

October Term, 2015
United States Court of Appeals,
Fourteenth Circuit

1135 F.3d 759

Cammy Gardashyan, Appellant,
v.
Pattel, Inc., a Bel Air Corporation,
Appellee,

No. 70593-2016

Argued and Submitted: May 17, 2016
Decided: June 5, 2016

Appeal from the United States District
Court for the Central District of Bel Air;
A. Frazre, District Judge, Presiding.

Before: L. KHALAWI, Chief Judge, I.
PETERSON, and S. VERSACE, Circuit
Judges.

Opinion by Chief Judge KHALAWI;
Dissent by Judge PETERSON.

KHALAWI, Chief Judge:

In this appeal, we consider two issues arising from Pattel, Inc.’s reference to Cammy Gardashyan on the box of the Fashionista Bambi, a very popular doll produced by Pattel. The first is whether we should adopt a nominative fair use analysis in a trademark cause of action where the mark at issue has been used by Pattel, Inc. in reference to Gardashyan herself, and if so, should we adopt it as an affirmative defense that may be asserted by the defendant despite a finding of a likelihood of confusion or does it become a part of the likelihood of

confusion analysis. The second issue is, if we do adopt a nominative fair use defense, how the test should be articulated as well as how that test applies in deciding whether Pattel, Inc.’s use of the Cammy Gardashyan mark is fair.

Cammy Gardashyan brought suit against Pattel, Inc. for trademark infringement, false endorsement, false advertising, and trademark dilution pursuant to the Lanham Act. The trademark infringement is the only claim at issue in this appeal.

I. Factual Background

Pattel, Inc., a Bel Air corporation, is a toy manufacturing company that was founded in 1961 and headquartered in Nautilus, Bel Air. Pattel creates and produces many products and brands including the products at issue here, Bambi dolls. The Bambi dolls that Pattel creates are usually inspired by the “original look” of its original dolls and also by modern-day movie and television stars, musicians, and fashion models. The dolls reflect modern social values, most importantly by conveying characteristics of female independence through the depiction of inspirational women known through popular culture.

Pattel has sold over five hundred million Bambi dolls. The Bambi dolls usually attract consumers of all ages, including older consumers, because the dolls are valuable as collectibles. Hence, Pattel targets consumers from ages three to one hundred.

Cammy Gardashyan is an American reality television personality, socialite, businesswoman, model, and singer. Her career skyrocketed during 2007 when she began appearing on the TV! Network's reality television series "Keeping Up with the Gardashyans." In the wake of the show's unprecedented success, Gardashyan's personal life captured media attention all over the world, resulting in millions of consumers purchasing products associated with her personal brand. Gardashyan also has a vast online and social media presence—including tens of millions of followers on Facebook, Twitter, and Delaygram. In 2014, millions of people watched her wedding, which cost thirty million dollars. She has successfully released a variety of products tied to her mark, and her total earnings from products associated with her personal brand in 2015 exceeded fifty million dollars.

CG CAMMY GARDASHYAN™ is a trademark owned by Cammy Gardashyan. Gardashyan uses the trademark to protect her lucrative personal brand, which she has been building through several popular reality television shows. The goods and services that have been produced under the trademark include jewelry, clothing, cosmetics, perfumes, handbags, and footwear. These goods bear Gardashyan's name and mark.

Cammy Gardashyan's fame is both national and worldwide. She attracts fans from ages five to one hundred years old. Therefore, people of all ages recognize her, and she has become a household name. She is in the headlines

of entertainment news websites, television shows, and on social media daily. Her signature styles include animal prints, knee-length skirts or dresses, and shiny high-heeled shoes. Her sense of style has been top-rated by fashion magazines. Additionally, Cammy Gardashyan usually wears her hair long, black, and straight, and she is known for her "curvy" figure. Despite these distinctive features, other celebrities also have similar features and a similar sense of style, including Gardashyan's three sisters. Like Gardashyan, these celebrities are widely recognized and portrayed by the entertainment media.

The Cammy Gardashyan mark consists of a stylized "CG" displayed back to back, and the words "CAMMY GARDASHYAN" appears underneath in capital letters and in standard, block typeface.

