ARE Trademark Law Alert: U.S. Supreme Court Overturns Ninth Circuit's Decision and Rules that Likelihood of Confusion Test Must Be Applied to Dog Toy Parody in Jack Daniel's Case

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On June 8, 2023, the U.S. Supreme Court issued its ruling in *Jack Daniel's Properties, Inc. v. VIP Products LLC*, No. 22-148, 599 U.S. ___ (2023), unanimously vacating and remanding the Ninth Circuit Court of Appeal's decision that VIP's BAD SPANIELS dog toys neither infringe nor dilute Jack Daniel's trademark and trade dress rights in its iconic OLD NO. 7 BRAND TENNESSEE SOUR MASH WHISKEY. The key to the Supreme Court's narrow decision is that when the alleged infringer uses a trademark as a designation of source for the infringer's own goods, the way which the Lanham Act most cares about, the lower court must conduct a standard likelihood of confusion trademark and dilution analysis. This narrow decision makes it clear that in those cases, even parodic marks may cause a likelihood of confusion or dilution.

The dispute between Jack Daniel's Properties, Inc. ("Jack Daniel's") and VIP Products LLC ("VIP") arose from the sale of a squeaky dog toy, BAD SPANIELS, that humorously resembled a bottle of Jack Daniel's whiskey. Finding the toy to be in poor taste, Jack Daniel's demanded that VIP cease selling its product. In response, VIP filed a lawsuit in the U.S. District Court for the District of Arizona seeking a declaratory judgment that its product did not infringe or dilute Jack Daniel's trademark and trade dress. VIP strongly believed their argument of parody would prevail against any future claims. Jack Daniel's then countersued with claims of trademark infringement and dilution. After a four-day bench trial the District Court held in favor of Jack Daniel's.

On appeal, the Ninth Circuit reversed. With respect to the first claim of trademark infringement, the Ninth Circuit held that VIP's use of its parodic trademark was expressive and, therefore, subject to First Amendment protection under the *Rogers* test, which holds free speech rights need to be balanced against intellectual property rights with respect to expressive works. See *Rogers v. Grimaldi*, 875 F. 2d 994. As to the second claim, dilution, the Ninth Circuit held that VIP's trademark was "noncommercial" use because VIP's mark communicated a message of parody. In short, the Ninth Circuit said there was no need to conduct a likelihood of confusion, or a likelihood of dilution analysis, where the accused product is a parody.

The Supreme Court granted review on both claims and rejected both of the Appeals Court's conclusions in a unanimous opinion delivered by Justice Kagan and two concurring opinions, one delivered by Justice Sotomayor and another delivered by Justice Gorsuch.

The Supreme Court found that the BAD SPANIELS trademark should not receive "special First Amendment protection," and thus should not be subject to the *Rogers* test prior to conducting a traditional likelihood of confusion analysis under the Lanham Act. Explicitly sidestepping the question of whether *Rogers* should be applied in other circumstances, the Court held that it is not applicable when an infringer uses its mark for source identification, which VIP did in this case. Pointing to extensive case law, the Court stated that *Rogers* "has always been a cabined doctrine," only applying in cases where the mark is not being used as a source identifier. Thus, the fact that VIP uses its mark to convey parody does not automatically make it subject to the *Rogers* test. "As a leading treatise puts the point, the Ninth Circuit's expansion of *Rogers* 'potentially encompasses just about everything' because names, phrases, symbols, designs, and their varied combinations often 'contain some "expressive" message' unrelated to the source.'" *Jack Daniel's Properties, Inc. v. VIP Products LLC*, No. 22-148, 599 U.S. ___ (2023) (quoting 1 J. McCarthy, Trademarks and Unfair Competition (5th ed. 2023)).

Additionally, the Supreme Court found that VIP's use of the BAD SPANIELS trademark did not fall under the "fair use" exclusion from dilution liability for noncommercial use of a mark. The Court held that although the exclusion specifically encompasses parodying, it can only be applied if the mark is not used as a source identifier. Thus, a diluter is not "shielded" from liability if its parodic mark is source-identifying. Importantly, the Court did not address exactly how far the "noncommercial use" exclusion reaches.

The Court then remanded the case to determine whether a consumer is likely to be confused by the use of these two marks, taking into consideration the fact one of the marks is meant to convey parody.

The Supreme Court's decision makes it clear that there are no shortcuts around conducting a likelihood of confusion or a likelihood of dilution analysis with respect to goods that may not be primarily expressive. The consequence is that trademark infringement cases regarding arguably expressive goods will become more expensive, with parties having to hire expert witnesses and conduct consumer surveys instead of disposing of such cases early in the litigation process.

However, the concurrence, authored by Justice Sotomayor and joined by Justice Alito, addresses concerns with the weight given to consumer surveys in the context of parodic marks. The opinion suggests that results may be skewed by the framing of questions which would unduly silence parodies. The concurrence also cautions that wealthier mark owners with greater ability to conduct these surveys "would be handed an effective veto over mockery."

A second concurring opinion, authored by Justice Gorsuch and joined by Justice Thomas and Justice Barrett, leaves the door open as to the importance of *Rogers* in future cases.

We will continue to monitor developments and provide further updates regarding this case, the *Rogers* doctrine, and the law of trademark infringement and dilution. In the

meantime, please feel free to contact us if you have questions regarding issues raised by this case.

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