

Supreme Court Relegates VIP Products' Dog Toys to the Dog House

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KEY TAKEAWAYS

- Regardless of the “expression” intended by parodying another’s brand, if the expression is also being used as a trademark to identify the alleged infringer’s goods, it may not be entitled to heightened First Amendment protection.
- Not all parody is a “fair use.” If the parodied mark is used to identify the alleged infringer’s own goods, the parody exception to a dilution claim is not available.
- Parody may still play a role in the likelihood-of-confusion analysis, as the humor or contrast required to create a successful parody may also reduce the risk that a consumer would believe that the trademark owner is making fun of itself.
- If a company is going to sell merchandise that contains a parody of a well-known brand, then it should not claim trademark rights in that parody.

In a unanimous decision issued on June 8, 2023, the Supreme Court of the United States vacated the Ninth Circuit’s ruling that the First Amendment and humorous parody protected VIP Products LLC against Jack Daniel’s Properties, Inc.’s claims that VIP’s “Bad Spaniels” dog toy constitutes trademark infringement and dilution. In its decision, the Supreme Court clarified that use of a trademark *as a trademark* is not entitled to special First Amendment protection in the infringement analysis, nor is it covered by the Lanham Act’s “parody” exception to dilution.

Jack Daniel’s sells the popular “Jack Daniel’s Old No. 7 Tennessee Sour Mash Whiskey” and owns trademark registrations for its name, logo, and bottle shape. VIP sells the “Silly Squeakers” line of dog toys, many of which are designed to resemble and parody well-known alcohol brands. In 2014, VIP launched its “Bad Spaniels” toy, which closely mimics the square shape of the Jack Daniel’s bottle and typeface, but replaces the bottle’s trademarks and other text with humorous statements. For instance, “Jack Daniel’s” becomes “Bad Spaniels” in VIP’s product. Similarly, Jack Daniel’s “Old No. 7 Tennessee Sour Mash Whiskey” becomes “Old No. 2 On Your Tennessee Carpet” in the VIP toy, and “40% alc. by vol. (80 proof)” becomes “43% poo by vol. (100% smelly)”. After a complaint from Jack

Daniel's, VIP filed a declaratory judgment action in the U.S. District Court for the District of Arizona that its dog toy's name and trade dress did not infringe or dilute Jack Daniel's trademark rights. Jack Daniel's, expectedly, counterclaimed for trademark infringement and dilution by tarnishment.

In the district court, VIP moved for summary judgment. On the trademark infringement claim, VIP argued that expressive works like Bad Spaniels require application of the *Rogers* test, a threshold test derived from the First Amendment. Under the *Rogers* test, expressive works are protected from infringement claims unless the use of the mark "has no artistic relevance to the underlying work" or the use of the mark "explicitly misleads as to the source or the content of the work." VIP contended that because it was a parody, its Bad Spaniels toy was an expressive work entitled to application of the *Rogers* test, and that Jack Daniel's could not satisfy either prong of the test. On the dilution claim, VIP argued that because parody is an exception to a claim of dilution under the Lanham Act, VIP's Bad Spaniels toy was a "fair use" of the Jack Daniel's marks.

The district court denied summary judgment on both claims because VIP admittedly used the parodied features as source identifiers and therefore neither the *Rogers* test nor the parody exception were applicable. At the bench trial, the court ruled for Jack Daniel's on trademark infringement based in part on survey evidence showing significant consumer confusion over the source of the Bad Spaniels toy. The court also ruled for Jack Daniel's on dilution, reasoning that VIP caused reputational harm to Jack Daniel's by associating its marks with dog excrement.

On appeal, the Ninth Circuit reversed, holding that the district court erred in not applying the *Rogers* test. Under the Ninth Circuit's approach, works that communicate a humorous message are expressive and are automatically entitled to *Rogers* protection. On dilution, the Ninth Circuit held that parodies, including ones such as VIP's Bad Spaniels toy, are considered noncommercial, and therefore immune to liability for dilution. On remand to the district court, VIP prevailed on summary judgment, defeating both the infringement and dilution claims. The Ninth Circuit affirmed, and Jack Daniel's sought Supreme Court review.

The Supreme Court disagreed with the Ninth Circuit, vacating its rulings and remanding the claims to the district court. In a narrow opinion, the Court held that the *Rogers* test does not apply when an alleged infringer uses the challenged mark as a designation of source for its own products. The Court reasoned that the *Rogers* test has been applied only to cases involving "non-source-identifying" uses of a mark, such as in the title of a movie, or as an element in a video game. Where, as here, the challenged mark is being used to identify the alleged infringer's own goods, *Rogers* should not apply; instead, courts should apply a traditional likelihood-of-confusion analysis. In the Court's view, this aligns with trademark law's "primary mission," which is to identify the source of a good or service and distinguish that source from others. Thus, because VIP admitted that it used the challenged marks as a designation of source, the Court held the *Rogers* test did not apply to Bad Spaniels.

On dilution, the Supreme Court held that the Ninth Circuit's ruling improperly conflated the parody and noncommercial-use exclusions. The Court explained that parodies fall within the "fair use" exclusion from dilution set out in the Lanham Act, but only if the parody is not being used "as a designation of source for the [infringer's] own goods or services." And once again, because VIP admitted that its parody functioned as a source identifier for its own goods, it was precluded from relying on the parody exception to Jack Daniel's dilution claim.

WHAT THIS MEANS

The Supreme Court's ruling has important implications for intellectual property owners.

By reserving the *Rogers* test to non-source-identifying uses, the Court shifts the question away from a subjective determination of whether a work is expressive, or worse, how expressive it is, and instead focuses on the arguably more objective test of whether the challenged mark is being used as an indicator of source. Moreover, those that seek to leverage other parties' trademarks cannot as easily avoid likelihood-of-confusion analyses under the Lanham Act.

Similarly, by rejecting the Ninth Circuit's broad protection for parodies, the Court focuses the analysis on whether the parody itself serves a source-identifying function. If it does, then it is not protected under the fair-use exception.

Those seeking to parody another's trademark will need to carefully assess whether their parody actually functions as a designation of source for their own products.

Winston & Strawn summer associate Vito Vang also contributed to this briefing.

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