CG

CAMMY GARDASHYAN™

To enhance profitability, Pattel follows a yearly practice of analyzing and assessing market trends for its toy products. In 2015 Pattel used this practice in order to design the top-selling Bambi doll for that year. Seeing Cammy Gardashyan's dramatic rise in fame following her 2014 wedding, Pattel decided that the 2015 Bambi doll was

going to be inspired by the Cammy Gardashyan look.

The Fashionista Bambi Doll:

When creating the Fashionista Bambi dolls, the Pattel Bambi designers took Cammy Gardashyan into consideration. The doll followed Bambi's standard height—approximately eleven and one-half inches tall. The Fashionista doll has a body figure similar to that of other Bambi dolls created by Pattel, Inc.; however, the Fashionista doll has long, black, straight hair. Additionally, the Bambi doll portrays Cammy Gardashyan's signature style with an animal (leopard) print top, knee-length skirt, and sparkly high-heeled shoes.

Furthermore, the doll has a talking feature. The doll's voice is activated by a push of a button that is located on its hand. Upon activation, the lips of the doll only slightly part, and a digital recording from inside the cavity of the doll's abdomen can be heard. This doll is activated with only one recorded phrase: "I want to be a fashionista, just like Cammy Gardashyan."

Moreover, the Bambi doll comes in a standard rectangular box; the front cover is transparent, making it possible to see the Bambi doll without opening the box. The front and back covers of the box's design display contain Pattel, Inc.'s standard messages, including warnings, recommendations, and the Bambi trademark. On the top front cover, it displays the name: Fashionista Bambi. Under that, a caption bubble reads the

following message: "I say: I want to be just like Cammy Gardashyan." The caption bubble is in twenty point font size. Pattel also includes a disclaimer on the back lower portion of the box, the font is in small, ten point font size print and reads: "Pattel, Inc. and Fashionista Bambi are not sponsored by or affiliated with Cammy Gardashyan."

Furthermore, Pattel did not use the Cammy Gardashyan full logo. The Fashionista Bambi doll, both times that it referred to "Cammy Gardashyan" on the box, did use a standard black block typeface.

On January 2015, the Fashionista Bambi doll was released for sale nationwide. Cammy Gardashyan did not authorize Pattel's use of her name and mark. Finally, within the twelve months that the Fashionista Bambi dolls were manufactured, Pattel had successful profits of forty-five million dollars just from the thirty-five million Fashionista Bambi dolls it sold that year.

II. Procedural History

On February 9, 2015, Gardashyan filed an action against Pattel, Inc., seeking a permanent injunction on a claim of trademark infringement for use of the mark "Cammy Gardashyan." In response, Pattel claimed that Pattel's use of Cammy Gardashyan's name on its products was fair use under the nominative fair use defense. Hence, Pattel argued that Cammy Gardashyan's trademark infringement claims under the Lanham Act should be dismissed. Judge Alexi M. Frazre of the United States

District Court for the Central District of Bel Air, held that Pattel, Inc.’s use of the names and marks constituted nominative fair use. The district court adopted a two-step approach, holding that Pattel, Inc. is entitled to a nominative fair use defense for its references to Cammy Gardashyan to describe its Cammy Gardashyan-related product, regardless of there being a finding of likelihood of confusion. In its analysis, the district court noted that it used the nominative fair use defense as an affirmative defense.

Additionally, with regards to the three-prong test for nominative fair use, the district court adopted the language from the Ninth Circuit Court of Appeals’ version of the test from the *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992). Therefore, following cross-motions for summary judgment, the district court granted summary judgment on all counts in favor of Pattel, Inc. Cammy Gardashyan appealed.

We now reverse the order of the District Court on both counts and remand for further proceedings consistent with this opinion.

III. Standard of Review

We have jurisdiction over this appeal pursuant to 28 U.S.C. § 1291.

IV. Discussion

Under 15 U.S.C. § 1114, a plaintiff’s trademark is protected by federal law (the Lanham Act) against infringement.

