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# Fair Use in Trademark in the Post-*KP Permanent* World

## HOW INCORPORATING PRINCIPLES FROM COPYRIGHT LAW WILL LEAD TO LESS CONFUSION IN TRADEMARK LAW

### INTRODUCTION

Imagine it is Christmas time, and you are looking for a gift for your nine-year-old niece Suzie. You know that Suzie loves the television show, *American Idol*,<sup>1</sup> so you resort to the Internet and perform a search for the phrase “American Idol.” This search brings you to the homepage of Constantine Maroulis, a former contestant from the show’s past season. The top of the page reads, “Welcome to the homepage of Constantine Maroulis: A *Real American Idol*.” The page contains many references to the television show, including screenshots of a few of Constantine’s more memorable performances. You can even purchase Constantine’s debut CD, entitled “A *Real American Idol*,” as well as a life-size Constantine Maroulis poster if you are so inclined. Suzie is a big fan, so you buy both, but when you give them to her, she starts crying. Suzie screams, “That’s not the real American Idol! Where’s Kelly Clarkson, Ruben Studdard, and Fantasia Barrino?”<sup>2</sup>

Failed Christmas presents aside, *American Idol* has a potential claim for trademark infringement against Constantine Maroulis, since consumers may incorrectly think that the show produced or sponsored Constantine’s CD. Trademarks are designed to protect the trade reputation, or goodwill, of the trademark owner who, through use and advertising, has created an association of his or her product or

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<sup>1</sup> *American Idol* (FOX television broadcast 2002-present).

<sup>2</sup> Kelly Clarkson, Ruben Studdard, and Fantasia Barrino were the winners from the first three seasons. As winners, *American Idol* produces and releases their debut album. For more information, see *American Idol: About the Show*, <http://www.idolonfox.com/about> (last visited Mar. 13, 2006).

service with that trademark.<sup>3</sup> For a trademark owner to succeed on a claim of infringement under the Federal Trademark (Lanham) Act,<sup>4</sup> he must show that consumers are likely to be confused as to the source of the junior user's product.<sup>5</sup> Courts typically look at many factors to determine if a likelihood of confusion exists.<sup>6</sup>

On the other hand, Constantine has a good opportunity to assert the statutory fair use defense to trademark infringement, since he is simply describing himself as a real American idol, and to some, this is an accurate description. In defense to a charge of trademark infringement, a defendant can assert the statutory fair use defense of the Lanham Act.<sup>7</sup> To succeed on this defense, a defendant must show that he used the trademark descriptively, not as a trademark, fairly, and in good faith.<sup>8</sup> Until recently, the U.S. Supreme Court had not addressed how courts should handle the fair use defense when faced with a seemingly strong claim for trademark infringement. In other words, can Constantine claim that his use was fair even though consumers are likely to be confused by the origin of the products sold on his website?

In 2004, the Supreme Court issued a landmark decision addressing the issue.<sup>9</sup> In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.* ("*KP Permanent*"), the Supreme Court held that the statutory fair use defense could succeed even in the face of confusion.<sup>10</sup> Unfortunately, the Supreme Court failed to give any indication as to just how much confusion could defeat the fair use defense.<sup>11</sup> In this Note, I will argue that because of the similarities between the concerns of copyright and trademark protection, trademark law will benefit from incorporating some of the factors from copyright law's fair use defense as an aid to lower courts being asked to decide whether a use is fair. Although copyright law differs

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<sup>3</sup> See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:2 (4th ed., 2005).

<sup>4</sup> 15 U.S.C. §§ 1051-1141n (2000).

<sup>5</sup> *Id.* § 1114(1)(a) (2000).

<sup>6</sup> See *infra* note 32.

<sup>7</sup> 15 U.S.C. § 1115(b)(4) (2000).

<sup>8</sup> *Id.*

<sup>9</sup> See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

<sup>10</sup> *Id.* at 122 (holding that "some possibility of consumer confusion must be compatible with fair use").

<sup>11</sup> *Id.* at 123 (recognizing that while "mere risk of confusion will not rule out fair use, we think it would be improvident to go further in this case").

from trademark law in that it protects original works of authorship such as songs or books, there are substantial similarities between the two that justify incorporation.<sup>12</sup>

In trademark law prior to *KP Permanent*, the circuit courts disagreed on the role that confusion played in a fair use defense.<sup>13</sup> The Ninth Circuit, which issued the decision leading to the Supreme Court's ruling in *KP Permanent*, allowed confusion to defeat a fair use defense and required the defendant to prove the absence of likely confusion.<sup>14</sup> In opposition to that view, the Second Circuit allowed fair use to succeed even upon a showing of some confusion and did not require a defendant to negate any likelihood of confusion.<sup>15</sup> Other courts fell somewhere in the middle.<sup>16</sup> In *KP Permanent*, the Supreme Court agreed with the Second Circuit, holding that fair use could exist in the face of confusion, but left open to interpretation just how much confusion would defeat a fair use defense.<sup>17</sup> The Court's decision effectively left lower courts with a blank check, and those courts have not balked at the ability to write their own rules.<sup>18</sup>

Copyright law's fair use test has given lower courts the clear guidance lacking in trademark law, and similar principles and factors from that test are inherent in trademark law.<sup>19</sup> In copyright law, it is well established that fair use is an affirmative defense to infringement.<sup>20</sup> After decades of judge-

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<sup>12</sup> See discussion *infra* Part III.

<sup>13</sup> See discussion *infra* Part I.C.

<sup>14</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004).

<sup>15</sup> See, e.g., *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1977) (noting that any confusion that results "is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase") (citing *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995)).

<sup>16</sup> See *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) (finding that a "likelihood of confusion forecloses a fair use defense"); *Zatarains Inc. v. Oak Grove Smokehouse*, 698 F.2d 786, 796 (5th Cir. 1983) (providing that any likelihood of confusion bars the fair use defense); *but cf.* *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234, 243 (4th Cir. 1997) (noting that "[t]he fair use defense comes into play only when infringement – including a likelihood of confusion – has been established"); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (holding that fair use could succeed even in the face of likely confusion).

<sup>17</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 116-17 (2004).

<sup>18</sup> See discussion *infra* Part I.E.

<sup>19</sup> See discussion *infra* Part III.

<sup>20</sup> See 17 U.S.C. § 107 (2000); see also discussion *infra* Part II.

made law,<sup>21</sup> Congress codified the doctrine in section 107 of the Copyright Act of 1976.<sup>22</sup> Section 107 defined four factors that courts should look at to determine if an alleged infringing use is fair.<sup>23</sup> These factors are: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the effect of the use on the potential market for or value of the copyrighted work.<sup>24</sup> While there is no per se formula for what constitutes fair use, certain combinations of these factors will make a fair use defense more likely to succeed.<sup>25</sup>

Some judges have already begun to implicitly apply copyright concepts to trademark cases.<sup>26</sup> This Note will demonstrate why these judges are moving in the right direction and suggest further ways to implement this new approach. Part I begins with a history of fair use in trademark, including the circuit split that led to the decision in *KP Permanent*. This section will also address the Court's holding in *KP Permanent* and illustrate the Court's reasoning for establishing fair use as an absolute defense. This section will conclude by discussing the state of the fair use defense following *KP Permanent* and the ways in which lower courts have begun to apply the Supreme Court's holding.

Part II will discuss the background of fair use in copyright, and the factors that courts apply to determine fair use. This section will also illustrate typical applications of the copyright fair use test and instances in which courts have upheld or denied use as fair. Part III will look at the similarities between the principles of trademark and copyright protection as well as their respective fair use defenses. In order to suggest that trademark law should incorporate elements of copyright law, this section will illustrate the similar concerns of both areas of the law in granting protection

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<sup>21</sup> The concept of fair use in copyright first appeared in a judicial opinion in 1841. See *Folsom v. Marsh*, 9 F. Cas. 342, 344-45 (C.C.D. Mass. 1841) (No. 4,901). The term "fair use" in copyright first appeared in a judicial opinion in 1869. See *Lawrence v. Dana*, 15 F. Cas. 26, 44 (C.C.D. Mass. 1869) (No. 8,136).

<sup>22</sup> 17 U.S.C. § 107 (2000).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> See, e.g., *Lish v. Harper's Magazine Found.*, 807 F. Supp. 1090, 1096 (S.D.N.Y. 1992) (fair use defense failed even though the fourth factor favored the defendant); see also *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 594 (1994) (while suggesting fair use on the first three factors, the Court remanded to allow the hole in the evidence with respect to the fourth factor to "be plugged on remand").

<sup>26</sup> See *infra* notes 255-56 and accompanying text.

and allowing fair use. This section will also address the notion that the scope of trademarks is expanding, which warrants a further examination of their protection.

Finally, Part IV will argue that trademark law can borrow specific principles from copyright law to lead to less confusion in the lower courts. This section will demonstrate how borrowing certain aspects of the copyright test and incorporating them into their counterparts in trademark will provide courts with a more consistent approach to fair use in trademark and ultimately lead to less confusion in litigation.

## I. TRADEMARKS AND FAIR USE

A trademark is a designation that identifies and distinguishes a seller's goods from those of its competitors.<sup>27</sup> By attaching a trademark to its goods, a seller alerts the public that goods bearing this trademark come from that seller and are of a certain quality.<sup>28</sup> For example, when a consumer sees a small insignia of a polo player on a horse on the breast of a man's shirt, he knows that shirt was manufactured by Polo,<sup>29</sup> and this brand alerts the buyer to a level of quality in the shirt. Trademarks are granted legal protection to safeguard this trade reputation of the trademark owner who has created an association of a product or service with that trademark.<sup>30</sup> When someone other than the trademark owner begins selling goods using a similar name, the trademark owner may succeed on a claim of infringement by showing that consumers are likely to be confused by the similarities.<sup>31</sup> In these cases, courts conduct an intense fact-finding inquiry to determine if a likelihood of confusion exists.<sup>32</sup>

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<sup>27</sup> See 1 MCCARTHY, *supra* note 3, § 3:1.

<sup>28</sup> *Id.* § 3:2.

<sup>29</sup> Polo is a popular brand of clothing, best known for its logo consisting of a horse which often appears on the breast of a man's collared shirt. For more information, see About Ralph Lauren, <http://about.polo.com> (last visited Mar. 13, 2006).

<sup>30</sup> See 1 MCCARTHY, *supra* note 3, § 3:2.

<sup>31</sup> 15 U.S.C. § 1114(1)(a) (2000).

<sup>32</sup> See, e.g., *Polaroid Corp. v. Polarad Elects. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (defining the factors to consider as: (1) the strength of the plaintiff's trademark; (2) the degree of similarity between the marks; (3) the proximity of the products or services; (4) the likelihood that the plaintiff will bridge the gap; (5) actual confusion; (6) a defendant's bad faith in adopting its mark; (7) the quality of the defendant's product; and (8) the sophistication of the buyers).

