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Intellectual Property Alert

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SCOTUS clarifies use of the First Amendment defense in *Jack Daniel's Properties v. VIP Products LLC*

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This trademark ruling is consistent with recent decisions concerning the limitations of the fair use defense in infringement matters.

What's the Impact

- The Court concluded that when an alleged infringer uses a trademark as a designation of source for the infringer's own goods, the *Rogers* test does not apply, and the court should proceed directly to a likelihood of confusion analysis.
- Creators and third-party users should be cognizant of the Court's decision in *Jack Daniel's* and understand that the use of another's trademark as a source identifier without permission, even as a parody or in an expressive or humorous manner, may still be subject to liability.

On June 8, 2023, the U.S. Supreme Court unanimously held in *Jack Daniel's Properties, Inc. v. VIP Products LLC, No. 22-148*, that the First Amendment did not protect VIP's novelty dog chew toy resembling a bottle of Jack Daniel's from a trademark infringement lawsuit. The Court concluded that because VIP's use of the mark was source-identifying for its own goods, the *Rogers* test does not apply to the question of infringement, and the noncommercial exception to dilution liability

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does not shield use of the mark as a parody. Justice Kagan delivered a narrow opinion declining to address whether the *Rogers* test has merits in other situations or the scope of the noncommercial exception. The Court concluded that when a mark is used as a source identifier, such use "falls within the heartland of trademark law," and the standard tests of likelihood of confusion and dilution apply. The Court's decision is consistent with its recent holding in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith et al., No. 21-869*, where it declined to expand the fair use defense for copyright infringement and instead clarified the defense's limitations.

Background

Jack Daniel's is a longstanding and well-known brand of Tennessee whiskey. VIP sells a dog chew toy that mimics Jack Daniel's distinct square-bottled whiskey and incorporates a similar label to Jack Daniel's in terms of shape, color, and font. Playing on the "Jack Daniel's" name and "Old No. 7 Tennessee Sour Mash Whiskey" description, the dog toy features the phrase "Bad Spaniels" and the description "The Old No. 2 on your Tennessee carpet." The dog toy also includes the language "43% POO BY VOL." and "100% SMELLY."

Image credit: Ronald Mann, Dog toy poking fun at Jack Daniel's leads to dispute over parody exception to trademark protections, SCOTUSblog (Mar. 20, 2023, 10:57 AM).

Jack Daniel's sued VIP for trademark infringement and dilution based on VIP's use of the Bad Spaniels trademarks and trade dress. VIP argued that its use is protected under the First Amendment and by the fair use defense. The district court found in favor of Jack Daniel's and held that VIP's use infringed and tarnished the Jack Daniel's brand. The Ninth Circuit reversed the lower court's decision, determining that VIP's use was subject to the threshold First Amendment test, established in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), because "Bad Spaniels" is an expressive work. *Rogers* provides First Amendment protections to works that use third-party trademarks, so long as the work is considered "artistically expressive" and does not "explicitly mislead" consumers. The Ninth Circuit also held that the noncommercial use exception to dilution shielded VIP from liability. The case was remanded to the district court, which applied the *Rogers* test and found no infringement by VIP. The Supreme Court was tasked with considering the questions of infringement and dilution.

The Supreme Court's decision

In its opinion, the Supreme Court first considered the infringement issue. The Court concluded that when an alleged infringer uses a trademark as a designation of source for the infringer's own goods, the *Rogers* test does not apply, and the court should proceed directly to a likelihood of confusion analysis. However, Justice Kagan made a point to say that the use of a mark as a parody is still important in an evaluation of likelihood of confusion.

In concluding that the *Rogers* test is not appropriately applied in this case, the Court discussed several other cases that had applied *Rogers*. The Court distinguished those cases on the basis that they involved non-trademark uses. Justice Kagan also explained that even if a use of a trademark has some expressive purpose or conveys a message beyond its source-identifying function, such use is not subject to *Rogers* when the trademark is primarily used as a source identifier. Because *Rogers* does not apply, the only question is whether VIP's Bad Spaniels marks are likely to cause consumer confusion.

Second, the Supreme Court considered the dilution claim. The Court found that a dilutor is not shielded from liability under the noncommercial exception by the mere fact that the use is parodying, criticizing, or commenting. If the use is a trademark use, the noncommercial exception does not apply. To hold to the contrary would "effectively nullif[y]" the explicit carve-out in the fair use defense for parodies, which states that fair use does not apply to source-identifying uses of a mark.

Takeaways

Overall, the Court's decision is not surprising and is grounded in long-standing principles of trademark law. The decision balances the interests of trademark owners by reinforcing the standard for infringement as likelihood of confusion with the interests of parody creators by maintaining the *Rogers* test to allow for continued use of marks in an expressive manner so long as the use is a non-trademark use.

While the Court had the opportunity to issue a decision that could have had great implications, it chose not to do so in this case. The Court could have considered the merits of the *Rogers* test and potentially done away with the test altogether. Instead, the Court upheld *Rogers* and clarified that it may still be applicable under different facts. (Although Justice Gorsuch's concurring opinion suggests that the *Rogers* test may be on the chopping block in the future.) Also, the Court emphasized that despite *Rogers* not applying in this case, parody remains important to the question of likelihood of confusion. Alternatively, the Supreme Court could have ruled in favor of VIP, potentially resulting in the weakening of trademark owners' rights and permitting greater use of third-party trademarks. Again, the court did not do that here and narrowly ruled for Jack Daniel's without addressing these more difficult questions.

Moving forward, creators and third-party users should be cognizant of the Court's decision in *Jack Daniel's* and understand that the use of another's trademark as a source identifier without permission, even as a parody or in an expressive or humorous manner, may still be subject to

liability. Likelihood of confusion remains the test for trademark infringement at the end of the day.

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