusing alterations of plaintiff’s well-known brands did not violate plaintiffs’ trademark rights or right of publicity. Plaintiff produced professional wrestling shows, TV programs, and associated merchandise, and owned the intellectual property rights to the “popular wrestling characters appearing under unique names and portrayed with unique persona, history, relationship, music and visual appearance, and behavior.”\(^{124}\) Defendant marketed a wide variety of clothing goods that “depict certain graphics as parodies of popular culture” in connection with defendant’s “Big Dog” character.\(^{125}\) Defendant offered a wide range of merchandise depicting plaintiff’s characters in a deliberately silly “dog-ified” fashion.\(^{126}\) The court, noting defendant’s assertion of a First Amendment-based parody defense, stated that parody “is not an affirmative defense, but only another factor to be considered in determining the likelihood of confusion. Whether a customer is confused is the ultimate question.”\(^{127}\) However, citing *Harley-Davidson, Inc., v. Grottanelli*,\(^{128}\) the court noted that “where the unauthorized use of a trademark is part of an expressive work, such as a parody, the Lanham Act must be construed narrowly.”\(^{129}\) An evaluation of the applicable confusion test taking these principles into account showed “there is no likelihood of confusion.”\(^{130}\) With respect to plaintiff’s right of publicity claim, the court used a


\(^{119}\) Id. at 273.

\(^{120}\) Id. at 279.

\(^{121}\) Id. at 279 (emphasis in original).

\(^{122}\) Id. at 275.


\(^{124}\) Id. at 417.

\(^{125}\) Id. at 418.

\(^{126}\) Id. at 420–23.

\(^{127}\) Id. at 431 (footnote omitted).

\(^{128}\) 164 F.3d 806, 813 n.4 (2d Cir. 1999).

\(^{129}\) Id.

\(^{130}\) Id. at 440.
substantially stronger First Amendment rule. “Big Dog’s use of dogs to poke fun at celebrities and societal icons is an important form of entertainment and expressive commentary that deserves First Amendment protection.” Accordingly, the court entered judgment in favor of defendant on the right of publicity claim.

Humor matters. A case similar to Big Dog, but perhaps fitting the “joke” category even more clearly, is Tommy Hilfiger Licensing, Inc., v. Nature Labs, LLC. In that case, the silliness and humorousness of defendant’s offerings clearly influenced the court in defendant’s favor. Defendant “manufactures, markets and sells a line of pet perfumes whose names parody elegant brands for human consumption.” Defendant’s pet brand spoofing famous designer Tommy Hilfiger was called “Timmy Holedigger” and sold with the by-line, “If You Like Tommy Hilfiger Your Pet Will Love Timmy Holedigger.” Many of defendant’s products were sold with a display stating, “Strong enough for a man, but made for a chihuahua.” The court stated that “when a parodist makes trademark use of another’s mark, it should be entitled to less indulgence, even if this results in some residual effect on the free speech rights of commercial actors.” Thus, the Tommy Hilfiger court used a rule that in the abstract appears slightly more favorable to trademark owners than the rule applied in Big Dog. But practically the result was the same as in Big Dog. “[D]efendant’s use of the mark is an obvious parody or pun, readily so perceived, and unlikely to cause confusion among consumers.” Plaintiffs’ dilution claim (discussed in more detail later) fared no better. Citing “the utter lack of evidence that the selling power of Hilfiger’s mark has been diminished,” and finding “[t]here is nothing to suggest that a designer label has anything to lose from mere association with pets, particularly where the entire association is a light-hearted if somewhat heavy-handed parody,” the court rejected plaintiff’s claim of dilution by blurring and tarnishment.

Just like parody, humorous use of plaintiff’s mark is vulnerable to the objection that it does not differentiate defendant’s product strongly enough from plaintiff’s product, thus creating unacceptable levels of consumer confusion. In Schieffelin & Co. v. Jack Co. of Boca, Inc., plaintiff prevailed on similar grounds as in Balducci—defendants’ parody was too close to the original product to successfully dispel a likelihood of confusion. Plaintiff, distributor of the famous Dom Perignon champagne, sued defendant, purveyor of “Dom Popignon” popcorn sold in a container shaped like a champagne bottle. The court agreed with defendants that their

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131 Id. at 445.
133 Id. at 412.
134 Id. at 412–13.
135 Id. at 413.
136 Id. at 416.
137 Id. at 420.
138 Id. at 422.
139 Id. at 423.
141 Id. at 236–38.
product “is plainly a humorous takeoff on DOM PERIGNON.” The court then observed: “The fact that defendants’ product is a joke, however, does not end the court’s inquiry.” After carefully examining the parties’ respective products, the court concluded: “The short of the matter is that defendants’ parody is not sufficiently effective to eliminate a likelihood of confusion on the part of consumers.” Accordingly, defendant was enjoined from selling the offending product. The same result obtained in Hard Rock Café Licensing Corp. v. Pacific Graphics, Inc. The court rejected defendant’s claim of parody and entered an injunction because defendant’s “wholesale copying of [plaintiff’s] logo cannot be explained or excused by parody…. [T]he graphics are indistinguishable.”

**B. Specific Exemptions Under the Law**

Legislatures and courts have, over the years, sought to maintain a tenuous balance between granting exclusive rights to intellectual property owners, on the one hand, and on the other hand permitting the public some rights of access. Although the bulk of fair use law is derived from court decisions, some of which are difficult to reconcile, there are a few statutory signposts available to provide guidance.

In the trademark field, the Lanham Act has codified the common law defense of fair use by providing “[t]hat 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.” The complex phrasing of this defense has not succeeded in providing clear direction to courts or litigants, as discussed more fully in the immediately following section of this paper.

In the copyright arena, fair use doctrine has emerged over the years from court decisions trying to effect the balance of private and public interests that is the underlying principle of fair use. The Copyright Act of 1976 synthesized prior case law developments into four statutory factors, derived from cases decided under the Copyright Act of 1909. The

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142 Id. at 248.
143 Id.
144 Id. at 250.
145 Id. at 253.
147 Id. at 1462.
150 See, e.g., Davis v. Gap, Inc., 246 F.3d 152 (2d Cir. 2001) (“Fair use is a judicially created doctrine dating back nearly to the birth of copyright in the eighteenth century,…but first explicitly recognized in statute in the Copyright Act of 1976.”) (Citations omitted).
151 17 U.S.C. § 107
fair use defense to infringement claims. Fair use defense to infringement claims may apply if portions of the work are used for comment, news reporting, teaching, scholarship or research. Several factors must then be balanced to determine whether the fair use defense applies:

- The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes;
- The nature of the copyrighted work;
- The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- The effect of the use upon the potential market for, or value of, the copyrighted work.

These factors largely derive from the opinion of Joseph Story in *Folsom v. Marsh*, in which the defendant had copied 353 pages from the plaintiff’s 12-volume biography of George Washington, *The Writings of George Washington*, in order to produce a separate two-volume work of his own titled *The Life of Washington in the Form of an Autobiography*. The court rejected the defendant’s fair use defense and, in providing the following explanation, developed a formulation that, with some adjustments, ultimately found its way into the Copyright Act:

[A] reviewer may fairly cite largely from the original work, if his design be really and truly to use the passages for the purposes of fair and reasonable criticism. On the other hand, it is as clear, that if he thus cites the most important parts of the work, with a view, not to criticize, but to supersede the use of the original work, and substitute the review for it, such a use will be deemed in law a piracy.

In short, we must often ... look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.

Applying the statutory fair use factors in any particular situation can be tricky in the extreme. Unpredictability is a hallmark of fair use, which has been described as “the most troublesome [doctrine] in the whole law of copyright.”

153 Fair use is typically understood as a defense to infringement claims, but there are other perspectives on the nature of the doctrine: “Although the traditional approach is to view ‘fair use’ as an affirmative defense, this writer, speaking only for himself, is of the opinion that it is better viewed as a right granted by the Copyright Act of 1976.” *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996). *Accord Lenz v. Universal Music Corp.*, 801 F. 3d 1126, 1133 (9th Cir. 2015) (“Given that 17 U.S.C. § 107 expressly authorizes fair use, labeling it as an affirmative defense that excuses conduct is a misnomer.”).

154 For a discussion of each of these factors, see Section II.B below.


156 Id. at 344-45.


Attorneys tasked with explaining fair use to their clients must of necessity advise their clients that neither the Copyright Act nor any of the precedent to date provides a bright line or safe harbor for precisely when a third party’s work may be used or copied. “The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis .... Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.”

II. APPLICATION OF FAIR USE CONCEPTS TO PARTICULAR TYPES OF INTELLECTUAL PROPERTY

A. Trademarks

1. Classic Fair Use

a. No Need to Disprove Confusion

In KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., the Supreme Court resolved a split in the circuit courts on whether a defendant pleading fair use in a trademark infringement claim also has the burden to negate likelihood of confusion. The Court held that the defendant does not have this burden. Both parties in KP Permanent marketed permanent makeup supplies using the term “Microcolors.” Lasting Impression, the owner of a registration for a mark containing Microcolors, demanded that KP cease such use. In response, KP sued in the Central District of California seeking a declaratory judgment that microcolor is a generic term or that KP used the term fairly only to describe the qualities of its products. The district court granted KP’s summary judgment motion, finding that KP had proved its affirmative defense of fair use. The Ninth Circuit reversed, finding that there could be no fair use where confusion was probable.

The Supreme Court reversed the Ninth Circuit, concluding that construction of the Lanham Act confirmed that a defendant alleging fair use did not need to disprove confusion. The Court reasoned that, since it was the plaintiff’s burden to prove likely confusion, it was nonsensical to impose on the defendant the burden to disprove it. The Court did not decide what role likelihood of confusion might play in determining whether a use is fair: “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.”

b. Descriptive Fair Use

Section 33 of the Lanham Act provides that use of a term other than as a trade or service mark is not an infringement if the term is used fairly and in good faith to describe the

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161 Id. at 123. See also Hensley Manufacturing, Inc. v. ProPride, Inc., 579 F.3d 603 (6th Cir. 2009) (to the extent that defendant’s ads caused “some level of consumer confusion” plaintiff Hensley Manufacturing assumed that risk by trademarking last name of former owner, who left company, went to work for defendant, and identified himself by his proper name).
goods or services of the party. The defense applies at common law as well as under the statute.\textsuperscript{163}

In \textit{Cosmetically Sealed Indus. v. Chesebrough Pond’s USA Co.},\textsuperscript{164} defendant, in connection with its lipstick product, made fair use of a phrase similar to plaintiff’s mark “SEALED WITH A KISS,” which was registered for lip gloss. Defendant’s cardboard display, holding trial size lipsticks, directed consumers to apply its lipstick product, kiss a complimentary postcard, and send it to a loved one. The display prominently featured the phrase “Seal it with a Kiss!” The court found that while the phrase did not describe any characteristic of defendant’s product, it did describe what defendant wanted consumers to do with its product. The court also noted defendant’s good faith in featuring its own trademarks along with the “Seal it with a Kiss” phrase, and found that any confusion that existed between plaintiff’s and defendant’s products was “a risk that the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.”\textsuperscript{165}

Even if plaintiff’s mark is suggestive rather than descriptive, that should not preclude the defense of fair use if defendant’s good faith use of it is descriptive.\textsuperscript{166}

In \textit{Sands, Taylor & Wood Co. v. Quaker Oats Co.},\textsuperscript{167} the owner of the registered trademark THIRST AID, sued defendant for using the advertising slogan “GATORADE is Thirst Aid” to promote defendant’s sports drink. Although defendant’s GATORADE mark was famous and plaintiff’s mark was descriptive, the court nonetheless rejected a fair use defense. The court affirmed that defendant used “Thirst Aid” prominently as an “attention-getting symbol,” and with its rhyming slogan, created a unique association with defendant that was likely to cause reverse confusion.\textsuperscript{168} Compare \textit{W.W.W. Pharmaceutical Co. v. Gillette Co.},\textsuperscript{169} where plaintiff owned the mark SPORT STICK for lip balm, and the court found no likelihood of reverse confusion with defendant’s RIGHT GUARD SPORT STICK for deodorant, in large part because of the weakness of plaintiff’s mark and the renown of defendant’s RIGHT GUARD mark.

\textsuperscript{163} William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 528 (1924); Venetianaire Corp. of America v. A&P Import Co., 429 F.2d 1079, 1081 (2d Cir. 1970) (the statute incorporates the defense previously available at common law).

\textsuperscript{164} 125 F.3d 28 (2d Cir. 1997).

\textsuperscript{165} Id. at 30.

\textsuperscript{166} Compare Seaboard Seed Co. v. Bemis Co., 632 F. Supp. 1133, 1138 (N.D. Ill. 1986) (QUICK GREEN for grass seed not descriptive, so defense unavailable) with Charles of the Ritz Group, Ltd. v. Marcon, Ltd., 230 U.S.P.Q. 377 (S.D.N.Y. 1986) (SILK for cosmetics held suggestive, not descriptive, but fair use upheld). See also Car Freshner Corp. v. S.C. Johnson & Son, 70 F.3d 267, 269 (2d Cir. 1995) (defendant’s descriptive use of plaintiff’s registered pine tree shape for air fresheners held fair use and not infringing; “it should make no difference whether the plaintiff’s mark is to be classed on the descriptive tier of the trademark ladder … [w]hat matters is whether the defendant is using the protected word or image descriptively, and not as a trademark”); Shakespeare Co. v. Silstar Corp., 906 F. Supp. 997 (D.S.C. 1995), aff’d, 110 F.3d 234 (4th Cir. 1997) (holding that defendant’s “descriptive,” nontrademark use of a clear tip on a fishing rod, in potential conflict with plaintiff’s incontestably registered fishing rod trade dress, was fair use); DowBrands L.P. v. Helene Curtis, Inc., 863 F. Supp. 963, 966–969 (D. Minn. 1994) (fair use defense not limited to descriptive marks). If the defendant uses the term as a trademark, rather than descriptively, § 33 should not be applicable. See Fortune Dynamic Inc. v. Victoria’s Secret Stores Brand, 618 F.3d 1025 (9th Cir. 2010) (appellate court reversed finding of fair use on summary judgment); Lindy Pen Co. v. Bic Pen Corp., 725 F.2d 1240, 1248 (9th Cir. 1984), cert. denied, 469 U.S. 1188, 105 S. Ct. 955 (1985) (mark descriptive but used as trademark by defendant; district court’s finding of fair use reversed).

\textsuperscript{167} 978 F.2d 947 (7th Cir. 1992).

\textsuperscript{168} Id. at 954.

\textsuperscript{169} 984 F.2d 567 (2d Cir. 1993).
In *Kelly-Brown v. Winfrey*, the Second Circuit provided a significant analysis of the descriptive fair use defense. The plaintiff owned a motivational services business, Own Your Power Communications, Inc., that held events and put out publications under the registered service mark “Own Your Power.” Defendants, Oprah Winfrey and her publishing empire, produced a magazine, event and website that employing the phrase “Own Your Power.” Kelly-Brown sued for trademark infringement, false designation of origin, reverse confusion, and counterfeiting, including vicarious and contributory infringement against the corporate sponsors of the “Own Your Power” event. The district court granted Winfrey’s motion to dismiss on the basis of the fair use defense.

The Second Circuit reversed, holding that Winfrey had not established a fair use defense for purposes of a motion to dismiss. The complaint alleged that the phrase “Own Your Power” as used on Winfrey’s magazine cover, event, social media, and online video, suggested an attempt to build a consumer association between the phrase and Winfrey. Moreover, Winfrey had not adequately shown descriptive use of the phrase. The phrase was not in common use, nor did it describe the contents of the magazine. Nowhere did the magazine “provide advice regarding how a reader can become more powerful in general.” Finally, the district court erred in holding that Winfrey had conclusively demonstrated good faith. A plaintiff can show “absence of good faith where a junior user had knowledge or constructive knowledge of senior user’s mark and chose to adopt a similar mark.” The court found that Kelly-Brown had alleged that Winfrey quite possibly performed a trademark search the for the word “Own,” which would have turned up her then-pending service mark. Thus, it was plausible that Winfrey knew of Kelly-Brown’s mark, liked it, and decided to use it as her own.