A. *Statutory, or "Classic," Fair Use*

In defense to a charge of trademark infringement, a defendant can assert the statutory fair use defense of the Lanham Act.<sup>33</sup> To succeed on this defense, a defendant must show that he used the trademark descriptively and not as a trademark, fairly, and in good faith.<sup>34</sup> For example, a housecleaning service who advertises that they will "Clean up your Windows" can assert the statutory fair use defense if faced with allegations of infringement by Microsoft.<sup>35</sup> Statutory fair use is also referred to as "classic" fair use, since it existed under the common law of unfair competition prior to the enactment of the Lanham Act.<sup>36</sup> In passing the Lanham Act, Congress codified the doctrine and established that a user accused of infringement can assert the statutory affirmative defense of fair use.<sup>37</sup> The fair use defense, in essence, restricts a trademark owner from exercising exclusive rights over a descriptive term which would prevent others from accurately describing their product.<sup>38</sup> Specifically, the Lanham Act requires that three elements be met to establish the defense: (1) the challenged infringement must not be used as a trade or service mark; (2) the challenged infringement must describe the goods; and (3) use must be fair and in good faith.<sup>39</sup> While the first two factors involve relatively simple factual inquiries,

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<sup>33</sup> 15 U.S.C. § 1115(b)(4) (2000).

<sup>34</sup> The relevant portion of 15 U.S.C. § 1115 provides:

That the use of the name, term, or device charged to be an infringement is a *use, otherwise than as a mark*, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is *descriptive of and used fairly and in good faith only to describe to users the goods or services* of such party, or their geographic origin . . . .

*Id.* (emphasis added).

<sup>35</sup> Microsoft is a corporation which manufactures computer hardware and software, most notably, the Windows operating system. For more information, see Microsoft Corporation homepage, <http://www.microsoft.com> (last visited Jan. 22, 2006).

<sup>36</sup> See, e.g., *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924) (stating that "[t]he use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product").

<sup>37</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>38</sup> *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980) (permitting fair use "forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods").

<sup>39</sup> See 15 U.S.C. § 1115(b)(4) (2000).

the final factor implicates much more subjective analysis, and courts have come to strikingly different conclusions on what constitutes fair use.<sup>40</sup>

Before a defendant can assert statutory fair use as a defense to an infringement claim, the plaintiff must first show that its trademark is valid and that defendant's use of the trademark is likely to cause confusion, mistake, or deception among consumers as to the source of defendant's goods or services.<sup>41</sup> Once a plaintiff has established both of these elements, a defendant may claim that his or her use is fair as an affirmative defense.<sup>42</sup> In permitting fair use of trademarks, the Lanham Act seeks to prohibit a trademark owner from precluding others from describing their goods.<sup>43</sup>

By choosing a potentially descriptive mark, a plaintiff runs a significant risk, because a competitor may want to use those same words to accurately describe his or her product.<sup>44</sup> For example, although Tasti-D-Lite is a registered trademark, a competing ice cream shop may wish to advertise that its ice cream is tasty and delightful. Generally, the law prefers to avoid monopolies, but trademark law often grants exclusive rights, because there is a seemingly endless supply of potential trademarks, and the cost of the monopoly to society is seen as insignificant.<sup>45</sup> In other words, in the Tasti-D-Lite example, a

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<sup>40</sup> Compare *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) (finding that a "likelihood of confusion forecloses a fair use defense"); *Zatarains Inc. v. Oak Grove Smokehouse*, 698 F.2d 786, 796 (5th Cir. 1983) (providing that any likelihood of confusion bars the fair use defense) *with* *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) (noting that "[t]he fair use defense comes into play only when infringement – including a likelihood of confusion – has been established"); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (holding that fair use could succeed even in the face of likely confusion).

<sup>41</sup> See, e.g., *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 45 (2d Cir. 2000) (stating that "[t]o prevail on [a claim of] trademark infringement [a plaintiff must] prove that [its trademark] is a protectable trademark and that [defendant's use] is likely to confuse consumers as to the source of sponsorship of [plaintiff's] product").

<sup>42</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>43</sup> *U.S. Shoe Corp. v. Brown Group Inc.*, 740 F. Supp. 196, 198 (S.D.N.Y. 1990) (allowing fair use "to prevent the trademark rights of one party from being extended to preclude another party from the description of his product to the public" (citing *Eli Lilly & Co. v. Revlon, Inc.*, 577 F. Supp. 477, 486 (1983))), *aff'd*, 923 F.2d 844 (2d Cir. 1990). A plaintiff choosing a descriptive mark "cannot altogether exclude some kinds of competing uses." *Id.*

<sup>44</sup> *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir. 1976).

<sup>45</sup> *U.S. Shoe Corp.*, 740 F. Supp. at 198 (stating that trademark law permits monopolies "because potential identifying marks exist in virtually inexhaustible supply [and] the cost of the monopoly to society is minimal").



competitor should have no problem using words other than “tasty” or “delightful” to convey the same message without causing unnecessary confusion in the marketplace. Nevertheless, since the cost to society increases if a trademark owner is granted exclusive use of a *descriptive* trademark, fair use exists in part to help balance the interests in trademark protection and unfair competition.<sup>46</sup> Unfortunately, statutory fair use leaves open the question: at what point is the cost of confusion created by fair use too great for society to tolerate? When a defendant uses another’s trademark in the non-descriptive sense, however, he may still avoid a claim of infringement if his use falls under the nominative fair use doctrine.

### B. *Nominative Fair Use*

While statutory fair use allows a defendant to use a trademark to describe its own product or service descriptively, nominative fair use allows a defendant to use a trademark to describe the trademark owner’s product or service.<sup>47</sup> For example, an advertising campaign for “Brand X” that claims “If you like Brand Y, you’ll love Brand X” is an example of a nominative fair use. The nominative fair use defense is entirely a product of the judiciary.<sup>48</sup> The leading court in addressing nominative fair use, the Ninth Circuit Court of Appeals, defined three elements required to successfully assert a nominative fair use claim: (1) “the product or service in question must be one not readily identifiable without use of the trademark;” (2) “only so much of the mark or marks may be used as is reasonably necessary to identify the product or service;” and (3) “the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”<sup>49</sup> For example, when former Playboy Playmate of the Year, Terri Welles, used the words “Playmate of the Year” to describe herself on her website, the court upheld the use as fair under the nominative fair use doctrine, because the words sought only “to identify

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<sup>46</sup> See discussion *infra* Part III.B.

<sup>47</sup> See 2 MCCARTHY, *supra* note 3, § 11:45 (discussing the distinctions between statutory and nominative fair use).

<sup>48</sup> See *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

<sup>49</sup> *Id.*

Welles as a past . . . ‘Playmate of the Year’” and not to “imply . . . current sponsorship or endorsement by [Playboy].”<sup>50</sup>

Nominative fair use appears in many different forms. In addition to the referential use in the Terri Welles case and the comparative advertising in the “Brand X” example, nominative fair use also arises in promotional use and parody. An example of promotional use includes the sale of a t-shirt by a third party bearing a trademark such as a sports team. Danish band Aqua’s infamous song entitled *Barbie Girl* is a good example of parody.<sup>51</sup> Courts have often wrestled with how to handle nominative fair use claims, particularly in the area of parody and promotional use.<sup>52</sup> In parody, courts have consistently agreed that, in order to be successful, a parody must convey two conflicting messages: that it actually is the original, but also that it is not the original but rather a parody.<sup>53</sup> This creates an obvious conflict in policy, because the more successful the parody, the more confused a consumer will be at first glance. Therefore, nominative fair use raises similar problems as that of statutory fair use in that courts must create their own rules to determine how confusion relates to the fair use defense. The questionable relationship between confusion and the fair use defense created a division of interpretations amongst the circuit courts.<sup>54</sup>

### C. *The Lead-Up to KP Permanent*

Prior to the Supreme Court’s decision in *KP Permanent*, the circuit courts disagreed on the significance of likely

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<sup>50</sup> *Playboy Enters. v. Welles*, 279 F.3d 796, 800-02 (9th Cir. 2002).

<sup>51</sup> AQUA, *Barbie Girl*, on AQUARIUM (MCA Records 1997).

<sup>52</sup> In the promotional use line of cases, there are clearly two schools of thought. One approach finds infringement even when no confusion as to source exists. See *Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004, 1011 (5th Cir. 1975) (holding that patches sold by a sporting goods store bearing the insignia of a professional sports team constituted infringement even though consumers purchased the patches to show allegiance and not because of their source). The other approach to promotional use assesses whether consumers view the use of the trademark as a source identifier to determine whether confusion exists. See *Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980) (holding that jewelry bearing the trademark of a young women’s fraternal organization did not constitute infringement because purchasers did not see the trademark as identifying source). Parody is equally conflicting.

<sup>53</sup> *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group*, 886 F.2d 490, 494 (2d Cir. 1989). (noting that “[c]onflict between . . . policies is inevitable in the context of parody, because the keystone of parody is imitation”).

<sup>54</sup> See discussion *infra* Part I.C.

confusion as it pertains to a fair use defense.<sup>55</sup> The Second Circuit represented one point of view, holding that fair use is an absolute defense to infringement regardless of the confusion that results.<sup>56</sup> The Ninth Circuit required a defendant to prove the absence of confusion and found that a failure to do so diminished the likelihood of a fair use claim to prevail.<sup>57</sup> Amongst the other circuits, both the Fifth and Sixth Circuits held that any likelihood of confusion bars the fair use defense,<sup>58</sup> while the Fourth and Seventh Circuits held that fair use could succeed even in the face of likely confusion.<sup>59</sup> Under the Ninth Circuit's approach, the owner of an ice cream shop who advertises that his ice cream is "tasty" cannot succeed on a fair use defense against Tasti-D-Lite unless he or she proves that consumers do not confuse his goods with those from Tasti-D-Lite. In the Second Circuit, the fair use defense could succeed in this example even if Tasti-D-Lite were able to prove that nearly all ice cream consumers were confused by the other store's advertisement. Regardless of the circuits' conflicting interpretations of the relevant provisions of the Lanham Act, the statute gives no indication as to how much confusion is too much.<sup>60</sup> The Supreme Court had yet to address this issue either. In fact, the significance of confusion in a fair use defense provided the Court with its justification for granting certiorari.<sup>61</sup>

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<sup>55</sup> The views of the Ninth and Second Circuits lay at the heart of the circuit split. The Ninth Circuit represented the view that any confusion would defeat a statutory fair use defense. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004). The Second Circuit opposed this view, finding that fair use is a defense to liability even if there is a likelihood of confusion. See *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1977). Although the circuit split that led to *KP Permanent* did not involve nominative fair use claims, courts have shown equal disagreement with the relationship of confusion in the nominative fair use context. See *supra* notes 52-53 and accompanying text.

