

2nd Circuit

TRADEMARKS / TRADE DRESS

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

The Lanham Act prohibits the use of the mark of another where that use is “likely to cause confusion with [the other’s] mark,” *The Sports Auth. Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996). The Second Circuit has long used its ‘Polaroid Factors’ as the means to analyze infringement. See *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961). A party may avoid liability, however, when it does not use the words or image “as a mark;” instead, a classic “descriptive fair use” affirmative defense will lie where the party uses the term “to describe the goods in question in a broad sense.” See *Tiffany and Company v. Costco Wholesale Corp.*, 971 F.3d 74, 92-93 (2d Cir. 2020).

“Nominative use” is the use of another’s mark not as a source-identifier for one’s own goods, but instead for the purpose of identifying the other’s goods or services. It allows a defendant to use the plaintiff’s mark to identify the plaintiff’s goods” (for instance, in a comparative advertising setting), so long as the manner in which it is used creates no likelihood of confusion about the source of the defendant’s product or the mark-holder’s sponsorship or affiliation. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010).

The Second Circuit has rejected treatment of nominative fair use as an affirmative defense. *Int’l Information Systems Sec. Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153, 167 (2d Cir. 2016). Instead, in a nominative fair use case, trial courts are to consider in addition to the *Polaroid* factors: “(1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s marks as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services.” *Id.* at 168.

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

The Second Circuit has long used three factors to determine whether, in a particular case, it is appropriate to apply the Lanham Act extraterritorially: “(1) whether the defendant is a United States citizen; (2) whether there exists a conflict between the defendant’s trademark rights under foreign law and the plaintiff’s trademark rights under domestic law; and (3) whether the defendant’s conduct has a substantial effect on United States commerce.” *Juicy Couture, Inc. v. Bella Intern., Ltd.*, 930 F.Supp.2d 489, 505 (S.D.N.Y. 2013)

(citing *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956). Thus, while “it is well-established that United States courts have jurisdiction to apply the Lanham Act to allegedly infringing conduct occurring outside the United States when necessary to prevent harm to United States commerce,” *A.V. by Versace, Inc. v. Gianni Versace, S.p.A.*, 126 F.Supp.2d 328, 336 (S.D.N.Y. 2001); courts are to balance these factors; the absence of one “‘may well be determinative,’ and the absence of two ‘is certainly fatal.’” *Juicy Couture, supra*, 930 F.Supp.2d at 505.

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?

The application of aesthetic functionality has long been the subject of a split among the Circuits. This concept, under which a design feature is considered functional – and thus not source-identifying – allows competitors to use an otherwise similar feature if it is something “that is ‘necessary to compete in the [relevant] market.’” *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.2d 206, 221 (2d Cir. 2012). Thus, where “the aesthetic design of a product is *itself* the mark for which protection is sought,” *id.*; a three-part test is applied: “whether the design feature is either ‘essential to the use or purpose’ or ‘affects the cost or quality’ of the product at issue,” and if so, whether “giving the markholder the right to use it exclusively would put competitors at a significant non-reputation-related disadvantage.” *Id.* at 220. In *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174 (2d Cir. 2021), the Second Circuit reaffirmed the application of this three-part test, and reversed a trial court’s finding of nonfunctionality because it failed to examine all three factors. In doing so, it did not adopt the Third Circuit’s “usefulness” test, in which it examines the usefulness of the particular design feature, not the product or feature as a whole. *See Ezaki Glico Kabushiki Kaisha v. Lotte International American Corp.*, 986 F.3d 250 (3d Cir. 2021).

