

# Fair Use Palooza

## The Supreme Court's *KP Permanent* Decision Opens a Can of Worms

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### Introduction

Statutory, or classic “fair use”—the use, other than as trademarks, of common words, in their ordinary descriptive sense—has long been a seemingly straightforward, not particularly controversial aspect of trademark law. A corollary to that principle, itself long a fundamental tenet of trademark law, teaches that those who choose descriptive words or phrases as their trademarks, cannot exclude others, including competitors, from also using those descriptive words or phrases in a classic fair use context, or even as a trademark so long as the senior user has not established secondary meaning. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 122 (2004). Now, it appears that these and other basics of trademark law may not be so basic after all.

Lest trademark lawyers, advertising and marketing wizards and the companies they serve become too complacent, the U.S. Supreme Court's December 2004 decision in *KP Permanent*, and *KP Permanent's* progeny, are shaking up the trademark world with regard to fair use and protection of descriptive marks in significant and sometimes troubling ways. The Ninth Circuit, on remand from the Supreme Court, seems committed to injecting disproving likelihood of confusion back into the fair use defense *and* has vastly expanded a trademark registrant's ability to enforce rights in a descriptive term for which there is no independent showing of secondary meaning. Other courts are wrestling with the proper standard for establishing a fair use defense, and whether and to what extent the *KP Permanent* Court's reasoning applies in the nominative fair use context. Much of this fallout from a case that, in reality, was not truly a fair use case at all.

### I. THE *KP PERMANENTE* CASE

The Supreme Court initially took the *KP Permanent* case to resolve a split in the circuits as to whether a party asserting a traditional fair use defense has a burden of proving that no likelihood of confusion is created by the offending

use. As an initial matter, one could ask *why*, given that *KP Permanent* really was not a fair use case at all.

It was beyond dispute in the *KP Permanent* case that the alleged infringer, *KP Permanent*, was in fact the *prior* user of MICRO COLOR, the term at issue in the case. *KP* had used “MICRO COLOR” on the bottles of its permanent makeup pigment colors, followed by the color of the pigment in the bottle at hand, continuously since 1991 after using it on flyers beginning in 1990. *Lasting Impression I, Inc.*, owner of the asserted incontestable registration for MICRO COLOR (and Design) only began use of its mark for its line of permanent makeup pigments in April 1992. So if the challenged user was first in time, how did *KP Permanent* become a fair use case?

It is basic U.S. law that the existence of an incontestable registration does not invalidate prior rights. 15 U.S.C. §1065. The incontestable registration operates to prevent the prior user from expanding its use of a mark beyond the use it was making at the time the adversary's mark became incontestable, but does not prevent the prior user's continued use. *See Ibid.*

There is no mention of “fair use” in the Judgment entered by the district court on May 17, 2001. To the contrary, the court ruled “[t]he words ‘micro colors’ are generic and incapable of obtaining protection under the laws of Trademarks and Unfair Competition”, and “[*Lasting* does] not have the exclusive use or rights to the following terms: ‘microcolors’ and ‘micro colors’.” Judgment, Case No. SA-CV-00-276-GLT (EEx) (C.D. Cal., May 17, 2001).

Though fair use was wholly absent from the Judgment, it was included, essentially as an alternate holding in the court's “Order Granting Plaintiff's [*KP Permanent*] Motion for Summary Judgment and Denying Defendant's Motion for Summary Adjudication” of the same date. After first finding “micro color” to be generic, and therefore unprotectible, the court added that “[e]ven if the phrase ‘micro color’ were

not generic, ‘micro colors’ is descriptive” and neither party demonstrated secondary meaning. *Id.* at 3-5, 8. The court then accepted KP Permanent’s argument that because it had used the term continuously since before Lasting began its use, KP Permanent’s use was a “fair use”, consistent with one of KP Permanent’s stated infringement defenses, and opined that having found fair use the court need not address KP Permanent’s “prior use” defense. *Id.* at 9. Had the district court simply ruled on the prior use defense, and foregone ruling on the “fair use” defense, the case would never have gone to the Supreme Court; given the facts, likely it should not have.

