ALERT MEMORANDUM

Supreme Court's Decision in *Jack Daniel's* Limits Parody Defense in Trademark Infringement Cases

June 22, 2023

In a unanimous decision concerning the role of parody in trademark infringement and dilution defenses, the Supreme Court ruled in favor of whiskey purveyor Jack Daniel's over dog toy maker, VIP Products LLC ("VIP").[1] The case involved VIP's squeaky chew toy called "Bad Spaniels" that resembled the famous Jack Daniel's bottle as part of a line of parody dog toys mimicking well-known alcoholic beverages.[2] The Supreme Court ruled that the lower courts were wrong to apply *Rogers*, a common law doctrine developed to weigh First Amendment considerations against trademark rights, because VIP was using the marks derived from Jack Daniel's trademarks and trade dress to designate the source of VIP's products.[3] The Court explained that the parodic nature of the use should not have negated a finding of infringement at the outset but instead should have been considered as part of the standard likelihood-of-confusion analysis typically conducted to assess whether the defendant's use of a challenged mark qualifies as trademark infringement.[4] The Court also concluded that the Ninth Circuit erred in its dilution analysis when it held that VIP's use was "noncommercial" simply because it was parody, as Congress has set out a separate parody exception from dilution.[5] That exception requires not only that the use be part of "parody" but also that the mark not be used "as a designation of source."[6] The Court remanded for further proceedings in light of its guidance, continuing a years' long legal battle.

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[2] *Jack Daniel's Properties, Inc. v. VIP Prod. LLC*, 2023 WL 3872519 (U.S. June 8, 2023).
[3] *Id*. at *6.
[4] *Id*. at *9-10.
[5] *Id*. at *10-11.
[6] *Id*.; 15 U.S.C. § 1125(c)(3)(A).

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Background and Procedural History

The suit involved VIP's "Bad Spaniels" dog toy – part of its line of "Silly Squeakers" chew toys parodying famous alcohol brands – that mimics the design of the Jack Daniel's whiskey bottle (depicted below next to the Jack Daniel's bottle).[7] The "Bad Spaniels" product contained a disclaimer of affiliation with Jack Daniel's, but in small font on the back of the packaging.[8] Jack Daniel's sent VIP a cease and desist letter "demanding that it stop selling the product."[9] In response, VIP brought a declaratory judgment action against Jack Daniel's, seeking a judgment that it did not infringe nor dilute Jack Daniel's trademarks.[10] Jack Daniel's counter-sued for trademark infringement and dilution by tarnishment.[11]

Dilution is a claim under the Trademark Dilution Revision Act ("TDRA") that is available to owners of "famous marks" – defined as marks that are "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."[12] Unlike trademark infringement, dilution focuses on harm to the reputation of the famous mark, rather than consumer confusion.

After a bench trial, the U.S. District Court for the District of Arizona ruled for Jack Daniel's.[13] On the infringement claim, the court found a likelihood-of-confusion as to the source of the "Bad Spaniels" product.[14] As to dilution, the court agreed with Jack Daniel's that the product would cause "'reputational harm.'"[15]

On appeal, the Ninth Circuit vacated the district court's infringement decision, reasoning that "the Bad Spaniels dog toy is an expressive work entitled to First Amendment protection."[16] The Ninth Circuit relied on a test developed by the Second Circuit in *Rogers v. Grimaldi* that seeks to balance the First Amendment with trademark rights in the context of expressive works.[17] Under *Rogers*, an expressive work may avoid trademark infringement unless "the defendant's use of the mark is either (1) 'not artistically relevant to the underlying work' or (2) 'explicitly misleads consumers as to the source or content of the work.'"[18] Concluding that "Bad Spaniels" was an expressive work, the Ninth Circuit remanded for the lower court to apply the *Rogers* test (which it had not previously applied).[19] On remand, the district court granted summary judgment for VIP as to non-infringement, but noted that "it appears nearly impossible for any trademark holder to prevail under the *Rogers* test."[20]

The Ninth Circuit also overturned the district court's finding of dilution by tarnishment, holding that the "humorous message" conveyed by the "Bad Spaniels" toy contained protected First Amendment expression and therefore the trademark use qualified as noncommercial.[21] The TDRA excludes noncommercial use as a basis for dilution by tarnishment.[22]

