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WHY DID SCOTUS AGREE TO HEAR THE JACK DANIEL'S TRADE DRESS CASE?

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Owners of registered trademarks understand the significant, inherent value of trademarks, trade dress and other intellectual property. To maintain that value, the importance of "policing" one's mark (including trade dress) from infringing and inappropriate third-party use cannot be overstated. The USPTO defines trademark infringement as "the unauthorized use of a trademark or service mark on or in connection with goods and/or services in a manner that is likely to cause confusion, deception, or mistake about the source of the goods and/or services." Infringement can not only dilute the value of a mark but also negatively impact a mark owner's reputation and its underlying business. To resolve an important trademark matter that has worked its way up from the lower courts, SCOTUS recently agreed to hear a case concerning the infringement of a famous and instantly recognizable Jack Daniel's trade dress (namely, its bottle design and colors and overall "look and feel" of its label).

After receiving a cease-and-desist letter from Jack Daniel's, VIP sought a declaratory judgment from a district court in Arizona that its chew toy did not infringe upon, or dilute, Jack Daniel's rights. The district court ruled in favor of Jack Daniel's. On appeal, the Ninth Circuit Court of Appeals overturned the lower court decision, holding that VIP's chew toy was an expressive work entitled to fair use protection under the First Amendment. According to the facts, VIP designs chew toys that are made to humorously resemble well-known alcohol and soda brands. The chew toy at issue here was modeled after the Jack Daniel's iconic whiskey bottle. SCOTUS originally denied certiorari, so the case returned to the District Court on remand and the District Court entered judgment for VIP. Jack Daniel's took an appeal to that ruling and the Ninth Circuit affirmed its decision yet again, so Jack Daniel's filed another writ of certiorari to the Supreme Court of the United States.

Persistence counts in litigation. Generally, SCOTUS rarely grants writs of certiorari and only does so when lower courts have conflicting rulings. Jack Daniel's noted that the various Circuit Courts of Appeal across the country are divided on how to rule on the issue of humorous fair use (parody) in trademark and trade dress infringement cases.

Key Question Presented: What Role, if any, Does the First Amendment Play?

Trademark law creates a natural tension between trademark owners' rights and the First Amendment. Courts are tasked with deciding when the use of a third party's trademark or trade dress amounts to either protectable freedom of expression or trademark infringement. According to the SCOTUS docket, the Court will consider the following two questions in the Jack Daniel's trademark case:

> 1. Whether **humorous use** of another's trademark as one's own on a commercial product is subject to the Lanham Act's traditional likelihood-of-confusion analysis, **or instead receives heightened First Amendment protection** from trademark-infringement claims? (emphasis added)
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> 2. Whether **humorous use** of another's mark as one's own on a commercial product is "**noncommercial**" under 15 U.S.C. § 1125(c)(3)(C), thus barring **as a matter of law** a claim of dilution by tarnishment under the Trademark Dilution Revision Act? (emphasis added)

What Lessons Can Be Drawn at this Stage of the Case?

Trademark owners must actively protect their marks. If they do not do so, they risk the weakening, or even eventual loss, of their trademark rights. Jack Daniel's undertook to actively protect its mark from third party dilution by tarnishment. According to a New York Times article, attorneys for Jack Daniel's indicated that the chew toy, among other things, "'harms Jack Daniel's brand, including by associating whiskey with excrement and toys that appeal to children.'"

Policing matters and persistence in policing matters. Jack Daniel's now finds itself pursuing VIP aggressively and now a second time before SCOTUS to protect its valuable intellectual property. In its opening brief, Jack Daniel's notes that if the Ninth Circuit view is upheld the First Amendment will provide a "Get Out of the Lanham Act" card that may even

allow sex toy companies to mock Disney characters “in a humorous” fashion and the entire world of trademark and trade dress licensing (and associated franchise and marketing agreements) will be turned upside down. It should be noted that VIP does include a “disclaimer” on its packaging that denies any affiliation with Jack Daniel’s; is that sufficient for First Amendment purposes? The outcome of this case could have serious fair use implications for trademark owners under similar circumstances.

We note that the High Court granted certiorari following the grant of certiorari in the Andy Warhol "Prince" copyright case we reported on in our November 2022 Newsletter. Is there a connection? Both cases involve arguable First Amendment protected "transformation" of pre-existing intellectual property without license, permission, or other authorization of the IP owner. The Court could be choosing to reaffirm that IP owners are protected against these types of commercial uses; or it might be deciding the opposite and broadening First Amendment and fair use doctrines across both copyright and trademark law. Of course, split decisions are possible. But one may query: if the Warhol Foundation wins on its "Warhol-based colorized transformation" defense in that copyright case, could VIP end up losing on its First Amendment "parody transformation" defense in this trademark infringement/dilution case? Alternatively, if the Warhol Foundation loses, could VIP still win?

We anxiously await a definitive ruling on this important issue of trademark and trade dress law. If the First Amendment starts playing a larger and larger role in intellectual property cases, the Federal Courts will be challenged to draw appropriate lines around what constitutes “free speech” versus what constitutes “actionable infringement.” It should be noted that both the Lanham Trademark Act as well as the Federal Copyright Act have provisions that allow criminal charges to be levied against infringers: will the First Amendment become an important new defense to even criminal infringement charges?

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