But the case did go to the Supreme Court on the fair use issue, after the Ninth Circuit ruled, in part, that the district court erred in granting KP Permanent’s summary judgment motion on the fair use defense, because KP Permanent had not proven that there was no likelihood of confusion. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1073 (9th Cir. 2003). Justice Souter, writing for a unanimous court, clarified that the Lanham Act obligates the party claiming infringement to demonstrate a likelihood of confusion; the burden as to likelihood of confusion is on the challenger, not on the party being challenged. *Id.* at 124.

The Court reasoned however, that though the challenged party is not obliged to disprove that confusion is likely, the potential for confusion may still be relevant to the fair use assessment. *Id.* at 123. In order for a use to be categorized as fair use, in the classic sense, it must be use “otherwise than as a mark, ... of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party ...” 15 U.S.C 1115(b)(4). Pursuant to 15 U.S.C Section 1114(1), the trademark owner has the burden of proving that the challenged use creates a likelihood of consumer confusion. The burden then shifts to the other party to prove that its use is 1) not a trademark use, 2) descriptive of the goods/services, 3) “used fairly” and 4) used in “good faith”. Acknowledging that any number of factors may go into an analysis of whether a specific term has been “used fairly”, and indicating that the degree of potential confusion may well be one of those factors, the Court then punted on what the relevant test for “used fairly” might be, on the basis that this test was not at issue in the Ninth Circuit’s opinion below. 543 U.S. at 123. Thus we know that in a case involving a statutory fair use defense, the trademark owner must show likelihood of

confusion before consideration of the defense, and we know that the challenged party need not disprove likelihood of confusion, but we do not know what factors may be relevant to consideration of the “used fairly” portion of the defense itself.

Likewise, we do not know whether, and to what extent, the KP Permanent decision applies in the context of nominative fair use, assuming such a creature exists.

## II. DOES KP PERMANENT EXTEND TO NOMINATIVE FAIR USE?

### A. *New Kids on the Block* – The Original Test

Nominative use of a trademark is, of course, fundamentally different than the paradigmatic case of alleged infringement. Rather than a defendant using an identical or confusingly similar mark to refer to his or her own goods, he uses the plaintiff’s mark to refer to the plaintiff’s own goods or services “to describe the thing . . . for purposes of comparison, criticism, point of reference or any other such purpose.” *New Kids on the Block v. News America Pub., Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). In the Ninth Circuit’s opinion, the use of a trademark only to identify the trademarked good or service “does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different mark” and accordingly “does not implicate the source-identification function that is the purpose of trademark.” *Id.* at 308.

Faced with a fundamentally different type of trademark case, the Ninth Circuit in *New Kids* adopted a fundamentally different analytic approach. First, reasoning that nominative use involves “a non-trademark use of a mark – a use to which the infringement laws do not apply,” it dispensed with the traditional multi-factor likelihood of confusion analysis altogether. 971 F.2d at 307. (Indeed, its opinion did not utter the words “likelihood of confusion.”) Second, it adopted a new test of its own creation, permitting a defendant to use a plaintiff’s mark nominatively so long as he or she meets three requirements:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing, in conjunction with the mark, to suggest sponsorship or endorsement by the trademark holder.

971 F.2d at 308. The *New Kids* panel’s application of this standard to the facts of its case was brief and straightforward: (1) Defendants could not conduct a telephone poll about the then-popular singing group known as the New Kids on the Block without referring to their trademark name; (2) defendants used only the New Kids’ name and not their distinctive logo “or anything else that isn’t needed to make the announcements intelligible to readers”; and (3) neither defendant said anything that connoted the New Kids’ endorsement or joint sponsorship, “expressly or by fair implication.” *Id.* at 308-09.