<sup>56</sup> *Cosmetically Sealed*, 125 F.3d at 30 (holding that any resulting confusion from alleged infringement is inherent in the risk that plaintiff took in selecting the descriptive term, and therefore, does not bar the fair use defense).

<sup>57</sup> *KP Permanent*, 328 F.3d at 1072.

<sup>58</sup> See *PACCAR Inc. v. TeleScan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003); *Zatarains Inc. v. Oak Grove Smokehouse*, 698 F.2d 786, 796 (5th Cir. 1983).

<sup>59</sup> See *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995).

<sup>60</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>61</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004) (granting certiorari "to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim").

In the months before the Court's decision, scholars speculated about how the Court would rule, and the implications different rulings would create.<sup>62</sup> Most thought that the Court would side with the Second Circuit's approach in allowing confusion to exist in a fair use defense.<sup>63</sup> Others foresaw the danger a ruling siding with the Ninth Circuit could create.<sup>64</sup> As one scholar noted, by affirming the Ninth Circuit's holding, "[s]ummary judgment would rarely be granted when a fair use defense is asserted because the defendant would have to disprove likelihood of confusion – a fact-intensive inquiry that is typically part of the plaintiff's case."<sup>65</sup> This could either preclude summary judgment altogether or defeat its purpose in avoiding the fact-intensive inquiries of litigation when a defendant asserts fair use.<sup>66</sup>

#### D. *The KP Permanent Case*

##### 1. Background and Procedural History

With the legal landscape ripe for change, the basis for *KP Permanent* arose as follows. Petitioner KP Permanent Make-Up, Inc. ("KP") and Respondent Lasting Impression I, Inc. ("Lasting Impression") both manufactured and sold permanent makeup, "a mixture of pigment and liquid for injection under the skin to camouflage injuries and modify nature's dispensations," and in doing so, both used the term "microcolor" in marketing their products.<sup>67</sup> In 1992, Lasting Impression federally registered a trademark with the words

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<sup>62</sup> See generally Lynda M. Braun, *Fair Is Fair, But Is It Enough?*, 4 IP LAW & BUS. 54 (2004); Graeme B. Dinwoodie, *The Trademark Jurisprudence of the Rehnquist Court*, 8 MARQ. INTEL. PROP. L. REV. 187, 208-10 (2004); David S. Welkowitz, *The Supreme Court and Trademark Law in the New Millennium*, 30 WM. MITCHELL L. REV. 1659, 1697-1700 (2004).

<sup>63</sup> See, e.g., Dinwoodie, *supra* note 62, at 208 (predicting that "the Court will find that the availability of a fair use defense is not conditioned on there being no likelihood of confusion").

<sup>64</sup> See, e.g., Braun, *supra* note 62 (speculating on the dangers of affirming the Ninth Circuit's opinion).

<sup>65</sup> *Id.*

<sup>66</sup> To disprove confusion, a defendant "would have to conduct a survey and/or go to trial to prove an absence of likelihood of confusion." *Id.* This would create suits that are "longer and more costly." *Id.*

<sup>67</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 114 (2004). The Court noted that both used the term "as one word or two, singular or plural." *Id.*

“Micro Colors” written in a small graphic.<sup>68</sup> KP, however, continued to use the word “microcolor” to describe its goods, and, in response to a ten-page advertising brochure put out by KP in 1999, Lasting Impression requested that KP discontinue its use of the term.<sup>69</sup> This led to a lawsuit in which Lasting Impression alleged trademark infringement, among other claims, and KP asserted the statutory fair use defense.<sup>70</sup> The district court granted KP’s motion for summary judgment, finding that KP’s use of “microcolors” was fair, but declined to address the question of whether confusion may result.<sup>71</sup> On appeal, the Ninth Circuit reversed, criticizing the lower court’s failure to address the issue of confusion, and remanded to determine whether a likelihood of confusion existed.<sup>72</sup> The Ninth Circuit also appeared to place the burden of proof as to confusion upon KP.<sup>73</sup> The Supreme Court granted KP’s petition for certiorari to address the disagreement among the circuit courts on the relevance of likely confusion to a fair use defense and to determine which party bears the burden in proving confusion or the absence thereof.<sup>74</sup>

## 2. The Supreme Court’s Decision

Justice Souter delivered the opinion for the unanimous Supreme Court, holding that the party claiming fair use does not bear the burden of negating the likelihood of confusion.<sup>75</sup> This did not come as a surprise, since the Ninth Circuit stood alone in suggesting that the defendant bears that burden.<sup>76</sup> In

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<sup>68</sup> *Id.* at 114-15.

<sup>69</sup> *Id.* at 115.

<sup>70</sup> *Id.*

<sup>71</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression, Inc.*, No. CV-00-00276-GLT (C.D. Cal. May 16, 2001). *Author’s note:* There is some confusion, no pun intended, as to the full name of Lasting Impression. While at the circuit court and Supreme Court levels, they are referred to as “Lasting Impression I, Inc.,” at the district court level, they are referred to as “Lasting Impression, Inc.”

<sup>72</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072-73 (9th Cir. 2003), *vacated*, 543 U.S. 111 (2004).

<sup>73</sup> *Id.* at 1072 (stating that “KP can only benefit from the fair use defense if there is no likelihood of confusion between KP’s use of the term ‘micro color’ and Lasting’s mark”).

<sup>74</sup> *KP Permanent*, 543 U.S. at 116 (granting certiorari “to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim”).

<sup>75</sup> *Id.* at 112 (noting that the Lanham Act “places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement”).

<sup>76</sup> *KP Permanent*, 328 F.3d at 1072.

answering the more important question of the relationship of confusion to the fair use defense,<sup>77</sup> Justice Souter created, ironically enough, greater confusion for lower courts addressing the statutory fair use defense.<sup>78</sup> The Court did make clear that fair use could prevail in the face of confusion but gave no guidance as to just how much confusion would defeat the defense of fair use.<sup>79</sup> In addition, the Court acknowledged that lower courts may consider likelihood of confusion when determining whether a use is fair.<sup>80</sup> It is also worth noting that the Court did not give any indication as to whether its analysis was applicable to nominative fair use.<sup>81</sup> Given this backdrop, the Court left open the door for the circuit courts to create their own balancing tests for determining the success or failure of a fair use defense when faced with a likelihood of confusion.

#### *E. Fair Use in the Post-KP Permanent World*

In the first year after the Supreme Court's decision in *KP Permanent*, only a few courts have addressed fair use claims, and these decisions demonstrate the lack of guidance that the Court's decision provided for the lower courts.<sup>82</sup> While courts currently recognize that the plaintiff bears the burden in proving a likelihood of confusion and that fair use can exist in the face of confusion,<sup>83</sup> the role that confusion plays in a fair use defense, particularly in the nominative fair use context,<sup>84</sup> has left courts without direction.

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<sup>77</sup> *KP Permanent*, 543 U.S. at 120-23.

<sup>78</sup> See discussion *infra* Part I.E.

<sup>79</sup> *KP Permanent*, 543 U.S. at 123 (holding that while "mere risk of confusion will not rule out fair use, we think it would be improvident to go further in this case").

<sup>80</sup> *Id.* at 115 n.3 (refusing to address nominative fair use because it is not "relevant to the question before us").

<sup>81</sup> For one case which discusses the effect of *KP Permanent* on a nominative fair use case, see *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211 (3d Cir. 2005). See also discussion *infra* Part I.E.

<sup>82</sup> This note will discuss three cases which provide particularly good examples of the problems created by the Supreme Court's decision in *KP Permanent*. See discussion *infra* notes 85-107 and accompanying text.

<sup>83</sup> See, e.g., *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 607 (9th Cir. 2005) (recognizing that a defendant raising the fair use defense "has no independent burden to negate the likelihood of any confusion" and that "fair use can occur along with some degree of confusion") (quoting *KP Permanent*, 543 U.S. at 123-24); *New York Mercantile Exch., Inc. v. Intercontinentalexchange, Inc.*, 389 F. Supp. 2d 527, 546 (S.D.N.Y. 2005) (same).

<sup>84</sup> See, e.g., *Century 21*, 425 F.3d at 214 (3d Cir. 2005) (addressing a nominative fair use claim after *KP Permanent* and determining "the extent to which its reasoning applies").

On remand, the Ninth Circuit Court of Appeals reassessed the merits of KP's fair use claim but again denied their motion for summary judgment.<sup>85</sup> Even after the Supreme Court had vacated the Ninth Circuit's decision, the lower court came to the *exact same* conclusion,<sup>86</sup> demonstrating just how much leeway the Supreme Court had left for lower courts to work with. In fact, with regards to how much confusion precludes the fair use defense, the Ninth Circuit expressly recognized that the Supreme Court gave lower courts the authority to determine the relationship between the two.<sup>87</sup> The circuit court then proceeded to address both the likelihood of confusion *and* the fair use defense<sup>88</sup> and found that the jury should consider likelihood of confusion when addressing the fairness of the use.<sup>89</sup> Therefore, the court again concluded that the district court's granting of KP's motion for summary judgment was improper.<sup>90</sup>

The Ninth Circuit's decision creates a great problem for judicial efficiency. Since a plaintiff must prove some material issue of fact as to the likelihood of confusion before a defendant asserts fair use,<sup>91</sup> there will never be an occasion to grant a defendant summary judgment on a fair use claim under this approach. In other words, because a plaintiff has, in theory, already established a genuine issue of material fact as to confusion by the time a defendant asserts fair use, there will *always* be a genuine issue of material fact in a fair use claim.

In another recent case, *New York Mercantile Exchange, Inc. v. Intercontinentalexchange, Inc.*,<sup>92</sup> the Southern District of New York was given the opportunity to offer its interpretation of "classic" fair use after the Supreme Court's decision in *KP Permanent*. That case involved, among many claims,

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<sup>85</sup> *KP Permanent*, 408 F.3d at 609.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 607 (stating that the issue of how much confusion precludes the fair use defense "was left for the consideration of the Ninth Circuit in this case").

<sup>88</sup> *Id.* at 608-09. The court held that "the degree of consumer confusion remains a factor in evaluating fair use." *Id.* at 609.

<sup>89</sup> *Id.* (finding likelihood of confusion "[a]mong the relevant factors for consideration by the jury in determining the fairness of the use").

<sup>90</sup> *Id.* *Author's note*: The district court has yet to hear this case on remand as of the writing of this note.

<sup>91</sup> *See supra* note 41 and accompanying text. *See also* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 120 (2004) (stating that "it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense").

