

News & Types: Intellectual Property & Technology Update

# Supreme Court's Trademark Decision Puts "Bad Spaniels" Toys in the Doghouse

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A squeaky dog toy labelled "Bad Spaniels" and designed to look like a bottle of Jack Daniel's whiskey is not entitled to First Amendment protection according to the U.S. Supreme Court. *Jack Daniel's Properties, Inc. v. VIP Products LLC*, No. 22-148, decided June 8, 2023. In a unanimous decision, the Supreme Court rejected the test used by the Ninth Circuit of Appeals in dismissing Jack Daniel's claims of trademark infringement and dilution.

VIP Products ("VIP") is a dog toy company that makes a line of "Silly Squeakers®" that are designed to look like popular beverage brands. In 2014, VIP created a Bad Spaniels toy in approximately the same shape and size of a bottle of Jack Daniel's whiskey with a label similar in appearance to the Jack Daniel's label. VIP replaced the words "Jack Daniel's" with "Bad Spaniels" and replaced the words "Old No. 7 Tennessee Sour Mash Whiskey" with "The old No. 2 On Your Tennessee Carpet." Shortly after VIP began selling the Bad Spaniels toy, Jim Beam sent a letter to VIP demanding that it stop selling the toy. VIP filed suit seeking a declaratory judgment that Bad Spaniels neither infringed nor diluted Jack Daniel's trademarks. Jack Daniel's counterclaimed for infringement and dilution.

VIP argued that it was entitled to summary judgment in its favor on the basis that Jack Daniel's infringement claim failed under the so-called Rogers test, which was developed by the Second Circuit Court of Appeals. VIP claimed that Bad Spaniels was an "expressive work" and Jack Daniels failed the Rogers test, because it could not show either (1) that the challenged use of a mark "has no artistic relevance to the underlying work" or (2) that it "explicitly misleads as to the source or the content of the work." In addition, VIP contended that Jim Beam could not succeed on the dilution claim because Bad Spaniels was a parody of Jack Daniels and therefore constituted "fair use" under the trademark statute.

The District Court rejected both of VIP's arguments because VIP had used the marks as trademarks to identify the source of its own products. At trial, the District Court found that consumers were likely to be confused as to the source of the Bad Spaniels toy and that the toy's negative associations with dog excrement (e.g., "The Old No. 2") would harm Jack Daniel's reputation. VIP appealed and the Ninth Circuit reversed based on the application of the Rogers test.

In finding that the Rogers test does not apply in this case, the Supreme Court made clear that it was narrowly limiting its decision to cases where the accused infringer has used a trademark to designate the source of its own goods. The Supreme Court began by reviewing the Lanham Act, the federal trademark statute, which defines a trademark as: "[A]ny word, name, symbol, or device, or any combination thereof " that a person uses "to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods." Trademarks benefit both consumers and producers by helping consumers select goods and services based on their positive or negative experiences with the other goods produced by the same producer.

Under the Lanham Act, a trademark owner can sue for trademark infringement when someone is using a mark that is "likely to cause confusion, or to cause mistake, or to deceive" consumers as to the source of the goods or services. The Lanham Act also creates a cause of action for the dilution of famous marks, even in the absence of a likelihood of confusion. A famous mark is one "widely recognized" by the public as designating the source of the mark owner's goods. A dilution claim may be based on some tarnishment or other harm to the famous mark. However, the trademark laws provide a "fair use" exception for any noncommercial use of a mark or "in connection with . . . parodying, criticizing, or commenting upon the famous mark owner or [its] goods."

In rejecting the application of the Rogers test, the Supreme Court summarized the Second Circuit case that gave rise to the test. In 1989, the Second Circuit reviewed a case arising from a film entitled "Ginger and Fred" about two fictional cabaret dancers who imitated Ginger Rogers and Fred Astaire. Ginger Rogers objected to the use of her name under the Lanham Act. The Second Circuit rejected the claim reasoning that the titles of "artistic works," like the works themselves, have an "expressive element" implicating "First Amendment values." And such names posed only a "slight risk" of confusing consumers about either "the source or the content of the work."

VIP alleged that it had trademark rights in its marks. Therefore, the Supreme Court held that the proper analysis required using the likelihood of confusion test and the First Amendment does not require a threshold inquiry like the Rogers test.

The Supreme Court quickly dispatched the dilution claim by stating that the parody fair use exception does not apply when the use is used as a designation of the source of goods, i.e. trademark use. Therefore, VIP's parodic uses of the Jack Daniel's trademarks does not shield VIP from potential liability for trademark dilution. Accordingly, the Supreme Court remanded the case back to the district court for further proceedings consistent with its opinion.

In light of the Supreme Court's decision, companies thinking about selling their products or services by parodying or changing another's trademark in a clever or humorous manner, should seek the advice of intellectual property counsel before doing so.