

# Client Alert

A report  
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## Store Brands Come Out Ahead as the Third Circuit Addresses Claims of Trade Dress Infringement by Store Brand Artificial Sweetener Products

Private label consumer products are products manufactured by one company for sale by another. Perhaps the most common type of private label product is the “store brand,” in which a product containing the same or similar ingredients as a national brand is manufactured by a third party for sale by a store, such as a supermarket or pharmacy chain, under the store’s name. These store brands typically offer consumers the opportunity to purchase for a lower price products that are essentially identical to well known national brands.

The trade dress for store brands often consists of color schemes and graphic design elements that are similar to the equivalent national brands in order to facilitate consumer comparisons between the store and national brands. Not surprisingly, therefore, whether a store brand’s trade dress infringes that of a national brand has been a recurring issue in Lanham Act jurisprudence. The U.S. Court of Appeals for the Third Circuit recently addressed this issue in *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, No. 07-2644, 2007 U.S. App. LEXIS 29751 (3d Cir. Dec. 24, 2007). In *McNeil*, the appellate court affirmed in part and reversed in part a decision of the United States District Court for the Eastern District of Pennsylvania that

denied the preliminary injunction motion of plaintiff McNeil to enjoin defendant Heartland from supplying various stores with artificial sweetener products in packaging that allegedly was confusingly similar to that of McNeil’s national brand.

McNeil markets Splenda, a famous national artificial sweetener brand made from the ingredient sucralose. Since its market entrance in the early 1990’s, Splenda has become the preeminent artificial sweetener brand. The familiar trade dress of boxes of Splenda features predominantly blue lettering on a yellow background. The brand name Splenda prominently appears at the top center of the boxes in italicized blue lettering, surrounded by a cloud. The boxes also feature McNeil’s trademarked slogan “Made from Sugar,” “Tastes Like Sugar,” as well as photos of a white cup of coffee with a packet of Splenda and a pitcher and glass of iced tea.<sup>1</sup>

The defendants package and distribute sucralose as store brands to a number of retail grocery chains, including Safeway, Food Lion and Ahold. The trade dress for defendants’ sucralose products differs from store to store. In December 2006, McNeil filed a seven-count complaint against the defendants under the Lanham Act and state law, arguing primarily that the trade dress of defendants’ packaging was confusingly similar to Splenda’s. McNeil sought a preliminary injunction to enjoin defendants from advertising, selling, or distributing the allegedly infringing products.

The District Court analyzed McNeil’s likelihood of confusion argument under the multi-factor *Lapp* test adopted by the Third Circuit in *Interspace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3d Cir. 1983). The Third Circuit has held that the most important *Lapp* factor is the similarity of the trade dress. In its *Lapp* analysis, the District Court found that the similarity factor favored defendants with respect to the Food Lion and

<sup>1</sup> The sweetener industry is largely color coded; in addition to the yellow sucralose boxes, packaging for products containing aspartame, such as EQUAL, are primarily in blue, and products containing saccharin, such as SWEET & LOW, are packaged primarily in pink.

Safeway trade dress, but favored plaintiff McNeil with regard to the Ahold trade dress. Nonetheless, considering all of the *Lapp* factors, the District Court declined to grant preliminary injunctive relief with regard to any of the trade dresses at issue.

On appeal, McNeil argued that the District Court: “(1) misapplied the degree of similarity *Lapp* factor; (2) erred in neglecting to consider the effect of color coding in the sweetener industry; (3) misapplied the third *Lapp* factor (consumers’ degree of care); (4) misapplied the sixth *Lapp* factor by disregarding evidence of actual confusion; and (5) clearly erred in concluding there was no likelihood of confusion with respect to the Ahold packaging, where the District Court found the first *Lapp* factor favored McNeil.” 2007 U.S. App. LEXIS 29751 at \*18.

The Third Circuit affirmed the District Court’s denial of preliminary injunctive relief as to the Food Lion and Safeway trade dress, as well as the lower court’s rulings that the degree of similarity factors favored those two store brands. The appellate court first rejected McNeil’s legal argument that the elements of similarity between the national and store brands should be accorded greater weight than the elements of difference, and thus aligned the Third Circuit with the vast majority of courts to have considered this argument. Turning to the District Court’s factual findings on degree of similarity, the Third Circuit panel recognized that the Food Lion and Safeway trade dress incorporated some prominent design elements of the Splenda packaging, including the yellow color scheme and a photo of a white cup of coffee.

At the same time, the appellate court agreed with the lower court as to important differences between the national packaging and the Food Lion and Safeway packaging. These included that while the Splenda packages prominently featured the Splenda brand name, the Food Lion packaging did not, and instead prominently displayed the name of the store, while the Safeway packaging prominently displayed a logo—an S-shaped element—widely used on Safeway store-branded products that was likely familiar to Safeway shoppers. Similarly, other key elements of the Splenda trade dress—the “Made from Sugar, Tastes Like Sugar” slogan and the cloud surrounding the Splenda name—were missing from the store brands. Finding support from *Conopco, Inc. v. May Department Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994), and similar cases, in which courts found that the existence of a prominently displayed brand name on a store brand product that was markedly different from the national brand name minimized any likelihood of confusion, the Third Circuit concluded that the District Court’s finding of no likelihood of confusion was not clear error with respect to the Food Lion and Safeway trade dress. The significance of the Third Circuit’s decision is that it reaffirms that when a store brand’s trade dress *prominently* displays the store name or other material design features that patrons associate with that store,

it is appropriate for a District Court to find that there is no likelihood of confusion.

The Third Circuit made clear, however, that the use of the store name does not provide *per se* immunity to trade dress infringement claims. The appellate court also recognized that so called “initial interest” confusion—confusion that causes consumers initially to become interested in an infringing product—remains actionable under the Lanham Act, even if by the time of the consumer’s actual purchase, she has become aware the product being purchased is not the national brand. Thus, for example, where a store mimics the trade dress of a national brand but does not *prominently* display the store name or logo in such a way as to dispel initial interest or purchase confusion that might otherwise occur, liability for trade dress infringement is likely to result.

In the Third Circuit’s judgment, such was the case with the packaging defendants created for the Ahold-owned stores. The District Court had found that although a store logo appeared on the Ahold packages, the logo was sufficiently *de minimis* in size and prominence so as not to overcome the substantial similarities in color scheme and design elements between the Splenda and Ahold packages. Although the District Court concluded that confusion was still unlikely due to consumers’ understanding of the role of store brands, the Third Circuit disagreed. It held that where the preeminent *Lapp* factor of similarity favored plaintiff, and the other factors either also favored plaintiff or were neutral, it was clear error to find no likelihood of confusion.

Despite the partial reversal of the District Court’s decision, the Third Circuit’s ruling in *McNeil* provides leeway for store brands to use certain aspects of a national brand’s trade dress, so long as they prominently display a well-known store mark or logo, along with sufficient differences in design elements to alert consumers that the store brand is not the national brand.

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The Trademark and False Advertising Practice Group litigates trademark and false advertising cases and provides expert counseling concerning the establishment and maintenance of trademarks and the propriety of contemplated advertising claims.

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