<sup>92</sup> 389 F. Supp. 2d 527 (S.D.N.Y. 2005).

allegations of trademark infringement to which the defendant asserted the classic fair use defense.<sup>93</sup> New York Mercantile Exchange (“NYMEX”), a commodities futures exchange, brought a suit against Intercontinentalexchange (“ICE”), an online competitor, for ICE’s unauthorized use of NYMEX’s service marks.<sup>94</sup> NYMEX asserted that ICE could not claim fair use in the face of confusion, apparently overlooking the Supreme Court’s decision in *KP Permanent*.<sup>95</sup> Oddly enough, NYMEX had never offered *any* evidence to allege actual confusion or even a likelihood of confusion.<sup>96</sup> The court granted ICE’s motion for summary judgment due to the lack of confusion, and never reached the merits of the fair use claim.<sup>97</sup> In any event, this opinion still bears some significance on the state of classic fair use following *KP Permanent*. While the Southern District of New York correctly concluded that fair use could co-exist with confusion, the court seemed to suggest that if a defendant establishes fair use on the merits, any confusion is irrelevant.<sup>98</sup>

Finally, in *Century 21 Real Estate Corporation v. Lendingtree, Inc.*,<sup>99</sup> the Third Circuit Court of Appeals offered its interpretation of the Supreme Court’s decision in *KP Permanent* as it relates to nominative fair use. The Third Circuit adopted an original two-step approach to nominative fair use cases quite similar to the approach followed in the “classic” fair use cases.<sup>100</sup> The first step requires the plaintiff to prove a likelihood of confusion from defendant’s use of the

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<sup>93</sup> *Id.* at 529.

<sup>94</sup> *Id.*

<sup>95</sup> *Id.* at 546 (noting that the cases upon which NYMEX relies “predate . . . the Supreme Court’s decision in *KP Permanent Make-Up*”).

<sup>96</sup> *Id.* (recognizing that “NYMEX has not raised *any* issue of material fact that a likelihood of confusion exists” and “offered no evidence [of] actual customer confusion”) (emphasis added).

<sup>97</sup> *Id.*

<sup>98</sup> See *New York Mercantile Exch.*, 389 F. Supp. 2d at 545 (stating that NYMEX’s assertion that fair use cannot exist in the face of confusion is “wrong as a matter of law”). It is questionable as to how the court would have ruled if faced with evidence of confusion as it did make sure to point out that no confusion was alleged nor did any exist. *Id.* at 546. Nonetheless, the language in this portion of the opinion suggests that the court had no reservations about upholding a use as fair in the face of confusion. *Id.* at 545.

<sup>99</sup> 425 F.3d 211 (3d Cir. 2005).

<sup>100</sup> *Id.* at 222 (“Today we adopt a two-step approach in nominative fair use cases.”).



mark.<sup>101</sup> Once the plaintiff meets this burden, the defendant can assert fair use, which the court analyzes under the three-pronged nominative fair use test.<sup>102</sup> The dissenting judge in this case found the majority's new test to create too heavy a burden on the defendant, as he would likely bear the burden of negating confusion.<sup>103</sup> This opinion also found critics amongst some of intellectual property law's foremost legal scholars.<sup>104</sup> J. Thomas McCarthy, author of one of the leading treatises on trademark law and founder of the McCarthy Institute for Intellectual Property and Technology Law at the University of San Francisco School of Law, commented, "I've spent many decades studying trademark law, and this is one of the most confusing cases I've seen . . . ."<sup>105</sup> Since nominative fair use is entirely judge-made law, these cases provide the sole framework to such claims and bear great significance. The Third Circuit, while well-intentioned, may not have put forth the best approach.

The only other case to address nominative fair use after the Court's decision in *KP Permanent* did not alter the prior nominative fair use test<sup>106</sup> as defined in the Ninth Circuit.<sup>107</sup> All of these cases following *KP Permanent* demonstrate the need for the Court or Congress to clarify the relationship between confusion and fair use in trademark law.

## II. COPYRIGHT AND FAIR USE

Similar to trademark law, courts in copyright cases have historically protected certain unauthorized but fair uses of protected material from claims of infringement.<sup>108</sup> Copyright

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<sup>101</sup> *Id.* While the plaintiff must show a likelihood of confusion, the court suggested altering the traditional test for likelihood of confusion by eliminating certain factors of the test "that do not 'fit' in the nominative use context." *Id.*

<sup>102</sup> *Id.* For the three factors of the nominative fair use test, see *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

<sup>103</sup> *Century 21*, 425 F.3d at 233 (Fisher, J., dissenting) (concluding that the majority's test "places on defendant the burden of negating likely confusion").

<sup>104</sup> See G.M. Filisko, *Trademark Ruling Creates Confusion*, 4-43 ABA JOURNAL E-REPORT 2 (Oct. 21, 2005).

<sup>105</sup> *Id.*

<sup>106</sup> See *Ty, Inc. v. Publ'ns Int'l, Ltd.*, No. 99-C-5565, 2005 WL 464688, at \*6 (N.D. Ill. Feb. 25, 2005) (noting that even after *KP Permanent*, "[t]he *New Kids* test provides sound criteria for assessing when nominative use is fair or unfair, despite a likelihood of confusion among consumers).

<sup>107</sup> See *New Kids on the Block*, 971 F.2d at 308.

<sup>108</sup> For what is regarded as, perhaps, the first discussion of a fair use claim in copyright, see *Folsom v. Marsh*, 9 F. Cas. 342, 344-45 (C.C.D. Mass. 1841) (No. 4,901).

law seeks to protect “original works of authorship” such as a song, a book, or a photograph.<sup>109</sup> The roots of this protection are well-grounded in United States history, as the Constitution empowers Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>110</sup> In order for a work to be protected, it must consist of some amount of originality and creativity.<sup>111</sup> Copyright infringement requires the exact copying of a protected work or proof of substantial similarity and access to the copyrighted work.<sup>112</sup>

The term “fair use” made its first appearance in a copyright opinion in 1869, when an author borrowed material from an earlier publication of a work while scripting a new edition.<sup>113</sup> For over 100 years, the fair use doctrine existed entirely in judge-made law. In the mid-1970s, Congress codified the doctrine of fair use in the Copyright Act of 1976.<sup>114</sup> The Copyright Act permits fair use to operate as an affirmative defense to a claim of infringement if, after looking at four statutory factors and balancing their equities, the court deems the use as fair.<sup>115</sup> The factors to which the court must look are: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used; and (4) the effect of the use on the potential market or value of the copyrighted work.<sup>116</sup> These four factors are not exclusive and often overlap when courts decide whether use is fair. Although there is no prescribed formula to determine fair use, some uses garner a stronger likelihood of success than others in a fair use claim.<sup>117</sup>

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In *Folsom*, an author of a biography on President Washington had borrowed material from an earlier work, mainly letters written by George Washington himself. *Id.* at 343. The court asked “whether this is a justifiable use of the original materials.” *Id.* at 348. In determining whether the use was fair, Justice Story looked 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.” *Id.*

<sup>109</sup> 17 U.S.C. § 102(a) (2000).

<sup>110</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>111</sup> See *Feist Publ'ns, Inc. v. Rural Tel. Serv., Inc.*, 499 U.S. 340, 345 (1991).

<sup>112</sup> *Lipton v. Nature Co.*, 71 F.3d 464, 470-71 (2d Cir. 1995).

<sup>113</sup> *Lawrence v. Dana*, 15 F. Cas. 26, 44 (C.C.D. Mass. 1869) (No. 8,136).

<sup>114</sup> 17 U.S.C. § 107 (2000).

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> See discussion *infra* Part II.A and Part II.B.

### A. *Purpose and Character of Use*

Under the first factor of the fair use test, courts look at the purpose and character of the use.<sup>118</sup> Alleged infringing uses can be divided into two sub-categories: (1) transformative or non-transformative use; and (2) commercial or non-commercial use.<sup>119</sup> Courts generally do not extend the fair use doctrine to commercial, non-transformative uses, because such uses contain no originality and seek to reap where one has not sown.<sup>120</sup> On the other hand, if a non-commercial use significantly transforms a work, courts will generally uphold the use as fair.<sup>121</sup> A more difficult situation arises when use is transformative but commercial, or non-transformative but non-commercial, and courts have faced a significantly greater challenge in determining whether use is fair in these situations.

In *Campbell v. Acuff-Rose Music, Inc.* (“*Acuff-Rose*”), the United States Supreme Court held that although the rap group 2 Live Crew created a parody of Roy Orbison’s “Oh, Pretty Woman” for commercial gain, they had significantly transformed the song, and therefore, fair use could prevail.<sup>122</sup> The holders of the copyright to the famous Roy Orbison song had sued 2 Live Crew, alleging infringement, suggesting that the commercial use of the song constituted a presumptively unfair use of a copyrighted work.<sup>123</sup> Although the Court of Appeals concluded that the fair use defense was barred by the song’s commercial character and excessive borrowing,<sup>124</sup> the Supreme Court reversed with Justice Stevens writing the opinion for a unanimous Court.<sup>125</sup>

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<sup>118</sup> 17 U.S.C. § 107(1) (2000).

<sup>119</sup> See 17 U.S.C. § 107(1) (2000) (assessing “whether such use is of a commercial nature”); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (stating that in assessing the purpose of the use, courts should also consider “whether and to what extent the new work is ‘transformative’”).

<sup>120</sup> See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 (1984) (noting that if an alleged infringer copied a protected work for commercial gain, “such use would presumptively be unfair”).

<sup>121</sup> See *Acuff-Rose*, 510 U.S. at 579 (stating that “the more transformative the new work, the less will be the significance of other factors . . . that may weigh against a finding of fair use”).

<sup>122</sup> *Acuff-Rose*, 510 U.S. at 594.

<sup>123</sup> *Id.* at 572-74.

<sup>124</sup> *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429, 1439 (6th Cir. 1992), *rev’d by*, 510 U.S. 569 (1994).

<sup>125</sup> *Acuff-Rose*, 510 U.S. at 594.

In analyzing the first factor of the fair use defense, Justice Stevens drew implicitly upon free speech principles, ignoring the strong sexual content and illicit language in 2 Live Crew's song.<sup>126</sup> Although the lyrics of 2 Live Crew's song contained "degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility" which would surely make the members of the Court cringe, they nonetheless upheld the use as fair.<sup>127</sup> Warning that "[t]his is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free," Justice Stevens rested the pinnacle of the Court's holding on the transformative character of the use, since 2 Live Crew "departed markedly" from the lyrics in the Roy Orbison classic.<sup>128</sup>

In a similarly murky area of the first factor of the fair use test lies the non-transformative, yet non-commercial use, such as that in *Sony Corporation of America v. Universal City Studios, Inc.* ("Sony"), which involved the introduction of the home videotape recorder in America.<sup>129</sup> In *Sony*, copyright holders in the television industry brought a suit against the manufacturers of home videotape recorders.<sup>130</sup> Since the purchasers of such devices could use them to record protected works, the copyright holders opposed the sale of the devices, alleging infringement, based on the non-transformative use.<sup>131</sup> The Court acknowledged that if consumers used the devices to make a profit, the fair use defense would not apply.<sup>132</sup> The Court, however, characterized the use as non-commercial since most purchasers of the device simply sought to watch their favorite programs at different times.<sup>133</sup> Arguably, the Court could have found the use commercial, but chose instead to focus on the time-shifting,<sup>134</sup> which held no commercial purpose.<sup>135</sup>

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<sup>126</sup> *Id.* at 582 (stating that "[w]hether . . . parody is in good taste or bad does not and should not matter to fair use").