### B. Critiquing *New Kids* – The Third Circuit in *Century 21*

*KP Permanent* was decided in the context of descriptive fair use and the Supreme Court expressly declined to address the Ninth Circuit’s views on nominative fair use. See *id.* at 546 n.3. Accordingly, it remains to be seen how much it may undermine the *New Kids* framework. Last fall, however, the Third Circuit undertook the most extensive consideration of the *New Kids* approach by another circuit court to date. In the end, it rejected the *New Kids* approach to the extent it purported to do away with plaintiff’s burden of proving a likelihood of confusion as an initial matter. See *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 221, 229-31 (3d Cir. 2005); see also *id.* at 233-34 (Fisher, J., dissenting) (criticizing the Ninth Circuit’s approach because it places the burden of disproving likelihood of confusion on the defendant).

Buoyed by the Supreme Court’s decision in *KP Permanent*, the Third Circuit determined that an essential element of any trademark infringement case is a demonstration by the trademark owner of a likelihood of confusion. Accordingly, it reinstated confusion analysis in nominative use cases, holding that a court should focus on a subset of the “likelihood of confusion” factors that best “analyze the likelihood that a consumer will be confused as to the relationship or affiliation between [plaintiff and defendant].” *Id.* at 225-26. Only after a plaintiff has established a likelihood of confusion should a court proceed to the second step—a “fairness test” derived from the *New Kids*. *Id.* at 222.

In *Century 21*, the defendant, the operator of an online real estate referral service, had agreements with the franchisees of various national real estate companies, including Century

21, Coldwell Banker, and ERA. On its website, the defendant included on its website statements that (1) it will “give [users] access to a national network of brokers representing the country’s leading real estate companies, including Coldwell Banker, ERA and Century 21”; (2) it is “represented by large independent real estate companies and members of major franchises - Coldwell Banker, Century 21, Prudential, ERA, ReMAX, GMAC (formerly Better Homes & Gardens), and Realty Executives”; and (3) it “is affiliated with more than 700 certified brokers such as Coldwell Banker, Century 21, Prudential, ERA and RE/MAX.” *Id.* at 215. In some instances, the marks were in block letter format. In addition, the website included “[a] Coldwell Banker ‘For Sale’ sign with a woman, purporting to be a real estate agent, next to it, on which the blue and white Coldwell Banker logo was somewhat obscured by the word ‘SOLD,’” which was modified following oral argument. *Id.*

Because the marks were used to identify the plaintiffs’ services, not the defendant’s, the defendant asserted a nominative use defense. The District Court found both that the use of the marks was likely to cause confusion and that the nominative use defense did not apply under the facts of the case, and granted a preliminary injunction as to all of the uses described above except for the “For Sale” sign as modified. *Id.* at 216. Whether, and how, defendants might successfully invoke a nominative fair use defense was a question of first impression in the Third Circuit, and as part of its review of other circuits’ case law, the court turned its attention to *New Kids* and its progeny. *Id.* at 218-21.

### C. The *New Kids* Test in Practice

On its face, the *New Kids* approach does not require likelihood of confusion analysis. However, subsequent Ninth Circuit case law states that its three-part fairness test, and the third prong in particular, is just a substitute for likelihood of confusion analysis, albeit confusion analysis that places the burden of proof on the defendant. “The three-factor test . . . better addresses concerns regarding the likelihood of confusion in nominative use cases.” *Playboy Enters. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002).

From this point, three additional propositions are evident, each of which has been the subject of some criticism by other courts and in *Century 21* in particular. First, the Ninth Circuit has **not** required a plaintiff to demonstrate a likelihood of confusion before applying the *New Kids* test.

“When 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.” *KP Permanent Make-Up, Inc. v. Lasting Impression I*, 328 F.3d 1061, 1072 (9th Cir. 2003), *rev’d on other grounds*, 543 U.S. 111 (2004).

