

1st Circuit

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TRADEMARKS / TRADE DRESS

1. What are the standards for nominative fair use of a mark in your Circuit?

The First Circuit has recognized the “underlying principles” of nominative fair use, however like several other circuits, they have never endorsed any version of the doctrine, either as a replacement for the standard of likelihood of confusion or as an affirmative defense.

Regardless, the First Circuit states that upon the analysis of the three-factor nominative fair use test, the plaintiff must first meet its responsibility to show infringement by demonstrating that the defendant’s use of its mark is likely to confuse consumers.

The First Circuit has recognized the three-factor nominative fair use test as whether:

1. the product is readily identifiable without the use of the mark,
2. the defendant utilized more than is necessary, and
3. the defendant falsely suggested that it is sponsored or endorsed by the trademark user.

Swarovski Aktiengesellschaft v. Building No. 19, Inc., 704 F.3d 44, 50-53 (1st Cir. 2013).

2. Does your Circuit hold that the Lanham Act can be used to impose an injunctive on conduct outside the United States?

The First Circuit has held that the Lanham Act grants subject matter jurisdiction over extraterritorial conduct by foreign defendants only where the conduct has a substantial effect on United States commerce.

The substantial effects test requires that there be evidence of impacts within the United States, and these impacts must be of a sufficient character and magnitude to give the United States a reasonably strong interest in the litigation. It must be applied in light of the core purposes of the Lanham Act, which are to protect the ability of American consumers to avoid confusion and to help assure a trademark’s owner that they will reap the financial and reputational rewards.

McBee v. Delica Co., Ltd., 417 F.3d 107, 116-121 (1st Cir. 2005).

3. Are there any recent trends in your District or Circuit regarding the application of trade dress law, including with respect to functionality (utilitarian and aesthetic), color and color schemes, and the line between trade dress and patent protection?

In August of 2021, the U.S. District Court of Massachusetts, taking on a 3rd Circuit viewpoint of functionality, determined in *SoClean, Inc. v. Sunset Healthcare Solutions, Inc.*, that the term functional suggests a feature “is one the exclusive use of would put competitors at a significant non-reputation-related disadvantage” or “when it is essential to the use or purpose of the product.” The decision cited the 3rd Circuit case, *Ezaki Glico Kabushiki Kaisha v. Lotte Int'l Am. Corp.*, stating that something is functional if it works better in that shape. Ultimately, the knockoff creators of a CPAP machine filter persuasively argued that the shape of the product took on a shape of receptacle to fit firmly into a CPAP device, and while the trade dress holder argued that other shapes could also fit, the knockoff creators argued that any other shape would increase manufacturing costs and compromise functionality. In addition, the court questioned whether the evidence of alternative designs is persuasive enough to determine non-functionality, which is disagreeing with other circuits such as the 9th, 2nd, 4th, and 7th. The decision has been appealed.

COPYRIGHTS

4. What are the recent rulings in your Circuit regarding the “fair use” defense?

The First Circuit, as recent as March 10, 2022, reiterated that fair use is a statutory limitation to the otherwise exclusive rights enjoyed by copyright holders and creates a privilege for others to use the copyrighted material in a reasonable manner despite the lack of the owner’s consent. It is an affirmative defense, for which the proponent of the privileges bears the burden of proof. They look to four factors, evaluating them on a case-by-case basis weighted together in light of the purposes of copyright. These factors include:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. The nature of the copyrighted work;
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. The effect of the use upon the potential market for or value of the copyrighted work.

In *Monsarrat v. Newman*, the First Circuit explained their analysis of these 4 prongs. For the first prong, they were looking to see how transformative the new work is, whether it adds something new with a further purpose or a different character that alter the original expression, meaning or message. Ultimately, they determined that the defendant used the copyrighted work to illicit at least marginally a new meaning transformative of the original. For the second, they looked to whether the copyrighted work is “factual or creative” and whether the copyright work had previously been published. There was no denying that the original work was verbatim quotation from the harassment policy, a publicly available document, and therefore mostly factual. The prong displayed that it was a clear copy of the original post, but the court determined that even this prong can constitute fair use and is of little consequence if the defendant copies the entire work. The last prong, described as the single most important element of fair use, and found that it weighed in favor of fair use because there is no plausible market for the copyrighted post ad thus no likelihood that the defendant’s reproduction could have any harmful market consequences on plaintiff. Ultimately, the court affirmed the judgement of the district court on this matter.

5. How does your District or Circuit approach claims that embedding content on one’s website using html links infringes the original author’s distribution and display rights under the Copyright Act? *See Nicklen v. Sinclair* (SDNY 2021); *Leader’s Institute v. Jackson* (2017 WL 5629514 (ND Texas 2017)).

The 1st Circuit, unlike other Districts or Circuits, has not ruled on the applicability of copyright infringement for links embedded on websites.

6. What is necessary in your District or Circuit to prove (or disprove) that a work is “transformative’ and thus fair use? (This issue is likely to be heard at the Supreme Court next term in *Andy Warhol Foundation v. Goldsmith*.)

The First Circuit has stated that to assert a fair use defense, a prong that that is weighed in favor of or against fair use is the transformative nature of the new work from the original. This prong asks the question “whether the new work merely supersedes the objects of the original creation or whether it adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” In *Society of Holy Transfiguration Monastery, Inc. v. Gregory*, the court stated that although the transformative prong is not the only analysis determinative of fair use, it does harbor the goal of the copyright law that “promoting science and the arts, is generally furthered by the creation of transformative works.” Therefore, the lesser the transformative nature of the work, the greater the significance of those factors that may weigh against a finding of fair use. Further, the defendant’s essential “verbatim copy” of the original work, only minuscule alters the expression, meaning, or message, and holds the same purpose and benefit of the original work, which was deemed to not be sufficient to qualify as transformative. However, a photograph with editorial commentary created a new use for the works. *Nunez v. Caribbean Int’l News Corp.*, 235 F.3d 18, 23 (1st Cir. 2000).