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Trademark, Copyright High Court Cases Shake Out in Lower Courts

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In this article for *Bloomberg Law*, partner Lauren Schweitzer discusses how the lower courts are applying the Supreme Court's trademark and copyright decisions from last term, and previews the cases to be decided this term.

It's been an exciting year for copyright and trademark law: The U.S. Supreme Court issued high-profile rulings on trademark territoriality, fair use and First Amendment protection. But as often happens, these rulings clarify the law while leaving unanswered questions for 2024.

Trademark Territoriality

Abitron Austria GmbH v. Hetronic International, Inc. held "the infringing 'use in commerce' of a trademark provides the dividing line between foreign and domestic applications" of the Lanham Act. *Abitron* effectively abrogates the locus-of-effects-based tests applied by most federal appeals courts in favor of a use-in-commerce test. Expect federal circuit courts to weigh in next year.

There are two cases to watch: In *Commodores Entertainment Corp. v. McClary*, the U.S. Court of Appeals for the 11th Circuit acknowledged *Abitron*'s impact on a permanent injunction and fee award but remanded to the district court to apply *Abitron* in the first instance. The parties finished briefing that issue in November.

In *Yammine v. Toolbox* for HR Spolka z Ograniczona Odpowiedzialnoscia Spolka Komandytowa, the district court applied *Abitron* to grant summary judgment on an infringement claim because there was no evidence the counterclaim-defendant used the at-issue mark in domestic commerce. Trial on the remaining claims is set for

January 2024, and the trademark holding could go to the U.S. Court of Appeals for the Ninth Circuit shortly thereafter.

Transformativeness and Fair Use

After decades of sometimes conflicting fair use decisions in numerous circuits, the Supreme Court reacted. *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith* clarified that not every "use that adds some new expression, meaning or message" is transformative and fair.

Rather, the justices held that "the first fair use factor considers whether the use of a copyrighted work has a further purpose or different character, which is a matter of degree" that "must be balanced against the commercial nature of the use."

The court focused on the defendant's "justification" for copying. For a use to be fair, it held the degree of transformation must go beyond that required for a derivative work.

Exactly how future courts will weigh the commerciality of a use and exactly how courts will differentiate between a derivative work and a transformative work remains to be developed. Thus far, the U.S. Court of Appeals for the District of Columbia Circuit is the only federal circuit court that has applied *Warhol*'s fair use analysis.

But the Second and Ninth Circuits are likely to do so soon. *Romanova v. Amilus, Inc.* is pending in the U.S. Court of Appeals for the Second Circuit from a dismissal on fair use grounds. And the *Sedlik v. Drachenberg* court reversed its own summary judgment order on transformativeness for purposes of fair use (finding the analysis changed under *Warhol*) and set trial for January 2024. So *Sedlik* may go to the Ninth Circuit later in the year.

Rogers and Source Identifiers

Jack Daniel's Properties, Inc. v. VIP Prod. LLC, addressed a "Bad Spaniels" dog toy designed to look like a Jack Daniel's bottle and held the First Amendment protection for expressive works under *Rogers v. Grimaldi* doesn't apply where an expressive mark is used as a source identifier (and that the noncommercial exclusion to dilution was also inapplicable). The court nevertheless held VIP's dog toys' parodic nature relevant to assessing likelihood of confusion.

Circuits have begun applying this ruling. Recently, in *Vans, Inc. v. MSCHF Product Studio, Inc.*, the Second Circuit applied *Jack Daniel's* and held a parodic sneaker was not entitled to protection under *Rogers* as it used the allegedly infringing trademarks and trade dress as a source identifier.

Citing both the product's appearance and the defendant's admissions about starting from the plaintiff's marks to design its shoe, the court held that *Rogers* didn't apply because the defendant sought to benefit from the plaintiff's good will. *Vans* thus follows *Jack Daniel's* but injects an additional subjective element absent from *Jack Daniel's*. This issue will likely be litigated in lower courts in 2024.

The Ninth Circuit is also poised to imminently address the *Rogers* test in *Punchbowl, Inc. v. AJ Press, LLC*. The court heard arguments in October, and its comments indicate it intends to issue guidance on applying *Jack Daniel's*, including how to define a source identifier.

2024 Supreme Court Cases

In 2024, the Supreme Court will hear two new copyright and trademark cases. *Warner Chappell Music v. Nealy* will address whether the discovery accrual rule allows a copyright plaintiff to recover damages for acts allegedly occurring over three years pre-suit, which may affect the remedies available in cases where infringement is often repeated but hidden.

Vidal v. Elster will address whether refusal to register a trademark because it identifies a living individual violates the First Amendment when the mark criticizes a government official or public figure. *Elster* has the potential to act as a bookend with *Jack Daniel's*, so they clarify the boundaries of the First Amendment in trademark law.

The coming year promises to add contours and definition to the ambiguities and questions left by this year's decisions, plus new Supreme Court jurisprudence.

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