Secondly and relatedly, the Ninth Circuit places the burden of proving non-confusion on the defendant. As stated in *Brother Records v. Jardine*, 318 F.3d 900 (9th Cir. 2003), “whereas plaintiff carries the burden of persuasion in a trademark infringement claim to show likelihood of confusion, the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion.” *Id.* at 908 n.5. Accordingly, a plaintiff is entitled to summary judgment if a defendant cannot create a genuine issue of material fact as to any of the three prongs of its fairness test. *Id.* at 908-09 (granting summary judgment to plaintiff because defendant had not created a genuine issue of material fact as to his suggestion of sponsorship or endorsement); see also *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036, 1041 (9th Cir. 2003) (finding that defendant could not prove third prong of the fairness test, “because, as evidenced by the record at trial, [his] references to [plaintiff’s trademark] spawn confusion as to sponsorship and attempt to appropriate the cachet of the trademark Pycnogenol to his product”).

Finally, requiring a defendant to negate likelihood of confusion, as described above, would appear to have the effect of making a nominative use defense unavailable whenever there is some likelihood of confusion.

#### D. Criticisms of *New Kids*

Other circuits appeared dubious of the *New Kids* approach before *KP Permanent*. In the fourteen years since it was decided, no other circuit has explicitly adopted it. See, e.g., *PACCAR, Inc. v. Telescan Technologies, L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) (declining to adopt *New Kids* test; applied traditional likelihood of confusion analysis to alleged nominative use); *Pebble Beach Co. v. Tour 18 I*, 155 F.3d 526, 547 (5th Cir. 1998) (declining to abandon traditional confusion analysis, though finding *New Kids* factors relevant to alleged nominative use). The Second Circuit has come closest to adopting the test, simply by accepting its use by its district courts below. See, e.g., *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 156 (2d Cir. 2002) (finding no

error in district court’s decision to apply *New Kids* test; its application of that test was erroneous).

In deciding *Century 21* post-*KP*, the Third Circuit found certain aspects of the Supreme Court’s decision applicable in the context of nominative use—specifically, the Supreme Court’s observations that the statute “places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement,” and its corollary observation that “it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving . . . confusion.” 125 S. Ct. at 548, 549. The sum of these two observations is “that some possibility of consumer confusion must be compatible with fair use.” *Id.* at 550.

The Third Circuit’s adoption of a two-step analysis – confusion analysis followed by fairness analysis, if necessary – responds to two of the potential criticisms of *New Kids* described above by reinstating the burden on the plaintiff to make an initial showing of likelihood of confusion, and by creating a framework by which at least theoretically a likelihood of confusion and a successful fair use defense might be found. The Fifth Circuit years before advocated a similar approach, by declining to abandon traditional confusion analysis altogether while finding *New Kids* at least partially helpful in the comparative advertising context. See *Pebble Beach Co.*, *supra*, 155 F.3d at 547 (5th Cir. 1998) (“[T]he court should usually consider the nominative-use claim in conjunction with its likelihood-of-confusion analysis to avoid lowering the standard of confusion.”). The Third Circuit’s reliance on the language of *KP Permanent* to reinstate likelihood of confusion analysis should be non-controversial. It is a notion based on the statute, which requires a plaintiff to prove a likelihood of confusion analysis in any trademark infringement case.

However, as noted by a lengthy opinion by Judge Fisher concurring in the judgment only, the majority’s grafting of modified *New Kids* factors on top of traditional confusion analysis did not address the third potential criticism of *New Kids*—that it improperly places the burden of disproving confusion on the defendant. In his view, the *New Kids* factors, even as modified by the majority in *Century 21*, relate to likelihood of confusion and therefore cannot be adopted as an affirmative defense in light of Supreme Court’s decision in *KP Permanent*. 425 F.3d at 233-35.

The concurring judge's preferred approach to nominative use cases would be a return to traditional multi-factor confusion test only, with some modification to take into account the fact that nominative uses will often include a defendant's use of a similar or identical mark on identical or closely related goods. See *id.* at 246-50. The concurring judge also found that considerations underlying the *New Kids* inquiry were relevant, but rather than requiring separate analysis, fit comfortably under various prongs of traditional confusion analysis. *Id.* at 248.

