CLIENT ALERTS & INSIGHTS

Supreme Court Sends "Bad Spaniels" to the Doghouse

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Authors: Angela R. Gott, Mark E. Avsec

Not even the First Amendment could rescue VIP and its Bad Spaniels dog toy, as the US Supreme Court recently held that the Rogers threshold test for "expressive works" does not apply in trademark cases involving commercial, source-identifying use by the accused infringer. Nor does such use become "noncommercial" (and thus shielded from liability for trademark dilution) when it evokes a humorous message about the trademark or its owner. The decision in Jack Daniel's Properties, Inc. v. VIP Products LLC should serve as a warning to those whose business plans center on the ability profit off others' trademarks, even if just for play.

VIP makes a line of dog toys called "Silly Squeakers" that are designed to look like well-known liquor bottles, including: "Jose Perro" (Jose Cuervo); "HeinieSniff'n" (Heineken); and "Dos Perros" (Dos Equis). In the case decided by the US Supreme Court on June 8, 2023 [No. 22-148, 599 U.S. ----], the toy at issue was "Bad Spaniels," which mimics the name, distinctive bottle shape, and other trademarks and trade dress of one of the world's most famous whiskeys, Jack Daniel's. The toy bottle's "label" replaces "Jack Daniel's" with "Bad Spaniels" and "Old No. 7 Brand Tennessee Sour Mash Whiskey" with "The Old No. 2 On Your Tennessee Carpet," among other things. Jack Daniel's was not amused.

After the Bad Spaniels toy hit the market in 2014, Jack Daniel's wrote to VIP demanding that they stop selling it. Instead, VIP sued Jack Daniel's for a declaratory judgment that its dog toy did not infringe upon or dilute Jack Daniel's trademarks. Jack Daniel's unsurprisingly counterclaimed for federal trademark infringement and dilution.

Jack Daniel's won on both of its claims after a bench trial in 2018. On appeal, however, the Ninth Circuit reversed. As to infringement, the Ninth Circuit found that the Bad Spaniels toy was an "expressive work," and returned the claim to the district court to decide whether Jack Daniel's cleared *Rogers* as a threshold hurdle. As to dilution, the Ninth Circuit overturned the district court and awarded judgment to VIP, holding that VIP's use of the Jack Daniel's trademarks for its Bad Spaniels toy was shielded from dilution liability as being "noncommercial" use because it "parodies" and "comments humorously" on Jack Daniel's.

On remand, the district court awarded summary judgment to VIP on the infringement claim, finding that Jack Daniel's could not clear *Rogers*. Following the Ninth Circuit's summary affirmance, Jack Daniel's asked the Supreme Court to review the rulings on both of its claims.

Basic Training: Sit, Stay, and Do-Not-Infringe-or-Dilute

At its core, a trademark serves to identify the source of a product and distinguish that source from others. [15 U.S.C. § 1127.] To protect trademarks, the Lanham Act provides federal causes of action for trademark infringement and trademark dilution. In an infringement case, the fundamental

question is whether the accused infringer's use is "likely to cause confusion" among consumers. [§§ 1114, 1125(a).] Most commonly, the issue is confusion about the infringing product's source. In a dilution by tarnishment case, the question is whether a famous mark's reputation is harmed by the association created by another's use of a similar mark, regardless of whether there is any likelihood of confusion. [§ 1125(c)(2)(C).] However, certain types of uses are expressly excluded from dilution liability, including noncommercial use of the trademark and, with a significant caveat (discussed below), fair use. [§ 1125(c)(3).]

When an "expressive work" (typically, a book, television program, movie, or the like) is the subject of a trademark infringement claim, *Rogers* serves to protect First Amendment interests by requiring early dismissal absent one of two showings by the trademark owner. That is, the trademark owner must prove the challenged use either "has no artistic relevance to the underlying work" or that it "explicitly misleads as to the source or the content of the work." [*Rogers v. Grimaldi*, 875 F. 2d 994, 999 (2d Cir. 1989).]

VIP Barked Up the Wrong Tree: Neither Rogers *Nor the Noncommercial Exclusion Apply*

The first question addressed by the Court is whether the *Rogers* test must be satisfied before undertaking the likelihood-of-confusion analysis called for by the trademark infringement claim. The Court held that *Rogers* does not come into play when the accused infringer uses the trademark as a designation of source for its own goods. If it is using another's trademark as a trademark-then it will not get any help from *Rogers*, even if the use is "expressive." The Court observed that many trademarks express something beyond the source of the product, like a band name that also indicates their political views or a logo that also communicates a humorous message. If the accused infringer is using the trademark as a source identifier, then *Rogers* does not apply.

Turning to the second question, the Court addressed whether the noncommercial exclusion covers the source-identifying use of another's trademark involving parody or other commentary. The Court held that it does not, rejecting the Ninth Circuit's expansive application of the exclusion. To hold otherwise, the Court explained, would "effectively nullif[y]" Congress's express limit on the fair use exemption, which protects "parodying, criticizing, or commenting upon" a famous mark *unless* the use is "as a designation of source for the person's own goods or services." [§1125(c)(3)(A).] If parody or other commentary were always exempt under the noncommercial provision, the fair use caveat would be meaningless for those uses. Thus, VIP's use of Jack Daniel's trademarks is not fair because it is using them as a source identifier for its dog toy, nor is it noncommercial simply because it is a parody.

Do You Have a Dog in This Fight?: The Takeaways

Just last month, the Supreme Court's *Warhol Foundation v. Goldsmith* decision [143 S.Ct. 1258] made clear that artists taking inspiration and profiting from others' copyrighted works without appropriate permission, relying on fair use, may do so at their own risk. For those familiar with that decision, the decision in this case should come as no surprise. Businesses profiting off another's trademarks cannot expect to avoid the doghouse by relying on parody or humorous commentary as a defense to infringement and dilution claims when they are using those trademarks as source identifiers for their own products.

Benesch's trademark team is experienced in all facets of trademark practice-from counseling to prosecution to enforcement. Our trademark litigators are experienced in representing clients in trademark disputes. And we are also skilled in helping clients resolve disputes in favor of business solutions. We are available to assist you with any trademark needs.

For additional information, please contact:

Angela R. Gott at 216.363.4671 or agott@beneschlaw.com.

Mark E. Avsec at 216.363.4151 or mavsec@beneschlaw.com.

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