[7] *Jack Daniel's,* 2023 WL 3872519, at *5.
[8] *Id*.
[9] *Id*.
[10] *Id*.
[11] *Id*.
[12] § 1125(c).
[13] *Jack Daniel's,* 2023 WL 3872519, at *6.
[14] *Id*.
[15] *Id*.
[16] *VIP Prod. LLC v. Jack Daniel's Properties, Inc*., 953 F.3d 1170, 1172 (9th Cir. 2020).
[17] 875 F29 994 (2d Cir. 1989).
[18] *Jack Daniel's*, 953 F.3d at 1174 (quoting *Gordon v. Drape Creative, Inc.,* 909 F.3d 257, 265 (9th Cir. 2018)).
[19] *Id.* at 1176.
[20] *VIP Prods. LLC v. Jack Daniel's Properties., Inc*., 2021 WL 5710730, at *6 (D. Ariz. Oct. 8, 2021).
[21] *Jack Daniel's*, 953 F.3d at 1176.
[22] § 1125(c)(3)(C).

In its petition for certiorari, Jack Daniel's argued that the Ninth Circuit's decision "unjustifiably transforms humor into a get-of-out-the-Lanham-Act [*sic*] free card" and that VIP's dog toy "confuses consumers by taking advantage of Jack Daniel's hard-earned goodwill."[23] Part of the company's concern was that the Ninth Circuit ruling expanded the scope of the *Rogers* test beyond traditional expressive works and into the realm of commercial goods.[24] According to Jack Daniel's, humor is simply a factor to weigh in the overall likelihood-of-confusion analysis.[25]

VIP argued its dog toy is a "comical parody" and that "it *had* to borrow enough from [Jack Daniel's] iconic bottle to make the parody work."[26] To VIP, the case was about brand owners' disdain for "parody that they cannot control" rather than consumer confusion.[27]

<u>The Supreme Court's Ruling</u>

Justice Kagan delivered the opinion of a unanimous Court in favor of Jack Daniel's. The Court vacated the Ninth Circuit's judgment and remanded for further proceedings, including an assessment of the role of parody in the likelihood-of-confusion analysis.[28]

A. <u>Traditional Likelihood-of-Confusion Analysis, not *Rogers*, Applies When Challenged Use Includes Trademark Use</u>

The first question the Court asked was whether *Rogers* should apply as a "threshold test" prior to the traditional Lanham Act likelihood-of-confusion analysis.[29] Without opining on the merits of the *Rogers* test, the Court held that "*Rogers* does not apply when the challenged use of a mark is as a mark."[30] In the Court's view, VIP was not merely parodying Jack Daniel's trademarks, it was using them "to designate the source of its own goods."[31]

According to the Court, lower courts applying *Rogers* do so when "a trademark is used…solely to perform some other expressive function," rather than "to designate a work's source."[32] As an example, the Court pointed to *Mattel, Inc. v. MCA Records, Inc.*, in which Mattel, the maker of Barbie, sued MCA Records over the song "Barbie Girl."[33] Applying *Rogers*, the Ninth Circuit noted that the song did not use the term "Barbie" as a trademark (*i.e.*, to identify the source of the song).[34] As a further example, the Court highlighted *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*[35], a case involving a pet perfume called "Timmy Holedigger." There, the district court declined to apply *Rogers*, explaining that *Rogers* applies only "where the trademark is not being used to indicate the source or origin."[36]

In its initial complaint, VIP alleged ownership and use of the "'Bad Spaniels' trade mark and trade dress."[37] Additionally, the packaging contained both a "Silly Squeakers" product logo as well as a "Bad Spaniels" logo.[38] Further, VIP had previously argued ownership of trademark and trade dress in other "Silly Squeakers" in earlier court cases and held registered trademarks in the names of some of the toys.[39] Taken together, the Court interpreted this as evidence that VIP's use of "Bad Spaniels" was trademark use.[40]

Given this trademark use, the Court determined that a standard likelihood-of-confusion analysis applied to the infringement claim, rather than *Rogers*.[41] The Court was careful to note that the "result [does not] change because the use of a mark has other expressive