To show trademark infringement under 15 U.S.C. § 1114(1), a plaintiff must show that the defendant’s use of the allegedly infringing trademark “is likely to cause confusion, or to cause mistake, or to deceive.” In other words, if the use causes confusion among consumers regarding the origin of the goods, then a party is protected under § 1114. In determining whether there is a likelihood of confusion, each circuit applies a somewhat similar multi-prong test. Our circuit does the same. In this case, Cammy Gardashyan claimed that Pattel, Inc.’s use of her name and mark on the box of the Fashionista Bambi doll, along with other features of the doll, created a likelihood of confusion in consumers that the doll was affiliated with Cammy Gardashyan’s mark. Our circuit has never before addressed a situation where the claim of infringement is related to using a mark to describe the trademark holder’s goods, rather than the defendant’s goods, as we have here.

Distinction Between Classic Fair Use and Nominative Fair Use Defenses:

Our sister circuits distinguish amongst two types of fair use: classic fair use and nominative fair use. In classic fair use (or descriptive use), “the defendant has used the plaintiff’s mark to describe the defendant’s *own* product.” *New Kids on the Block*, 971 F.2d at 308. While in nominative fair use, for the circuits that recognize the distinction, the defendant uses the plaintiff’s mark to identify “not the defendant’s goods or services, but the plaintiff’s goods or services.” McCarthy § 23:11. Hence, nominative fair use means the use of another’s trademark to

refer to the goods and services associated with the mark. The term “nominative” portrays that the mark generally is the most informative name for the specific goods or services intended to be referenced. Moreover, as the Ninth Circuit in *New Kids* states, there are many well-known trademarks, such as Scotch tape and Kleenex, which have equally informative non-trademark words describing these products, such as cellophane tape and facial tissue. *New Kids on the Block*, 971 F.2d at 306. However, the court noted that there are sometimes no descriptive substitutes, and many goods and services are effectively identifiable only by their trademarks, e.g. the “Chicago Bulls.” *Id.* Nominative fair use analysis is appropriate if a defendant has used the plaintiff’s mark to describe the plaintiff’s product, even if the defendant’s ultimate goal is to describe her own product, for example, comparison to the defendant’s product, criticism, and point of reference. *Id.* at 308.

Here, the district court has appropriately adopted a nominative fair use analysis. However, this circuit has not yet adopted a nominative fair use standard, and we find that the district court’s application of nominative fair use as an affirmative defense even if there is a likelihood of confusion is flawed. Furthermore, the district court adopted an improper test to analyze nominal fair use. In assessing the latter issue, our focus is on the *language* of the nominative fair use test and how it applies to the facts of this case.

A. *Nominative Fair Use As An Affirmative Defense*

As a threshold matter, we must address whether to adopt a nominative fair use test, even though we have a test for likelihood of confusion. The Fourteenth Circuit has adopted the Second Circuit’s likelihood of confusion test, which is otherwise known as the *Polaroid* test. The eight factors that we analyze in determining likelihood confusion are: (1) strength of the trademark; (2) similarity of the marks; (3) proximity of the products and their competitiveness with one another; (4) evidence that the senior user may “bridge the gap” by developing a product for sale in the market of the alleged infringer’s product; (5) evidence of actual consumer confusion; (6) evidence that the imitative mark was adopted in bad faith; (7) respective quality of the products; and (8) sophistication of consumers in the relevant market. *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 115 (2d Cir. 2009). The factors are not exclusive, and should not be applied mechanically. Also, no single factor is dispositive; cases may arise where some of the factors are irrelevant to the facts at hand. Hence, the application of the *Polaroid* test focuses on the ultimate question of whether, looking at the products in their totality, consumers are likely to be confused. *Int’l Info. Sys. Sec. Cert. Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 160-61 (2d Cir. 2016).

The Sixth Circuit Court of Appeals in *PACCAR, Inc. v. Telescan Technologies, LLC*, 319 F.3d 243, 256 (6th Cir. 2003),

declined to adopt a separate nominative fair use analysis, stating that its likelihood of confusion test was sufficient, even in instances when a defendant used a plaintiff's trademark to describe the plaintiff's products.

