Trademark News from the US Supreme Court

Perspectives from in-house and outside counsel based in the US

Bruce Longbottom, Eli Lilly and Company
Megan K. Bannigan, Debevoise & Plimpton LLP

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Debevoise & Plimpton

Lilly

Two Significant U.S. Supreme Court Decisions

Jack Daniels v. VIP Products June 8, 2023

Abitron Austria v. Hetronic Germany June 29, 2023

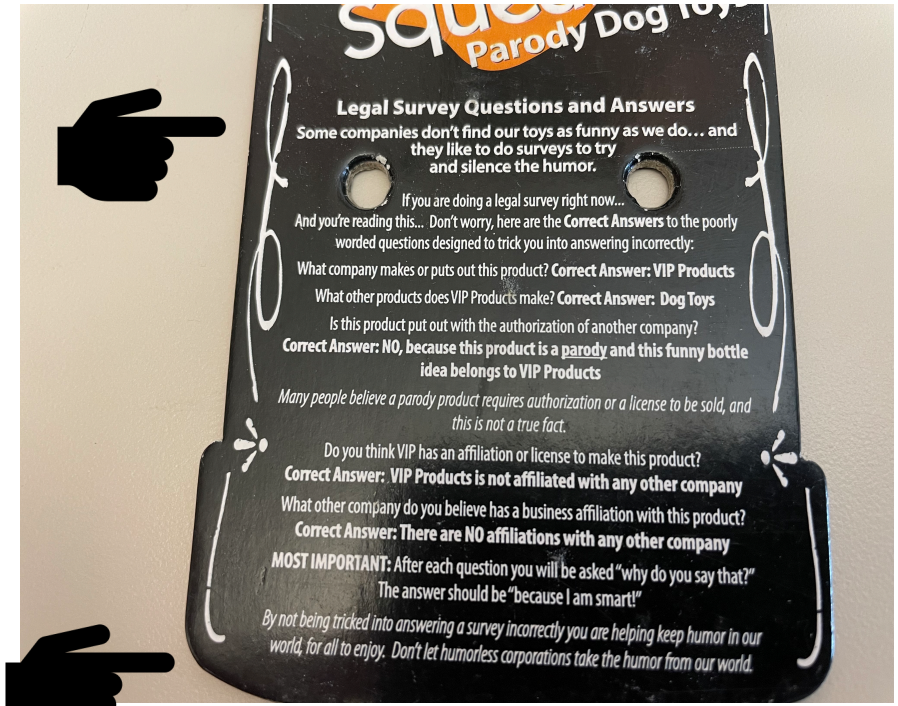
For each case, we will look at:

- What did the Court decide?
- How do these rulings impact pharmaceutical trademarks?

The Case: Trademarks vs. Free Expression

- VIP Products created a dog toy that looks like the Jack Daniels whiskey bottle
- Jack Daniels sued VIP for trademark infringement & dilution
- VIP claimed **parody**, thus fair use

VIP's hang tags



First Amendment to U.S. Constitution

- **Congress shall make no law** respecting an establishment of religion, or prohibiting the free exercise thereof; **or abridging the freedom of speech**, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

Free speech and trademarks

- ***Rogers*** *vs. Grimaldi* (875 F.2d 994 (2d Cir 1989) said expressive works are protected from TM claims unless: (1) the mark has no artistic relevance to the underlying work, or (2) the mark explicitly misleads as to source or content of the work. "Ginger and Fred" film title.
- A **threshold test** to protect expressive works (and First Amendment rights) from TM claims.

What did the Court decide?

- Threshold test under *Rogers* does not apply because VIP Products had claimed trademark and trade dress rights in “Bad Spaniels” and in the bottle appearance for its durable rubber squeaky novelty dog toy.
- Because VIP Products claimed Bad Spaniels and the dog toy appearance as their trademarks, the Court had a relatively easy answer. If you claim the parody as a trademark, you must play by the trademark rules (and not claim First Amendment/free speech).

Primary mission of Trademark Law

- Trademark law's primary mission is **to protect consumers against confusion as to the source of a product or service.**
- Consumer confusion is most likely to occur when someone uses another party's trademark **as a trademark (i.e., as a source identifier).**
- Here, VIP conceded that the Bad Spaniels trademark and trade dress (appearance of the dog toy) were source identifiers for VIP.
- As a result, the Court found that the *Rogers* test interpreting the First Amendment should not have been applied as a pre-test, and that **the likelihood of confusion analysis under trademark law would be sufficient to protect any First Amendment interest in free expression.**

Does the Rogers test still apply?