<sup>127</sup> *See id.* at 583.

<sup>128</sup> *Id.* at 589 (stating that "2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends").

<sup>129</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 417 (1984).

<sup>130</sup> *Id.*

<sup>131</sup> *Id.* at 420.

<sup>132</sup> *Id.* at 449 (stating that "to make copies for a commercial or profit-making purpose . . . would presumptively be unfair").

<sup>133</sup> *Id.* (characterizing "time-shifting for private home use . . . as a noncommercial, nonprofit activity").

<sup>134</sup> Time-shifting refers to the idea that users of a home video recording device simply shift the time at which they watch programs. *Id.* at 421.

<sup>135</sup> *See Sony*, 464 U.S. at 449-50.

Both the Court's decision in *Acuff-Rose* and *Sony* demonstrated the complexity in analyzing fair use claims. The Court indicated that they would not create any per se rules for determining whether use is fair.<sup>136</sup> In *Acuff-Rose*, even a commercial use could potentially survive a claim of infringement,<sup>137</sup> while in *Sony*, a non-transformative use had equivalent success.<sup>138</sup>

### B. *The Nature of the Copyrighted Work*

Under the second factor of the fair use test, courts examine the nature of the copyrighted work.<sup>139</sup> Similar to the first factor, courts divide the copyrighted work into two sub-categories: (1) factual or fictional; and (2) published or unpublished.<sup>140</sup> Use of factual, published works, such as the news, garners the strongest likelihood of success on a fair use defense.<sup>141</sup> At the opposite end of the spectrum, use of fictional, published works typically fails on a fair use defense.<sup>142</sup> The question of fair use, however, becomes more difficult when the Court faces factual, yet unpublished accounts.

In *Harper & Row Publishers, Inc. v. Nation Enterprises* ("*Harper & Row*"), authors of the soon-to-be-published memoirs of former President Gerald Ford brought a suit against a magazine that had published portions of the work after receiving an illicit copy from an undisclosed source.<sup>143</sup> Although the District Court rejected the magazine's fair use claim, the

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<sup>136</sup> *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (declaring that fair use "is not to be simplified with bright-line rules"); *Sony*, 464 U.S. at 448 (referring to copyright fair use as an "equitable rule of reason" (citation omitted)).

<sup>137</sup> *Acuff-Rose*, 510 U.S. at 589.

<sup>138</sup> *Sony*, 464 U.S. at 456.

<sup>139</sup> 17 U.S.C. § 107(2) (2000).

<sup>140</sup> *See Stewart v. Abend*, 495 U.S. 207, 237-38 (1990) (recognizing the distinction between factual and fictional works as highly relevant to a fair use analysis); *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985) (noting that whether or not a work is published or unpublished "is a critical element of its 'nature'" (citations omitted)).

<sup>141</sup> *See, e.g., Abend*, 495 U.S. at 237 (stating that "fair use is more likely to be found in factual works than in fictional works").

<sup>142</sup> *See, e.g., Castle Rock Entm't, Inc. v. Carol Publ'g Group, Inc.*, 150 F.3d 132, 143-44 (2d Cir. 1998) (finding that "the scope of fair use is somewhat narrower with respect to fictional works"); *see also Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1376 (2d Cir. 1993) (stating that the second factor "favor[s] . . . creative and fictional work[s]").

<sup>143</sup> *Harper & Row*, 471 U.S. at 542.

Second Circuit upheld the use as fair.<sup>144</sup> Justice O'Connor, writing for the majority, reversed the decision of the Second Circuit.<sup>145</sup> In analyzing the nature of the copyrighted work, Justice O'Connor recognized the additional concerns when considering a fair use claim dealing with unpublished works.<sup>146</sup> In doing so, she acknowledged the value in the exclusive rights a publisher may have prior to publication.<sup>147</sup> Ultimately, the Court found that the magazine's unauthorized and "clandestine" use infringed the copyright owner's interests so much that the Court could not characterize the use as fair.<sup>148</sup>

Again, the Court in *Harper & Row* seemed to focus on the freedom of expression values inherent in copyright law.<sup>149</sup> While the magazine had the right to publish material, such slavish copying was impermissible.<sup>150</sup> In addition, since the original work had yet to be published, the Court implicitly recognized the authors' freedom of expression rights and the infringement that occurs when one "free-rides" on another's original work.<sup>151</sup>

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<sup>144</sup> *Harper & Row Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 208 (2d Cir. 1983), *rev'd by*, 471 U.S. 539 (1985).

<sup>145</sup> *Harper & Row*, 471 U.S. at 569.

<sup>146</sup> *Id.* at 564 (stating that "the scope of fair use is narrower with respect to unpublished works").

<sup>147</sup> *Id.* (noting the importance of "[t]he right of first publication" and "the choices of when, where, and in what form first to publish a work").

<sup>148</sup> *Id.* (denying the fair use defense since the use "so clearly infringes the copyright holder's interests in confidentiality and creative control").

<sup>149</sup> For an example of the freedom of expression values found inherent in the fair use defense to copyright infringement, see *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 95 (2d Cir. 1977) (noting that "[c]onflicts between interests protected by the first amendment and the copyright laws thus far have been resolved by application of the fair use doctrine"). The *Wainwright* court went on further to state that "[w]hat is protected is the manner of expression, the author's analysis or interpretation of events, the way he structures his material and marshals facts, his choice of words, and the emphasis he gives to particular developments." *Id.* at 95-96. See also *Los Angeles News Serv. v. Tullo*, 973 F.2d 791, 795 (9th Cir. 1992) (stating that "First Amendment considerations are relevant in determining whether the purpose of copying a work and the nature of the work copied militate in favor of finding a given use of a particular work to be a 'fair use'").

<sup>150</sup> *Harper & Row*, 471 U.S. at 565 (stating that "the fact that a substantial portion of the infringing work was copied verbatim is evidence of the qualitative value of the copied material").

<sup>151</sup> *Id.* (criticizing "the plagiarist who seeks to profit from marketing someone else's copyrighted expression").

C. *Amount and Substantiality of the Portion Used*

The third factor of the fair use defense to copyright infringement requires the court to analyze the amount and substantiality of the portion used.<sup>152</sup> While again, there are no per se rules as to what constitutes too much copying, the courts generally view this factor as heavily related to the purpose and character of the use.<sup>153</sup> The analysis under the third factor differs amongst parodies, books, and other areas in which one asserts a fair use defense.<sup>154</sup> Even the reproduction of an entire work will not preclude a fair use defense in some situations, such as the time-shifting in *Sony*.<sup>155</sup> Similarly, courts might permit substantial quotations in a book review or a newscast recapping a speech, but not in an exclusive, yet-to-be published work.<sup>156</sup>

In parody, the third factor also implicates the fourth factor,<sup>157</sup> since the borrowing inherent in parody may affect the market or value of the copyrighted work.<sup>158</sup> The Court in *Acuff-Rose* recognized the difficulty posed by parody, because parody must remind the listener or reader of the original in order to succeed.<sup>159</sup> Therefore, although a successful parody appears to patently fail the third factor of the test, if one “depart[s] markedly” and adds other “distinctive sounds,” a court may characterize a parody as a fair use.<sup>160</sup>

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<sup>152</sup> 17 U.S.C. § 107(3) (2000).

<sup>153</sup> See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586-87 (1994) (stating that in analyzing the third factor, “attention turns to the persuasiveness of a parodist’s justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for . . . the extent of permissible copying varies with the purpose and character of the use”).

<sup>154</sup> See *id.* (analyzing the third factor in parody by “turn[ing] to the persuasiveness of a parodist’s justification for the particular copying done). *But cf.* *Harper & Row*, 471 U.S. at 565-66 (analyzing the third factor in both qualitative and quantitative terms in the publishing context).

<sup>155</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449-50 (1984) (noting that the full reproduction of protected works “does not . . . militat[e] against a finding of fair use” when involving non-commercial use).

<sup>156</sup> *Harper & Row*, 471 U.S. at 564 (noting that “substantial quotations might qualify as fair use in a review of a published work or a news account of a speech”).

<sup>157</sup> For a greater discussion of the fourth factor, see discussion *infra* Part II.D.

<sup>158</sup> *Acuff-Rose*, 510 U.S. at 587 (stating that the third factor “reveal[s] the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives”).

<sup>159</sup> *Id.* at 588 (stating that “[p]arody’s humor . . . springs from recognizable allusion to its object through distorted imitation”).

<sup>160</sup> *Id.* at 589.

*D. The Effect of the Use on the Potential Market or Value of the Copyrighted Work*

The final factor of the fair use test in copyright law analyzes the effect of the use on the potential market or value of the copyrighted work.<sup>161</sup> Traditionally, courts have placed the greatest weight on the fourth factor.<sup>162</sup> Courts typically limit fair use to copying which does not significantly affect the market of the copied work.<sup>163</sup> According to the Second Circuit, this fourth factor should strike a balance between the benefits to the public in permitting the use and the personal gains the copyright owner may receive in denying the use.<sup>164</sup> Generally, if an alleged infringing use significantly impacts or “corners” the market, the use will fail the fourth factor.<sup>165</sup>

The facts of *Harper & Row* offered the Court an ideal opportunity to illustrate a use that fails the fourth factor.<sup>166</sup> Following Nation Enterprise’s unauthorized use of Gerald Ford’s soon-to-be published memoirs, Time magazine cancelled its exclusive deal with the publishers and refused to pay the \$12,500 to which the two parties had already agreed upon.<sup>167</sup> Presented with this evidence of the direct effect the infringing use had on the market, the Court stated, “[r]arely will a case of copyright infringement present such clear-cut evidence of

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<sup>161</sup> 17 U.S.C. § 107(4) (2000).

<sup>162</sup> 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][4] (2005) [hereinafter NIMMER ON COPYRIGHT] (stating that the fourth factor often “emerges as the most important, and indeed, central” factor in fair use cases (citations omitted)).

<sup>163</sup> 1 *id.* § 1.10[D] (stating that fair use is limited to “copying by others that does not materially impair the marketability of the work that is copied” (citations omitted)).

<sup>164</sup> *MCA, Inc. v. Wilson*, 677 F.2d 180, 183 (2d Cir. 1981). The *MCA* court also noted that “[t]he less adverse effect that an alleged infringing use has on the copyright owner’s expectation of gain, the less public benefit need be shown to justify the use.” *Id.*

<sup>165</sup> *See, e.g., Iowa State Univ. Research Found., Inc. v. Am. Broad. Co.*, 621 F.2d 57, 62 (1980) (finding with respect to the fourth factor that “ABC did foreclose a significant potential market... monopolized that market... [and] usurped an extremely significant market”).