On remand, the district court granted summary judgment for Winfrey, holding that: (1) “own your power” was descriptive; (2) own your power had no secondary meaning; (3) no jury could find likelihood of confusion; and (4) Winfrey’s use was fair. The Second Circuit affirmed the finding that the term “own your power” was descriptive without secondary meaning, and did not reach the other issues.

### 2. Use in Selling Own Goods

The law does not prohibit the use of another’s trademark on or in connection with the sale of one’s own goods or services so long as such use is not deceptive. The seminal decisions on permitted use of another’s trademark were those written by Mr. Justice Holmes in *A. Bourjois & C. v. Kates*, and *Prestonettes, Inc. v. Coty*. In permitted use decisions, the courts emphasize truthful disclosure. Under appropriate circumstances, for example, a trademark or trade name can truthfully be used on repaired, damaged, deteriorated, or repackaged goods sold by someone other than the trademark owner if it is made clear that the goods are in fact repaired, damaged, deteriorated, repackaged, unguaranteed or otherwise varying from the trademark owner’s standards. In some instances, however, deception is inherent and the use must be barred. The salient principle governing the legal propriety of using

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170 717 F.3d 295 (2d Cir. 2013).
172 659 Fed. App’x. 55 (2d Cir. 2016).
174 264 U.S. 359 (1924).

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another’s trademark is simply that of truthfulness and the absence of any likelihood of deception.

Resale by the first purchaser of an originally trademarked item generally permits use of the mark under the “first sale doctrine.” However, there are exceptions to that doctrine. When the purchaser of the trademarked item repackages it without proper notice of the repackaging, the first sale doctrine normally will not prevent a successful infringement claim. Likewise, “the first sale doctrine does not apply ... when an alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner.”

Repaired, reconditioned, or modified products and product-related services (e.g., automotive repair shops) may display the trademark of the original maker of the product so long as there is full disclosure and the public is not likely to be confused into thinking there is sponsorship or an agency relationship.

a. Use of Mark Referencing a Component of a Good

A manufacturer, with proper disclosure, may be allowed to use another’s trademark on its product for an ingredient or component of that product. In some instances, however, the original article may be so altered—even if incorporated into a product of higher quality—that continued use of the original trademark would be inappropriate and misleading. In Bulova Watch Co. v. Allerton Co., the defendant had purchased Bulova watches on the market, then recased the movements, still bearing the “Bulova” trademark, in diamond decorated cases, which defendant then sold to retail outlets under the trade name “Treasure Mates.” Deeming such a significantly altered product to constitute “a new construction,” the court stated that “[t]he watch is no longer a Bulova watch.” Consequently, the court allowed the collateral references, with full disclosure as to defendant’s role in the recasing and as the sole guarantor of the watch, in catalog inserts, displays and advertising, but enjoined any use of the “Bulova” trademark on the movement itself.

Compare this result to that in Kealoha v. E.I. du Pont de Nemours & Co., in which TEFLO plastic was incorporated into a jaw implant that subsequently fragmented and caused

175 See Brilliance Audio, Inc. v. Haights Cross Communications, Inc., 474 F.3d 365 (6th Cir. 2007).
176 Id. at 369.
177 Id. at 370, (citations omitted; emphasis in original).
178 See Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947) (because repairs to spark plugs were not so fundamental as to create fraud by retaining the original CHAMPION mark, defendant merely required to stamp spark plugs “repaired” rather than remove CHAMPION trademark); Bulova Watch Co. v. Allerton, 328 F.2d 20 (7th Cir. 1964).
179 328 F.2d 20 (7th Cir. 1964).
180 Id. at 23.
181 See also Brilliance Audio v. Haights Cross Communications, Inc., 474 F.3d 365 (6th Cir. 2007) (resale of a product does not fall under the first sale doctrine when the alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner); Karl Storz Endoscopy America, Inc. v. Surgical Technologies, Inc., 285 F.3d 848 (9th Cir. 2002) (defendant’s repair and refurbishment of plaintiff’s surgical instruments raised issues of fact as to whether they were a “construction of a different product,” making confusion likely); Rolex Watch, U.S.A., Inc. v. Michel Co., 179 F.3d 704 (9th Cir. 1999) (remanding for permanent injunction “completely enjoining the use of Rolex’s trademarks on the altered watches that [defendant] sells,” because defendant’s refurbishments and alterations “are so basic it is a misnomer” to sell the watches under plaintiff’s marks).
182 82 F.3d 894 (9th Cir. 1996).
injury. DuPont, the owner of the TEFLON mark, was not liable because it warned the implant manufacturer of the possible unsuitability for this purpose and the implant manufacturer expressly assumed responsibility. While the TEFLON mark was conspicuous, it only identified the source of raw material and would not cause source confusion with regard to the implant itself “as it was abundantly clear that Vitek and not DuPont was responsible for the manufacture and design of the implant.”

The sale to the public of “distressed merchandise” comprising defective, damaged, or out of style goods which still bear the trademark of the original manufacturer or supplier can be deceptive. In *J. C. Penney Co. v. Charbeth’s Little General Store*, defendant represented discontinued or out of style Penney merchandise as new, and sold it at a price lower than that charged by Penney for new merchandise; the court noted several kinds of public deception that might be expected to result and preliminarily enjoined defendant from advertising or selling any merchandise bearing plaintiff’s name or trademarks. In *Adolph Coors Co. v. A. Genderson & Sons, Inc.*, defendant distributed plaintiff’s unpasteurized beer without authorization and without following plaintiff’s rigid quality control standards; the court compared the case with those where inferior or altered goods were resold under the original trademark, citing *J.C. Penney v. Charbeth’s*, above, and enjoined defendant from any further unauthorized distributions.

A concern for quality control for brand owners resonated in *Australian Gold, Inc. v. Hatfield, Inc.*, where plaintiffs’ tanning supplies were only sold through distributors to tanning salons. Defendants made unauthorized sales of them over the internet, actively concealing themselves from plaintiff and changing their company name whenever plaintiff discovered them. Plaintiff required all distributors to undergo training on proper use of its products, and the distributors in turn would provide the training to the tanning salon operators. The Tenth Circuit affirmed a jury award to plaintiff of over $5 million. Defendants had misrepresented themselves on their websites as “favored or authorized dealers,” and given their bad intent to cause confusion, were “not shielded by the first sale doctrine.”

**b. Comparative Advertising**

The use of another’s trademark in the advertising or marketing of products or services is permitted provided there is truthful disclosure and no likelihood of confusion.

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185 See also *Warner Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3 (2d Cir. 1996) (preliminarily enjoining the sale of stale HALLS cough drops); *Polymer Technology Corp. v. Minrann* 975 F.2d 58 (2d Cir. 1992) (vacating denial of preliminary injunction; defendant’s retail distribution of plaintiff’s BOSTON professional lens care solution might infringe because plaintiff’s professional packages did not comply with FDA labeling requirements for retail solutions); *Bill Blass, Ltd. v. SAZ Corp.*, 751 F.2d 152 (3d Cir. 1984) (out of date designer label fashions). Compare *Denbicare U.S.A. v. Toys “R” Us*, 84 F.3d 1143 (9th Cir.), cert. denied, 117 S. Ct. 190 (1996) (allowing the sale of allegedly inferior diapers in discontinued packaging because plaintiff previously had consented to their sale in a U.S. foreign trade zone).

186 *Australian Gold, Inc. v. Hatfield, Inc.*, 436 F.3d 1228 (10th Cir. 2006).

187 *See Smith v. Chanel, Inc.*, 402 F.2d 562 (9th Cir. 1968) (comparative advertising allowed because no misrepresentation); *Saxony Prods., Inc. v. Guerlain, Inc.*, 513 F.2d 716, 722 (9th Cir. 1975) (discussion of truthful versus false comparative advertising).
3. **Nominative Fair Use**

One may make “nominative” fair use of another’s trademark to truthfully refer to a particular product for purposes of comparison, criticism, point of reference and the like, as explained by Judge Kozinski in *New Kids on the Block v. News America Pub. Inc.*\(^{188}\) Such use must not, however, “suggest sponsorship or endorsement by the trademark holder.”\(^{189}\) Judge Kozinski again opined on nominative fair use in *Toyota Motor U.S.A., Inc. v. Tabari.*\(^{190}\) There, the Ninth Circuit held that defendants’ uses of buy-a-lexus.com and buyorleasealexus.com were nominative fair uses of plaintiff’s LEXUS mark. The court concluded that, in a case involving nominative fair use, courts may not apply ordinary likelihood of confusion factors, but must apply the three nominative fair use factors to determine whether confusion exists. “[A] finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion as to sponsorship or endorsement.” Therefore, the plaintiff has the burden of proof to show that defendant’s use of a mark is *not* nominative fair use.\(^{191}\) In addition, the court found that an injunction denying any use of the mark was overbroad, stating: “the district court may order defendants to modify their use of the mark so that all three [nominative fair use] factors are satisfied; it may not enjoin nominative use of the mark altogether.”\(^{192}\)

In *Adobe Sys. v. Christenson*,\(^{193}\) the court of appeals held that the district court properly analyzed the nominative fair use defense. “In a nominative fair use case, the concern is avoiding confusion over whether the speaker is endorsed or sponsored by the trademark holder.”\(^{194}\) The court continued: “The bottom line is that Christenson’s nominal use of the marks was to identify the products themselves and not the ‘inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder.’”\(^{195}\)

In *Playboy v. Welles*,\(^{196}\) a former Playboy Playmate of the Year made fair use of “Playboy Playmate of the Year 1981” in headings and banner ads on her website, and “Playboy” and “Playmate” in the website metatags. However, her repetitive wallpaper use of the PMOY mark was unnecessary and potentially infringing. In *Playboy v. Netscape*,\(^{197}\) defendant sold advertisers a list of search terms, so that when users typed plaintiff’s “playboy” or “playmate” trademarks into defendant’s search engine, the advertisers’ banner ads for sex and adult-oriented entertainment websites would appear on the search page. The court of appeals reversed summary judgment for defendant, because issues of fact as to whether the advertisers’ unlabeled or confusingly labeled banner ads created likely initial interest confusion.

\(^{188}\) 971 F.2d 302 (9th Cir. 1992).
\(^{189}\) *Id.* See also *Nikkei Keizai Shimbun, Inc. v. Comline Business Data, Inc.*, 166 F.3d 65, 73 (2d Cir. 1999) (it was fair use for defendant to use plaintiff publisher’s name to identify defendant’s abstracts of plaintiff’s news articles because “it will usually be impossible to identify the source of factual information without using a registered trademark of the source”).
\(^{190}\) 610 F.3d 1171 (9th Cir. 2010).
\(^{191}\) *Id.* (citing *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111, 118 (2004)).
\(^{192}\) *Id.* at 1176.
\(^{193}\) 809 F.3d 1071 (9th Cir. 2015).
\(^{194}\) 809 F.3d at 1081.
\(^{195}\) *Id.* at 1082 (citing *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010)).
\(^{196}\) 279 F.3d 796 (9th Cir. 2002).
\(^{197}\) 354 F.3d 1020 (9th Cir. 2004).
In considering defendant’s fair use defense, the court noted that defendant listed over 400 terms besides Playboy’s mark that could trigger the banner ads. It was not nominative fair use, because defendant was not intending to identify Playboy or its marks by their use, but to capitalize on the association. Similarly, in Australian Gold Inc. v. Hatfield, defendant’s use of a plaintiff’s trademark on its websites, metatags, and its purchase of promotional placement in search results for plaintiff’s products was more than the identification of trademark bearing items protected by the first sale doctrine. “[T]he first sale doctrine does not protect resellers who use other entities’ trademarks to give the impression that they are favored or authorized dealers for a product when in fact they are not.”

In Century 21 Real Estate Corp. v. Lendingtree, Inc., the Third Circuit applied the Supreme Court’s KP Permanent Make-Up, Inc. v. Lasting Impressions 1, Inc. decision that fair use may be successfully shown even where there is “some possibility of confusion,” applied not just to “classic fair use” but also to nominative fair use. It further concluded that the Supreme Court’s decision made the Ninth Circuit’s New Kids on the Block decision and its offspring obsolete. It instead adopted a “two step approach.” First, the plaintiff would have to prove confusion is likely. If so, then the burden would shift to the defendant to establish nominative fair use under a modified version of the Ninth Circuit test. To do so, the defendant would need to show that the use of plaintiff’s mark was necessary, that defendant only used as much of plaintiff’s mark as was necessary, and that defendant’s conduct or language reflected the true and accurate relationship between plaintiff’s and defendant’s products or services.

In International Information Sys. Security Certification Consortium v. Security University, LLC, the Second Circuit set out the following test for evaluating nominative fair use:

When considering a likelihood of confusion in nominative fair use cases, in addition to discussing each of the Polaroid [likelihood of confusion] factors, courts are to consider: (1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services.

This test has been applied by subsequent courts without apparent difficulty.

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198 436 F.3d 1228 (10th Cir. 2006).
199 Id. at 1241.
200 425 F.3d 211 (3d Cir. 2005).
202 823 F.3d 153 (2d Cir. 2016), cert. denied, ___ S. Ct. ___ (Jan. 9, 2017).
203 Id. at 168 (emphasis in original). See also, Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211 (3d Cir. 2005) (treating nominative fair use as an affirmative defense).
4. Fair Use in the Dilution Law Context

The Federal Anti-Dilution Statute, called the Trademark Dilution Revision Act of 2006 (TDRA), specifically exempts certain conduct from its purview on the grounds of fair use, as noted in the following statutory provisions:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with—
   (i) advertising or promotion that permits consumers to compare goods or services; or
   (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner;
(B) All forms of news reporting and news commentary; and
(C) Any noncommercial use of a mark.205

There are several cases involving these exemptions and defenses that help to illustrate their application. The Fourth Circuit upheld a finding that there was no likelihood of dilution or tarnishment over the use of CHEWY VUITON for defendant’s stuffed toys and beds for dogs as against LOUIS VUITTON, the maker of a variety of luxury goods.206 The court recognized that defendant’s use was a protected parody, even though the company used the term as a designation of source for its products. The court essentially determined that a mark may be a protected parody, outside of the specific constraints mandated by the TDRA against the application of this exemption to terms used as designations of source, if it is clear that what is at issue is a "satire" of a famous mark rather than the famous mark itself.207

The Second Circuit commented on the Fourth Circuit’s earlier Louis Vuitton decision in upholding a determination that the fair use defense in the TDRA did not apply to a dispute between the famous STARBUCKS mark for coffee and MISTER CHARBUCKS for coffee products.208 Defendant’s use of MISTER CHARBUCKS was not eligible for protection as a parody because it was used as a designation of source; alternatively, if it was eligible for protection under the Fourth Circuit’s rationale, it was too subtle a parody.209

A case that bears watching is the U.S. Supreme Court's potential review of the Second Circuit's unreported decision in Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.210 wherein the Court of Appeals upheld the lower court's summary judgment decision for the defendant on plaintiff's federal and state anti-dilution law claims (and other unrelated claims) on the basis of

208 Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97, 111-112 (2d Cir. 2009).
210 674 Fed. Appx. 16 (December 22, 2016) (not citable as precedent).
fair use. This decision is now subject to a pending petition for certiorari filed by Louis Vuitton before the U.S. Supreme Court, and if the petition is granted, a subsequent decision could have a significant impact on the application of fair use principles to anti-dilution law claims.\textsuperscript{211}

In addition, nominative fair use applies in the anti-dilution context.\textsuperscript{212} Finally, the use of a mark in comparative advertising, as noted in the statute, is not actionable under the TDRA.\textsuperscript{213}

5. Other Lanham Act Claims and Fair Use

First Amendment considerations may affect actions under Section 43(a). In \textit{Consumers Union of U.S. v. General Signal Corp.},\textsuperscript{214} the court refused to preliminarily enjoin a vacuum cleaner manufacturer’s television commercials featuring accurate references to a \textit{Consumer Reports} magazine rating of its product, despite the plaintiff publisher’s longstanding policy against advertising use of its ratings.\textsuperscript{215}

The court summarily held for defendant on First Amendment grounds in \textit{Rogers v. Grimaldi}.\textsuperscript{216} There, Ginger Rogers had sued under Section 43(a) and state right of publicity law over an Italian film entitled “Ginger and Fred,” which was about two cabaret performers who imitated Ms. Rogers and Fred Astaire. In affirming the dismissal, the Second Circuit for the first time articulated a balancing test for Lanham Act claims involving artistic expression. It stated that enjoining the distribution of artistic works does not violate the First Amendment where the public interest in avoiding consumer confusion outweighs the public interest in free expression. For movie titles using a celebrity’s name, the court held that unless the title had no artistic relevance to the underlying work or was expressly misleading, no injunction should issue. Here, the title was artistically relevant to the film, and it was not expressly misleading. The court also held that the use of Ms. Rogers' name in the title was not actionable under Oregon right of publicity law.