- The Rogers test has been applied to give heightened protection for uses of trademarks when those marks are not identifying the source of goods/services, such as in a movie title (as in the Rogers case itself) or in song lyrics (like in the "Barbie Girl" song case, *Mattel, Inc. v. MCA Record, Inc.*, 296 F. 3d 894 (9th Cir. 2002)).
- The Rogers test did not apply to the name of a political organization (citing the *United We Stand* case, 128 F.3d 86 (2d Cir. 1997)), or when the name of a repair shop contained elements of parody (citing *Harley-Davidson, Inc. v. Grottanelli*, 164 F. 3d 806 (2d Cir. 1999)).
- In dicta the Court said, "the Rogers test has applied only to cases . . . in which 'the defendant has used the mark' at issue in a 'non-source-identifying way.'"

Parody of Pharma Companies

- Are pharmaceutical companies ever the subject of parody?
- Lilly was victimized in November 2022

The consequences of “parody”

According to the Tweeter: “I threw the word parody into the bio, in complete compliance with Twitter’s rules around parody. And wrote out a tweet so absurd that no pharmaceutical company would ever actually tweet. … There were thousands of retweets. Twitter changed their parody policy. The account was suspended. And the real Eli Lilly responded.”

How does ruling impact Pharma TMs?

- The Rogers test had previously made it VERY DIFFICULT for a trademark owner to prevail against a parody defense.
- This *Jack Daniels* ruling now permits pharma companies to more readily take action when their trademarks (or close approximations) are used to identify source, even in the context of parody or criticism.
- The Tweeter's tweet using the "EliLillyandCo" account name could be viewed as commercial because his conduct indicated that he was offering Lilly's products/services (even if he in fact was not).
- Also, the Tweeter was connected to the organization More Perfect Union, whose business is to spread its message and garner support and donations.

How to respond to a parody (or not)

- Remember the *Miranda* warning given to criminal suspects: **You have the right to remain silent. Anything you say can be used against you in court.**
- Any response to alleged parody can be used against you **in the court of social media (and public opinion)**.
- Any response could also generate additional attention to the alleged parody.
- U.S. polling data from August 21, 2023:
  - About Eight In Ten Across Parties Say Drug Company Profits Are A Major Contributing Factor To Prescription Drug Costs
  - Majorities Across Parties Say There Is Not Enough Government Regulation When It Comes To Limiting The Price Of Prescription Drugs

Unanswered Questions

- If a movie title is protected expression under *Rogers*, what about **merchandise** from that movie?
- Disney's Toy Story 3 and "Lots-O-Huggin'" stuffed bear toy closely resembles a prior "Lots of Hugs" stuffed bear toy
- If no *Rogers* protection, then is it likely to cause confusion as to source? Likely to harm the reputation of a famous mark?

My thoughts

- Not all parodies are the same. The question is whether the parody constitutes (1) an editorial or artistic use of the plaintiff's mark, or (2) a commercial use of the plaintiff's mark.
- **Editorial or artistic examples** include trademarks being use as a movie title (Fred and Ginger) or a song title (Barbie) or space defense system name (Star Wars). In those cases, the mark was used to convey a message.
- **Commercial examples** include trademarks being used as the name of a political organization (United We Stand America) or motorcycle repair shop (Harley-Davidson's bar-and-shield logo). In those cases, the mark was used to identify the source of a product or service.
- Still need to establish infringement or dilution. But clearing the *Rogers* threshold greatly enhances leverage for trademark owners! ☺

Outside Counsel Perspective: What is a source-indicator?

***Tommy Hilfiger v. Nature Labs* (S.D.N.Y. 2002)**

***Louis Vuitton v. My Other Bag* (S.D.N.Y. 2016)**

***Vans v. MSCHF* (E.D.N.Y. and 2d Cir. 2022)**

The 2nd U.S. Supreme Court Decision

Abitron Austria GmbH v. Hetronic Germany GmbH,

600 U.S. 412 (June 29, 2023)

Extraterritorial Reach of U.S. Trademark Laws

Abitron Austria GmbH v. Hetronic Germany GmbH

How did we get here?

Steele v. Bulova Watch Co., 344 U.S. 280 (1952)

"Vintage Bulova Manual Wind Men's Watch, Swiss-Made" by France1978 is licensed under CC BY-SA 2.0.

- **Holding:** Finding the Lanham Act applied extraterritorially where Defendant was a U.S. citizen and there was a substantial effect on commerce.
- Following *Steele*, several courts developed multi-part tests to determine whether the Lanham Act applied extraterritorially in certain contexts.