<sup>166</sup> *See Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 567 (1985).

<sup>167</sup> *Id.*



actual damage.”<sup>168</sup> In denying Nation Enterprise’s fair use defense, the Court relied heavily on this fourth factor.<sup>169</sup>

Although the fair use doctrine requires courts to examine all four factors of the test, courts often imply the potentially dispositive effect of the fourth and final factor, irrespective of the results of the other portions of the test.<sup>170</sup> Courts, however, must still rule on a case-by-case basis and consider all factors.<sup>171</sup> In copyright cases, this test gives courts significant guidance to address fair use claims in various contexts. Trademark law would benefit from similar articulation by the courts.

### III. WHY TRADEMARK LAW CAN BORROW FROM COPYRIGHT LAW

There are distinct differences between what copyright and trademark law actually protect.<sup>172</sup> Similar motivations behind the desire to protect both, however, justify the idea that trademark law can borrow from copyright law. Not only does protection of both of these types of intellectual property seek to curb free-riding,<sup>173</sup> but it also creates economic incentives.<sup>174</sup> In addition, protection attempts to balance the competing public interests in fostering competition with the private interests in

<sup>168</sup> *Id.*

<sup>169</sup> *See id.* at 569 (stating that “a fair use doctrine that permits extensive republication quotations from an unreleased manuscript . . . poses substantial potential for damage to the marketability of first serialization rights in general”).

<sup>170</sup> *See, e.g.,* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984) (stating that in the non-commercial context, fair use will fail if a copyright holder demonstrates that the use “would adversely affect the potential market for the copyrighted work”).

<sup>171</sup> *See, e.g.,* Lish v. Harper’s Magazine Found., 807 F. Supp. 1090, 1110-11 (S.D.N.Y. 1992) (fair use defense failed even though the fourth factor favored the defendant); *see also* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 594 (1994) (while suggesting fair use on the first three factors, the Court remanded to allow the hole in the evidence with respect to the fourth factor to “be plugged on remand”).

<sup>172</sup> Copyright protects the more tangible rights in music, books, and works of art. *See* 17 U.S.C. § 102(a) (2000). Trademark, in contrast, protects the intangible right of goodwill associated with a trademark owner’s product or service. *See* 1 MCCARTHY, *supra* note 3, § 3:2.

<sup>173</sup> *See* Lee B. Burgunder, *Trademark and Copyright: How Intimate Should the Close Association Become?*, 29 SANTA CLARA L. REV. 89, 90 (1989) (stating that intellectual property law is “intended to increase the creative and distributional efficiency of market participants”).

<sup>174</sup> *See* Park ‘N Fly, Inc. v. Dollar Park And Fly, Inc., 469 U.S. 189, 198 (1985) (protecting trademarks “encourages producers to cultivate the goodwill associated with a particular mark”); Stephen B. Thau, *Copyright, Privacy, and Fair Use*, 24 HOFSTRA L. REV. 179, 180 (1995) (protecting copyrights “create[s] economic incentives for creativity”).

protecting an individual's property rights.<sup>175</sup> For example, if an individual is granted no protection for a copyright or a trademark, anyone can simply copy an artistic creation or source-identifying word or symbol and share in the success of its creator or owner. To avoid this free-riding, copyright and trademark law grant certain protections to owners of intellectual property. This, in turn, helps create economic incentives to these owners.<sup>176</sup> The law, however, moves cautiously not to over-protect these property rights, because this could inhibit competition or freedom of expression.<sup>177</sup> Therefore, these protections are not limitless.

By creating the doctrine of fair use, both copyright and trademark law limit their protections to help safeguard other important societal values.<sup>178</sup> Both doctrines of fair use are heavily intertwined with the First Amendment's protection of free speech.<sup>179</sup> Additionally, just as *protecting* intellectual property creates market incentives,<sup>180</sup> *limiting* protection has a similar economic rationale.<sup>181</sup> In copyright law, a significant part of the fair use defense requires courts to examine the effect the alleged infringing use may have on the potential

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<sup>175</sup> See ZOE HILDEN & BRIAN T. JAENICKE, FAIR USE OF TRADEMARKS: A LOOK AT THE *KP PERMANENT MAKE-UP, INC. v. LASTING IMPRESSION I, INC.* AND ITS IMPLICATIONS FOR TRADEMARK RIGHTS AND THE PUBLIC DOMAIN, at 3 (2005) (noting that protecting intellectual property often creates "a struggle between competing public interests – namely, consumer protection and incentives to social progress versus competition and the free flow of information – as well as competing private interests – namely, property rights versus individual free expression").

<sup>176</sup> See *supra* note 174.

<sup>177</sup> See *White v. Samsung Elecs. Am. Corp.*, 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J., dissenting) (stating that "[o]verprotection stifles the very creative forces [intellectual property is] supposed to nurture" (citations omitted)); see also HILDEN & JAENICKE, *supra* note 175, at 1 (recognizing that "intellectual property rights [are] an obstacle to free competition [and] a hindrance to the free flow of information and ideas in the public domain as well as to the individual right to free expression").

<sup>178</sup> See 17 U.S.C. § 107 (2000); 15 U.S.C. § 1115(b)(4) (2000).

<sup>179</sup> See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationale for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 207 (1982) (noting that "extensions of the trademark monopoly must be tempered by the realization that unlimited control over the use of trade symbols will at times interfere with the exercise of basic first amendment rights"); L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1, 36 (1987) (arguing that fair use is "the most important and far reaching" free speech constraint on copyright protection).

<sup>180</sup> See *supra* note 174.

<sup>181</sup> See Thau, *supra* note 174, at 186 (arguing that the Supreme Court stresses economic incentives when assessing fair use in copyright); see also HILDEN & JAENICKE, *supra* note 175, at 7 (recognizing that Congress codified the concept of 'classic fair use' "[a]s a means of avoiding the danger that commonplace phrases might be adopted as marks and become the exclusive property of private owners").

market or value of the copyrighted work.<sup>182</sup> Likewise, in trademark law, fair use allows competitors to use trademarks in good faith in their true descriptive sense to avoid monopolies on descriptive words which inhibit free competition.<sup>183</sup>

This section will further explain the rationales behind intellectual property protection and fair use in order to justify incorporating principles of copyright's fair use test into the realm of trademark fair use. The last part of this section will be devoted to the idea that trademarks, while designed to identify source, have begun to do work they were not originally meant to do.<sup>184</sup> For example, while at one time, a trademark was stitched on the inside of a shirt collar, trademarks are now often found as a part of the shirt itself, such as the Lacoste crocodile,<sup>185</sup> and consumers desire a visible trademark as a sign of status or style.<sup>186</sup> Although trademarks have traditionally been considered a quasi-property right, and not a tangible property right such as a copyright, these shifts might warrant reconsideration of the protections of trademark law.<sup>187</sup>

#### A. *Why Does the Law Protect Copyrights and Trademarks?*

The protection of copyrights and trademarks serves three main purposes: (1) to prohibit free-riding;<sup>188</sup> (2) to create economic incentives;<sup>189</sup> and (3) to balance the competing public

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<sup>182</sup> See 17 U.S.C. § 107(4) (2000); see also *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985) (stating that effect on the potential market is "undoubtedly the single most important element of fair use").

<sup>183</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>184</sup> See generally, Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960 (1993).

<sup>185</sup> Most people immediately recognize a Lacoste shirt by the crocodile which adorns the outside of the item. For further illustrations, see the Lacoste website, <http://www.lacoste.com> (last visited Jan. 28, 2006).

<sup>186</sup> See Kozinski, *supra* note 184, at 961 (recognizing the "growing tendency to use trademarks . . . to enhance or adorn [products], even to create new commodities altogether").

<sup>187</sup> *Id.* at 966 (arguing that this change should be confronted by amending the Lanham Act).

<sup>188</sup> See Burgunder, *supra* note 173, at 90 (stating that intellectual property law is "intended to increase the creative and distributional efficiency of market participants").

<sup>189</sup> See *Park 'N Fly, Inc. v. Dollar Park And Fly, Inc.*, 469 U.S. 189, 198 (1985) (protecting trademarks "encourages producers to cultivate the goodwill associated with a particular mark"); see also Thau, *supra* note 174, at 180 (protecting copyrights "create[s] economic incentives for creativity").

and private interests inherent in both.<sup>190</sup> In 1946, Congress enacted the Lanham Act<sup>191</sup> “to secure to the owner of [a trademark] the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.”<sup>192</sup> Although state protections existed previously,<sup>193</sup> Congress felt that national protection was warranted to foster competition and ensure product quality by securing trademark holders with the benefits of a good reputation.<sup>194</sup> At the most basic level, these protections discouraged free-riders.<sup>195</sup> Without these protections, individuals could capitalize on their competitors’ previously established goodwill. For example, if a particular brand of shirt became popular, a competitor could simply attach that name to his shirts and instantly create a market for his goods. These protections also created an economic incentive for a trademark owner to establish a strong trade reputation and economic efficiency for consumers who can easily identify quality through the use of trademarks.<sup>196</sup> Trademark law, however, must avoid overprotection which might limit freedom of speech or hinder competition.<sup>197</sup> Generally speaking, the law disfavors monopolies, and if protection is absolute, competition or free speech can suffer.<sup>198</sup>

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<sup>190</sup> See HILDEN & JAENICKE, *supra* note 175, at 3 (noting that protecting intellectual property often creates “a struggle between competing public interests – namely, consumer protection and incentives to social progress versus competition and the free flow of information – as well as competing private interests – namely, property rights versus individual free expression”).

<sup>191</sup> 15 U.S.C. §§ 1051-1141n (2000).

<sup>192</sup> *Park ‘N Fly*, 469 U.S. at 198 (citing S. REP. NO. 1333, 79th Cong. 2d Sess., at 3, 5 (1946)).

<sup>193</sup> See Federal Trademark Act of 1905, 33 Stat. 724 (trademark protection was a matter of state concern governed by the common law).

<sup>194</sup> *Park ‘N Fly*, 469 U.S. at 198 (citing S. REP. NO. 1333, 79th Cong. 2d Sess., at 4 (1946)).

<sup>195</sup> See 1 MCCARTHY, *supra* note 3, § 2:1 (stating that trademark is, in part, based on “the plaintiff’s interest in not having the fruit of his labor misappropriated”).

<sup>196</sup> See *Park ‘N Fly*, 469 U.S. at 198 (protecting a trademark “encourages producers to cultivate the goodwill associated with a particular mark”); see also William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 267 (1988) (concluding that “trademark law . . . can best be explained on the hypothesis that the law is trying to promote economic efficiency”).