However, like the Ninth, Second, and Third Circuit Courts of Appeals, we agree that there needs to be an additional analysis beyond likelihood of confusion when assessing nominative fair use cases. Hence, a defendant may lawfully use a plaintiff's trademark when it is necessary to describe the plaintiff's product and does not imply a false endorsement or affiliation by the plaintiff of the defendant's product. Nominative fair use affords this protection. When only a specific word is reasonably available to identify a particular thing, it "lies outside the strictures of trademark law." *Id.* Therefore, "[w]hen the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth." *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924).

Next, we center our discussion on how nominative fair use should be analyzed in relation to likelihood of confusion. We hold that the question of nominative use is an inquiry of likelihood of confusion rather than an affirmative defense. To hold otherwise would run afoul of the Lanham Act and the Supreme Court's decision set forth in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

In *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d

Cir. 2005), the Third Circuit Court of Appeals adopted a two-step approach for analyzing nominative fair use. The two-step approach requires that the plaintiff "first prove that confusion is likely due to the defendant's use of plaintiff's mark." *Id.* Once the plaintiff meets her burden of proving that there is a likelihood of confusion, "the burden then shifts to the defendant to show that its nominative use of plaintiff's mark is nonetheless fair." *Id.* Thus, the defendant is given the opportunity to bring forth the nominative fair use defense even though the plaintiff proves that there is a likelihood of confusion. The Third Circuit relied heavily on the Supreme Court's decision in *KP Permanent Make-Up, Inc.*, 543 U.S. 111 (2004). The Third Circuit reasoned that the Court held that "between fair use and other trademark infringement claims . . . likelihood of confusion and fair use can coexist." *Century 21 Real Estate Corp.*, 425 F.3d. at 221. It concluded that since the Court also held that the plaintiff has the burden in classic fair use cases to prove likelihood of confusion, then it could apply the same reasoning in nominative fair use. *Id.* Therefore, the Third Circuit's flawed analysis of the Court's decision led it to reason that because the Supreme Court viewed fair use as an affirmative defense, then nominative fair use should also be an affirmative defense. *Id.* at 221-23.

The district court in the present case followed the reasoning of the Third Circuit Court of Appeals and applied a two-step approach in assessing nominative fair use. This approach provides *Pattel, Inc.* broader protection

by allowing Pattel, Inc. to bring forth the nominative fair use defense even if likelihood of confusion has been established. It is our understanding, and the understanding of the Second and Ninth Circuit Court of Appeals, that when there is a finding of likelihood of confusion, nominative fair use cannot be raised. Using this two-step approach, the district court held that even if Cammy Gardashyan proved that Pattel, Inc.'s use of her name and mark on the Bambi Fashionista line of dolls resulted in a likelihood of confusion among consumers, Pattel, Inc. would still have the chance to bring forth a nominative fair use defense.

Today we hold that this is a flawed approach, which affords defendants broader protection by allowing them a second bite at the apple, and misinterprets the Supreme Court's ruling in *KP Permanent Make-Up*, on § 1115(b). The Third Circuit Court of Appeals in *Century 21*, and other courts who have held that nominative fair use can be brought forth even when there is a likelihood of confusion, improperly rely on *KP Permanent Make-Up* and its holding. These courts disregard that the Supreme Court decided on several issues in *KP Permanent Make-Up*, but only one is applicable to nominative fair use. The Court even clarified it was not addressing nominative fair use. *KP Permanent Make-Up, Inc.*, 543 U.S. at 115, n.3.

In *KP Permanent Make-Up*, the only applicable provision of the Court's analysis to nominative fair use states that the defendant bears no burden of

negating confusion. 543 U.S. at 125. Accordingly, the Supreme Court held that

If the plaintiff succeeds in making out a prima facie case of trademark infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both.

Id. The Court went on to say that it would make no sense in allowing a defendant to affirmatively show that the plaintiff cannot successfully prove an element like confusion. *Id.* We must follow the Supreme Court's binding precedent. Thus, we require nominative fair use to be addressed through a likelihood of confusion analysis with the burden remaining on plaintiffs.