Trade dress claims have been dismissed at the pleading stage where the plaintiff has failed to adequately plead the claimed trade dress. Plaintiffs are required to allege both the character and scope of the claimed trade dress, *Caliko, SA v. Finn & Emma, LLC*, 2022 WL 596072*11 (S.D.N.Y. 2022), and this requires more than just a “laundry list” of elements making up the trade dress. Instead Plaintiff must also allege how those elements are distinctive. *See Caraway Home, Inc. v. Pattern Brands, Inc.*, 2021 WL 1226156, *8 (S.D.N.Y. 2021). Other courts in the Circuit have adhered to these requirements. *See Nat’l Lightning Co., Inc. v. Bridge Metal Indus, LLC*, 601 F.Supp.2d 556, 562 (S.D.N.Y. 2009); *Sara Designs, Inc. v. A Classic Time Watch Co.*, 234 F.Supp.3d 548, 555 (S.D.N.Y. 2017). Should the plaintiff fail to articulate sufficient factual matter, it “may signal to the court that a plaintiff’s claim is ‘pitched at an improper level of generality,...’” *GeigTech E.Bay LLC v. Lutron Elec. Co.*, 352 F. Supp.3d 265, 274 (S.D.N.Y. 2018).

Being a species of trademark law, trade dress protection is not afforded to product or packaging features which are functional (whether on a utilitarian or aesthetic basis). Thus, as was held by the United States Supreme Court in *Traffix Devices, Inc. v. Mktg Displays, Inc.*, the existence of utility patents (expired or not) related to the supposedly distinctive feature is highly probative on the question of whether those features are functional. 532 U.S. 23, 32 (2001). Applying the Second Circuit’s *Landscape Forms, Inc. v. Columbia Cascade Co.*, 70 F.3d 251 (2nd Cir. 1995), formulation of functionality, it has been held that the design of the Rubik’s Cube is not functional as restricting use of its various features would not “significantly hinder competitors from competing in the United States puzzle cube market,” *Rubik’s Brand Ltd. v. Lambeau, Inc.*, 2021 WL 363704, * 6 (S.D.N.Y. 2021). This logic has also led courts in the Second Circuit to permit discovery in trade dress cases of research and development materials regarding the product at issue, as well as non-public patent application documents, including those used to support the applications, *Nespresso USA, Inc. v. Williams-Sonoma, Inc.*, 2021 WL 942736*4-5 (S.D.N.Y. 2021).

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

Fair Use is an affirmative defense, and thus the defendant bears the burden of proof of factors balancing in its favor. *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26, 49 (2d Cir. 2021). It is not typically susceptible to dismissal under Rule 12(b)(6), but instead “is generally addressed at summary judgment.” *Hayden v. Koons*, 2022 WL 2819364, *4 (S.D.N.Y. 2022).

This defense may, however, be resolved even before discovery by a motion for judgment on the pleadings pursuant to F.R.C.P. Rule 12(c). In such circumstances, the court may “conduct[] a side-by-side comparison of the works at issue.” *Lombardo v. Dr. Seuss Enterprises, L.P.*, 279 F.Supp.3d 497, 504-05 (S.D.N.Y. 2017). If the analysis is fact-intensive after that review, however, the case will proceed.

The Court in *Hayden v. Koons*, *supra*, reviewed several of the four “fair use” factors codified in 17 U.S.C. § 107, as applied to the works at issue. Among its conclusions were that if the original work is an “artistic piece” or “creative,” this “cuts strongly against a finding of fair use.” *Id.*, *5.

In *Nicklen v. Sinclair Broadcast Group, Inc.*, 551 F.Supp.3d 188 (S.D.N.Y. 2021), the owner of a video of a starving polar bear sued a television broadcast group which had embedded the video from the owner’s own social media. In addition to addressing embedding (discussed below), the court examined the fair use factors in depth, 551 F.Supp.3d at 196-98; and concluded that the fair use analysis was too fact-intensive to resolve on the pleadings.

Finally, the *Andy Warhol Foundation* decision, discussed in Point 6 below, is a seminal case in this Circuit regarding “fair use.” In that regard, after the Supreme Court’s decision in *Google LLC v. Oracle America, Inc.*, ___ U.S. ___, 141 S. Ct. 1183 (2021), the Second Circuit was presented with a petition for rehearing, stating that the *Andy Warhol Foundation* decision conflicted with the recent Supreme Court ruling. In its amended ruling, the court distinguished the context of the *Google* ruling, purported to state that its prior ruling did not “outlaw” any form of artistic expression, but continued to maintain that under “well-established principals,” Warhol’s works were not transformative. *Andy Warhol Foundation*, *supra*, 11 F.4th at 52.

