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Supreme Court Strengthens Scope of Fair Use Defense in Trademark Infringement Actions

On December 8, 2004, the United States Supreme Court resolved a Circuit Court split in trademark infringement cases and strengthened the applicability of the "fair use" defense; *i.e.*, the statutory affirmative defense that a term used descriptively, not as a mark, fairly and in good faith does not constitute trademark infringement. The Court reversed the Ninth Circuit Court of Appeals, holding, "A party raising the statutory affirmative defense of fair use to a claim of trademark infringement does not have a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, ---S. Ct.--- (Dec. 8, 2004). Thus, after the Court's recent ruling, courts will permit a certain amount of consumer confusion where a defendant's use fits within the parameters of statutory fair use.

In the *KP Permanent Make-Up* case, the petitioner KP, who lost before the 9th Circuit, had asserted that its use of "microcolor" in marketing permanent cosmetic makeup constituted a descriptive, good faith, and thus, "fair use" of respondent Lasting's incontestable "Micro Colors" trademark. When KP began circulating a glossy 10-page advertising brochure using "microcolor" in a large stylized typeface, Lasting was provoked to demand that KP stop using the term. Instead, the lawsuit followed, with KP seeking a declaratory judgment based on the affirmative defense of fair use. Without inquiring whether the practice was likely to cause consumer confusion, the district court concluded that KP had made out its affirmative

defense under §1115(b)(4) and entered summary judgment for KP on Lasting's infringement claims. The 9th Circuit reversed, holding 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 [Micro Colors] mark."

It was this holding by the 9th Circuit that the Supreme Court rejected. However, in doing so, the Supreme Court specifically limited its decision by holding only that a party raising the statutory fair use defense does not have an affirmative burden to negate any likelihood of confusion. Moreover, because the Supreme Court did not rule out the pertinence of the degree of consumer confusion under the fair use defense, the court's holding "does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair." Simply put, even though defendants asserting fair use do not need to disprove confusion, courts may still weigh the *level* of consumer confusion in considering whether the defendant's use is "fair." Other possible considerations that courts "might pick" as relevant to the inquiry of what use is "fair" include commercial justification (for using the term) and the strength of plaintiff's mark.

Thus, in view of *KP Permanent Make-Up*, competitors asserting fair use as a defense to a claim of trademark infringement do *not* need to show that confusion is unlikely in order to prevail. The burden to prove likelihood of confusion, the Supreme Court emphasized, rests squarely with the plaintiff, irrespective of whether the trademark is incontestable. It therefore follows (contrary to the 9th, 5th and 6th Circuits' views) that some possibility of consumer confusion "must be compatible with fair use."

The *KP Permanent Make-Up* decision impacts both trademark plaintiffs and defendants. It is far easier now for a competitor to prevail on fair use, since it is freed of the burden of disproving confusion. Parties choosing descriptive terms as trademarks should be forewarned that courts will allow some amount of

consumer confusion in view of a defendant's descriptive use of the same term. Because the Supreme Court gave little indication in the *KP Permanent Make-Up* case of precisely what level of confusion, if any, would render a defendant's use unfair, it remains to be seen how far courts will go in finding statutory fair use in view of *KP Permanent Make-Up*.

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