

A Fair Description ?

By W. Mack Webner

Makeup Rivals Ask Supreme Court To Draw Lines Over Fair Use Of Trademarks

Until recently, our sitting Supreme Court justices likely had no expectations that they would ever delve into the legal troubles of the “permanent makeup” industry.

But the high court this term will do just that when it decides if the use of certain descriptive words for permanent makeup constitutes “fair use” when those words are the subject of a federally registered trademark and when such use is likely to cause confusion.

KP Permanent Make-up Inc. thought it could use the words *micro colors* to describe its product, the pigments used

to create permanent makeup. Others in the trade also refer to such products as *micro colors*. But in January 2000 KP was hit with a cease-and-desist letter from competitor Lasting Impression I Inc. asserting that the use of *micro colors* constituted trademark infringement. KP filed a declaratory judgment action. When Lasting counterclaimed, KP raised the fair use defense, as set forth within the Lanham Act, all the way to the Supreme Court this month.

The Colorable Dispute

For the uninitiated: KP supplies and distributes pigments that are injected under the skin to create permanent coloring, similar to tattoos, for cosmetic purposes—e.g., to camouflage scars, or

to create everlasting eye liner and forever enhanced eyebrows. The company referred to these products as *micro colors* in its advertising brochures and on its product packaging.

KP rival Lasting was not impressed. In 1993, it had obtained a federal trademark registration for *micro colors* as part of a logo design, and so it demanded that KP stop using those words.

KP has based its defense on several points. First, it asserts that the words *micro colors* are generic and therefore, apart from the logo in which Lasting registered them, do not constitute a valid trademark. Second, KP argues that the words, even if they are not generic, are descriptive and have not acquired any “secondary meaning.” Again, therefore, Lasting has no enforceable trademark rights in them.

But the argument that eventually

caught the interest of the Supreme Court is KP's contention that, whatever the status of *micro colors*, the company has used the words within the meaning of the statutory language that spells out the fair use defense—§33(b) of the Lanham Act, 15 U.S.C. §1115(b). KP's position is that the fair use defense precludes Lasting from successfully claiming infringement as a result of KP's purely descriptive use. The U.S. District Court agreed with most of KP's defenses and granted summary judgment in favor of the company.

Unfortunately for KP, this particular District Court lies within the ambit of the U.S. Court of Appeals for the 9th Circuit. Last year, in *KP Permanent Make-Up Inc. v. Lasting Impression I Inc.*, 328 F.3d 1061 (2003), the 9th Circuit said that, because *micro colors* is a registered trademark for color pigments, it is presumed distinctive and not generic. The court also stated that where a descriptive mark has been registered and has attained incontestable status—as Lasting's mark has—it is presumed to have acquired secondary meaning.

Most importantly, the 9th Circuit held that, since the Lasting mark was neither generic nor merely descriptive, KP's descriptive use of *micro colors* was likely to cause confusion for customers and, therefore, KP could not rely on the fair use defense.

Is Anybody Confused?

Historically in the 9th Circuit, the existence of a likelihood of confusion categorically trumps the fair use defense. "Anyone is free to use a term in its primary, descriptive sense, as long as such use does not result in consumer confusion as to the source of the goods," the 9th Circuit held in *Transgo Inc. v. Ajac Transmission Parts Corp.*, 911 F.2d 363 (1990). The court did not sway from that analysis in KP's case. It reversed the District Court's summary judgment and remanded the case for further proceedings.

Under the Lanham Act, "likelihood of confusion" is the test for trademark infringement—whether the existence of

a second user of the same or similar trademark on the same or similar product as that of the first user is likely to cause the consumer of the second user's goods to become confused or misled into thinking that he is purchasing the first user's goods or goods that have been approved by the first user.

Congress did recognize that it is almost impossible to determine if customers are *actually* confused by the use of similar marks on similar products. Often, when consumers make an erroneous purchase, they simply don't buy the product again. But Congress decided that the difficulty in obtaining evidence of the consumer's actual reaction to an erroneous purchase should not preclude all remedy for the injury to the trademark owner. In their wisdom, lawmakers determined that the trademark owner need only show that continued use of the similar mark is *likely* to cause confusion.