The \textit{Rogers v. Grimaldi} test was further clarified in \textit{E.S.S. Entertainment 2000 Inc. v.}...

\textsuperscript{211} \textit{Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.}, 674 F. App’x 16 (2d Cir. 2016), petition for cert. filed, (U.S. July 14, 2017) (No. 17-72).

\textsuperscript{212} See \textit{Tiffany Inc. v. eBay, Inc.}, 576 F. Supp.2d 463, 521 (S.D.N.Y. 2008), aff’d in part on other grounds, remanded in part on other grounds 600 F.3d 93 (2d Cir. 2010) (online reseller eBay’s use of TIFFANY constituted a nominative fair use, because eBay merely listed items for sale that were designated by unrelated third parties, and not eBay, with plaintiff’s TIFFANY mark).

\textsuperscript{213} See \textit{Rosetta Stone Ltd. v. Google, Inc.}, 676 F.3d 144, 167-168 (4th Cir. 2012) (use in comparative advertising or promotion excluded from dilution liability).

\textsuperscript{214} 724 F.2d 1044, 1051–1053 (2d Cir. 1983).

\textsuperscript{215} See also \textit{World Wide Ass’n of Specialty Programs v. Pure, Inc.}, 450 F.3d 1132 (10th Cir. 2006) (plaintiff had thrust “itself in the national spotlight” with respect to “the public controversy on how to deal with troubled teens, and had not shown the requisite actual malice under state law in connection with defendant’s negative statements about plaintiff, nor had plaintiff shown the requisite falsity and injury under the Lanham Act); \textit{ONY, Inc. v. Cornerstone Therapeutics, Inc.}, 720 F.3d 490 (2d Cir. 2013) (“when applying defamation and related causes of action to academic works … academic freedom is a special concern of the first amendment.”), \textit{Compare Eastman Chem. Co. v. PlastiPure, Inc.}, 775 F. 3d 230 (5th Cir. 2014) (affirming injunction of statements in promotional literature relating to chemical composition of plaintiff’s product; application of Lanham Act to promotional statements would not stifle academic freedom or violate First Amendment; competitors could continue to pursue their research and publish their results other than in promotional statements); \textit{Makaeff v. Trump Univ, LLC}, 715 F.3d 254 (9th Cir. 2013) (finding Trump University was a “limited public figure,” the court remanded the case to determine if Makaeff was protected by free speech principles or had criticized the school with actual malice in breach of the law of defamation).

Rock Star Videos, Inc.\textsuperscript{217} Rockstar Videos marketed “Grand Theft Auto: San Andreas” (the “Game”), a videogame set in the fictional city of “Los Santos” that “lampooned the seedy underbelly of Los Angeles.”\textsuperscript{218} “East Los Santos contained variations on the businesses and architecture of the real thing, including a virtual, cartoon-style strip club known as the ‘Pig Pen.’”\textsuperscript{219} E.S.S., which operated a strip club in East L.A. called “Play Pen,” sued for trade dress infringement and unfair competition. Rockstar asserted a First Amendment defense and prevailed on summary judgment before the district court. The Ninth Circuit affirmed. It applied Rogers v. Grimaldi, which requires courts to construe the Lanham Act “to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”\textsuperscript{220} E.S.S. argued the use of the “Pig Pen” cartoon strip club in the Game “has no artistic relevance” and was explicitly misleading” because the Game was “not ‘about’ ESS’s Play Pen Club.”\textsuperscript{221}

It has become accepted that the Rogers test applies not only to the title of a work, but also to the use of a trademark in the body of the work. As the Ninth Circuit explained in In re NCAA Student-Athlete Name & Likeness Licensing Litigation,\textsuperscript{222}

[I]n E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc., we considered a claim by a strip club owner that video game maker Rock Star incorporated its club logo into the game’s virtual depiction of East Los Angeles, violating the club’s trademark right to that logo. We held that Rock Star’s use of the logo and trade dress was protected by the First Amendment and that it therefore could not be held liable under the Lanham Act. In so doing, we extended the Rogers test slightly.\textsuperscript{223}

In Brown v. Electronic Arts, Inc.,\textsuperscript{224} the Ninth Circuit relied on Rogers to affirm the district court’s dismissal of a lawsuit by a former professional football player, Jim Brown, against a video game manufacturer, alleging that the defendant’s use of Brown’s likeness in football video games violated Brown’s rights under the Lanham Act. The court noted that “we are convinced that the Rogers test remains the appropriate framework” in which to analyze cases involving the Lanham Act’s application to expressive works.\textsuperscript{225} It is noteworthy that the district court dismissed Brown’s claim on a Rule 12(b)(6) motion, presuming all facts alleged in the complaint to be true. Even under this lenient standard, Brown’s lawsuit did not survive the Rogers test holding that it does not apply to right of publicity claims.

\textsuperscript{217} E.S.S. Entertainment 2000 Inc. v. Rock Star Videos, Inc., 547 F.3d 1095 (9th Cir. 2008).
\textsuperscript{218} Id. at 1097.
\textsuperscript{219} Id.
\textsuperscript{220} Id. at 1099 (emphasis in original).
\textsuperscript{221} Id. at 1100.
\textsuperscript{222} 724 F3d 1268 (9th Cir. 2013).
\textsuperscript{223} Id. at 1280, discussing E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, 547 F.3d 1095, 1096-98 (9th Cir. 2008).
\textsuperscript{224} 724 F.3d 1235 (9th Cir. 2013).
\textsuperscript{225} Id. at 1241.
In ETW v. Jireh Publishing, Inc., discussed earlier, the court used a Rogers v. Grimaldi analysis in permitting defendant’s use of golfer Tiger Woods’ name on the inside flap of an envelope containing an art print featuring his image, and in the narrative description for the print. The court considered a Rogers defense in Parks v. LaFace Records. That case involved the use of civil rights icon Rosa Parks’ name as a song title. The appellate court was skeptical that the title had the necessary relevance to the song’s content because: the key “back of the bus” phrase in the song “has absolutely nothing to do with Rosa Parks,” the song could be considered “antithetical to the qualities identified with Rosa Parks,” and her name may have been “appropriated solely because of the vastly increased marketing power” it would bring. The court nonetheless remanded for the lower court to determine whether the song title had the requisite artistic relevance to sustain a Rogers defense.

In American Dairy Queen Corp. v. New Line Prods. Inc., the defendant was preliminarily enjoined from using the name “Dairy Queens” as the title for its new movie. Described as a “mock documentary, satirizing beauty contests in rural Minnesota,” the film contained no references to plaintiff’s famous DAIRY QUEEN trademark other than in its proposed title. The court found that confusion was likely as to the source of the film, or that consumers would likely believe that New Line had received plaintiff’s endorsement or permission to use the mark. The court also found plaintiff would likely succeed on its federal dilution by tarnishment claim because of the association of “the enormous goodwill created and possessed, by [plaintiff] and represented by its ‘Dairy Queen’ mark” with the reportedly negative content of the film. As to defendant’s First Amendment defense, the court noted that “[t]here is no effort of any kind to modify or muzzle New Line’s views or expressions concerning the midwest beauty contests, ‘dairy country,’ or the film’s asserted objectionable sexual, racial or religious content. ADQ simply wants to keep the public from developing the sense that it is a sponsor or endorser of New Line’s film, or has voluntarily lent its name to it.”

B. Copyrights

The U.S. Copyright Act protects “original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” Copyright protection applies, for a limited period of time, to a wide range of creative works, including those in the following categories:

226 332 F.3d 915 (6th Cir. 2003).
227 329 F.3d 437 (6th Cir. 2003).
228 See also Facenda v. N.F.L. Films, Inc., 542 F.3d 1007, 1016 (3d Cir. 2008) (promotional television program about the football video game “Madden NFL 06” was commercial speech, so the court analyzed plaintiff’s false endorsement claim “without overlaying the balancing test of Rogers”); Blackburn, Title Blanding: How the Lanham Act Strips Artistic Expression from Song Titles, 22 Cardozo Arts & Ent. L.J. 837 (2005).
230 id. at 732.
231 id. at 735.
232 id. at 733.
234 id. § 102(a).
(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic, and sculptural works;
(6) motion pictures and other audiovisual works;
(7) sound recordings; and
(8) architectural works.236

In the franchise context, copyright protection may extend to a great variety of textual, graphic and other works ranging from franchise manuals to menu boards, wallpaper and advertising.237

A copyright owner enjoys the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies, to perform the work publicly, to display the work publicly and to perform the work by means of digital audio transmission.238 Any violation of those exclusive rights can have profound consequences, as an infringer may be enjoined from using the infringed work,239 and required to pay either the copyright owner's actual damages and the infringer's profits, or "statutory" damages of between $750 and $30,000, or up to $150,000 for willful infringement.240 In addition, a court may award attorneys' fees to the prevailing party.241

As briefly mentioned above, the Copyright Act provides exceptions to the exclusive rights of a copyright holder for fair use of a work for purposes such as criticism, comment, news reporting, teaching or scholarship.242 Additional exceptions are provided for reproduction by libraries and archives of one copy of a work for archival preservation and security purposes,243 and sale of a copy of a work by the owner thereof.244

There are enormous consequences to guessing wrong as to whether or not a particular work is available for fair use under the Copyright Act, but the precedent to date is confounding to franchise systems and their legal counsel. Merely gathering the existing precedent is a daunting task: The U.S. Copyright Office’s index of decisions in this area245 by the Supreme

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235 Id. § 302 (currently providing copyright protection, for works created on or after January 1, 1978, for the life of the author plus 70 years; for 70 years after the death of the last author in the case of joint works; and for the shorter of 95 years after first publication or 120 years after creation in the case of anonymous or pseudonymous works, or works made for hire).
236 Id. § 102(a).
238 Id. § 106.
239 Id. § 502.
240 Id. § 504.
241 Id. § 505.
242 Id. § 107.
243 Id. § 108.
244 Id. § 109.
Court, federal circuit court of appeals and a handful of district courts lists 189 decisions between 1841 and the date of preparation of this paper. Analyzing each of these cases is far beyond the scope of this paper, but it is useful to analyze some of the leading and more recent decisions in relation to the four fair use factors.

1. **Purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational purposes**

   In applying this first factor, courts generally examine several sub-factors: (a) whether the challenged use is of the type favored under the statute; (b) whether that use is commercial; (c) whether the use is transformative; and (d) the propriety of the defendant’s conduct. With respect to the first sub-factor, the introductory part of the statute expressly singles out several purposes that are especially deserving of fair use treatment, such as criticism, comment, news reporting, teaching, scholarship and research. With respect to the second sub-factor, the very language of the statute indicates that nonprofit educational purposes are generally favored over commercial uses. This does not mean, though, that all nonprofit educational and noncommercial uses are necessarily fair and that all commercial uses are not fair. Rather, courts tend to balance the purpose of the use against the other statutory factors. The third sub-factor requires a focus on the character of the use, and “transformative” uses – those that add something new, with a new purpose or character, and are not mere reproductions of the original work – are more likely to be considered fair.

   Illustrative of these tensions is *Campbell v. Acuff-Rose Music, Inc.* in which the Supreme Court emphasized the importance of this first statutory factor in determining fair use. Plaintiff music publisher and registrant of the copyright for the Roy Orbison 1964 rock ballad “Oh, Pretty Woman,” sued defendants, the hip-hop artists 2 Live Crew, for infringing Orbison’s song in a 1989 parody version titled “Pretty Woman.” The lower courts, focusing on the commercial nature of the use, concluded that such use was presumptively unfair and overrode the transformative parody of the original work. In assessing this conduct, the Court faced prior precedent to the effect that “every commercial use of copyrighted material is presumptively . . . unfair,” and that courts should consider whether the defendant profited specifically from the “exploitation of the copyrighted material without paying the customary price.”

   Despite these precedents, the *Campbell* Court reversed, holding that the nonprofit educational or commercial purpose of a work is only one element to be taken into account in determining a work’s purpose and character. Like other uses, parody “has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.” The Court commented that it is essential for someone undertaking a parody to be able

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246 See, e.g., *American Geophysical Union v. Texaco*, 60 F.3d 913, 918-26 (2d Cir. 1995).
247 510 U.S. 569 (1994)
251 Id. at 581.
to quote from existing material and use some of the elements of a prior work to create a new one that comments on the original.\textsuperscript{252}

Heavily influencing the Court’s decision was the transformative nature of 2 Live Crew’s parody. According to the Court, a work is “transformative” if it does not merely “supersede the objects of the original work,”\textsuperscript{253} but “instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”\textsuperscript{254} Employing a somewhat different concept in \textit{Sony Corp. of Am. v. Universal City Studios, Inc.},\textsuperscript{255} the Court indicated that use of copyrighted material may be considered “productive,” and therefore favored under the first fair use factor, if it “results in some added benefit to the public beyond that produced by the first author’s work.”\textsuperscript{256} An obvious example of a “productive” use would be a researcher or scholar who refers to and quotes the work of a prior author in order to comment upon or add to the original work.\textsuperscript{257}

In applying the first factor to a claim of fair use, courts may also consider “the propriety of the defendant’s conduct.”\textsuperscript{258} This includes a number of considerations such as whether the defendant attributed the original creator, attempted to obtain permission from the owner, how the defendant obtained the materials, and whether the defendant breached other codes of conduct.