Circuit Split

***Vanity Fair* Test** (2d Cir., 4th Cir., 5th Cir.)	***Timberlane* test** (9th Cir.)	***McBee* Test** (1st Cir.)
• (1) **Substantial effect** on U.S. commerce; • (2) Whether the defendant is a United States citizen; and • (3) Whether there is a conflict with trademark rights established under the relevant foreign law.	• (1) **Some effect** on American foreign commerce; • (2) Cognizable injury to the plaintiffs; and • (3) Interests of and links to American foreign commerce are sufficiently strong.	• (1) **Is the defendant a U.S. citizen?** • (2) If not, the Lanham Act applies extraterritorially only if the complained-of activities have a **substantial effect** on U.S. commerce.

Procedural Posture

District Court

- Jury awarded Hetronic over $100 million for trademark infringement & entered a ***worldwide*** injunction

10th Circuit

- Upheld damages award, but narrowed the District Court's "expansive injunction"
- Creates "new" test for extraterritorial application

Supreme Court

- Granted *certiorari* to determine the extraterritorial application of the Lanham Act.

The Supreme Court's Question

Question

Does the Lanham Act permit the owner of a U.S.–registered trademark to recover damages for the use of that trademark when the infringement occurred outside the United States and is not likely to cause confusion in the United States?

What did the Court decide?

- The **Lanham Act has no extraterritorial application**
- The focus of the Lanham Act is on the infringing use of a trademark **in U.S. commerce**, so the Lanham Act applies when a trademark has been used (or misused) **domestically**

The Divided Court (5-4)

Majority Opinion





Concurring Opinion

Concurring Opinion




Justice Sotomayor's Concurrence

The majority's opinion does not apply to conduct even when that conduct causes confusion in the U.S.

The focus of the Lanham Act is preventing U.S. consumer confusion, rather than the defendant's conduct.

Bottom line: foreign conduct that caused confusion in the US—which the law was designed to protect—could result in Lanham Act damages.

Possible Legislative Response

Unanswered Questions

The Commodores perform their song "Too Hot Ta Trot" in Germany in 1978.
Photo by Fred Lindinger/United Archives via Getty Images

Commodores Ent. Corp v. Thomas McClary et al.,
879 F.3d 1114 (11th Cir. 2018)

Pharmaceutical Industry Takeaways

(1) Evaluate **proactive global strategies** for protecting and enforcing trademarks abroad

(2) **Focus on registering marks** in foreign countries & consider bringing lawsuits abroad

(3) **Record marks with Customs** & **monitor websites** in foreign countries

(4) Watch lower courts for their interpretation of **"use in commerce"**

In-House Counsel Perspective:

- Record trademarks, design rights, and patents (where possible) with Customs in US and outside of US
- Monitor websites, social media and marketplace platforms in US and outside of US
- Consider filing TM infringement civil action in a foreign country for sales outside of US

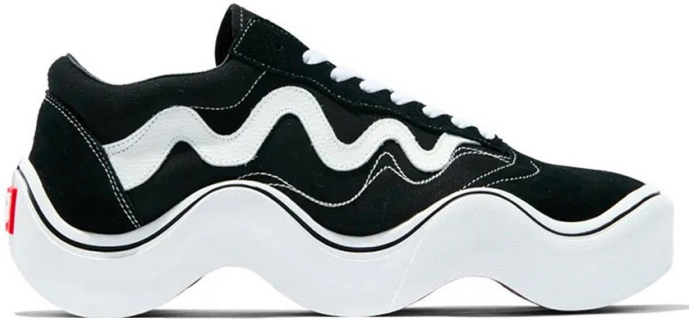
Hottest Issues in the U.S. Courts Pipeline

- More First Amendment (whether prohibition to register a mark violates free speech)
- Failure to Function as a Trademark

TM reg restriction and 1st Amendment

In re Steve Elster,
No. 20-2205 (Fed. Cir. Feb. 24. 2022)

First Amendment and the *Rogers* Test



Vans, Inc. v. MSCHF Prod. Studio, Inc.,
No. 33-cv-02156 (E.D.N.Y. Apr. 29, 2022)
appeal pending, No. 22-1006 (2d Cir.), *argued* Sept. 28, 2022

Failure to Function as a Trademark

1983 Penn State Nittany Lions Men's Dri...
$22.95 ~~$32.79~~
You Save: $9.84

Pennsylvania State Univ. v. Vintage Brand, LLC,
No. 4:21-CV-01091, 2022 WL 2760233 (M.D. Pa. July 14, 2022)

Thank You

- Any questions?