The Ninth Circuit, which introduced nominative fair use, has adopted a test that supplants its likelihood of confusion analysis. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003) (holding that "[w]hen analyzing nominative fair use, it is not necessary to address likelihood of confusion because the nominative fair use analysis replaces the likelihood of confusion analysis.") *rev'd on other grounds*, 543 U.S. 111 (2004). This makes it an inappropriate foundation for an affirmative defense since the Supreme Court clarified that it was improper for the Ninth Circuit to place a burden of proving no confusion on the defendant.

KP Permanent Make-Up, Inc., 543 U.S. at 117-18.

Instead of following the Ninth Circuit’s replacement of the likelihood of confusion test with the nominative fair use test, we join the Second Circuit’s analysis of this issue in *International Information Systems Security Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153 (2d Cir. 2016). There, the Second Circuit declined to follow the Third Circuit’s two-step approach to nominative fair use. *Id.* at 167. Rather, the court stated that the Supreme Court in its holding in *KP Permanent Make-Up* was interpreting a provision of the Lanham Act with regards to descriptive fair use (classic fair use) as an affirmative defense, not nominative fair use. *Id.* at 167.

We agree. The Lanham Act also does not provide anything to suggest a requirement or approval of a defendant to negate a likelihood of confusion. Additionally, the Lanham Act provides numerous affirmative defenses for infringement claims even if the plaintiff has established a likelihood of confusion. *See* 15 U.S.C. § 1115(b). Hence, when the Supreme Court was defining 15 U.S.C. § 1115(b)(4), it concluded descriptive fair use (classic fair use) to be an affirmative defense. With regards to the latter, we agree with the holding of the Second Circuit Court of Appeals in *International Information Systems Security Certification Consortium, Inc.*, that nominative fair use does not “fall within § 1115(b)(4)’s language, as nominative fair use is not the use of a name, term, or device otherwise than as a

mark which is descriptive of and used merely to describe the goods or services of the alleged infringer.” Rather, nominative fair use is when the mark at issue is used to describe the alleged infringer’s goods or services because there is no better alternative but using the plaintiff’s mark. If Congress wanted nominative fair use to be an affirmative defense, like classic fair use (or descriptive fair use), then it would have treated it accordingly. “[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” *Russello v. United States*, 462 U.S. 16, 23 (1983).

The district court’s decision is flawed because adopting a two-step approach to nominative fair use would allow Pattel, Inc. the opportunity to bring forth nominative fair use as an affirmative defense, even after Cammy Gardashyan proves likelihood of confusion. We do adopt a nominative fair use test; however, not as an affirmative defense. Rather, we hold, similar to the Second Circuit in *International Information Systems Consortium, Inc.*, that the burden should be on the plaintiff, and that nominative fair use factors from Section B below should be used to analyze nominative fair use cases, like the one at hand. Unlike in the Third Circuit, a defendant will not be allowed to bring forth nominative fair use once there is a finding of likelihood of confusion. However, the defendant remains free to use other defenses that

are available in order to leave the factfinder unpersuaded that the plaintiff met its burden.

B. Appropriate Nominative Fair Use Test

We do recognize that defendants may lawfully use a plaintiff's trademark where doing so is necessary in order to describe the plaintiff's product and does not imply false affiliation or endorsement by the plaintiff of the defendant. Therefore, we must adopt factors to analyze nominative fair use.

We hold that in nominative use cases, the district courts in our circuit are to consider a nominative fair use test using language similar to that of the Second and Third Circuits. *See Int'l Info. Sys. Sec. Cert. Consortium, Inc.*, 823 F.3d at 153; *Century 21 Real Estate Corp.*, 425 F.3d at 211. Additionally, the Fourteenth Circuit adopts the Second Circuit's approach in analyzing nominative fair use cases; when considering nominative fair use cases, courts are to consider the *Polaroid* factors (as listed in Section A) plus the three nominative fair use factors. *Int'l Info. Sys. Sec. Cert. Consortium, Inc.*, 823 F.3d at 168. However, the nominative fair use factors can only be used according to our holding above—nominative fair use is not an affirmative defense; the test encompasses likelihood of confusion, and the burden remains on the plaintiff.