Other decisions illustrating how courts have employed the first fair use factor in assessing admittedly commercial uses of third party copyrighted works include the following:

- \textit{Harper & Row Publishers, Inc. v. Nation Enterprises.}\textsuperscript{259} No fair use was found where defendant Nation Enterprises, publisher of \textit{The Nation} magazine, obtained an unauthorized copy of the unpublished memoirs of former President Gerald Ford and published a 2,250-word article, at least 300-400 words of which constituted verbatim quotes taken from the manuscript. \textit{Time Magazine}, which had previously contracted for the exclusive right to serialize excerpts of the unpublished memoirs, immediately canceled its contract, and Harper & Row then sued \textit{The Nation} for infringement. In response to defendant’s First Amendment argument, the Court declined to “create what amounts to a public figure exception to copyright.”\textsuperscript{260} \textit{The Nation}’s stated purpose of “scooping” the forthcoming hard-cover publication of the memoirs and \textit{Time}’s abstracts was not considered a plus factor: the Court stated that the defendant’s “use had not

\begin{itemize}
\item \textsuperscript{252} \textit{Id.} at 580.
\item \textsuperscript{253} \textit{Id.} at 579, citing \textit{Folsom v. Marsh}, 9 F. Cas. 342 (C.C.D. Mass. 1841).
\item \textsuperscript{254} \textit{Id.}
\item \textsuperscript{255} 464 U.S. 417 (1984).
\item \textsuperscript{256} \textit{Id.} at 478.
\item \textsuperscript{257} See \textit{id.} at 477-78
\item \textsuperscript{259} 471 U.S. 539.
\item \textsuperscript{260} \textit{Id.} at 560.
\end{itemize}
merely the incidental effect but the *intended purpose* of supplanting the copyright holder’s commercially valuable right of first publication.\(^{261}\)

- **American Geophysical Union v. Texaco, Inc.**\(^{262}\) In this case, 400-500 employees in Texaco’s research and development department regularly photocopied scientific journal articles without permission and distributed the copies throughout the department to save money on journal subscriptions. Since the employees were simply making copies for convenience, there was no transformative use of the journal articles.\(^{263}\)

- **Princeton University Press v. Michigan Document Services, Inc.**\(^{264}\) Here, the defendant copy store reproduced substantial segments of written materials and assembled the photocopied material into “coursepacks” sold to students for their assigned course readings. Although the students put the course packs to a noncommercial, educational use, the Sixth Circuit Court of Appeals, in an *en banc* decision with three dissents, joined by a total of five judges, found that the defendant, a “commercial enterprise” making non-transformative, verbatim copies of the protected works “on a profit-making basis,” was not engaged in a fair use, as its copying would cause a significant adverse impact on the potential market for the works.\(^{265}\)

- **Authors Guild, Inc. v. HathiTrust.**\(^{266}\) Defendant HathiTrust Digital Library (“HDL”) was an administrative entity formed by approximately eighty colleges, universities and other nonprofit institutions, as part of the Google Books project, for the purpose of digitizing “more than ten million works, published over many centuries, written in a multitude of languages, [and] covering almost every subject imaginable.”\(^{267}\) In response to the claim of infringement made by the plaintiff authors and authors’ associations, the court found fair use. It determined that HDL’s creation of a full-text database searchable by members of the public was “quintessentially transformative” because “the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn.”\(^{268}\) The court went on to hold that HDL’s permitting library patrons with certified print disabilities to have access to full texts of works was fair even though this use was not transformative.\(^{269}\)

\(^{261}\) Id. at 562.

\(^{262}\) 60 F.3rd 913 (2nd Circuit 1994).

\(^{263}\) Id. at 923.


\(^{265}\) Id. at 1386.

\(^{266}\) 755 F.3d 87 (2d Cir. 2014).

\(^{267}\) Id. at 90.

\(^{268}\) Id. at 97.

\(^{269}\) Id. at 103.
• **Sony Computer Entertainment America, Inc. v. BLEEM, LLC.**270 Defendant Bleem copied screen shots from a Sony PlayStation to use in advertising demonstrating the superior image quality of its computer emulator screen. There was no question that a commercial activity for profit was involved, as Bleem was a Sony competitor. However, the Ninth Circuit Court of Appeals held that even though Bleem made the copies for commercial reasons, the purpose of the copies weighed in favor of fair use because it provided information to the public and would likely encourage innovation.271

• **Kelly v. Arriba Soft Corp.**272 Plaintiff, a professional photographer, alleged that defendant’s search engine infringed his photographs by “crawling” the internet, locating images that it copied and then generated as smaller, lower-resolution “thumbnail” copies for display on a search results page. The court deemed the use a transformative fair use because the thumbnails served an entirely different function than the original images. While plaintiff’s images were artistic works, the court found that defendant’s use of them was “unrelated to any aesthetic purpose” and that the search engine instead “functions as a tool to help index and improve access to images on the internet and their related web sites.”273

2. **Nature of the copyrighted work**

The second statutory factor analyzes the degree to which the copied work relates to copyright’s purpose of encouraging creative expression. Sub-factors considered by courts under this factor included (a) whether the copied work was factual or creative, and (b) whether the copied work was published or unpublished. Thus, copying or using a more creative or imaginative work (such as a novel, movie or song) is less likely to support a claim of fair use than would be copying or using a factual work (such as a technical article or news item). In addition, use of an unpublished work is less likely to be considered fair.

The principal example of precedent in this field is *Harper & Row Publishers, Inc. v. Nation Enterprises*,274 discussed above, in which the Court noted: “The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.”275 Still, it found no fair use in the publication of extensive excerpts from then-unpublished memoirs. Although brief quotes from the memoirs might have been necessary to convey the facts recounted in the memoirs, “The Nation did not stop at isolated phrases and instead excerpted subjective descriptions and portraits of public figures whose power lies in the author’s individualized expression. Such use, focusing on the most expressive elements of the work, exceeds that

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270 214 F.3d 1022 (9th Cir. 2000).
271 *Id.* at 1032.
272 336 F.3d 811 (9th Cir. 2003).
273 *Id.* at 818. Accord *Perfect 10 v. Amazon*, 487 F.3d 701, 721 (9th Cir. 2007) ("Google’s use of thumbnails is highly transformative.... Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information.")
274 471 U.S. 539.
275 *Id.* at 563.
necessary to disseminate the facts.\textsuperscript{276} The Court also held that the unpublished nature of the memoirs was a key, though not necessarily determinative, factor tending to negate a fair use defense.\textsuperscript{277}

There is little additional precedent dealing substantively with this factor. Indeed, the Ninth Circuit has noted that courts tend to treat this factor as the least important of the four, observing that “[T]he Supreme Court has passed over this factor without giving it much attention, stating that it is often ‘not much help.’”\textsuperscript{278} The Fifth Circuit agrees, stating in \textit{Triangle Publications, Inc. v. Knight-Rider Newspapers, Inc.}\textsuperscript{279} that the nature of the copyrighted work at issue neither supports nor hurts a claim that a fair use defense is appropriate.

3. \textbf{Amount and substantiality of the portion used in relation to the copyrighted work as a whole}

Under this factor, courts look at both the quantity and quality of the copyrighted material that was used. If the use includes a large portion of the copyrighted work, fair use is less likely to be found; if the use employs only a small amount of copyrighted material, fair use is more likely.\textsuperscript{280} That said, some courts have found that use of an entire work can be fair under certain circumstances.\textsuperscript{281} In other contexts, using even a small amount of a copyrighted work was determined not to be fair where the selection was an important part—or the “heart”—of the work.\textsuperscript{282}

Following are some examples of copying found not to constitute fair use:

- 300—400 words (13 percent) copied from President Ford’s unpublished memoirs.\textsuperscript{283}
- Entire articles copied from technical journals but constituting only a “small percentage” of each journal.\textsuperscript{284}
- 50 percent of a book sold to students in adult education cake decorating classes and copied for food service career classes.\textsuperscript{285}
- 95 pages (30 percent), 45 pages (18 percent), 78 pages (16 percent), 52 pages (8 percent), 77 pages (18 percent), and 17 pages (5 percent) of textbooks copied for college class course packs.\textsuperscript{286}

\footnotesize
\textsuperscript{276} Id. at 563-564.
\textsuperscript{277} Id. at 563-564.
\textsuperscript{278} \textit{Sony Computer Entertainment America, Inc., v. BLEEM LLC}, 214 F. 3d at 1027.
\textsuperscript{279} 626 F.2d 1171, 1176 (5th Cir. 1980).
\textsuperscript{280} See, e.g., \textit{Sony Computer}, 214 F.3d at 1028 (“Clearly, the greater the degree of copying involved and the closer those copies are to the essence of the copyrighted work, the less likely the copying is a fair use.”).
\textsuperscript{281} See, e.g., \textit{Sony Corp.}, 464 U.S. at 449.
\textsuperscript{282} See, e.g., \textit{Harper & Row,},471 U. S. at 564-566, 568.
\textsuperscript{283} Id.
\textsuperscript{284} \textit{American Geophysical Union v. Texaco, Inc.}, 60 F.3d 913 (2d Cir. 1994).
\textsuperscript{285} \textit{Marcus v. Rowley}, 695 F. 2d 1171 (9th Cir. 1983).
Fair use has been found in other circumstances, where either the amount of the original work copied or the nature of the copies or originals have accorded this factor less significance. A few examples follow:

- Copies of entire motion pictures or television shows when made for private home use, largely for the purpose of “timeshifting,” rather than commercial or profitmaking purposes.287

- Copying the “heart” of a song for the purpose of creating a parody.288

- Copying one screen shot from a video game that projects 30 screen shots per second.289

- 45 seconds of a song used as background music to the introductory and ending sequences of a teen-targeted public television series.290

Thus, while this factor is obviously important in assessing fair use, it is not dispositive, and the interplay of other factors may well tip the balance.

4. **Effect of the use upon the potential market for or value of the copyrighted work**

This final element in a fair use analysis is viewed by at least some courts as “undoubtedly the single most important element of fair use,”291 outweighing other considerations. While not going quite that far, some commentators have suggested that the “fourth factor essentially constitutes a meta-factor under which courts integrate their analyses of the other three factors and, in doing so, arrive at the outcome not simply of the fourth factor, but of the overall test.”292

Applying this factor, courts review whether and to what extent the unauthorized use harms the existing or future market for the copyright owner’s original work. In assessing this factor, courts consider whether the use is hurting the current market for the original work (for example, by decreased sales of or reduced subscriptions for the original) and/or whether the use could potentially cause substantial harm if it were to become widespread.293

The initial inquiry, then, should be what exactly is the market? The copied work should, to some extent, be a substitute for the original product in order for it to cause any current or potential harm to the original work’s market. Thus, if the allegedly infringing copy provides a market substitute for the copyrighted work, the copying is not likely to be considered a fair


289 *Sony Computer Entertainment America, Inc. v. BLEEM, LLC*, 214 F.3d 1022 (9th Cir. 2000).


The opposite of this principle is also true. That explains why, for example, a hip-hop parody of a 1960s era rock ballad, appealing to a different audience, was found to have no significant effect on the original work’s market. ²⁹⁶

Tying back into the first factor, some courts presume that a commercial use has either caused market harm or “that some meaningful likelihood of future harm exists.”²⁹⁶ If on the other hand the defendant’s use is non-commercial, the likelihood of harm must be proven.²⁹⁷ Applying this concept to the franchise context, there would have to be very unusual circumstances for a court to find a franchise system’s or even an individual franchisee’s non-commercial use of a third party’s work²⁹⁸ and thus any such use would likely lead to a determination of market harm

C. Right of Publicity

The right of publicity is a state-based intellectual property right and branch of unfair competition law. It is recognized in just over half the states in the United States through statutes and the common law. The trend among the states is to recognize the right of publicity. It is not governed by federal statute. The right of publicity protects against the unauthorized commercial use of an individual’s identity (e.g., name, likeness, image).²⁹⁹

The case law on the right of publicity has been extraordinarily rich in First Amendment implications. Most of the important right of publicity decisions raise complex free speech issues and contain extended First Amendment discussion. Moreover, the analyses and holdings in these cases have strongly influenced the application of First Amendment principles to trademark and unfair competition law generally. The First Amendment may protect the use of an individual's identity,³⁰⁰ or related state law constitutional grounds may offer similar protection.³⁰¹ It also is important to check individual state right of publicity statutes because they may explicitly exempt activities akin to those protected under the First Amendment, such as the use of


²⁹⁶ Id. ("If the intended use is for commercial gain, that likelihood may be presumed.")

²⁹⁷ Id.

²⁹⁸ See, e.g., Bouchat v. Baltimore Ravens Ltd. Partnership, 619 F. 3d 301 (4th Cir. 2010), and Bouchat v. Baltimore Ravens Ltd. Partnership, 737 F. 3d 932 (4th Cir. 2013)(use of the Baltimore Ravens "Flying B" logo in season highlight films was not fair use, while use in a "museum-like setting" in a stadium’s “Club Level” seating area found to be a fair use).

²⁹⁹ See Jennings and Monahan, Trademarks and Unfair Competition: Critical Issues in the Law, Ch. 5, at § 5.01The Law Journal Press (January 2016).

³⁰⁰ “Although the typical right of publicity case is a private civil action between private parties, it involves the application of a state statute that imposes restrictions on its right of free expression. Application of that statute thus satisfies the state action requirement of . . . [a defendant's] . . . First Amendment claim.” quoting Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959, 968-969 (10th Cir. 1996) (citing New York Times Co. v. Sullivan, 376 U.S. 254, 265, 84 S.Ct. 710, 11 L.Ed.2d 66 (1964)).

identities with news reporting, and possibly other uses as well.\(^{302}\)

If the primary purpose of the unauthorized use is dissemination of ideas or information, the right of publicity may give way to the First Amendment.\(^{303}\) The protected informational content need not have great social or political significance.\(^{304}\)

1. **Predominantly Commercial Use**

Where the predominant purpose of the use is commercial, First Amendment rights may give way to a plaintiff’s right of publicity.\(^{305}\) For example, in *Toffoloni v. LFP Publishing Group*,

\(^{302}\) See, e.g., [CAL. CIV. CODE § 3344.1(f)]; 765 ILL. COMP. STAT. ANN. § 1075/35.

\(^{303}\) CBC Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818 (8th Cir. 2007) (fantasy sports website could use baseball players’ names and information; First Amendment right to distribute information of public value trumped rights of publicity); Rosemont Enterprises, Inc. v. Random House, Inc., 58 Misc. 2d 1, 6 (N.Y. Sup.Ct. 1968), aff’d, 301 N.Y.S.2d 948 (1st Dept’l 1969) (“Just as a public figure’s ‘right of privacy’ must yield to the public interest so too must the ‘right of publicity’ bow where such conflicts with the free dissemination of thought, ideas, newsworthy events, and matters of public interest”). See, e.g., Matthews v. Wozencraft, 15 F.3d 432 (5th Cir. 1994) (unauthorized use in book and movie “Rush” of events from plaintiff’s life held permissible because defendant’s work did not demonstrate a “reckless disregard for the truth” under the applicable public figure standard); Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989) (right of publicity will not bar use of celebrity’s name in a movie title unless it is “wholly unrelated” or simply a disguised advertisement for collateral goods or services); Hicks v. Casablanca Records, 464 F. Supp. 426 (S.D.N.Y. 1978) (no liability for novel and movie portrayal of fictionalized account of incident in author Agatha Christie’s life). Compare *Eastwood v. National Enquirer*, 123 F.3d 1249, 1256 (9th Cir. 1997) (false publication of “exclusive interview” with actor Clint Eastwood met “actual malice” standard for a public figure to recover damages from a news organization; “the editors intended to convey the impression—known by them to be false—that Eastwood would willfully submit to an interview by the [National Enquirer] and the jury award of $150,000 was justified because the jury could have found his fans would either think him a hypocrite for doing so, or that he was ‘essentially washed up as a movie star if he was courting publicity in a sensationalist tabloid’); *Elvis Presley Enterprises, Inc. v. Elvisly Yours, Inc.*, 936 F.2d 889 (6th Cir. 1991) (scope of injunction limited to prohibit only unauthorized commercial use of Elvis Presley’s name, image or likeness, as opposed to all use).