### E. Reformulating *New Kids*

In the end, the *Century 21* panel agrees on this: It is wrong for *New Kids* to relieve trademark owners of the burden of proving likelihood of confusion, an observation that has been made in other decisions declining to adopt *New Kids*. The Ninth Circuit approach would at least hypothetically allow a plaintiff to prevail on a trademark infringement claim without having proven a likelihood of infringement; he or she would prevail simply because the defendant had failed to carry his burden under *New Kids*. Both the majority and the dissent also agree that the *New Kids* test raises relevant considerations—they just disagree on *when* such factors should be considered.

The following sections discuss ways in which *New Kids* might be reformulated in light of the concerns raised by *Century 21*, *KP Permanent*, and elsewhere.

#### 1. Presuming Confusion

One way in which *New Kids* might be reconciled with a plaintiff's statutory burden of demonstrating a likelihood of confusion is to say that in nominative use cases a likelihood of confusion may be presumed. In *Ty, Inc. v. Publications Int'l, Ltd.*, 2005 U.S. Dist. LEXIS 23420 (N.D. Ill. 2005), an Illinois district court took this approach. See *id.* at \*17 (“[T]he test assumes a likelihood of confusion, and notwithstanding that confusion, provides an opportunity to determine whether the defendant's use of the mark infringes or can be defended as ‘fair use.’”).

The idea is this: Many of the traditional confusion factors invariably favor the plaintiff in nominative use cases. The defendant necessarily uses all or substantially all of a plaintiff's mark to refer to the plaintiff's product; the defendant will often be selling directly competing products

(for example, the telephone poll conducted by the *New Kids* defendants that competed with the *New Kids*' own telephone poll); the defendant will often be selling to the same customers, through the same marketing channels; and so forth. See *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002) (“[A]pplication of the *Sleekcraft* test, which focuses on the similarity of the mark used by the plaintiff and the defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing.”).

While an interesting interpretation, and not necessarily inconsistent with the original *New Kids* opinion, the analysis in *Ty* still endorses an approach that would allow the essential element of a cause of action to be presumed on behalf of the plaintiff. It is also hard to reconcile *Ty* with decisions of the Ninth Circuit following *New Kids*. On the one hand, *Ty* understands *New Kids* to presume a likelihood of confusion; on the other hand, it endorses the *New Kids* test, which subsequent decisions describe as a likelihood of confusion test—begging the question, “If we're presuming confusion, why are we applying a likelihood of confusion test?” (Confused yet?)

#### 2. Placing the *New Kids* Burden on the Plaintiff

Another way in which to resolve at least some of the perceived problems with *New Kids* is to shift its burdens to the plaintiff, by incorporating the inquiry into its traditional confusion analysis. If *New Kids* is indeed confusion analysis, as the Ninth Circuit now routinely states, it should not be the defendant's burden to disprove it. Under this approach, nominative use would not be an affirmative defense at all—just an example of non-confusing use.

To allay the Ninth Circuit's concern that application of the confusion analysis in nominative use cases will “lead to the incorrect conclusion virtually all nominative uses are confusing,” *Welles, supra*, 279 F.3d at 801, it could simply announce a rule in which certain factors are emphasized and others de-emphasized or discarded entirely, and at the same time “clarify” that the *New Kids* inquiry fits within one or more of the prongs of traditional confusion analysis. The *Century 21* dissent, for example, suggested this modification of the Third Circuit's likelihood of confusion test:

(1) Give no weight to factors related to the strength of the plaintiff's mark and similarity of the owner's mark and the allegedly infringing mark. See 425 F.3d at 247 (“In a case

where a defendant is using a plaintiff's mark to refer to the plaintiff, the use will always be identical. Moreover, it makes little sense to give weight to factor two, the strength of the mark, as nominative uses will be made with both weak and strong marks.") (footnote omitted).

(2) In gauging the intent of the alleged infringer, consider the purpose of the use and whether the defendant "took too much" of the owner's mark "with an eye towards creating consumer confusion." *Id.* at 248.

(3) Factors relating to marketing and advertising, sales efforts, and the relationship of the parties' goods or services should only work to the nominative user's advantage. *Id.* ("The mere fact that the goods or services are identical has no probative value because competitors may oftentimes make otherwise nonconfusing nominative use. But to the extent the goods or services differ, that lessens the likelihood of confusion.").