The Second Circuit Court of Appeals in *International Information Systems Consortium, Inc.* adds the three

nominative use factors to the likelihood of confusion test, making the list of requirements necessary to qualify for nominative fair use into an eleven-factor test. *Id.* The eight *Polaroid* factors are not dispositive, and some of the eight factors might not be used depending on the case at hand. However, with regards to the three nominative fair use factors, the courts should assess all three factors.

With regards to the three nominative fair use factors: The district court's application of the Ninth Circuit's three-prong test for nominative fair use does not encompass the full scope of a nominative fair use analysis. Our focus here is the strength of the language used in the different tests. There are major differences between the Ninth Circuit and Second Circuit's approaches with regards to the phrasing and language of the factors. We believe that the stricter language, which effectively raises the bar for nominative fair use defense is more appropriate.

Pattel, Inc. argued that under the Ninth Circuit Court of Appeals, when considering a likelihood of confusion in nominative fair use cases, courts are to consider: (1) that the product or service in question is one not readily identifiable without use of the trademark; (2) that only so much of the mark or marks is used as is reasonably necessary to identify the product or service; and (3) that the user did nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. *New Kids on the Block*, 971 F.2d at 308. This test is too lenient, and the Ninth Circuit Court of

Appeals itself and other courts have sometimes had trouble applying it.

We are not the only Court of Appeals to notice this issue. The Third Circuit Court of Appeals, although flawed in its application of the nominative fair use as an affirmative defense (applying it even if there is likelihood of confusion), has clarified the three-prong nominative fair use factors:

1. Is the use of plaintiff's mark *necessary* to describe (1) plaintiff's product or service and (2) defendant's product or service?
2. Is only so much of the plaintiff's mark used as is *necessary* to describe plaintiff's products or services?
3. Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?

Century21 Real Estate Corp., 425 F.3d at 228. (emphasis added). As appropriately argued by Cammy Gardashyan, by adopting this language, we are raising the bar for those claiming a nominative fair use defense. For example, whereas the first prong of the Ninth Circuit's test requires "not readily identifiable" we replace it with "necessary."

With regards to the first prong, we believe that it is important for the court to not only inquire to see whether the plaintiff's product needs to be described by using its mark, but also whether the

defendant's use of that mark is necessary to "accurately describe what defendant does or sell, or whether its reference to plaintiff's mark is actually gratuitous." *Id.* at 229. It is important to note that, when analyzing this factor, the courts do not need to find that the mark is "indispensable" in order to find the factor satisfied. *See G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715, F.2d 837, 842 (3d Cir. 1983) (stating that "[t]he Lanham Act does not compel a competitor to resort to second-best communication."). Therefore, in the case at hand, the court has to also focus on Pattel, Inc., rather than only assessing whether or not Cammy Gardashyan's mark needs to be used because there is no better alternative way to describe her aside from using her name.

The second prong, as used by the district court, also focuses only on the amount of plaintiff's mark that the defendant uses. However, the Ninth Circuit Court of Appeals goes a step further, requiring an inquiry about the defendant's need to use plaintiff's mark. But, since we do that in our first prong, we need to eliminate this confusion of inquiry in this step. Rather, our prong two "tests only whether the quantum of the plaintiff's mark used by the defendant was appropriate." *Century21 Real Estate Corp.*, 425 F.3d at 230. The reasoning for this is given by the Third Circuit Court of Appeals: "[i]n analyzing this factor . . . [the court] essentially predetermined the outcome of the second prong by its finding as to the first prong." *Id.* However, we believe that the focus of this prong should only be on the quantity of the plaintiff's mark that is used as is reasonably necessary in

order to identify plaintiff's product. Therefore, in the case at hand, the court should inquire about, for example, Pattel, Inc.'s distinctive lettering and font when using Cammy Gardashyan's mark.