\(^{305}\) See generally *Jordan v. Jewel Food Stores, Inc.*, 743 F.3d 509 (7th Cir. 2014) (grocery store institutional advertisement congratulating Michael Jordan on his induction into the Basketball Hall of Fame was commercial speech; a “contrary holding would have sweeping and troublesome implications for athletes, actors, [and] celebrities … seeking to protect their identities or marks”); *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007 (3d Cir. 2008) (defendant’s television program about video game was commercial speech; defendant’s First Amendment defense failed); *Downing v. Abercrombie & Fitch*, 265 F.3d 994 (9th Cir. 2001) (although clothing catalogue had a surfing theme, depiction of plaintiff professional surfers was used in advertising context to sell clothing and violated their right of publicity); *Abdul Jabbar v. GMC*, 85 F.3d 407 (9th Cir. 1996) (no First Amendment right to feature basketball star’s former name and his college championship history in conjunction with an automobile advertisement despite informational content); *Tellado v. Time Life Books, Inc.*, 643 F. Supp. 904, 910, 913 (D.N.J. 1986) (defendant’s motion for summary judgment denied; First Amendment claim rejected where defendant’s use of a photograph of plaintiff veteran to advertise a book series on the Vietnam War appeared to be a “predominantly commercial use designed to ‘stimulate profits’”); *Mendonsa v. Time Inc.*, 678 F. Supp. 967, 971–72 (D.R.I. 1988) (original magazine publication of famous “kissing sailor” photograph featuring plaintiff on VJ Day was protected by First Amendment, but plaintiff stated a publicity cause of action for the magazine’s subsequent offer to sell readers...
Inc., the Eleventh Circuit held that photos published in Hustler magazine were commercial, rather than newsworthy, and hence subject to right of publicity law. Hustler magazine published 20-year-old nude photographs of a woman who was the victim of a recent-well publicized murder. The mother of the murder victim sued Hustler for violation of Georgia’s common law right of publicity. The district court dismissed the case on the grounds that the Hustler photographs fell within the “newsworthiness” exception to the right of publicity. The newsworthiness exception provides that “where an incident is a matter of public interest, or the subject matter of a public investigation, a publication in connection therewith can be a violation of no one’s legal right of privacy.”

The Eleventh Circuit reversed. The court found that photos, while accompanied by a newsworthy biography of the victim, were only incidental to that biography. Hence, the photos were commercial in nature, and could violate the right of publicity. The photos were unrelated to a newsworthy event—in this case the murder—and therefore were not themselves newsworthy.

The Supreme Court of Missouri has adopted a “predominant use” test in cases involving the commercial use of identities in expressive content. This test essentially measures the commercial nature of the use of an identity versus the expressive elements, and where the commercial elements dominate, liability will be found.

2. Noncommercial Speech

In Hoffman v. Capital Cities/ABC, Inc., the Ninth Circuit considered the actual malice test with respect to right of publicity claims involving commercial and noncommercial speech. Los Angeles Magazine (owned by defendants) had published a substantially altered photograph of actor Dustin Hoffman in the title role in the movie Tootsie. Defendants asserted their conduct was protected by the First Amendment. After a bench trial, the district court held the photograph was “an exploitative commercial use not entitled to First Amendment protection.” The court of appeals reversed. The court affirmed the rule that “false or misleading commercial speech is not protected [and] may freely be regulated if it is misleading.” Thus, when speech is “properly classified as commercial, a public figure plaintiff does not have to show that the speaker acted with actual malice.” The court found, however, that the

copies of the photograph for $1,600 each). Compare, Page v. Something Weird Video, 40 U.S.P.Q.2d 1196, 1200 (C.D. Cal. 1996) (First Amendment protected defendant’s use of unauthorized drawings resembling plaintiff to advertise videos featuring plaintiff; “[b]ecause the films themselves are protected by the First Amendment, the incidental advertising is also protected”).

572 F.3d 1201 (11th Cir. 2009).
Id. at 1208 (citations omitted).
See Doe v. TCI Cablevision, 110 S.W.3d 363 (Mo. 2003) (court adopted a predominant use test to determine whether speech which is both expressive and commercial is protected).
255 F.3d 1180 (9th Cir. 2001).
Id. at 1183.
Id.
Id. at 1184.
Id. at 1189.
Id. at 1184-85 (citing Florida Bar v. Went For It, Inc., 515 U.S. 618 (1995)).
Hoffman, 255 F.3d at 1185.
photograph at issue in the case, and the article accompanying it, were not pure commercial speech. "Viewed in context, the article as a whole is a combination of fashion photography, humor, and visual and verbal editorial comment on classics films and famous actors. Any commercial aspects are inextricably intertwined with expressive elements, and so they cannot be separated out from the fully protected whole." The speech in question was thus “entitled to the full First Amendment protection accorded noncommercial speech.”

Some courts have applied the Rogers test (noted above in the trademark discussion) to determine liability in the right of publicity context. The Sixth Circuit in Parks v. LaFace Records, applied the Rogers test, and found that the use of civil rights icon Rosa Parks' identity for a song title had no relationship to the subject matter and so Parks stated a case for a violation of her right of publicity under Michigan common law. More recently, the application of the Rogers test in the right of publicity context has been rejected by some courts in favor of the transformative use test noted below.

3. Transformative Use

In Comedy III Productions, Inc. v. Saderup, a case involving t-shirts bearing the likenesses of The Three Stooges, the court endorsed a balancing test between the First Amendment and the right of publicity based on whether the work in question adds significant creative elements so as to be transformed into something more than a mere celebrity likeness or imitation. It reasoned that when a work “contains significant transformative elements,” like a parody, for example, “it is also less likely to interfere with the economic interest protected by the right of publicity,” and does not “generally threaten [the] markets for celebrity memorabilia that the right of publicity is designed to protect.” It observed that a useful subsidiary inquiry, particularly in close cases, was whether “the marketability and economic value of the challenged work derive primarily from the fame of the celebrity depicted.” In this case, plaintiff’s “literal, conventional depictions of The Three Stooges” were insufficiently transformative, and defendant’s sale of t-shirts bearing them was enjoined.

The California Supreme Court’s “transformative test,” first articulated in the Comedy III v. Saderup decision, was applied again by that court in Winter v. DC Comics. Plaintiffs Johnny and Edgar Winter, well-known performing and recording musicians originally from Texas, sued DC Comics under right of publicity law for featuring in its comic books the characters Johnny and Edgar Autumn as “villainous half-worm, half-human offspring.” The half-human portions bore a strong resemblance to the Winter Brothers.

316 Id.
317 Id. (citations and quotation marks omitted).
318 Id. at 1186.
319 Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989).
320 329 F. 3d 437 (6th Cir. 2003).
323 Id. at 405.
324 Id. at 407.
326 Id. at 886.
The trial court entered summary judgment in favor of defendant. On appeal, the California Supreme Court explained that while in *Comedy III* the defendant’s depiction of the Three Stooges on t-shirts was insufficiently transformative, in this case the distorted parody depiction of the Winter Brothers featured in one small section of a “quite expressive” comic book series was sufficiently transformative, with the result that it would be a poor market substitute for actual Winter Brothers memorabilia.\(^\text{327}\) The court did remand plaintiff’s claim that defendant’s advertising misleadingly suggested that the plaintiffs were connected with or endorsed the comic books.\(^\text{328}\)

In *Hart v. Elec. Arts, Inc.*,\(^\text{329}\) Ryan Hart, a former Rutgers University quarterback, sued Electronic Arts (“EA”) for violating New Jersey’s right of publicity law by using his likeness and biographical information in its *NCAA Football* videogame series. Conceding for purposes of its motion that it violated his right of publicity, EA obtained summary judgment on First Amendment grounds. The Third Circuit, on appeal, noted that video games are protected as expressive speech under the First Amendment, but that such protection may be limited where it conflicts with a protected right like an individual’s right of publicity. Citing *Comedy III*’s transformative test, the Third Circuit held that EA was improperly granted summary judgment on Hart’s right of publicity claims with regard to the *NCAA Football 2004*, *2005*, and *2006* games, and reversed and remanded as to those. EA’s use of Hart in *NCAA Football 2009*, however, consisting merely of a photograph of him, was protected under the First Amendment.\(^\text{330}\)

Compare *In re NCAA Student-Athlete Name & Likeness Licensing Litig.*,\(^\text{331}\) in which Electronic Arts raised four affirmative defenses: (1) the “transformative use” test; (2) the *Rogers v. Grimaldi* test; (3) the public interest test; and (4) the public affairs exemption. The Ninth Circuit concluded that EA’s use of college football star Samuel Keller’s likeness was not sufficiently transformative to prevail under the transformative use defense. Although EA argued that the game as a whole was transformative, the court disagreed. “If EA did not think there was value in having an avatar designed to mimic each individual player, it would not go to the length it does to achieve realism in this regard.”

In *Hilton v. Hallmark Cards*,\(^\text{332}\) the court affirmed denial of Hallmark’s motion to strike Paris Hilton’s claim that a Hallmark card featuring Hilton’s head on a waitress’s body violated her right of publicity. The court found that Hallmark’s use fell on a scale of transformative use, somewhere between the uses in *Comedy III* and *Winter*. The use in *Winter* was transformative as a matter of law, while other use in *Comedy III* was not transformative; Hallmark’s use fell somewhere in between, so the case could proceed.

The Sixth Circuit applied the *Comedy III* test in *ETW Corp. v. Jireh Publishing*,\(^\text{333}\)

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\(^{327}\) *Id.* at 890.

\(^{328}\) See also *Moore v. Weinstein Co.*, 545 Fed. Appx. 405 (6th Cir. 2013) (unpublished) (using *Comedy III* test to find that Weinstein did not violate Sam Moore’s right of publicity by producing and distributing a film called “Soul Man;” the film added “significant expressive elements to any purported use of Moore’s identity”).

\(^{329}\) 717 F.3d 141 (3d Cir. 2013).

\(^{330}\) See also *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235 (9th Cir. 2013).

\(^{331}\) 724 F.3d 1268 (9th Cir. 2013).

\(^{332}\) 580 F. 3d 874 (9th Cir. 2009).

\(^{333}\) 332 F.3d 915 (6th Cir. 2003).
discussed earlier in the context of the Lanham Act claims, involving use of professional golfer Tiger Woods’ name, likeness, etc., as well as the registered mark TIGER WOODS, in connection with art prints and other products. Under Comedy III, the print was protected by the First Amendment from plaintiff’s right of publicity claims. The art print contained transformative elements in its portrayal of “a historic sporting event” (including the images of past golf legends looking down on Woods from the sky), and no serious economic harm to plaintiff was likely to result. Given the balance of harms and the public’s interest in expressive communications the court concluded that whatever rights plaintiff possessed in Woods name and likeness must yield to the First Amendment.

In Cardtoons L.C. v. Major League Baseball Players Ass’n,334 the court held an Oklahoma right of publicity statute unconstitutional because it did not provide a parody exception as necessary under the First Amendment. The Tenth Circuit reasoned that well known persons are unlikely to authorize parodies of themselves, and a right of publicity broad enough to protect against unauthorized parodies could suppress an effective and age-old form of criticism. Thus, the court held that the Major League Baseball Players Association’s right of publicity claim must yield to the defendant’s First Amendment right to market parody baseball trading cards.

4. Right of Publicity and Agreements

In most cases the right of publicity may be assigned or licensed without difficulty. Where contractual clauses clash with the First Amendment, however, the Eighth Circuit has determined that they cannot be enforced.335 In particular, the court determined, sua sponte, that the licensor’s warranty of title as to the ownership of identity rights and facts regarding the performance of baseball players was invalid in light of the First Amendment. Therefore, the plaintiff could not assert the no-use and no-challenge provisions of the license against the licensee’s breach of the license. This in turn excused the licensee’s/defendant’s non-performance. This result seems somewhat harsh on the licensor in light of the arms-length agreement between the parties, but it bears considering when drafting no-use and no-challenge clauses that implicate identity rights.

D. Trade Secrets

Fair use would seem to be an odd concept to apply to trade secrets, for in order to qualify for protection as a trade secret, information must be kept secret. A trade secret is information that “derives independent economic value, actual or potential, from not being generally known to” others and “is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”336 “Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret.”337 Thus, information posted on a generally accessible website is at significant risk of losing trade secret status even though similar postings would not necessarily defeat copyright protection. For example, the encryption

334 95 F.3d 959 (10th Cir. 1996).
335 See, CBC Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P., 505 F.3d 818 (8th Cir. 2007).
336 Uniform Trade Secrets Act §1.
337 Restatement (First) of Torts, Section 757, comment b (1939).
system for DVDs, known as the “content scramble system” or CSS, was found not to retain trade secret status after it had been widely posted on the internet.\(^{338}\)

Trade secrets are protected by the Uniform Trade Secrets Act (the “UTSA”), which with modest variations has been adopted in 47 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. They are also protected by the federal Defend Trade Secrets Act of 2016 (the “DTSA”),\(^ {339}\) which became effective on May 11, 2016.

To be liable for trade secret misappropriation under state or federal law, though, one must “misappropriate” the protected information, requiring the use of “improper means” or breach of a duty of confidentiality. “Misappropriation” is defined under the DTSA much like it is under the UTSA and means (a) acquisition by a person who knows (or has reason to know) the trade secret was acquired by improper means or (b) disclosure or use of the trade secret by a person who used “improper means” to acquire the trade secret or had certain knowledge.\(^ {340}\) Notably, the term “improper means” does not include reverse engineering, independent derivation or any other lawful means of acquisition.\(^ {341}\)

Thus, “fair use” in the trade secret context at present largely consists of such statutory safe harbors rather than a set of uses permitted by First Amendment and other public policy concerns that serve as the basis for the fair use of other types of intellectual property. As one commentator has noted, “Trade secret law’s relative indifference both to cumulative innovation concerns and First Amendment concerns contradicts intellectual property law’s underlying quest for balance.”\(^ {342}\) While one can imagine factual scenarios that would support a doctrine of fair use of some types of trade secrets,\(^ {343}\) there is as yet no “coherent framework” under trade secret law for dealing with such scenarios.\(^ {344}\)

### III. APPLICATION OF FAIR USE CONCEPTS IN PARTICULAR CIRCUMSTANCES

#### A. Internet Uses

1. **Domain Names**

   The Anti-Cybersquatting Consumer Protection Act ("ACPA"), the federal law targeting the unauthorized use of trademarks and domain names, contains a non-exhaustive list of factors that a court may consider in determining whether an alleged violator has registered, used, or trafficked in a domain name with bad-faith intent to profit from a plaintiff’s mark.\(^ {345}\)

   One defense to cybersquatting contained in the ACPA is that, under 15 U.S.C. § 1125(d)(1)(B)(ii), a defendant who “believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful” may effectively defend himself

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\(^{339}\) 18 U.S.C. §§ 1831 et seq.

\(^{340}\) *id.* § 1839(5).

\(^{341}\) *id.* § 1839(6)(B).


\(^{343}\) See, e.g., *id.* at 1438-1444 (2014).

\(^{344}\) *id.* at 1448.

against a finding of cybersquatting. "This is designed to balance traditional free speech interests and avoid a finding of bad faith where the domain name is used for comparative advertising, comment, criticism, parody, the provision of news, etc." This defense, based on one’s “belief,” could raise problems if it is applied too broadly to those who claim an ignorance of the law. Therefore, courts concede that this defense should be used very sparingly and reserved for unusual cases. Indeed, one court found that if a defendant has mixed motives, one of which can be seen as deriving from a bad-faith intent to profit from a plaintiff’s domain name, then the safe harbor defense is not available.

A court deciding upon a claim under the ACPA may weigh these and other indications of good or bad faith displayed by a defendant’s past actions. The court balances all of these factors to decide whether a registrant’s actions truly exhibit bad faith and fit the classic cybersquatter profile. Bad faith can develop after a registration was obtained such as when someone later decides to offer to sell the domain name to a mark owner. A case on point is In re Gharbi, where the court held the defendant, a former franchisee of the plaintiff, violated the ACPA because he continued to use domain names that contained the franchisor’s trademark even after the franchise agreement was terminated.