Congress also legislated a fair use defense. Lawmakers recognized that, while common words can also become trademarks, they cannot reasonably be erased from the lexicon for use in their usual descriptive meaning. The common words *apple*, *tide*, and *camel* are all well-known trademarks—for computers, washing detergent, and cigarettes—but the trademark owners cannot stop individuals or other companies from using those words in their commonly understood senses.

A Difference of Opinion

Trademark owners also cannot stop their competitors from describing their products by using trademarked words descriptively. According to the Lanham Act, it is not infringement to use a registered trademark "otherwise than as a mark," in good faith and in a manner that is "descriptive of" the party's goods or services.

Except, it would seem, if the trademark owner sues in the 9th Circuit, where the court interprets the Lanham Act requirements differently. On the West Coast, if a trademark owner can show a likelihood of confusion, it can enjoin a descriptive use.

Other circuits—notably the 2nd, 4th, 5th, and 7th—are not in agreement with the 9th Circuit. In the 4th Circuit's view, for example, the fair use defense is primarily available when there is a likelihood of confusion—because if there is no likelihood of confusion, there is no reason to litigate in the first place (*Shakespeare Co. v. Silstar Corporation of America*, 110 F.3d 234 (4th Cir. 1997), *cert. denied*, 522 U.S. 1046 (1998)).

Generally speaking, an interpretation of a statute should not make the defense it defines meaningless—and, in this case, should preclude a likelihood of confusion from categorically trumping a fair use defense. Yet the 9th Circuit said 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." It's the exact opposite view to that of the 4th Circuit. In fact, it's like saying that self-defense is a defense to murder only if no one is dead.

They're Talking About Me

While not at the core of the case on the Supreme Court's Oct. 5 docket, the 9th Circuit in its KP decision also discussed at some length the defense it calls "nominative" fair use. The court distinguished nominative fair use from what it called "classic" fair use. Nominative fair use is a judge-made test to determine when it is permissible for another party to use the trademark owner's trademark to identify the trademark owner's goods.

In other words, the 9th Circuit devised a test to determine when the corner deli may use "Lipton" to identify the Lipton tea it sells or when Microsoft may use "Mac" to describe its competitor's products. If that seems like an unnecessary test, well, many trademark lawyers agree.

Why do we need a separate defense and test for determining when it's OK to use a product's trademark to identify that product? Because the 9th Circuit said so. A dozen years ago, the court decided that it is only appropriate to

use a trademark to identify the actual trademarked product if (1) the product is not readily identifiable without use of the trademark; (2) only so much of the mark is used as is reasonably necessary to identify the product; and (3) the use of the mark to identify the product does not suggest sponsorship of the user by the trademark holder.

The 9th Circuit saw a need for this nominative fair use concept in *New Kids on the Block v. News America Publishing Inc.*, 971 F.2d 302 (1992). *New Kids* was a case in which a newspaper used the name of the then-popular boy band in a contest calling on readers to name their favorite New Kid. The group sued, alleging improper use of their name for commercial purposes. They said that the newspaper was trading on the group's name for other than newsworthy ends.

Rather than decide the question of infringement on First Amendment grounds (although the District Court had held that a First Amendment defense was available to the paper), the

9th Circuit decided that the use of the group's name was permissible because it was a nominative fair use. Perhaps overthinking the problem, the court concluded that there was indeed no other way to conveniently identify the New Kids. Therefore, using the group's name to identify the group was not trading on the group's good will and was not unfair competition (leaving aside whether the contest itself unfairly traded on the group's good will), and fair use was an appropriate defense.

Clarifying Decision

The divergent views of the federal circuit courts as to how the fair use defense relates to a likelihood of confusion have piqued the Supreme Court's interest, and it will now decide which circuit is correct. Notwithstanding the effort the 9th Circuit took to distinguish

nominative fair use from classic fair use, however, it is unlikely that the high court will take into serious attention the former defense. The issue is not really before the Supreme Court, and it need not be addressed to determine the applicability of the statutory fair use defense to KP's little problem.

Perhaps that is unfortunate. However curious the nominative fair use concept, further clarification of all fair use defenses would be helpful. But even a narrower Supreme Court decision will benefit businesses by assuring them when descriptive words can be used to describe things without violating trademark law.

Because sometimes an apple is just a piece of red fruit. ■

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