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 Second Circuit has not squarely addressed whether Internet repostings infringe display or distribution rights. See *Trombetta v. Novocin*, 2021 WL 6052198, *12 (S.D.N.Y. 2021). Several district courts have been rejected requests to adopt the Ninth Circuit’s “Server Test,” articulated in *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1159 (9th Cir. 2007) (“the owner of a computer that does not store and serve the electronic information to a user is not displaying that information, even if such owner in-line links to or frames the electronic information.”).

Recently, *Nicklen v. Sinclair*, 551 F.Supp.3d 188 (S.D.N.Y. 2021) turned, in part, upon whether embedding a video from a website “displays” it for purposes of the Copyright Act. After an in-depth review of the history and purpose of the “display right,” it concluded that “embedding a video on a website ‘displays’ that video, because to embed a video is to show the video or individual images of the video nonsequentially by means of a device or process.” *Id.* at 194. Thus, the presence of “embed code on the ... Defendants’ webpages is simply an information ‘retrieval system’ that permits the Video or an individual image of the Video to be seen [, and] ...the act of embedding therefore falls squarely within the display right.” *Id.* The court rejected the adoption of the “Server Rule” adopted by the Ninth Circuit, as it concluded that rule is contrary to the text and

history of the Copyright Act. *Id.* Since then, this decision has been cited with approval in several Second Circuit decisions. See *McGucken v. Newsweek LLC*, 2022 WL 836786 (S.D.N.Y. 2022).

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*.)

An important “transformative use” case to be argued in October 2022 Term of the Supreme Court, *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26 (2nd Cir. 2021), originated in the Second Circuit. It arose from Andy Warhol’s creation of 15 unauthorized works using a photograph of Prince taken by Goldsmith. (Warhol had been authorized to create one work, for which attribution was given.) Litigation began when those 15 works were published in *Vanity Fair*.

The District Court found that the Warhol paintings were a transformative fair use of the original photograph. 382 F.Supp.2d 312, 325-26 (S.D.N.Y. 2019). In doing so, it concluded after viewing the works side-by-side that Warhol’s works “transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure.” *Id.* at 326. For this reason, as well as a finding that Warhol’s paintings were not market substitutes for the original photograph, *id.* at 331, the trial court held they were protected as transformative fair use.

In a decision which caused an uproar within the arts communities, on March 26, 2021, the Second Circuit strongly rejected the trial court’s analysis. *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26 (2d Cir. 2021). In reversing the lower court’s ruling, the appellate court minimized the importance of the court’s or artist’s perceptions, and stated that the proper analysis is for the court to view “the works side-by-side,” to whether the “use of the source material is in service of a ‘fundamentally different and new’ artistic purpose and character, such that the secondary work stands apart from the “raw material” used to create it. *Id.* at 42. Thus, “the secondary work’s transformative purpose and character must, at a bare minimum, comprise something more than the imposition of another artist’s style on the primary work such that the secondary work remains both recognizably deriving from, and retaining the essential elements of, its source material.” *Id.* Then, assuming the role of fact finder (and contrary to its early admonition against judges acting as art critics, *id.* at 41-42, the Second Circuit held that the Warhol works were not transformative because “the overarching purpose and function of the two works at issue here is identical, not merely in the broad sense that they are created as works of visual art, but also in the narrow but essential sense that they are portraits of the same person.” *Id.* at 42.

The United States Supreme Court has granted *cert* and oral argument is scheduled for October 12, 2022. Amicus briefs have been filed by over 35 persons and entities. Because the implications of this case stretch beyond the art world, and reach music, movies, creative writing, software, and virtually any area of copyright law, this is going to be one of the most closely wanted (nonpolitical) decisions of the next term.