

Nominative Fair Use After *KP Permanent*

The desire to use another's trademark can be completely legitimate. Examples include the mechanic who wants to advertise that she specializes in repair of Volkswagen automobiles, the reseller of genuine goods bearing the original mark, or the advertiser using a term in its ordinary descriptive sense.

Following the seminal case of *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924), courts have allowed "fair use" of another's trademark without the trademark owner's consent in appropriate circumstances. Two types of fair use have been identified: classic and nominative. "Classic" fair use, a statutory affirmative defense, requires that the disputed term be used: (a) not as a trademark; (b) in good faith; and (c) to describe accurately the characteristics of the defendant's goods or services.¹ "Nominative" fair use, a judicially created doctrine, exists in cases where the defendant uses the plaintiff's mark to identify and describe the plaintiff's product, and requires that: (a) the product or service is not readily identifiable without the use of the trademark; (b) only so much of the mark or marks may be used as is reasonably necessary; and (c) the user does nothing that would suggest sponsorship or endorsement by the trademark holder.² A key issue with both these defenses is whether proof of likelihood of confusion or its absence is required.

In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, the Supreme Court held that a defendant alleging classic fair use not need show the absence of a likelihood of confusion.³ However, the *KP Permanent* decision does not explicitly address whether a defendant alleging *nominative* fair use needs to demonstrate that confusion is unlikely, leaving unresolved a split in the federal courts of appeal on the issue. Prior to the *KP Permanent* decision, the Ninth Circuit concluded that the nominative fair use analysis displaces the conventional likelihood of

confusion analysis⁴, whereas the Fifth Circuit held that a nominative use must be one that does not cause confusion.⁵

In its recent decision *Century 21 Real Estate v. Lendingtree, Inc.*⁶, the Third Circuit became the first federal appellate court to analyze the impact of *KP Permanent* on the relative burdens of proof in a case of nominative fair use. In *Century 21*, the defendant operated a website allowing consumers to compare real estate agents and mortgage providers. Real estate agents, including those affiliated with major companies like Century 21, could register with the defendant to be included in user inquiries. Defendant claimed in promotional materials to provide access to agents affiliated with a number of real estate companies, including Coldwell Banker and Century 21.

The *Century 21* court interpreted *KP Permanent* to require the plaintiff to always bear the burden of establishing likelihood of confusion.⁷ Accordingly, the *Century 21* majority endorsed a two-part test, consisting of a likelihood-of-confusion analysis followed by a three-prong nominative fair use test.⁸ The *Century 21* majority found that many factors traditionally considered in a likelihood of confusion analysis were irrelevant in cases of nominative fair use and that only four factors needed to be considered: (1) degree of consumer care; (2) length of time defendant has used plaintiff's mark without evidence of actual confusion; (3) intent of the defendant in adopting the mark; and (4) evidence of actual confusion.⁹ After weighing these factors it was then necessary to consider whether the defendant's use is nominative fair use, by examining: (1) whether the "use of plaintiff's mark [is] necessary to describe [both] plaintiff's product or service and defendant's product or service," thus scrutinizing defendant's need to use plaintiff's mark to describe its own products; (2) whether defendant uses "only so much of the plaintiff's mark ... as is necessary to describe plaintiff's products or services;" and (3) whether

"defendant's conduct or language reflect[s] the true and accurate relationship between plaintiff and defendant's products or services," because the defendant may have a relationship with plaintiff that may be inaccurately portrayed by defendant's use of plaintiff's marks.¹⁰ The court remanded to the district court for analysis of these factors.

The majority's analysis provoked a spirited dissent from Judge D. Michael Fisher, who found erroneous to treat nominative fair use as an affirmative defense, rather than as a form of non-infringing use.¹¹ Judge Fisher observed that the majority's nominative fair use factors were nothing more than the mirror image of the intent factor in the modified likelihood of confusion analysis, because the purpose in using the mark, the prominence of that use, and whether the use accurately describes the relationship between the parties were all relevant to the question of whether confusion was likely.¹² Judge Fisher also criticized the majority's abbreviated likelihood of confusion test for impermissibly reducing the burden on the plaintiff, and recommended a more expansive test in nominative fair use contexts that would consider: (1) degree of consumer care; (2) length of time of defendant's use without evidence of actual confusion; (3) defendant's intent; (4) evidence of actual confusion; (5) channels of trade; (6) identity of targets of sales efforts; (7) relationship of the goods or services in the minds of consumers; and (8) other factors suggesting that consumers might expect the parties' respective goods to emanate from one source.¹³

The *Century 21* majority opinion and dissent present divergent views on nominative fair use, a divergence with real-world implications for those considering whether use of another party's trademark to refer to that party's products or services is permitted or not. It remains to be seen which interpretation is followed by the other federal courts of appeal, and whether the

Supreme Court will feel compelled to clarify the impact, if any, of *KP Permanent* on the nominative fair use defense.

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¹¹ 15 U.S.C. §1115(b)(4).

² The Ninth Circuit is generally given credit for having coined the term "nominative fair use." *New Kids on the Block v. News Am. Pub.*, 971 F.2d 302 (9th Cir. 1991). However, the doctrine is much older, having been recognized by the Supreme Court in *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924).

³ *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 124 (2004).

⁴ *Cairns v. Franklin Mint Co.*, 292 F. 3d 1139, 1151 (9th Cir. 2002).

⁵ *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F. 3d 526, 546 (5th Cir. 1998).

⁶ *Century 21 Real Estate v. Lendingtree, Inc.*, 425 F.3d 211 (3rd Cir. 2005)

⁷ *Id.* at 221.

⁸ *Id.* at 222.

⁹ *Id.* at 225-26.

¹⁰ *Id.* at 228.

¹¹ *Id.* at 233.

¹² *Id.* at 242.

¹³ *Id.* at 248-50.