[23] Pet. for a Writ of Certiorari at 6, *Jack Daniel's Properties, Inc. v. VIP Prod. LLC*, No. 22-148 (U.S. Aug. 5, 2022).
[24] *See id.* at 18-24.
[25] *Id.* at 18-19.
[26] Brief in Opp. at 4, 9, *Jack Daniel's Properties, Inc. v. VIP Prod. LLC*, No. 22-148 (U.S. Oct. 17, 2022).
[27] *Id.* at 12-13.
[28] *Jack Daniel's*, 2023 WL 3872519, at *10-11.
[29] *Id.* at *6.
[30] *Id.* at *11.
[31] *Id.* at *3.
[32] *Id.* at *7.
[33] 296 F. 3d 894 (9th Cir. 2002).
[34] *Id.* at 900, 902.
[35] 221 F. Supp. 2d 410 (S.D.N.Y. 2002).
[36] *Id.* at 414.
[37] *Jack Daniel's*, 2023 WL 3872519, at *9.
[38] *Id.* at *10.
[39] *Id.*
[40] *Id.*
[41] *Id.*

content—*i.e.*, because it conveys some message on top of source."[42] The use of a mark may have dual purposes. The Court observed that "trademarks are often expressive, in any number of ways."[43] If some expressive use, in addition to trademark use, was enough to benefit from *Rogers*, then "Rogers might take over much of the world."[44] While parodic use can still be taken into account, it is simply part of the likelihood-of-confusion analysis.[45] A true parody, the Court suggested, would not be "likely to create confusion."[46]

B. Noncommercial Exclusion from Dilution Liability Does Not Apply to Use of a Mark Merely Because the Use Involves Parody or Commentary

The second question the Court analyzed was whether the noncommercial use exception from liability for dilution applied to "parody or humorous commentary."[47] Here, the Court concluded that the statutory exception for noncommercial use in § 1125(c)(3)(C) could not apply because Congress created a separate exclusion for "fair use," which includes "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner."[48] This fair use exception specifically carves out any "designation of source for the person's own goods or services."[49] Therefore, the Court concluded that the Ninth Circuit's approach failed because "it reverses that statutorily directed result."[50]

Takeaways

By its own description, the Court's "opinion is narrow."[51] For now, the Court left *Rogers* intact, though it cabined *Rogers'* applicability to expressive uses that are clearly non-trademark uses. Justice Gorsuch's concurrence, joined by Justice Thomas and Justice Barrett, hints at the possibility of overturning *Rogers* in the future.[52] As an alternative to applying *Rogers*, the Court's decision leaves space for the role of parody in the standard likelihood-of-confusion analysis. Without explicitly saying so, the Court appeared to suggest that it did not consider the "Bad Spaniels" dog toy as a true parody. According to the Court, a successful "parody must also create contrasts," in addition to evoking the original.[53] The Court explained that "once that is done (*if* that is done), a parody is not often likely to create confusion,"[54] suggesting that a true parodist may succeed in defending against an infringement claim even without the benefit of *Rogers*.

Under the Court's framework, if the junior use is "trademark use" (as an indication of source), then an analysis of the likelihood-of-confusion must be conducted to assess infringement. Parody will factor into that analysis. At least in theory, parodic use is less likely to cause confusion because consumers will see the contrasts and understand the message – they will get the joke. On the other hand, if the use is not "trademark use," then confusion should not be a concern because the mark is not being used to identify source. In those cases, *Rogers* applies to ensure that First Amendment considerations receive appropriate weight and that trademark rights are not extended beyond their intended role. However, the framework articulated by the Court also diminishes the role of *Rogers*. If *Rogers* only applies in cases of non-trademark use, then arguably it is not needed at all because there is no risk of consumer confusion.

The case for dilution is different, because the TDRA does not require consumer confusion and instead emphasizes reputational harm to the famous mark.[55] Congress specified in the statute that the fair use exception for dilution only applies to non-trademark use.[56]

[42] *Id.* at *9.
[43] *Id.*
[44] *Id.*
[45] *Id.*
[46] *Id.* at *10.
[47] *Id.*
[48] *Id.*; § 1125(c)(3)(A)(ii).
[49] § 1125(c)(3)(A).
[50] *Jack Daniel's*, 2023 WL 3872519, at *11.
[51] *Id.*
[52] *See id.* at *12 (Gorsuch, J., concurring).
[53] *Id.* at *10.
[54] *Id.*
[55] § 1125(c)(1); (c)(2)(C).
[56] § 1125 (c)(3)(A).

The key for litigants in both infringement and dilution cases will be framing the relevant use as trademark use. Only non-trademark use can take advantage of *Rogers* and the dilution fair use exception. The main lesson for junior users is to carefully consider how material that incorporates a senior user's mark is described and portrayed. VIP's critical misstep was characterizing itself as the owner of the trademark and trade dress in "Bad Spaniels," a claim that was difficult to back away from given the company's history of filing trademark registrations for the names of its other "Silly Squeakers."

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