<sup>197</sup> See *supra* note 190; see also 1 MCCARTHY, *supra* note 3, § 2:1 (noting that trademark protection “has traditionally been a battleground for competing policies”).

<sup>198</sup> See, e.g., *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1343 (C.C.P.A. 1982) (stating that “[o]ne who seeks to register (or protect) a product or container configuration as a trademark must demonstrate that its design is ‘nonfunctional’”); see also *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Group*, 886 F.2d 490, 494 (2d Cir. 1989) (construing the Lanham Act narrowly when the First Amendment is implicated).

Although copyright law protects a different type of property, namely creative works such as songs or books,<sup>199</sup> the principles behind protection are not all that different from those of trademark law. Copyright law also seeks to curb free-riding “by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>200</sup> In doing so, copyright law creates strong economic incentives to create original works by granting authors a bundle of rights.<sup>201</sup> Again, similar to trademark law, copyright law’s protections are not limitless and sometimes yield to the protections of the First Amendment.<sup>202</sup>

*B. Why Does the Law Limit Copyright and Trademark Protection by Fair Use?*

Both copyright and trademark law limit protections through their respective doctrines of fair use.<sup>203</sup> In permitting some unauthorized, but fair uses, both areas of intellectual property law use similar economic efficiency<sup>204</sup> and free speech rationales<sup>205</sup> to justify borrowing. In trademark law, when a court determines that an alleged infringing use is fair, they are, in essence, telling the mark owner that this infringement will not cause unwarranted confusion and that barring the use would foster unfair competition and hinder free speech.<sup>206</sup> Similarly, in copyright law, when a court determines that an alleged infringing use is fair, they are telling the copyright holder that the use furthers innovation as it does not intrude

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<sup>199</sup> 17 U.S.C. § 102(a) (2000).

<sup>200</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>201</sup> See 17 U.S.C. § 106(1)-(3) (2000) (granting copyright holders the right to reproduce their works, to prepare derivative works, and to distribute copies).

<sup>202</sup> See Patterson, *supra* note 179, at 4 (arguing that “the copyright clause limits the power of Congress to grant copyright because it embodies free speech constraints”).

<sup>203</sup> See 17 U.S.C. § 107 (2000); 15 U.S.C. § 1115(b)(4) (2000).

<sup>204</sup> See Thau, *supra* note 174, at 186 (arguing that the Supreme Court stresses economic incentives when assessing fair use in copyright); see also HILDEN & JAENICKE, *supra* note 175, at 7 (noting that Congress codified the concept of ‘classic fair use’ “[a]s a means of avoiding the danger that commonplace phrases might be adopted as marks and become the exclusive property of private owners”).

<sup>205</sup> See Denicola, *supra* note 179, at 207 (noting that “extensions of the trademark monopoly must be tempered by the realization that unlimited control over the use of trade symbols will at times interfere with the exercise of basic first amendment rights”); Patterson, *supra* note 179, at 36 (arguing that fair use is “the most important and far reaching” free speech constraint on copyright protection).

<sup>206</sup> See discussion *infra* notes 208-14 and accompanying text.

too far into the original work and that barring the use would again hinder free speech and have adverse economic effects.<sup>207</sup>

In permitting fair use of another's trademark, the Lanham Act seeks to prohibit a trademark owner from having the exclusive right in a descriptive term which others may use to describe their goods.<sup>208</sup> The Supreme Court has long since acknowledged that an "absolute prohibition" against using another's trademark would result in undesirable overprotection.<sup>209</sup> The statutory fair use defense recognizes that the public should retain rights in the use of language.<sup>210</sup> The law seeks to carefully balance the monopoly created by trademark protection with the protections of the First Amendment.<sup>211</sup>

That is not to say, however, that the protections of the First Amendment alone justify a fair use defense.<sup>212</sup> While trademark fair use certainly intertwines freedom of speech concerns, a trademark owner's rights need not *always* cease at the door of the First Amendment.<sup>213</sup> On the other hand, certain situations in trademark law directly implicate the First Amendment.<sup>214</sup> It is behind these driving principles that fair use in trademark exists.

Fair use in copyright was derived upon similar principles, although its history runs much deeper. Upon drafting § 107 of the Copyright Act of 1976, Congress

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<sup>207</sup> See discussion *infra* notes 215-26 and accompanying text.

<sup>208</sup> *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980) (stating that fair use "forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods").

<sup>209</sup> *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559 (1908) (noting that such a restriction "would carry trademarks too far").

<sup>210</sup> *Park 'N Fly, Inc. v. Dollar Park And Fly, Inc.*, 469 U.S. 189, 215 (1985) (Stevens, J., dissenting) (declaring that "[l]anguage, even in a commercial context, properly belongs to the public" (citations omitted)).

<sup>211</sup> *Denicola*, *supra* note 179, at 207 (stating that "extensions of the trademark monopoly must be tempered by the realization that unlimited control over the use of trade symbols will at times interfere with the exercise of basic first amendment rights").

<sup>212</sup> See *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402 (8th Cir. 1987) (stating that "the protection afforded by the First Amendment does not give [an alleged infringer] license to infringe [trademark] rights").

<sup>213</sup> *Id.* (explaining that trademark rights need not "yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist" (quoting *Lloyd Corp. v. Tanner*, 407 U.S. 551, 567 (1972))).

<sup>214</sup> *Denicola*, *supra* note 179, at 207 (stating that "[w]hen the trademark is utilized as a vehicle for the communication of ideas . . . constitutional interests can no longer be ignored").

recognized the judicial doctrine of fair use as “one of the most important and well-established limitations on the exclusive right of copyright owners” and “an equitable rule of reason.”<sup>215</sup> Courts have acknowledged this principle since as early as the nineteenth century when Justice Story declared that “[e]very book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.”<sup>216</sup> In codifying these longstanding principles, Congress effectively protected an individual’s rights to free expression with limitations.

The Supreme Court, in its application of the fair use test, has often evoked principles of free speech.<sup>217</sup> Under the first factor of the fair use test,<sup>218</sup> courts are typically more likely to protect transformative uses, which both foster creativity while at the same time protect free speech.<sup>219</sup> As the Court has recently noted, copyright law must balance the different interests at stake such as promoting creativity while still protecting copyright holders’ rights.<sup>220</sup>

Copyright fair use also examines the market effects infringement may have,<sup>221</sup> as the fourth factor of the test requires courts to look at the effect of the use upon the potential market for or value of the copyrighted work.<sup>222</sup> The first and second factors of the test also implicate these concerns.<sup>223</sup> The analysis of the purpose and character of the use looks at whether a use is commercial or non-commercial,<sup>224</sup>

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<sup>215</sup> H.R. REP. NO. 94-1476, at 65 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5678-79.

<sup>216</sup> *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D. Mass. 1845) (No. 4,436).

<sup>217</sup> *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 582 (1994) (declaring that “[w]hether . . . parody is in good taste or bad does not and should not matter to fair use”).

<sup>218</sup> 17 U.S.C. § 107(1) (2000).

<sup>219</sup> *See* discussion *supra* Part II.A.

<sup>220</sup> *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2775 (2005) (describing copyright claims as “an exercise in managing the trade-off” between “the respective values of supporting creative pursuits through copyright protection and promoting innovation . . . by limiting the incidence of liability for copyright infringement”).

<sup>221</sup> *See* Thau, *supra* note 174, at 186 (suggesting that many of the Supreme Court’s recent copyright decisions involving fair use “turned on the role that fair use would play in copyright’s scheme of economic incentives”).

<sup>222</sup> 17 U.S.C. § 107(4) (2000).

<sup>223</sup> *See id.* § 107(1)-(2).

<sup>224</sup> *See* *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449 (1984) (stating that “to make copies for a commercial or profit-making purpose . . . would presumptively be unfair”).

and the nature of the copyrighted work considers whether the work is published or unpublished.<sup>225</sup>

Similar to the goals of trademark fair use, copyright fair use balances the interests at stake to determine when infringement is improper.<sup>226</sup> Therefore, it would make sense to examine copyright law when considering how to better analyze trademark fair use claims.

C. *The Expansion of Trademarks Beyond Source Identification*

Traditionally, trademarks serve primarily source-identifying functions.<sup>227</sup> More recently, however, societal trends have altered the landscape of trademark usage and provided an additional reason for reconsidering the limitations on trademark protection.<sup>228</sup> In today's society, trademarks not only indicate source, but are also a desirable part of the product itself.<sup>229</sup> For example, some consumers purchase clothing, hats, and bumper stickers to show allegiance to a particular sports team, and the team's trademark is not a source-identifier at all.<sup>230</sup> Trademarks can also represent status or fashion. Many clothing companies put their trademarks in highly visible places as a selling point for their merchandise. For example, Tommy Hilfiger emblazons their trademark on the outside of almost every item of clothing they sell. The trademark can even become the product itself, such as a rapper wearing a gold Mercedes-Benz hood ornament around his neck. Online retailers sometimes use a competitor's trademark to generate search engine results or even to trigger

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<sup>225</sup> See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 564 (1985) (acknowledging the value in “[t]he right of first publication” and “the choices of when, where, and in what form first to publish a work”).

<sup>226</sup> See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2775 (2005).

<sup>227</sup> See 1 MCCARTHY, *supra* note 3, § 3:2.

<sup>228</sup> See Kozinski, *supra* note 184, at 962-63 (arguing that these new trends “raise[] questions about whether – and to what extent – the law should protect trademarks”).

<sup>229</sup> See Kozinski, *supra* note 184, at 961 (recognizing the “growing tendency to use trademarks . . . to enhance or adorn [products], even to create new commodities altogether”).

<sup>230</sup> When one buys a New York Yankees t-shirt from a vendor in the parking lot at Yankee stadium, it is highly doubtful that he thinks the New York Yankees organization endorses this sale.



pop-up advertisements.<sup>231</sup> As the role of trademarks expands, the law should consider what, of these new roles, trademark legislation should protect, and how to effectuate any potential changes. In the realm of fair use, trademark will benefit by expanding the current test and incorporating analogous aspects of copyright fair use and its considerably more comprehensive test.

#### IV. INCORPORATING COPYRIGHT FAIR USE INTO TRADEMARK FAIR USE

Given the changing landscape of trademarks<sup>232</sup> as well as the confusion following the Supreme Court's take on fair use in *KP Permanent*,<sup>233</sup> courts must facilitate a better approach to assessing trademark fair use. Due to the similarities to copyright law, trademark law would benefit from looking to copyright's fair use test, which courts have applied more consistently. Copyright fair use applies a significantly more comprehensive test to ascertain whether or not a use is fair.<sup>234</sup> If the factors of that test are analogized to the areas of trademark law which they most resemble, trademark law, too, will have similar consistency in the courts. While a copyright fair use claim involves a careful analysis of the original work, the alleged infringing use, and the market effects,<sup>235</sup> the Lanham Act only requires an analysis of the alleged infringing use to determine if the use is fair.<sup>236</sup> In *KP Permanent*, the Court suggested that if the alleged infringing use met the elements of the fair use defense, the defense could succeed even when there is consumer confusion.<sup>237</sup> Although the Court indicated that some level of confusion might defeat the fair use

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<sup>231</sup> See *1-800 Contacts, Inc. v. Whenu.com, Inc.*, 414 F.3d 400, 403 (2d Cir. 2005) (holding that a search engine's use of a trademark to trigger advertising does not qualify as "use" of the mark under Lanham Act); *but cf. Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) (reaching the opposite conclusion).