ICANN adopted the Uniform Domain Name Dispute Resolution Policy (UDRP) as a means for trademark owners to pursue domain name registrants who have infringed the trademark owner’s rights without having to comply with the jurisdictional requirements of the courts of the United States or other countries. The second prong of the UDRP requires an analysis of whether the respondent has rights or legitimate interests in the domain name at issue. This is akin to some of the issues that arise in a traditional fair use defense for trademarks discussed above. This is an area where franchisor/franchisee disputes are likely to arise, as a franchisee that is a domain name registrant is likely to assert that it has a legitimate interest in owning the domain name. Where a registrant is a prospective franchisee that never received a license to use the franchisor’s mark(s) in furtherance of its franchise, a UDRP proceeding is a strong option.

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348 See, e.g., Audi AG v. D’Amato, 469 F.3d 534, 549 (6th Cir. 2006) (quoting McCarthy in denying availability of the “reasonable belief” defense); Lahoti v. VeriCheck, Inc., 586 F.3d 1190, 1203 (9th Cir. 2009) (same).

349 See, e.g., Virtual Works, Inc. v. Volkswagen, 238 F.3d 264 (4th Cir. 2001).

350 Id.


353 Id.

354 J. Sims and C. Bussert (editors), *The Intellectual Property Handbook: A Practical Guide for Franchise, Business, and IP Counsel* Ch 3, at 106 (2d ed. 2016). The Uniform Rapid Suspension System (URS) is a dispute resolution policy similar to the UDRP, but intended to be speedier and more cost-effective, and focused on the more flagrant cybersquatting incidents. Id.

Where the rights at issue unclear, the UDRP may not be a good forum. For example, a franchisor and owner of the mark CASHIES, for stores that purchase or sell secondhand goods or provide financial services like loan brokerage or pawn brokerage, filed a UDRP complaint against a former franchisee for use of the mark CASH EEZ in its domain name. Post-termination, the franchisee opened a business offering competitive services to those of the franchisor and had registered the CASH EEZ mark. The UDRP panel denied the transfer of the domain name, reasoning that the respondent-franchisee had a legitimate right or interest in the domain name because it was engaging in a bona fide use of the mark.

2. Gripe Sites

What is the best policy toward internet gripe sites? In the absence of commercial activity, should they be immune from trademark-based objections? Or should a gripe-site operator be required to somehow distinguish the pirated domain name from the owner’s trademark, e.g., with a domain name such as “marksucks.com” and prominent differentiating information for those accessing the site? Generally, attacks on a company’s practices are constitutionally protected. “The expression of opinions as well as facts is constitutionally protected so long as a factual basis underlies the opinion.” Thus, absent falsehood or misleading representations about the company or its trademarks, criticizing a company does not constitute tarnishment, libel, slander or other common law or statutory offenses even though the criticism may damage the company’s business and reputation.

These principles hold true in the trademark context. However, while criticizing plaintiffs may be constitutionally protected, exploiting consumer confusion to further the criticism is generally not. In Coca-Cola Co. v. Purdy, for example, a number of well-known plaintiffs—The Washington Post, Newsweek, McDonald’s, Coca-Cola and PepsiCo—sued William Purdy for using their famous brands in domain names he registered. Purdy’s domain names typically resolved to his anti-abortion website at abortionismurder.com, which featured anti-abortion themes, images and merchandise, and invited donations. Purdy claimed a First Amendment right “to use the domain names at issue to attract internet users to websites containing political expression and criticism of the plaintiffs.”

While acknowledging the many decisions involving gripe sites and -sucks.com domain names, the court rejected Purdy’s defense. “The question is … whether the First Amendment protects a misleading use of plaintiffs’ marks in domain names to attract an unwitting and possibly unwilling audience to Purdy’s message. Use of a famous mark in this way could be seen as the information super highway equivalent of posting a large sign bearing a McDonald’s logo before a freeway exit for the purpose of diverting unwitting travelers to the site of an anti-abortion rally.” Because it impermissibly created initial interest confusion, Purdy was enjoined

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357 Id.
358 Texas Beef Group v. Winfrey, 201 F.3d 680, 688 (5th Cir. 2000).
359 See Texas Beef Group at 684 (describing massive decline of cattle industry as a result of criticism of industry practices by talk show host Oprah Winfrey; criticism held not actionable).
360 382 F.3d 774 (8th Cir. 2004).
361 Id. at 786.
from registering and using the domain names. Compare Taubman Co. v. Webfeats, which held that defendant’s domain name, taubmansucks.com, incorporating plaintiff’s TAUBMAN mark, was permissible because the "sucks" suffix removed any likelihood of confusion as to source.

In general, a defendant is free to engage in constitutionally protected speech, but is not free to do so by using the plaintiff’s trademark in a way that causes likely consumer confusion. In OBH, Inc., v. Spotlight Magazine, Inc., defendants registered the name of the plaintiff newspaper as a domain name, linking it to a web site that contained information critical of plaintiffs. Defendants asserted their web site was a parody of plaintiffs and their web site. The court rejected this. “Only when a user reads through the web site does he or she discover defendants’ actual message. Because defendants’ web site relies, at least to some extent, on confusion to make its point, defendants’ argument that their use of the mark is a parody must fail.” Defendants also stated a separate First Amendment defense, arguing that their use of plaintiffs’ name for their critical web site is constitutionally protected speech. The court rejected the defense, reasoning that while defendants were free to criticize plaintiffs, they were not free “to use plaintiffs’ mark as their domain name in order to deceive internet users into believing that they were accessing plaintiffs’ web site.” The court therefore granted plaintiffs’ motion for a preliminary injunction.

A combination of parodic intent and criticism of plaintiff will not shield a defendant from an injunction if defendant exploited consumer confusion to further his goals. In People for the Ethical Treatment of Animals v. Doughney, the Fourth Circuit rejected defendant’s claim of parody. Defendant had registered the domain name peta.org, linking it to a web site entitled “People Eating Tasty Animals,” an obvious subversion of plaintiff’s well-known acronym. Plaintiff sued, alleging defendant’s use of the peta.org domain name constituted trademark infringement, unfair competition, dilution, and cybersquatting. Defendant asserted the domain name parodied plaintiff. The court disagreed, reasoning that while defendant’s web site might qualify as a parody, the domain name by itself did not. For the domain name to also be a parody, it would have to be displayed simultaneously with the web site. But “an internet user

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362 319 F.3d 770, 778 (6th Cir. 2003).
363 See also Name.Space. Inc. v. Network Solutions, Inc., 202 F.3d 573, 585–86 (2d Cir. 2000) (domain names which themselves express a message might be protected under the First Amendment).
365 Id. at 191.
366 Id.
367 Id. at 197.
368 Id.
369 Id. at 198.
370 263 F.3d 359 (4th Cir. 2001).
371 Id. at 362–63.
372 Id. at 363.
373 Id. at 365.
374 Id.
would not realize that they were not on an official PETA website until after they had used PETA’s mark to access the web page ‘www.peta.org.’” Hence, the assertion of parody was unavailing.

A few cases appear not to fit entirely within this well-established paradigm. In *TMI, Inc., v. Maxwell*, the Fifth Circuit acknowledged a broad right to use domain names for criticism websites, including domain names that contain the plaintiff’s mark but do not contain obvious disclaimers such as “______________ sucks.” The court held that defendant’s registration of a domain name that consisted in its entirety of plaintiff’s mark, TrendMaker Homes, neither diluted plaintiff’s trademark nor violated the ACPA. The website at that domain name contained solely criticism of the plaintiff and thus was entirely noncommercial. Decisions by other courts with similar fact patterns reached the same result—domain names that consisted solely of the plaintiff’s mark but resolved to noncommercial websites containing defendant’s criticism of the plaintiff’s business practices did not violate the plaintiff’s trademark rights. The court in *Bihari v. Gross* expressly invoked the First Amendment in support of its decision, finding that defendant’s websites “concern the business practices and alleged fraud of a well-known interior designer. Such speech is arguably within the sphere of legitimate public concern, which imbues the speech with a heavy presumption of constitutional protection.” However, this was mere *dicta*, and the court’s holding was based centrally on the determination that defendant’s use of plaintiff’s mark did not dilute the mark nor create a likelihood of confusion. The deception present in cases such as *Coca-Cola v. Purdy*, and *People for the Ethical Treatment of Animals* appears to explain the different outcomes from other cases where such intent is not present, such as *Bihari* and *TMI*.

In *Lucas Nursery & Landscaping, Inc. v. Grosse*, a former customer of Lucas Nursery was not liable for registering the domain name “lucasnursery.com” and operating a gripe site about the company, because there was no bad faith intent to profit. But in another gripe-site decision, the absence of commercial use did not save the defendant. In *Bosley Med. Inst., Inc. v. Kremer*, Bosley Medical Institute, owner of the registered BOSLEY MEDICAL mark, sued defendant Michael Kremer for operating the gripe site “bosleymedical.com.” Kremer earned no revenue from the website, and did not sell goods or services, or provide any commercial links, on the website. The district court entered summary judgment for Kremer on the infringement, dilution, and ACPA claims after ruling that his use of Bosley’s trademark in his domain name was noncommercial and unlikely to cause confusion.

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375 Id. (citation and quotation marks omitted).
376 368 F.3d 433 (5th Cir. 2004).
377 See *Utah Lighthouse v. Foundation for Apologetic*, 527 F.3d 1045 (10th Cir. 2008) (plaintiff failed to show defendant had a bad faith intent to profit from domain names utahlighthouse.com and utahlighthouse.org that incorporated plaintiff’s claimed trademark, where defendant’s parody website was a “fair use” because it “offers an indirect critique and lacks an overt commercial purpose’’); *Lucas Nursery and Landscaping, Inc., v. Grosse*, 359 F.3d 806 (6th Cir. 2004) (same); and *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000) (same).
379 359 F.3d 806, 811 (6th Cir. 2004).
380 See also *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005) (no liability for using domain name www.falwell.com for website criticizing Reverend Falwell’s positions on homosexuality, observing that initial interest confusion theory does not apply to a gripe site on which the defendant is not using the mark “to capture the markholder’s customers and profits”).
381 403 F.3d 672 (9th Cir. 2005).
The court of appeals affirmed the summary judgment in favor of Kremer with respect to the infringement and dilution claims, but not the ACPA claim. Bosley argued that Kremer’s use of Bosley’s mark was commercial because one could reach commercial sites from Kremer’s site, but the court noted that any connection was attenuated because there was no link on Kremer’s site directly to a commercial site. Bosley also argued that Kremer’s use was commercial under *People for the Ethical Treatment of Animals v. Doughney*, discussed above. The court stated: “To the extent that the PETA court held that the Lanham Act’s commercial use requirement is satisfied because the defendant’s use of the plaintiff’s mark as the domain name may deter customers from reaching the plaintiff’s site itself, we respectfully disagree with that rationale.”\(^{382}\) However, the court of appeals reversed the summary judgment with respect to the cybersquatting claim, determining that the ACPA does not contain a commercial use requirement.

More recently, and in what may seem as something of a departure from the PETA and Bosley cases, the Fourth Circuit elaborated upon the fair use defense when it held that the use of “National Association for the Abortion of Colored People” in the title of an article published online constituted protected speech that criticized and commented upon the NAACP.\(^{383}\) Although not a parody, the court noted that the use was protected by the terms of section 1125(c)(3)(A)(ii) and was protected noncommercial use of the NAACP mark as well, even though there were opportunities for commercial transactions on the web site.\(^{384}\) The court noted that the “viewpoint of a reasonable reader” should be consulted in determining the commercial nature of the expression.\(^{385}\) The court elaborated that it was “highly unlikely that a web user would read the article as advertising.”\(^{386}\) The court distinguished its earlier PETA precedent on the grounds that the PETA dispute involved a domain name.\(^{387}\)

The Eighth Circuit held against defendants’ gripe sites in *Faegre & Benson, LLP v. Purdy.*\(^{388}\) There, a law firm moved for preliminary relief in connection with its claims against the defendants for infringement and violations of the ACPA. Defendants registered numerous internet domain names that incorporated and were identical or confusingly similar to the law firm’s federally-registered FAEGRE & BENSON LLP mark. The sites contained statements about Faegre & Benson that the law firm considered defamatory. The district court preliminarily enjoined defendants from using domain names identical to or confusingly similar to the firm’s marks unless the protest or critical commentary nature of the attached website was apparent from the name itself.

One defendant appealed, arguing that the injunction was overbroad, that the websites were noncommercial and not likely to cause confusion, and that their speech was protected by the First Amendment. The court of appeals, using a “pragmatic approach” and noting that defendant could “express his views using domain names that do not create confusion” with

\(^{382}\) Id. at 679.
\(^{383}\) *Radiance Foundation, Inc. v. National Ass’n for the Advancement of Colored People*, 786 F.3d 316, 331 (4th Cir. 2015).
\(^{384}\) Id. at 332.
\(^{385}\) Id.
\(^{386}\) Id. (emphasis in original).
\(^{387}\) Id. at 325-326.
\(^{388}\) 129 Fed. Appx. 323 (8th Cir. 2005).
Faegre’s marks, upheld the preliminary injunction against the defendant, finding no abuse of discretion.\textsuperscript{389}

Conversely, in \textit{ Bd. of Dirs. of Sapphire Bay Conds. W. v. Simpson},\textsuperscript{390} the Board of Directors of Sapphire Bay Condominiums West sued Simpson for trademark infringement and dilution claiming that Simpson had, without authorization, registered the domain name sapphirebaycondos.com and operated a website at that domain name featuring critical statements about the Board. The district court granted the Board a preliminary injunction. With regard to the federal dilution claim, the court determined that the mark was famous and that Simpson’s use of the mark caused dilution by lessening the capacity of the mark to identify and distinguish the Board’s services. The court also concluded that Simpson’s use of the mark was commercial speech, because it was intended to cause the Board financial harm, and that therefore was not exempt from the dilution law. The Third Circuit affirmed.

A final note about gripe sites: Apart from the legal considerations, any action is likely to bring more attention to the site in question, so this "PR" consideration must be weighed as well when considering an objection.

3. \textbf{Search Engine Optimization (Keywords)}

Anyone who wishes to engage in online advertising may purchase so-called keywords from search engines such as Google or Yahoo. Virtually any term may be a keyword, from generic words to trademarks. The function of keywords is to trigger the appearance of sponsored advertisements on the search results page. When a search engine user performs a search for a term that is also a keyword, the sponsored advertisements of parties who purchased that keyword appear in a separate space above or beside the “natural” or “organic” search results. Clicking on a sponsored advertisement takes the user from the search engine’s website to the advertiser’s own website. Keyword purchasers—who frequently are competitors of the companies whose trademarks they are purchasing as keywords—must pay the search engine both for the keywords that trigger the display of their sponsored advertisements and for each click on a sponsored advertisement.

In earlier versions of keyword technology, the use of keywords caused pop-up or pop-under windows to appear and, in contrast to today, was not tied to advertising programs run by prominent search engines.

Keyword advertising has become big business, not only for the advertisers but also for the search engines. For example, Google’s total advertising revenues for 2014 were $59 billion.\textsuperscript{391}

A number of trademark owners have sued search engines and/or keyword purchasers for trademark infringement. In \textit{Nissan Motor Co. v. Nissan Computer Corp.},\textsuperscript{392} defendant counterclaimed that plaintiff had unlawfully paid search engines to list plaintiff’s website when searchers typed in “nissan” or “nissan.com”. Both parties had legitimate rights in the mark NISSAN; plaintiff for automobiles and other vehicles, and defendant for computer sales and

\textsuperscript{389} \textit{id.} at 324-325.

\textsuperscript{390} 129 Fed. Appx. 711 (3d Cir. 2005).

