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United States: Statutory And Nominative Fair Use Under The Lanham Act

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"On December 8, 2004, the U.S. Supreme Court held that a finding of likelihood of confusion is not necessarily a bar to the statutory fair use defense⁴ and that the burden is on the plaintiff to prove a likelihood of confusion and not on a defendant pleading the fair use defense to negate such likelihood confusion. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111 (2004)," said [Mondaq in a legal review by two expert attorneys of the Lanham Act](#) and the appropriate utilization of what's known as "**fair use.**"

That source went on to say and quote as follows, "The Supreme Court granted defendant's petition for certiorari to address the split among the circuits as reflected in the following decisions cited by the Court: KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d at 1072 (9th Cir. 2003) (likelihood of confusion bars the fair use defense); PACCAR Inc. v. TeleScan Technologies, L.L.C., 319 F.3d 243, 256 (6th Cir. 2003) ("[A] finding of a likelihood of confusion forecloses a fair use defense"); and Zatarains, Inc. v. Oak Grove Smokehouse, 698 F.2d 786, 796 (5th Cir. 1983) (alleged infringers were free to use words contained in a trademark "in their ordinary, descriptive sense, so long as such use [did] not tend to confuse customers as to the source of the goods"), versus Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co., 125 F.3d 28, 30-31 (2nd Cir. 1997) (the fair use defense may succeed even if there is

likelihood of confusion); *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) ("[A] determination of likely confusion [does not] preclud[e] considering the fairness of use"); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1059 (7th Cir. 1995) (finding that likelihood of confusion did not preclude the fair use defense). See *KP Permanent Make-Up, Inc.*, 543 U.S. at 116-117.

In vacating the Ninth Circuit judgment, the Court first examined the language of the Lanham Act provision that creates a statutory cause of action for infringement of registered trademarks, 15 U.S.C. § 1114. That section requires the plaintiff to show that defendant's actions are likely to confuse consumers as to the source or origin of the goods or services at issue. The Court then examined the statutory fair use defense language of 15 U.S.C. § 1115(b)(4). It recognized that the Lanham Act places on plaintiff the burden of establishing a likelihood of confusion as a critical element of its *prima facie* case. The fair use language on the other hand, makes no mention of likelihood of confusion. The Court concluded that, as a drafting matter, it was not the intent of Congress to place on the defendant the burden of negating confusion when pleading the fair use defense.

Moreover, the Court recognized that, as a practical matter, even absent the statutory defense, a defendant could prevail if the plaintiff had failed to satisfy its burden proving likelihood of confusion. The Court noted that "it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense."⁵ Thus, to be of any use at all, the statutory fair use defense would have to be available despite a finding of a likelihood of confusion."

The legal experts went on, quoting the "Ninth Circuit Court of Appeals accepted Supreme Court's invitation and held that "the degree of customer confusion remains a factor in evaluating fair use." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 609 (2005)..." as follows.

"determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored," *id.* at 608, the value of the statutory fair use defense as a tool for early disposal of trademark claims may be limited.⁶ The Ninth Circuit made this clear when it held that summary judgment on the fair use defense was improper and specifically listed the degree of likely confusion among the genuine issues of material fact. *Id.* at 609."

The same lawfirm, experts in fair use law, said this:

"However, prominent use does not always preclude fair use. Fair use was found in *Wonder Labs, Inc. v. Proctor & Gamble Co.*, 728 F. Supp. 1058 (S.D.N.Y.

1990), involving the term DENTIST'S CHOICE for toothbrushes. There, the court held that even though the term was prominently displayed in the defendant's advertisements, simply drawing attention to the phrase was not enough -- attention had to be drawn to the words as a source of the product."

There is no one known to have seen or reads articles on MHPProNews or MHLivingNews who has ever contacted our firm under the mistaken belief that we were MHI, Clayton Homes, 21st Mortgage, Berkshire Hathaway, etc.

Rather, intelligent readers of our articles understand that we are referring to the subject, not claiming to be the subject. When we show the photo of a person, we are not claiming to be that person. Nor in showing a person's photo or still video image, are we necessarily agreeing or disagreeing with that person on any related specific comments. A quote can be interesting for a variety of reasons. And the use of a photo, a video still, or a logo as part of news, analysis, and commentary can be a legal and legitimate use, according to Supreme Court and other court rulings.

Deeper Questions?

But deeper questions exists. Why would an attorney who asserts that they are working for MHI have been hired in the first place? Is it an effort to silence a critical analysis of their work? Or why isn't MHI using their resources to defend the industry against errant reporting or research? Why are they instead targeting a pro-sustainable growth for manufactured housing trade publisher?

Nominative Use As Fair Use:

Unlike most statutory fair use cases, nominative fair use involves the descriptive use of the plaintiff's mark to describe or identify the plaintiff's goods or services. While decided as a statutory and/or common law fair use case, WCVB-TV v. Boston Athletic Ass'n., 926 F.2d 42 (1st Cir. 1991), is more logically a nominative fair use case, although decided before the Ninth articulated the defense and coined the term. This case involved the use of the registered trademark BOSTON MARATHON by a television station in connection with its coverage of the running event. WCVB-TV had displayed the words "Boston Marathon" on the screen before, during, and after their coverage of the actual marathon. The First Circuit

found that the fair use defense was properly asserted, reasoning that the trademark was used primarily in a descriptive manner. Because of the "timing, meaning, context, intent, and surrounding circumstances," there was no likelihood of confusion. The court concluded that without allowing others to use the term "Boston Marathon," it would be virtually impossible to describe the Boston Marathon.¹⁴

[T]he words "Boston Marathon" . . . do more than call attention to Channel 5's program; they also describe the event that Channel 5 will broadcast. Common sense suggests (consistent with the record here) that a viewer who sees those words flash upon the screen will believe simply that Channel 5 will show, or is showing, or has shown, the marathon, not that Channel 5 has some special approval from the [trademark holder] to do so. In technical trademark jargon, the use of words for descriptive purposes is called a "fair use," and the law usually permits it even if the words themselves also constitute a trademark.

