On December 8, 2004, the Supreme Court decided an important case regarding the scope of the fair use defense in trademark infringement actions. In *KP Permanent Make-Up, Inc. v Lasting Impression I, Inc.* (03-409), a unanimous Court held that a party raising the affirmative defense of fair use to a claim of trademark infringement does not have the burden to negate any likelihood that the practice complained of will confuse consumers, even if there is “some possibility of consumer confusion.” The Court added, however, that the degree of consumer confusion could be a factor in evaluating whether the use is a fair one. The Court’s holding resolves a split in the circuits and vacates the decision of the Ninth Circuit (at 328 F.3d 1061 (9th Cir. 2003)), holding that the fair use defense is available only where a defendant can prove no likelihood of confusion.

The decision in the KP case continues the recent line of Supreme Court trademark decisions systematically limiting the use of trademark law to suppress competition. In acknowledging that the law tolerates some possibility of consumer confusion in order to protect the public’s access to descriptive terms used in their primary, descriptive sense, the case affirms that trademark law cannot be used to impede the free flow of truthful information required to compete effectively in the marketplace.

**Case Summary**

The parties to the case are competitors in the micropigmentation, or permanent make-up, industry. Lasting Impression I, Inc. (“Lasting Impression”) owns an incontestable federal registration for the mark, MICRO COLORS and Design for color pigments (RN 1769592), registered on the Principal Register in 1993. Petitioner, KP Permanent Make-Up (“KP”), began using the term “micro colors” in 1990 in its promotional materials to describe its selection of pigments; in 1999, KP’s advertising materials included the term “micro colors” displayed as part of a stylized header identifying KP’s pigment color chart.

Lasting Impression challenged KP’s use of “micro colors” and KP sought a declaratory judgment that its use of the term was lawful. Lasting Impression counterclaimed, alleging trademark infringement. KP sought, and the district court granted, summary judgment based on the affirmative defense of fair use. Lasting Impression appealed and the Ninth Circuit reversed, holding that the defense of fair use is available only where a defendant can demonstrate no likelihood of confusion.

The Supreme Court granted KP’s petition for certiorari on the issue of whether a party asserting the fair use defense must demonstrate the absence of a likelihood of confusion. In a strongly worded opinion, the Court unanimously held that it does not, and further that the defense is available even if some consumer confusion is possible. The Court noted that the burden of proving likelihood of confusion rests with the complaining party and “…it takes a long stretch to claim that a defense of fair

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use entails any burden to negate confusion.” As a practical matter, any vigorous defense would in any event try to rebut the plaintiff’s principal claims and prove no likelihood of confusion, but the Court made clear that, with respect solely to its affirmative defense of fair use, the defendant need not shoulder that burden.

Moreover, the Court concluded that “since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no freestanding need to show confusion unlikely, it follows…that some possibility of consumer confusion must be compatible with fair use.” As the Court explained, some degree of consumer confusion is tolerated where a party adopts a descriptive term as its mark; possible confusion is the risk the party takes by adopting such a term as its mark. Further, the trademark statute was not intended to “deprive commercial speakers of the ordinary utility of descriptive words.”

The Court, however, did not dismiss entirely the relevance of consumer confusion to the fair use calculus. In particular, the Court’s decision expressly “does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair.” The Court provided no further guidance on this point and the issue is left to the specific facts and circumstances of a particular case.

Analysis

The decision in the KP case is the logical extension of the Court's other recent trademark law decisions. In a string of opinions over the last decade the Supreme Court has systematically limited the use of trademark law to suppress competition. For example, in the areas of color and product design trade dress, the Court has required proof of acquired distinctiveness before the owner can claim exclusivity. (Qualitex Co. v. Jacobson 514 U.S. 159 (1995); Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205 (2000)). Likewise, where the product design is also the subject of a utility patent, the patent will weigh as heavy evidence that the design is functional and therefore free to be copied. (TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23 (2001)).

The KP decision, as the decisions before it, limits the use of trademark law to suppress competition. The fair use defense, at issue in the case, functions to prevent the use of trademark law to impede the free flow of truthful information required to compete effectively in the marketplace. In affirming that the fair use defense is absolute and does not require a showing of no likelihood of confusion, the Court affirmed that a trademark holder’s right to exclusivity is limited by the legitimate competitive need of others to make “fair use” of a term in its primary descriptive sense to communicate relevant information to consumers. The Court’s decision maintains the balance intended by the statutory fair use defense, recognizing that some possibility of confusion may be tolerated in order to promote the important goals of competition and access to terms in the public domain to fairly and accurately describe one’s product.
Implications

In the wake of the Court’s decision, trademark owners selecting new marks should heed the Court’s warning that a party who adopts a descriptive term to identify its product bears the risk that confusion may result. Descriptive terms must remain available in the public domain for use in their primary, descriptive sense to communicate relevant facts to consumers. Thus, while a trademark owner who adopts a descriptive term as its mark may gain the benefit of its immediate communicative value, the owner assumes the risk that others may use the same term to describe possibly competing products.

On the other side, those considering descriptive uses of a term that another has adopted as its mark, may take some comfort in the Court’s opinion, but should proceed with caution as the Court’s opinion made clear that the extent of consumer confusion remains relevant to a fair use analysis. Even if a party is using a term in its primary descriptive sense to communicate relevant facts to consumers about its products, that use must be “fair” and in good faith in order to qualify for the fair use defense. The extent of any likely consumer confusion will be relevant to determining whether a particular use is objectively fair. The degree of confusion that will be tolerated will depend on the case and the underlying likelihood of confusion which remains the trademark owner's burden to prove.

It is important to note that the Court’s decision is limited to the applicability of the fair use defense to descriptive uses of an inherently descriptive term that one party has adopted as its mark. The decision does not reach the nominative fair use defense, developed in the Ninth Circuit, which affords a party the right to use another’s mark, even if it is inherently distinctive, when (i) there is no readier way to refer to the product in question without using the owner's mark; (ii) the defendant only uses as much of the mark as is reasonably necessary to identify the owner's product; and (iii) the defendant does not imply sponsorship by or affiliation with the trademark owner. The principles and delicate policy balance underlying the Court’s decision in the KP case suggest a similar treatment of the nominative fair use defense, though it remains to be seen whether the logic of the KP decision will be extended beyond its current limits.

For Further Information

If you wish to obtain a more detailed explanation of this opinion, please contact the Pillsbury Winthrop attorney with whom you work or a member of the Intellectual Property Practice Team. Questions regarding this alert may be directed to Laura C. Gustafson in San Francisco (415.983.6318 or lgustafson@pillsburywinthrop.com).