Such modification is entirely appropriate; traditional confusion analysis is judge-made and is flexible in its approach. As stated in *Dreamwerks Prod. Group v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998), "[t]he factors should not be rigidly weighed; we do not count beans. Rather, the factors are intended to guide the court in assessing the basic question of likelihood of confusion." *Id.* at 1129 (finding that three of the eight *Sleekcraft* factors are pivotal to its analysis); see also, e.g., *Lamparello v. Falwell*, 420 F.3d 309, 314-15 (4th Cir. 2005) ("We have identified seven factors helpful in determining whether a likelihood of confusion exists as to the source of a work, but not all these factors are always relevant or equally emphasized in each case.") (internal quotation marks omitted).

#### F. Tips for the Practitioner

Confusion reigns as to nominative use. There is no substantial consensus among the circuits, and it's far from clear that the long-established *New Kids* approach of the Ninth Circuit still passes muster, particularly after the Supreme Court's decision in *KP Permanent*. Luckily, whatever route the Ninth Circuit takes to modify *New Kids*, if at all, it is unlikely to affect the substance of nominative use analysis. As the Ninth Circuit sorts itself out, burdens may

shift, but best practices will remain the same, for at least two reasons.

First, the substance of the *New Kids* inquiry has never been questioned, only how and when the inquiry should be applied. Accordingly, its teachings are likely to reappear in whatever new test the Ninth Circuit adopts, if any.

Second, even if the Ninth Circuit feels compelled by the rationale of *Century 21* to reinsert traditional likelihood of confusion analysis into the nominative use context, it would be unlikely to change the ultimate outcome of a particular dispute. The *New Kids* test and traditional confusion analysis are similar inquiries; applied to the same facts, both tests will favor the same party, as a review of the case law demonstrates. Where a plaintiff demonstrated a likelihood of confusion under *Sleekcraft*, the defendant was unable to establish nominative use. See *Playboy Enters. v. Netscape Communs. Corp.*, 354 F.3d 1020 (9th Cir. 2004). On the other hand, where a defendant did establish nominative use, the plaintiff could not establish a likelihood of confusion. See *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1155 n.14 (9th Cir. 2002) (dicta); *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 1262 n.7 (N.D. Cal. 2003) ("Because defendants do raise a nominative use defense, the court need not address *Sleekcraft's* test. It is worth noting, however, that the *Sleekcraft* factors do not combine to support plaintiff's infringement claim.").

#### III. THE NINTH CIRCUIT REWRITES THE RULES ON THE EFFECT OF INCONTESTABILITY

On remand from the Supreme Court, the Ninth Circuit again decided the *KP Permanent* case, this time forging new ground on protectibility of descriptive terms. Casting aside traditional notions that descriptive matter in a composite mark is not itself protectible without secondary meaning, the court ruled that the incontestability of a design mark extends to a descriptive element of that mark, at least to the extent that the descriptive element is the "most salient feature" of the mark. This should be news to the trademark world, welcomed by some but not likely by many.

As the District Court correctly pointed out, the presumption of distinctiveness that arises as a result of registration "is limited to the exact form of the mark as registered." Order Granting Plaintiff's Motion for Summary Judgment and Denying Defendant's Motion for Summary Adjudication,

*KP Permanent Make-up, Inc. v. Lasting Impression, Inc.*, No. SA CV 00-276-GLT (C.D. Cal. May 16, 2001), p. 6. See, e.g. *Beneficial Corp. v. Beneficial Capital Corp.*, 529 F.Supp. 445 (S.D.N.Y. 1982) (“the term registered by plaintiffs was Beneficial Finance System, not Beneficial, and it cannot be assumed that the name Beneficial, standing alone, would have been found sufficiently distinctive to register”); *In re National Data Corporation*, 753 F.2d 1056, 1059 (Fed. Cir.1985) (“registration affords prima facie rights in the mark as a whole, not in any component”). The same holds true once a registration becomes incontestable; the presumption of distinctiveness becomes conclusive, subject to limited exceptions, but does not change in scope: the distinctiveness extends only to the mark as a whole, not to its requisite parts.