926 F.2d at 46.

So said

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"Much as the statutory fair use defense of the Lanham Act is aimed at protecting a competitor's ability to simply describe its own product, the nominative fair use defense allows a third party fairly to describe another's product without resorting to "absurd turns of phrase to avoid use of the mark." Id. at 306-307.¹⁵ As Judge Kozinski notes, if a law suit resulted every time someone's trademark was referred to, then a valuable social and commercial means of communication would be lost."

The law firm specifically cited:

"Such nominative use of a mark -- where the only word reasonably available to describe a particular thing is pressed into service -- lies outside the strictures of trademark law: Because it does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder.

Id. at 308" noting that the "emphasis [italics were] added."

The New Kids opinion states that the "classic fair use case where the defendant has used the plaintiff's mark to describe the defendant's own product" was not applicable. *Id.* However, it noted that courts had often found fair use in just such situations, citing *WCVB-TV (Boston Marathon)*, discussed above; *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969) (automobile repair shop could use VOLKSWAGEN mark to communicate the kind of cars it repairs, so long as it did not suggest authorization or sponsorship); and *Universal City Studios, Inc. v. Ideal Publishing Corp.*, 195 U.S.P.Q. 761 (S.D.N.Y. 1977) (magazine could use television program's trademark HARDY BOYS in association with a photograph of the show's stars).

Cases like these are best understood as involving a non-trademark use of a mark -- a use to which the infringement laws simply do not apply, just as videotaping television shows for private home use does not implicate the copyright holder's exclusive right to reproduction.

971 F.2d at 307.

MHProNews and MHLivingNews specifically use disclaimers in articles, and often on the image themselves. That's noteworthy. Here's what that same law-firm wrote in their analysis and report.

"We now know that, just as the defendant who seeks the protection of the statutory fair use defense will enjoy greater success if it does not use the mark too prominently, restraint in use of the mark in issue favors the nominative fair use defendant as well.¹⁷ We also know that disclaimers can help a defendant pleading nominative fair use,¹⁸ those who don't disclaim or clarify may lose¹⁹ and that some re-sellers of a mark owner's goods have successfully invoked the nominative fair use defense.²⁰"

Put in lay terms - as we are not attorneys giving legal advice, but rather trade journalists engaged in industry related issues - there would be no practical way to describe a person or organization without using their names, images, or even their logos. How could we warn the industry's members about deceptive or harmful trade practices without naming those who are engaging in the alleged harm?

MHI, Clayton Homes, 21st Mortgage, Berkshire Hathaway, Warren Buffett or use photos that indicate who they are being used according to Fair Use Guidelines that are well established for media, and in critical analysis.

One could go a step further. We reject the notion that - for example - MHI is a trade group whose endorsement would be of benefit with the public. It's a sad

fact that Nathan Smith - former MHI Chairman, current MHI PAC Chair - is a partner in SSK Communities, which earned an "F" rating from the Better Business Bureau (BBB) at the time the screen capture below was produced.

The BBB doesn't complain about our fair use of their logo, as how would one know or describe what a BBB rating is without naming them?

We have never claimed to be MHI. The use of their logo is as a warning, or description, not as our desire to imply any endorsement by them. We would reject, in hindsight, any MHI award. To the extent that prior to our understanding the arguably illicit nature of the Arlington, VA based trade group we thought that they were acting in good faith for the industry's members, we've repeatedly corrected that error. They demonstrably fail all too often at defending the industry, despite claims to the contrary. Our past error is the debatable error of the victim of MHI.

In fact, one could - perhaps should - argue that once more their behavior, in conjunction with their surrogates and allies, is consistent with elements of racketeering.

Furthermore, when invited to come to the aide of their industry, its reputation, or a specific egregious case against Millie Francis, they have reportedly failed to do so. How can they give fair housing law advice with a straight face, while ignoring a fair housing law issue that arguably harms thousands of industry professionals? Or the interests of millions of owners of pre-HUD Code mobile homes, and post code manufactured homes?

Shame on them for their self-serving, purportedly harmful to the industry and our home owners interests for coming after us - whom their leader repeatedly praised - instead of acting consistent with their own claimed positions.

How does failure to act on Millie Francis' behalf harm the industry? Or put differently, how could acting on her behalf improve the image of the industry?!

Perhaps the single biggest story about manufactured homes and communities for months has been the Millie Francis case. Why have they been silent on that? Why have they retained a separate attorney to harass us instead?

The Fuse Is Lit...

In hindsight, one can see that the fuse was lit by MHI's Richard 'Dick' Jennison, when he postured an interest in acquiring MHProNews. Arguably he would not

have done so without his board's approval. That the MHI board was involved is clear by the comments we've previously published from the late Howard Walker.

MHI either is or is not acting in good faith on behalf of the industry. Perhaps they are merely incompetent? Is it a matter of chance that the largest players are consolidating smaller ones, at discounted prices, all traceable to various failures by MHI and their puppet masters to do what's right for the industry's consumers and independents?

We have consistently called for a public discussion or debate about MHI, Clayton, and other Berkshire brands. We've supported antitrust, RICO, and other federal investigations of these groups.

Who in their right mind that reads our articles would think that we want their endorsement?

Aren't the powers that be behind MHI just bullies, cowards, and con artists, hiding behind \$1000 an hour suits? "We Provide, You Decide." ©

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