\textsuperscript{391} See \url{http://investor.google.com/financial/tables.html}.

\textsuperscript{392} 204 F.R.D. 460 (C. D. Cal. 2001).
services. Defendant owned the domain name www.nissan.com. The court initially reasoned that “[t]here appears to be no good cause for not extending” the law respecting improper use of metatags, “to cases where one infringes or dilutes another’s mark by purchasing a search term—as opposed to using another’s mark in one’s metatag for the purpose of manipulating a search engine’s results list.”\(^{393}\) However, that law did not apply in this case because plaintiff had valid rights in “Nissan,” and by extension, the right to purchase as a search term that mark with the “.com” top level domain name added.\(^{394}\)

Compare *Playboy Enters. v. Netscape Communis. Corp.*\(^{395}\), in which Netscape had engaged in “keying” third party banner ads to searches for Playboy’s marks on Netscape’s search engine. Netscape sold advertisers a list of search terms related to sex and adult-oriented entertainment, including “playboy” and “playmate,” and required the advertisers to link their banner ads to the terms. Consequently, when a user typed in “playboy” or “playmate” or another listed term, the advertiser’s banner ad would appear on the search page. The ads had “Click Here” buttons that linked to the advertiser’s website. The district court granted summary judgment to Netscape, but the appellate court concluded that Playboy had shown that the ads were often confusingly labeled or not labeled at all, and that there were issues of fact as to whether the practice created initial interest confusion. The appellate court also rejected Netscape’s fair use defense, noting that it listed over 400 terms for the advertisers and “there is nothing indispensable, in this context”, about using Playboy’s marks.

Some decisions turned on whether the triggering of pop-up advertisements was actionable “use” of the trademark under the Lanham Act. In *1-800 Contacts, Inc. v. WhenU.com, Inc.*\(^{396}\) for example, Plaintiff 1-800 Contacts, Inc. (“1-800”) distributed contact lenses. Defendant WhenU.com, Inc. (“WhenU”) used proprietary software to monitor and provide content-relevant pop-up advertisements to internet users. WhenU’s software “randomly selects an advertisement from the corresponding product or service category to deliver to a [consumer’s] computer screen at roughly the same time the website or search result sought by the [consumer] appears.”\(^{397}\) 1-800 sued WhenU, claiming WhenU infringed its trademarks by causing competitor’s pop-up ads to appear whenever the consumer accessed 1-800’s website. 1-800 claimed that the pop-up ads infringed because: the ads changed the appearance of 1-800’s website; they appeared to be authorized by 1-800; and the ads interfered with the design and function of the website. The district court preliminarily enjoined WhenU from using 1-800’s trademarks in connection with WhenU’s contextual advertising.

The Second Circuit reversed and remanded, holding that “as a matter of law, WhenU does not ‘use’ 1-800’s trademarks within the meaning of the Lanham Act, when it (1) includes 1-800’s website address, which is almost identical to 1-800’s trademark, in an unpublished directory of terms that trigger delivery of WhenU’s contextually relevant advertising to [computer users]; or (2) causes separate, branded pop-up ads to appear on a [computer user’s] computer

\(^{393}\) Id. at 466.

\(^{394}\) Id.; Cf. *Picture It Sold!, Inc. v. I Sold It, LLC*, 199 Fed. Appx. 631 (9th Cir. 2006) (if, on remand, plaintiff could show defendants purchased key word advertising based on plaintiff’s trademark as a search term, the lower court would have to “resolve the somewhat difficult question of whether this activity is sufficiently analogous to metatag use so as to be prohibited”).

\(^{395}\) 354 F.3d 1020 (9th Cir. 2004).

\(^{396}\) *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

\(^{397}\) Id. at 404.
The court therefore did not need to address whether confusion was likely. The court noted that “WhenU does not ‘place’ 1-800 trademarks on any goods or services in order to pass them off as emanating from or authorized by 1-800,” and WhenU, unlike other providers of pop-up advertisements, “does not disclose the proprietary contents of [its] directory to its advertising clients nor does it permit these clients to request or purchase specified keywords to add to the directory.” WhenU’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services.

The court analogized WhenU’s pop-up ad scheme to a commonly used marketing technique:

[A] drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store’s less-expensive alternative. WhenU employs the same marketing strategy by informing [computer users] who have sought out a specific trademarked product about available coupons, discounts, or alternative products that may be of interest to them.

The court also concluded that computer users who had downloaded WhenU’s software had implicitly authorized the pop-ups.

Many courts, in contrast, followed the reasoning of Playboy v. Netscape, and Brookfield Communications, Inc. v. West Coast Entertainment Corp., in finding the sale and purchase of another’s brands as keywords constitute trademark use. These courts interpreted “use in commerce” broadly to mean uses in which defendants realize commercial benefits through the keyword sale or purchase.

Section 45 of the Lanham Act defines “commerce” as “all commerce which may be lawfully regulated by Congress,” and such uses appear to easily fall within that definition. Such findings allowed these courts to proceed to determine whether confusion was likely. This has been applied in cases brought against defendant search engines for selling keywords and promoting third party infringement, as well as in cases brought against competitors of plaintiffs that have purchased plaintiffs’ trademarks for use in keyword advertising.

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398 Id. at 403.
399 Id. at 408–09.
400 Id.
401 Id. at 411.
402 See also Gator.com Corp. v. L.L. Bean, Inc., 398 F.3d 1125 (9th Cir. 2005) (pop-up ad provider “Gator.com” settled claim for infringement filed by L.L. Bean regarding Gator.com’s placement of ads for other vendors on L.L. Bean website).
403 174 F.3d 1036 (9th Cir. 1999) (affirming preliminary injunction against defendant’s metatag use of plaintiff’s “moviebuff” trademark).
In Government Employees Insurance Co. v. Google, Inc., plaintiff alleged numerous Lanham Act trademark claims arising out of the sale by defendants Google and Overture of plaintiff’s trademarks as keywords for sponsored links. Defendants moved to dismiss the complaint, arguing that the plaintiff did not sufficiently allege use “in commerce” or “in connection with the sale, offering for sale, or advertising of goods and services” because it failed to allege that defendants used the marks as source identifiers. Further, defendants claimed that because they used the marks only in internal computer algorithms that never appeared to the user, the user could not be confused. The court denied defendants’ motion to dismiss the Lanham Act claims, finding that GEICO sufficiently pled trademark use by including allegations that defendants sold keywords that triggered links to sponsored advertisements. It further ruled that “when defendants sell the rights to link advertising to plaintiff’s trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so.” The court opted for this interpretation of “use in commerce” employed in Playboy over the narrow one espoused in the WhenU.com cases, believing the former line of cases to be “better reasoned.” The court left open the factual issue of whether confusion was likely.

Other district courts subsequently applied this broad reading of “use in commerce” to keyword transactions. In 800-JR Cigar, Inc. v. GoTo.com, Inc., plaintiff cigar dealer sued defendant, a “pay-for-priority internet search engine,” for its unauthorized sale of plaintiff’s trademarks. Relying on the GEICO analysis, the court concluded as a matter of law that defendant was making trademark use of plaintiff’s marks. It found that defendant was using the marks in commerce in three ways: (1) by accepting bids from plaintiff’s competitors to pay for prominence in the search results, defendant traded on the value of plaintiff’s marks; (2) by ranking sponsored links above naturally occurring search results, defendant “injected itself into the marketplace, acting as a conduit to steer potential customers away from [plaintiff] to [plaintiff’s] competitors”; and (3) through its Search Term Suggestion Tool, defendant specifically marketed plaintiff’s marks to third parties. The court found material issues of fact as to whether confusion was likely and denied defendant’s motion for summary judgment on the Lanham Act claims. Other districts relied on GEICO and JR Cigar to rule similarly.

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406 Id. at 702.
407 Id.
408 Id. at 704.
409 Id.
410 Id. at 703.
411 Id. at 704.
413 Id. at 277.
414 Id. at 285.
415 Id. at 292.
416 See, e.g., Buying for the Home, LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310 (D.N.J. 2006) (purchasing keywords for AdWords meets the Lanham Act’s use requirement); Int’l Profit Assocs. v. Paisola, 461 F. Supp. 2d 672 (N.D. Ill. 2006) (granting plaintiff temporary restraining order upon finding that purchasing keywords for AdWords was a trademark use that was likely to create confusion); Edina Realty, Inc. v. TheMLsonline.com, Case No. Civ. 04-4371 JRTFLN, 2006 U.S. Dist. LEXIS 13775 (D. Minn. Mar. 20, 2006) (unpublished) (“While not a conventional ‘use in commerce,’ defendant nevertheless uses [plaintiff’s] mark commercially [by purchasing the mark as a search term]”).
The Eleventh Circuit, in a metatag case, both distinguished and criticized the Second Circuit’s analysis in 1-800 CONTACTS. In N. Am. Med. Corp. v. Axiom Worldwide, Inc., the court held that it was “absolutely clear” that Axiom used plaintiff’s marks in Axiom’s metatags as part of its effort to promote and advertise its products on the internet, and that “such use constitutes a use in commerce in connection with the advertising of any goods. The court called the Second Circuit’s analysis in 1-800-CONTACTS “questionable,” and distinguished the case by noting that the Second Circuit emphasized that the defendant did not use plaintiff’s trademark but rather used its website address. The court also noted that the search results Axiom’s metatags produced actually included and highlighted plaintiff’s trademarks, which would lead consumers “to believe that Axiom’s products have the same source as the products of the owner of [plaintiff’s trademarks], or at least that Axiom distributed or sold all of the products to which the brief description referred, or that Axiom was otherwise related to [plaintiff].”

In Rescuecom Corp. v. Google, Inc., the Second Circuit similarly distinguished its previous 1-800-CONTACTS case, and found that Google’s sale of keywords was use in commerce. The court stated: “[I]n contrast with the facts of 1-800 where the defendant did not ‘use or display,’ much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom’s mark to Google’s advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool. Google’s utilization of Rescuecom’s mark fits literally within the terms specified by 15 U.S.C. § 1127.”

In College Network, Inc. v. Moore Educ. Publrs., Inc., the lower court found that Moore’s keyword search engine use of College Network’s trademark was not use in commerce under the Lanham Act. The Fifth Circuit declined to determine whether the lower court was correct because the Fifth Circuit found that the evidence did not compel a finding of likely confusion.

In Rosetta Stone Ltd. v. Google, Inc., Rosetta Stone sued Google for direct and contributory trademark infringement and dilution, among other things, arising from Google’s sale of the keywords ROSETTA STONE to third parties engaged in counterfeiting of Rosetta Stone products. The lower court granted summary judgment to Google finding that Google had no intent to infringe, actual confusion was de minimis, and consumers for Rosetta Stone products were sophisticated and unlikely to be confused. The Fourth Circuit reversed. The court declined to address the “use in commerce” issue discussed in Rescuecom, noting that whether keyword use was “use in commerce” was not raised on appeal, but Google had not conceded it.

The district court held that there was no evidence that Google intended to pass off its

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417 522 F.3d 1211 (11th Cir. 2008).
418 Id. at 1222.
419 562 F.3d 123 (2d Cir. 2009).
420 Id. at 129.
421 378 Fed. App’x. 403 (5th Cir. 2010).
423 676 F.3d 144 (4th Cir. 2012).
424 Id. at n. 4.
own services as those of Rosetta Stone. The appellate court observed that Google was aware that its change in policy (driven by a likely increase in revenue) could result in additional litigation by “unhappy trademark owners.” The court found that a reasonable trier of fact could find “that Google intended to cause confusion in that it acted with the knowledge that confusion was very likely to result from its use of the marks.”

As to actual confusion, the appellate court found compelling that Google’s in-house attorneys could not determine, when asked in depositions, whether sponsored ads were offered by authorized resellers of Rosetta Stone products. This “uncertainty about the source of the product” was “quintessential actual confusion evidence.” The court further found that the fact that Rosetta Stone software is expensive was not enough to establish that consumers purchasing the software were sophisticated. Deposition testimony reflecting consumer confusion, as well as Google’s own study reflecting that “even well-educated, seasoned internet consumers are confused by the nature of Google’s sponsored links,” was enough to create a genuine issue of material fact sufficient to deny summary judgment.

4. **Content Reproduction: Framing, Linking and Thumbnails**

The internet contains a vast number of works subject to protection under domestic and international copyright laws, including written materials, music, movies, multimedia works and database information. Because of the nature of the internet, which permits easy and usually anonymous electronic access to posted materials, it is difficult to police whether anyone has “copied” the material and, if so, to determine where any copy may be stored. Furthermore, it is impossible to complete the electronic transmission of any material on the internet without “copying” the works because information on the internet is transmitted through various servers and nodes of the network. Thus, the mere nature of the internet complicates electronic copyright issues, which are evolving and to some degree remain unresolved. One of the key questions, at least for the purposes of this paper, is the extent to which the ongoing copying or appropriation on the internet is protected by the doctrine of fair use.

Three of the most frequently used techniques for accessing third-party content through the internet are framing, linking and thumbnails. Although the law regarding framing and linking is largely resolved, the law regarding “thumbnail” technology continues to evolve. The Ninth Circuit has had several opportunities to address fair use issues associated with “thumbnail” technology. First, in *Kelly v. Arriba Soft Corp.*, the court held that a visual search engine operator’s use of thumbnail pictures to accompany displayed search results was fair use of the plaintiff photographer’s content, as the thumbnails had a transformative (albeit

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425 Id. at 156.
426 Id. at 158–159.
427 Id. at 160.
430 280 F.3d 934 (2002) (9th Cir. 2002), withdrawn, re-filed at 336 F.3d 811 (9th Cir. 2003).
commercial) purpose, directed internet users to the photos, and did not negatively impact the market for them. However, the search engine operator’s importation of the plaintiff’s full-sized images into a frame on the operator’s web site by clicking on the thumbnail infringed the plaintiff’s right to publicly display his works. Thus, the court found that defendant’s use of full-sized images through inline linking and framing was not fair use.

That decision by the Ninth Circuit was subsequently withdrawn and a modified decision was issued. In the 2003 edition of Kelly v. Arriba Soft Corp., the court reaffirmed its decision that use of the thumbnail images was a fair use but remanded for further proceedings on the issue of the full-size images.

The Ninth Circuit again grappled with thumbnail copyright issues in Perfect 10, Inc. v. Amazon.com, Inc. Plaintiff, a subscription website for images of nude models, alleged that Google, Inc. and Amazon.com, Inc. infringed its copyrights by including reduced-sized, lower resolution thumbnail versions of the plaintiff’s images in search results. The court concluded that, as in Kelly, use of thumbnail versions of plaintiff’s images was a fair use. It deemed the use “highly transformative” and, going farther than Kelly, observed that “The fact that Google incorporates the entire Perfect 10 image into the search engine results does not diminish the transformative nature of Google’s use.” That conclusion was based upon the determination that a search engine transformed an image into a pointer directing a user to a source of information and provided a social benefit by incorporating an original work into an electronic reference tool. The court held that market harm could not be presumed, given the highly transformative nature of the use, and that the potential harm to plaintiff’s market was hypothetical.

B. Social Media Uses

The use of social networking services or social media such as Facebook, Twitter, YouTube, Instagram, and many others has grown exponentially in recent years. For example, Facebook reports that, as of the writing of this paper, it has more than two billion daily active users on average, a number larger than the population of any single country and double the number of users as recently as October 2012.