Finally, the third prong that we have adopted asks a broader question than the Ninth Circuit Court of Appeals does. Our reasoning for this is the same as the Third Circuit Court of Appeals': it does not truly reflect whether the use is fair; rather, it focuses on what the defendant did to suggest sponsorship (affirmative acts). Hence, the court must analyze the defendant's *failure* to state or explain some aspect of the relationship. Where a disclaimer exists, it must be considered in determining the infringer's portrayal of the relationship between plaintiff and defendant, to see if it was accurate. Therefore, the district court must not only consider source confusion, but must also consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder.

In the case at hand, Pattel, Inc. contends that it did not infringe the trademark because the alleged infringement was a nominative fair use of the trademark to describe Cammy Gardashyan, even though Pattel, Inc.'s ultimate goal was to describe its own product. In assessing this case, in addition to discussing the *Polaroid* factors, the court has to also apply the nominative fair use test that we have adopted to the facts at hand.

V. Conclusion

Because of the foregoing, we reverse the district court's judgment and remand the

case for further proceedings in accordance with this opinion.

REVERSED AND REMANDED.

PETERSON, Circuit Judge, dissenting:

I respectfully dissent from the majority's holding with respect to both issues of how a nominative fair use defense should be analyzed in relation to the likelihood of confusion and the nominative fair use standard that should be used.

As to the first issue, I agree with the Third Circuit's two-step approach in *Century 21*, where nominative fair use is treated as an affirmative defense that may be asserted by the defendant despite a likelihood of confusion. The majority's holding is flawed because they relieve the plaintiff of the burden of proving likelihood of confusion as a precondition to a defendant's assertion of nominative fair use.

The majority starts off their argument with respect to the first issue by pointing to *KP Permanent Make-Up*, a Supreme Court case that should be binding on our decision here. However, the majority narrows *KP Permanent Make-Up*'s application with regards to its application to nominative fair use, when really, the Court's decision is much broader than that. The Court noted that likelihood of confusion and fair use can coexist. *Century21 Real Estate Corp.*, 425 F.3d at 221. Moreover, the Court "clearly established that it was plaintiff's burden in a classic fair use case to prove likelihood of confusion." *Id.* Therefore,

this means that in analyzing nominative fair use cases, a two-step approach should be used: the plaintiff to prove likelihood of confusion, and defendant to be able to bring forth the nominative fair use defense (even if likelihood of confusion is found).

Furthermore, in *KP Permanent Make-Up*, the Court held that “some possibility of consumer confusion must be compatible with fair use” 543 U.S. at 121. Therefore, the majority’s rejection of a two-step approach (nominative fair use as an affirmative defense) is flawed because it does not allow a real possibility of the co-existence of fair use with some likelihood of confusion.

Finally, as to the second issue, I agree with the arguments made by Pattel, Inc., and hold that the three factors originally adopted by the Ninth Circuit in *New Kids on the Block* have withstood the test of time. Thus, the courts should use those factors when analyzing nominative fair use cases. The test evaluates the likelihood of confusion in nominative fair use cases and is designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of the consumer that the alleged infringer (Pattel, Inc.) is sponsored or endorsed by the trademark holder (Cammy Gardashyan). The factors have been consistently applied in the Ninth Circuit courts and in other circuits when assessing nominative fair use. Additionally, the Ninth Circuit’s test “has been tinkered with in no less than seven opinions.” *Century21 Real Estate Corp.*, 425 F.3d at 228.

The majority’s concern is that the Ninth Circuit three-factor test lacks clarity; however, that does not seem to be the case when applying it to the facts of a nominative fair use case. For example, the third prong of the Ninth Circuit test requires courts to analyze that the user did nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. The majority states that this language does not truly reflect if the use is fair, rather it suggests that what the defendant *did* do is just part of the analysis. Courts must also look into what the defendant *did not* do. Basically, it takes away the focus from affirmative acts. However, this seems to me too much of a burden on the defendant. It is, however, my understanding that it will all come down to the facts of the particular case at hand.

Thus, there are several flaws in the majority’s reasoning with regards to both issues. For the foregoing reasons, I respectfully dissent.

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