<sup>232</sup> See discussion *supra* Part III.C.

<sup>233</sup> See discussion *supra* Part I.E.

<sup>234</sup> In addition to the four factor test, the Court has also noted that additional factors can be considered. See *Harper & Row v. Nation Enters.*, 471 U.S. 539, 588 (1985) (Brennan, J., dissenting) (stating that the four statutory factors "are not necessarily the exclusive determinants of the fair use inquiry and do not mechanistically resolve fair use issues").

<sup>235</sup> See 17 U.S.C. § 107 (2000).

<sup>236</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>237</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121 (2004).

defense, they gave no suggestion as to how lower courts can come to this conclusion.<sup>238</sup> By failing to give any guidance, the Court ignored one of the pinnacle justifications behind trademark protection: avoiding marketplace confusion.<sup>239</sup>

In “classic” fair use claims, courts should consider more than just the nature of the alleged infringing use to better determine how much confusion would bar the defense. As it currently stands, the Lanham Act only requires that courts determine if the trademark is used descriptively, not as a trademark, fairly, and in good faith.<sup>240</sup> In reviewing these considerations, courts, in actuality, only assess the alleged infringer’s conduct and use.<sup>241</sup> This is similar to the first factor of copyright fair use, which looks at the purpose and character of the use.<sup>242</sup> One can only imagine what would become of copyright fair use if it only considered the first factor of the four factor test required by statute.<sup>243</sup>

Trademark law also touches on the third factor of the copyright test which assesses the amount and substantiality of the portion used.<sup>244</sup> What the trademark test fails to consider, however, is a trademark owner’s rights, his use of the trademark, and how the alleged infringing use may affect the market. One of the most important considerations in copyright fair use is the fourth factor of the test which assesses the potential economic effects of the alleged infringing use.<sup>245</sup> In fact, both copyright and trademark fair use were constructed around goals of economic efficiency.<sup>246</sup> Without reviewing the trademark itself, its owner’s rights, and the economic effects in permitting or denying a defendant’s alleged infringing use, courts will ignore the primary concerns in creating the fair use defense in the first place.

Courts hearing trademark cases should consider both parties’ use of the trademark as well as the respective markets

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<sup>238</sup> *Id.*

<sup>239</sup> See 15 U.S.C. § 1114(1)(a) (2000).

<sup>240</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>241</sup> See *id.* The considerations of the Lanham Act address only how the alleged infringer uses the trademark.

<sup>242</sup> See 17 U.S.C. § 107(1) (2000).

<sup>243</sup> See 17 U.S.C. § 107 (2000).

<sup>244</sup> See *id.* § 107(3).

<sup>245</sup> See *id.* § 107(4); see also 4 NIMMER ON COPYRIGHT, *supra* note 162, § 13.05[A][4] (stating that the fourth factor often “emerges as the most important, and indeed, central” factor in fair use cases (citations omitted)).

<sup>246</sup> See discussion *supra* Part III.B.

in which they sell their products, just as courts hearing copyright cases consider the nature of the copyrighted work as well as economic effects in permitting or denying fair use. In looking at the plaintiff's use of the trademark, the analysis should not be all that different from a typical likelihood of confusion analysis.<sup>247</sup> Courts, however, should reexamine the likelihood of confusion in light of the fair use claim which may alter their conclusions. Courts can look at the strength of the plaintiff's trademark as well as when it was registered juxtaposed to the defendant's use of the trademark. A plaintiff who has had its trademark federally registered and in use for over ten years before a defendant incorporated the words into its advertisement should find itself in a much better position than a plaintiff who has just recently registered a trademark years after a defendant began using the words to market its product.<sup>248</sup> These two different scenarios would create entirely different economic effects, and if trademark fair use is based, in part, around such concerns, these types of facts must be considered. Economic effects cannot be properly addressed by simply analyzing a defendant's use and bad faith. Copyright law reviews the plaintiff's work, and in doing so, properly addresses economic issues. There is no reason trademark law should not follow that model for success.

Trademark law could also subdivide the factors of its test to achieve more equitable results. In copyright law, certain uses will garner a stronger likelihood of success, such as transformative, non-commercial uses.<sup>249</sup> In trademark law, the Lanham Act does consider the transformative nature of the use by considering whether the alleged infringer uses the trademark descriptively and not as a trademark.<sup>250</sup> The statute, however, does not require that courts assess whether the use is commercial or non-commercial.<sup>251</sup> Trademark law can incorporate this inquiry by examining the relatedness of the goods or services between plaintiffs and defendants. Although courts hearing trademark cases already consider this factor when evaluating the likelihood of confusion, they should

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<sup>247</sup> See *supra* note 32.

<sup>248</sup> The latter situation is not all that different from the facts of *KP Permanent*, in which KP had used the words prior to Lasting Impression's registration. See *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 114 (2004).

<sup>249</sup> See discussion *supra* Part II.A.

<sup>250</sup> See 15 U.S.C. § 1115(b)(4) (2000).

<sup>251</sup> See *id.*

revisit the issue when assessing fair use. For example, a defendant may use another's trademark in the sale of goods, which is unquestionably a commercial use. If the defendant sells breakfast cereal, however, and the plaintiff manufactures automobiles, the use might not be considered commercial as it relates to the plaintiff's business. This additional consideration will speak to economic repercussions as well, since an automobile manufacturer can hardly claim that a cereal maker has adversely affected his business. Similar to copyright law, this additional consideration is not dispositive but simply assists courts in evaluating fair use claims.

The dilution of trademarks should also be considered in the post-*KP Permanent* world as it applies to fair use.<sup>252</sup> Dilution occurs when a famous mark is misappropriated in a way that causes it to lose its distinctive value in the marketplace.<sup>253</sup> Since the Lanham Act requires a distinctive trademark as opposed to a descriptive one to generate a claim of dilution,<sup>254</sup> dilution is not applicable to statutory fair use, but often appears in nominative fair use claims. Some judges have already begun to blend copyright law with trademark law in dilution claims to achieve more equitable results.<sup>255</sup> When Mattel, makers of Barbie, brought a suit against the record companies who produced, marketed, and sold *Barbie Girl*, a song which poked fun at Barbie, Judge Kozinski of the Ninth Circuit Court of Appeals upheld the defendant's use under the nominative fair use doctrine, but in doing so, cited to a copyright case.<sup>256</sup> Perhaps Judge Kozinski's opinion foreshadows the future of fair use in trademark law. In the area of nominative fair use, particularly parody, courts must look outside trademark law to find answers. A trademark in parody does not identify source at all, but rather calls the consumer's attention to the parody through the use of a trademark.<sup>257</sup> Since copyright fair use has successfully and

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<sup>252</sup> See HILDEN & JAENICKE, *supra* note 175, at 22 (recognizing that "[i]t remains to be seen what diluting uses will nonetheless be deemed to be fair in the name of fostering free expression").

<sup>253</sup> See 15 U.S.C. § 1125(c) (2000).

<sup>254</sup> *Id.*

<sup>255</sup> See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 901 (9th Cir. 2002).

<sup>256</sup> See *id.* at 901 (stating that "[t]he song does not rely on the Barbie mark to poke fun at another subject but targets Barbie herself") (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 580 (1994) and *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1400 (9th Cir. 1997)).

<sup>257</sup> *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989) (explaining that "the keystone of parody is imitation").

consistently addressed parody,<sup>258</sup> those cases can provide courts hearing trademark cases with guidance when handling nominative fair use claims.<sup>259</sup>

## V. CONCLUSION

Although some readers might criticize this “incorporation,” this Note does not purport to suggest a merging of copyright and trademark law but rather a consideration of copyright fair use to better facilitate consistent applications of fair use in trademark. The Supreme Court has already rejected a merging of the two areas of intellectual property,<sup>260</sup> but the type of incorporation proposed in this Note is of an entirely different nature. The suggestions of this Note are highly significant in assessing fair use in trademark and upholding the general policies behind intellectual property protection. Although some of this Note’s proposed fair use factors must be proven by the plaintiff, that does not mean that they are not relevant to a court’s inquiry into a fair use claim. Trademark law is based upon multiple policy concerns, and in order to properly address both traditional and new issues that arise with respect to trademark infringement, courts must balance all the interests at stake.<sup>261</sup> As copyright law has similar interests at stake,<sup>262</sup> the adoption of the analogous factors from copyright fair use into trademark law is a natural progression which will benefit the courts as well as both present and future litigants.

Both copyright and trademark law have recognized infringing yet fair uses for years, but there are distinct differences in how the courts have interpreted these two doctrines of fair use. Copyright fair use requires a thorough analysis and considers both the original and infringing work as well as the economic repercussions. The trademark test for fair

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<sup>258</sup> See *Acuff-Rose*, 510 U.S. at 569.

<sup>259</sup> See generally Gary Myers, *Trademark Parody: Lessons from the Copyright Decision in Campbell v. Acuff-Rose Music, Inc.*, 59 LAW & CONTEMP. PROBS. 181, 210-11 (1996).

<sup>260</sup> See *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). In *Dastar*, the plaintiff tried to use the Lanham Act to grant relief in what was essentially a copyright claim, but the work was in the public domain, and no longer protected by a copyright. *Id.* at 31. The Court denied the plaintiff’s attempt at relief. *Id.* at 38.

<sup>261</sup> See Kozinski, *supra* note 184, at 977 (properly analyzing trademark rights “requir[es] one to balance interests that point in different directions”).

<sup>262</sup> See discussion *supra* Part III.

use involves a much simpler inquiry focusing only on the infringing use. Copyright protection, however, has deeper historical roots than trademark, and courts have had more experience in handling copyright fair use claims. As technology blossoms and trademarks flourish, predictability in litigation becomes a necessity to business owners. The state of the law will affect business owners not just in litigation but also in their selection and use of trademarks. Trademark law as it currently stands does not delineate the factors of a fair use claim clearly enough to aid potential litigants. Since both copyright and trademark law share similar goals, it would follow naturally to allow trademark fair use claims to borrow from the principles of copyright fair use and create a clearer, more efficient test. Without better guidelines, both the courts and potential litigants will be wary of how to proceed. By incorporating principles of fair use in copyright, trademark can achieve its ultimate goal of avoiding confusion both in the marketplace as well as within the judicial system.

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