These media platforms are increasingly used by brand owners, their customers and their employees as well as by individuals who admire and wish to make use of brands and other content that make social media so attractive. Thus can brand names, logos, trade names, copyrighted text, motion picture and television clips, trade secrets and other intellectual property be found in postings throughout the world of social media. For example, on Facebook and Pinterest one can find a countless number of fan websites for the brands of franchise systems and other companies. This section of this paper will assess whether and to what extent these uses can be considered fair uses, and the particular impact of such issues on franchise businesses. Because of the relative infancy of most social media and their recent adoption by

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431 336 F.3d 811 (9th Cir. 2003).
432 487 F.3d 701 & 508 F.3d 1146 (9th Cir. 2007).
433 Id. at 1165.
franchise systems, many of these issues have only recently been identified, and some are still searching for a final resolution.

1. **“Sharing” Media By Posting Without Permission**

   Apart from advertising and infrastructure text (such as contact information, a description of the site, legal terms, privacy notifications and similar matters), most social networking sites consist largely of content provided by the sites’ users. Such user generated content may not in fact be created or owned by the user despite representations by the user in typical social networking site terms of use with respect to the user’s rights in the content. Indeed, even a quick glance at many such sites shows that users regularly post commercial materials such as music, videos and motion picture clips as to which their representations are almost certainly incorrect. It is, at best, unclear whether the users of these sites understand even the basic contours of copyright law, let alone the nature and extent of the fair use doctrine and the related free speech concepts on which the sites premise their argument that many postings are permissible.

   Initially, commercial content creators with important copyright interests such as music, motion picture and television companies came out swinging, directing both rhetoric and litigation against social networking sites and their users. One particularly well-known example of the content industry’s aggressive actions against social networking sites is the billion dollar lawsuit Viacom filed in 2007 against Google for copyright infringement on YouTube. This litigation was filed after Viacom had submitted more than 100,000 takedown notices under the DMCA (discussed below) that targeted videos allegedly owned by Viacom but posted on YouTube. Because YouTube had promptly complied with each takedown notice and Viacom was unsuccessful in demonstrating inducement of infringement by YouTube, the parties’ tortured district and appellate court proceedings were finally settled in March 2014.

   The claims of Viacom and other similarly situated copyright owners were largely unavailing due not to the fair use doctrine but to the Digital Millennium Copyright Act (“DMCA”), which affords at least some protection for user generated content sites. The DMCA defines an online service provider as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.” Section 512(a), as amended by the DMCA, states that an ISP is not liable for copyright infringement “by reason of the provider’s transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the...(ISP), or by reason of the intermediate and transient storage of that material” in performing this service. This limitation is conditioned on: (1) the transmission being at the request of a person or entity other than the ISP; (2) selection of the material transmitted by a person or entity

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438 Id. § 512(a).
other than the ISP; (3) selection of the recipient of the material transmitted by a person or entity other than the ISP; (4) the ISP not maintaining a copy accessible to anyone other than the requesting party; (5) the ISP not maintaining a copy longer than is reasonably required for the transmitting, routing, or provision of connections; and (6) the ISP transmitting material without modification. In addition, to be protected by the limitations on liability provided in the DMCA the ISP must have designated an agent to receive notifications of claimed infringement.

Section 512(a) insulates ISPs from claims of contributory copyright infringement resulting from aiding users in accessing material on the Web. Section 512(b) limits ISPs' liability regarding system caching, which involves storing a copy of material in the system as a result of a request. Specifically, Section 512(b)(1) provides that an ISP is not liable “for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider.” This language protects ISPs from claims of direct infringement for storing copies, or equivalent reproductions, of the work on the ISP systems at a user's request. This protection is conditioned on: (1) the material having been made available on the Web by someone other than the ISP; (2) the material being transmitted at the direction of someone other then the ISP; and (3) the storage occurring as part of an automatic process for the purpose of making it available to the users. Furthermore, the ISP must not modify the material; must comply with any requirements imposed by the person making the material available on the Web; must ensure that any access requirements, such as passwords for users, are met; and must disable access expeditiously if notified that the material was made available without authorization of the copyright holder.

Because social networking sites generally host only material that is posted by others, they fall into the category of online service providers under the DMCA. Once presented with the sort of takedown notice contemplated by the DMCA, such sites may, at least theoretically, avoid infringement liability by immediately removing the allegedly infringing material, without having to rely on the vagaries of the fair use doctrine. Neither social networking sites nor any other ISP may act rashly in a takedown effort, though, as Section 512 requires a complaining copyright holder to state in its takedown notice its good faith belief that the allegedly infringing material "is not authorized by the copyright owner, its agent, or the law."439 If the user who posted the allegedly infringing material asserts a fair use right to post the material, complications may ensue.

In Lenz v. Universal Music Corp.,440 a mother posted on YouTube a 29 second video of her child playing with a toy, with Prince’s song “Let’s Go Crazy” playing in the background. The video was entitled “‘Let’s Go Crazy’ #1.” In response to Universal Music’s takedown request, YouTube removed the video and so notified the poster, in response to which plaintiff Lenz filed a counter-notification and, following some skirmishing among the parties, YouTube ultimately reinstated the video.441 In the ensuing litigation, the Ninth Circuit held that “because 17 U.S.C. § 107 created a type of non-infringing use, fair use is ‘authorized by the law’ and a copyright holder must consider the existence of fair use before sending a takedown notification under §

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439 Id. § 512(c)(3)(A).
440 815 F.3d 1145 (9th Cir. 2015).
441 The video remains available at https://www.youtube.com/watch?v=N1KfJHFWlhQ.
Although the court determined that a triable issue existed as to whether Universal Music had made a sufficient investigation to form a subjective good faith belief that the use was not authorized by law, and remanded the case to the district court for such a determination, the decision clearly indicates that the use of automated programs to monitor for infringement and submit takedowns is no longer sufficient when a copyright holder encounters a fair use contention by the alleged infringer.

### 2. Social Media Site Rules/Policies

Apart from intellectual property laws and related judicial remedies for infringement, there are some extra-judicial remedies available to address and limit objectionable behavior on social media sites. Some sites, such as Facebook and Twitter, permit users to register usernames to be used as part of the URL address for the user’s pages. These usernames can consist of trademarks and generally are offered on a first-come first-served basis. As a result, mark owners that acted quickly to secure their trademark as a username may now be sitting comfortably, while others belatedly investigating social media sites may find that some third party has already the owner’s trademark as a username.

Twitter also expressly prohibits username squatting. Some of the factors taken into account when determining if conduct is considered to be username squatting include (i) the number of accounts created, (ii) whether accounts are created for the purpose of preventing others from using those account names, (iii), whether accounts are created for the purpose of selling those accounts and (iv) whether feeds of third-party content is used to update and maintain accounts under the names of those third parties.

Twitter’s policy with respect to trademarks is reasonably protective. It prohibits use of “a company or business name, logo, or other trademark-protected materials in a manner that may mislead or confuse others or be used for financial gain,” and provides a procedure for reporting violations. An account may be suspended if Twitter determines that “there is a clear intent to mislead others through the unauthorized use of a trademark,” but if an account “appears to be confusing users, but is not purposefully passing itself off as the brand/company/product, the account holder will be notified and given an opportunity to clear up any potential confusion.”

Facebook’s policy is more broadly focused, prohibiting users from posting content or taking any action on Facebook “that infringes or violates someone else’s rights or otherwise violates the law.” For reporting violations of trademark and other non-copyright rights,

### Footnotes

442 815 F.3d at 1153.
443 Your Facebook Web Address, available at https://www.facebook.com/help/329992603752372
444 How To Sign Up on Twitter, available at https://support.twitter.com/groups/31-twitter-basics/topics/104-welcome-to-twitter-support/articles/100990-how-to-sign-up-on-twitter.
Facebook provides an automated form. Applying the Ninth Circuit’s rationale in Lenz, the phrase “otherwise violates the law” should provide sufficient room for a Facebook user to assert fair use rights with respect to content posted on the site.

Both Facebook and Twitter have policies for receiving and responding to reports of copyright violation that facially appear to comply with the requirements of the DMCA. Facebook again provides an automated form for such reports, while Twitter prescribes the content expected in a report of copyright infringement. Facebook expressly directs potential claimants to consider fair use rights:

Before you submit a report, please consider whether the content you want to report may be a permissible use of your copyright or trademark. If you’re not sure whether the content you’re reporting infringes your legal rights, because it may be a fair use or otherwise, you may want to seek legal guidance.

Please note that submitting a report of intellectual property infringement is a serious matter with potential legal consequences. Intentionally submitting misleading or otherwise fraudulent reports of copyright or trademark infringement may lead to Facebook taking action, including termination of your account.

For copyright, it’s important to note that intentionally submitting a misleading or fraudulent report may also lead to liability for damages under section 512(f) of the United States Digital Millennium Copyright Act (DMCA) or similar laws in other countries.

Both of these sites also have procedures for reporting privacy violations. The Facebook policy provides for reporting a wide variety of specific abusive practices, while the Twitter policy is facially broader, prohibiting the posting of “other people’s private and confidential information,” thereby potentially providing an avenue for pursuing trade secret violations in a non-judicial manner.

These example policies and procedures should provide a clear message to franchisors: investigate possibly relevant policies of a social media site containing infringing or otherwise damaging content before proceeding with more traditional legal processes.

3. Best Practices to Address Online Fair Use Issues

Business owners and managers are eagerly entering the social media arena. There are proactive measures they should consider taking in order to limit the possibility of infringing on individuals’ publicity rights, companies’ copyright interests, or trademark laws. First, corporate policies should be created for all employees engaging in social media applications on behalf of

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450 Id.
the business. The individuals tasked with creating a buzz in 140 characters or piquing consumers’ interest through pins on Pinterest likely will not be lawyers. And the communications themselves, given the speed and frequency with which they are disseminated, may not be cleared in advance by the legal department. Therefore, it is important to ensure that the business’s social media team is aware of the potential legal implications of every hashtag. This is apart from any public relations concerns that may arise from uncontrolled social media activity by employees that relate to the business. Individual employees can bind a company through their posts on social media if they are authorized to use the company’s Twitter feed or Facebook account, for example.

In taking action against gripe sites, it is best practice to examine the site carefully to see if it’s purely critical or if there is any commercial purpose, including selling products, linking to commercial sites, or any ad spaces. Another strategy is to register preemptively a potential gripe domain name. Of course, sometimes the best action is no action at all against such sites given the attention that could be brought by doing so.

In general, search engine optimization for many companies has involved the purchase of keywords from Google, Bing, or other search engines. Indeed, many companies have representatives who work for the search engine companies to help them better optimize their websites through the use of keywords and other services. The practice of using keywords has become more clearly accepted in the marketplace in recent years. Thus, apart from any fair use considerations, the marketplace has made the practice seemingly more acceptable and consequently lawsuits concerning keywords less frequent.

For both franchisor and franchisee it is important to outline in the franchise agreement the manner in which the parties will operate websites and register or use domain names, trademarks, individuals’ identities and copyrighted materials. For a franchisor, it is important to prohibit franchisees from obtaining domain name registrations that incorporate the franchisor’s marks, names, or domain names.

If a franchisee has the right to use the marks or copyrighted material on the internet, the franchisor should delineate exactly how it shall control this use, specify that the franchisee will identify itself as a franchisee and not as the franchisor, and obtain permission to use any copyrighted material. The franchise agreement should remove gray areas where “fair use” issues normally arise, such as in the registration of domain names or the use of marks on websites. A franchisor would be wise to be very precise about how the marks can be used by a franchisee on a site, the need to reveal prominently the precise locations or territories of each unit, the goods or services covered, and the functionality and appearance of the site, including specifications as to what type of links and advertising can appear on a franchisee’s website. Finally, the agreement also should address how to avoid clashes between franchisees given that the internet has no territorial boundaries.

IV. CONCLUSION

As the foregoing has demonstrated, there is considerable legal risk associated with the use of third-party intellectual property, and the parameters of fair use are at best imprecise. Apart from traditional franchise agreement restrictions on use of the franchisor’s intellectual
property, both during and, importantly, after the term of the agreement, franchisors should take
the lead in ensuring that franchisees do not infringe third parties’ intellectual property rights by
incorporating materials of others in their advertising, operations or websites. Franchisors should
prohibit franchisees from using or posting any materials, including photographs, video clips,
musical or sound bites, literary or artistic works, trademarks or any other text or image in which
a third party may claim intellectual property rights unless they have the prior written consent of
the third party. For further protection, franchisees should be prohibited from using any such
third party material unless they first obtain both the third party’s consent and the franchisor’s
approval. Exceptions could obviously be made or approvals granted when the franchisor
determines that fair use rights would prevail, but leaving the complex determination of fair use
rights to franchisees could be a prescription for disaster.
**BIOGRAPHIES**

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Jonathan S. Jennings practices in the areas of trademark, copyright, right of publicity and franchise-related law and litigation as a partner at the 134 year-old IP boutique Pattishall, McAuliffe in Chicago. Jonathan has taught as an adjunct professor at both Northwestern Pritzker School of Law and The John Marshall Law School. He is a past speaker at the Forum on Franchising meeting, and, most recently, at the INTA Annual Meeting in Barcelona. Among other publications, Jonathan has authored the article entitled "Developing Domain Name Enforcement Options" for the Franchise Law Journal (Spring 2015), authored a chapter on "Domain Names and Trademarks On the Internet" for two editions of the Forum's book entitled The Intellectual Property Handbook: A Practical Guide for Franchise, Business and IP Counsel, and co-authored a one-volume treatise entitled Trademarks and Unfair Competition: Critical Issues in the Law published by Law Journal Press of New York. Jonathan also is a trained mediator and a member of INTA's panel of trademark mediators.


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Michael is a partner in the Los Angeles office of the boutique law firm Steinbrecher & Span LLP. He is a corporate and transactional lawyer, with a practice concentration in the areas of franchise, distribution and intellectual property law. His practice includes the acquisition, development, protection and licensing of various forms of intellectual property; antitrust preventive counseling; merger analysis and structuring; franchise disclosure, registration and relationship matters; and advice concerning the sale, distribution and marketing of products and services through manufacturing, joint venture, distribution, dealership and agency relationships. He has spoken and written extensively in these fields. He served as co-editor-in-chief of INTERNATIONAL FRANCHISE SALES LAWS (ABA 2006, 2009 - 2011 supplements and 2nd ed. 2015) and of STATE ANTITRUST LAW AND STATUTES (ABA 2nd ed. 1999). He was a chapter author for THE INTELLECTUAL PROPERTY HANDBOOK: A PRACTICAL GUIDE FOR FRANCHISE, BUSINESS AND IP COUNSEL (ABA 2005 and 2nd ed. 2016), FUNDAMENTALS OF FRANCHISING (4th ed. 2015), ANTITRUST HANDBOOK FOR FRANCHISE AND DISTRIBUTION PRACTITIONERS (ABA 2008) and ANNUAL FRANCHISE AND DISTRIBUTION LAW DEVELOPMENTS 2003 (ABA 2003). He also co-authored INTERNATIONAL SALES TRANSACTION CHECKLIST (IBA 2003).

Michael has been active for a number of years in various Bar organizations, including the ABA Forum on Franchising, for which he has served as a member of the Governing Committee, co-chair of the 2011 annual meeting and Director of the International Division; the ABA Section of Antitrust Law, for which he served on the Section’s Council and chair of several committees; the California State Bar, for which he served as chair of the Franchise Law Committee; and the Los Angeles County Bar Association, for which he served as a senior officer, Treasurer and Trustee of both the Association and its charitable affiliate, Counsel for Justice. He currently serves as a
member of the Executive Committee of the USC Intellectual Property Law Institute. His recent past positions include member of ABA Steering Committees on Continuing Legal Education and Technology and Information Systems, and officer of the International Franchising Committee of the International Bar Association. Michael is listed in THE BEST LAWYERS IN AMERICA, CHAMBERS GLOBAL, CHAMBERS USA, SUPER LAWYERS and in WHO’S WHO LEGAL, and has been named a Legal Eagle by FRANCHISE TIMES.