So, in the case of the logo registration at issue in *KP Permanent* – a “black box” containing the words “micro” and “colors”, in white, the first word directly above the second, with a patterned “green horizontal bar” in between, as described by the court (*KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 600, 601 (Ninth Cir. 2005) – the Ninth Circuit should have concluded that the incontestability of the registration eliminates a descriptiveness defense only as to the mark as a whole, not as to individual components of the mark. Instead, reasoning that the Supreme Court’s decision in *Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985) essentially tied it’s hands, the Ninth Circuit ruled that the incontestability extended to the “salient feature” of the mark – the otherwise descriptive phrase “micro colors” -- alone. *KP Permanent* (9th Cir. 2005) at 604. This is an overly expansive reading of *Park ‘N Fly*.

While it is true that *Park ‘N Fly* involved an incontestable logo registration, containing the phrase “Park ‘N Fly” and a depiction of an airplane, used in connection with long term airport parking lot services, the question before the *Park ‘N Fly* Court was a limited one: whether the Ninth Circuit erred in ruling that a trademark owner may only use incontestability defensively to prevent cancellation of a mark, but not offensively to challenge another’s use of an identical or similar mark. The Court concluded that the Ninth Circuit had, in fact, erred, ruling that “the holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended

on the grounds that the *mark* is merely descriptive”. *Park ‘N Fly at 205* (emphasis added).

The Ninth Circuit now reasons that the *Park ‘N Fly Court* implicitly held that it is not possible to challenge the “salient feature” of an incontestable mark on the basis of descriptiveness. It seems unlikely, however, that the Supreme Court intended to undermine the cornerstone of trademark law that the mark, as a whole, must be considered in assessing distinctiveness, without directly addressing the point. Likewise, post-*Park ‘N Fly* case law, albeit not in the incontestability context, suggests that this basic rule of trademark law has not been undone. See *Sweats Fashions, Inc. v. Pannill Knitting Company, Inc.*, 833 F.2d 1560 (Fed. Cir. 1987) (in concluding that the mark ULTRA SWEATS did not infringe plaintiff’s registration consisting of the uniquely stylized word “sweats” followed by two teardrop shapes, the court observed: “[O]n its face, Fashions’ registration for [sweatshirts and sweatpants] protects only the particular manner in which it displays the word ‘sweats’”(id. at 1566)). If the rule still applies to marks that are not yet incontestable, it should apply equally to those that are now incontestable.

## Conclusion

Perhaps the *KP Permanent* case indeed took on a life of its own, and, in reality, was much ado about nothing other than permanent make-up. But, as such things often go, it has become a fair use case, whether it should have been or not, and it has opened a hornet’s nest of discussion not only as to the parameters of traditional fair use, but as to nominative fair use as well, even perhaps going so far as to raise the question of whether, as a practical matter, fair use is still a viable defense. If it is not possible to obtain summary judgment because likelihood of confusion is one of several unarticulated fact specific elements of the defense, and defendants must therefore shoulder the expensive and expansive burden of litigating the likelihood of confusion issue through to a decision on the merits, more companies may choose an overly cautious approach to fair use, restricting the very speech the fair use defense is designed to protect.

Likewise, the Ninth Circuit’s ruling as to the protectability of the descriptor “micro color”, on the basis of it being the prominent element of a composite mark for which an incontestable registration exists, could well have an equally chilling effect on use of industry descriptors in ad copy and promotional materials, as well as in product names or descriptors. To avoid risk companies may even feel compelled to search known industry descriptors to see if any competitor has registered a composite mark including the descriptor. Once such a registration is identified, a company may feel compelled not to use the descriptor at all, or to seek to cancel such registration before it becomes incontestable. Neither approach would be an overreaction given the Ninth Circuit’s reasoning in *KP Permanent*; yet both impose higher transactional costs on a company’s right to use industry descriptors than is warranted or called for under long established principles of trademark law.

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