

9th Circuit: Counterfeiting Claim Requires Court to Evaluate Likelihood of Confusion by Comparing Products as a Whole, Not Just Identical Marks. (Except When Maybe It Doesn't.)

November 11, 2020 – The TMCA

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Does the Lanham Act require a plaintiff to show a likelihood of confusion to prevail on a counterfeiting claim? And if so, should the court simply compare the marks at issue, or look beyond them to the products themselves and other marketplace factors bearing on likely confusion? In the Ninth Circuit at least, the answer to both of these questions is now a clear yes. Except, as discussed below, when it isn't.

Summary

Although the Ninth Circuit has previously held that Section 1114 requires a likelihood of confusion for a trademark infringement claim, it had never expressly held that a counterfeiting claim requires such a showing. That changed when the appellate court

issued its recent decision in Arcona v. Farmacy Beauty. The Ninth Circuit also held that even assuming the marks at issue are identical, there is no presumption of confusion if the products at issue are not identical, before adding in a footnote that there “may be times the mark itself is so strong in the marketplace” that an identical mark could be confusing even if the products are different.

Facts and Background

The facts and procedural posture are straightforward. Arcona, Inc. sued Farmacy Beauty for trademark infringement and related causes of action based on its rights in the registered trademark “EYE DEW” for skincare products. The district court granted summary judgment for Farmacy, finding that a reasonable consumer would not confuse Farmacy’s skincare product with Arcona’s because their respective packaging featured different shapes, design schemes, text, and colors as well as distinguishing house marks. The Ninth Circuit affirmed, finding that the Lanham Act requires a likelihood of confusion based on a comparison of the products as a whole, and other marketplace factors such as third party use of the plaintiff’s mark, rather than confining the analysis to a comparison of the identical marks on their own.

Practice Points

Why does this decision matter? In short, the Lanham Act gives plaintiffs more leverage in trademark disputes when their allegations involve a counterfeiting claim because such claims allow plaintiffs to seek treble and statutory damages, as well as attorney’s fees. Counterfeiting claims often arise when there’s little factual dispute as to the similarity of the marks. As a result, defendants not only face greater exposure, they can have less room to maneuver. But by confirming that plaintiffs cannot take the likelihood of confusion element of their claim for granted even if the marks at issue are identical, the Ninth Circuit created more opportunities for factual disputes that can cut in defendants’ favor. This, in turn, can reduce the leverage plaintiffs benefit from in these situations.

The Ninth Circuit also left breadcrumbs for defendants hoping to argue that their identical marks are not counterfeit. In a footnote, the appellate court noted that the district court’s grant of summary judgment appeared to be based in part on its finding that “EYE DEW” was not itself a counterfeit as that term is defined under Section 1127 of the Lanham Act. The district court appeared to construe Section 1127 to allow a court to look beyond the mark and examine the product as a whole in determining whether the “spurious mark” is “identical with, or substantially indistinguishable” from the registered mark. The Ninth Circuit declined to resolve this issue on appeal, but left open the possibility that accused infringers can dispute that a seemingly identical mark is a counterfeit if the product it is attached to cuts against such a finding.

Taken together, the Ninth Circuit gave defendants two viable paths to defeat allegations of counterfeiting even when the marks are identical: (1) argue that the mark is not counterfeit, and (2) argue that even if it were, consumers are unlikely to be confused. Although not earth-shattering, the decision has the potential to shift leverage away from plaintiffs toward defendants in cases involving allegations of counterfeiting based only on

the use of an identical mark.

The Fine Print

This may sound like a decision that unambiguously favors defendants, but the Ninth Circuit gave a little something to trademark owners as well. Despite rejecting the premise that confusion can be presumed and insisting that confusion must be assessed by examining the whole product at issue, the appellate court acknowledged in a footnote that there may be times the mark itself is so strong in the marketplace that “the use of an identical mark by itself may cause consumer confusion, even if other aspects of the products are different.” It remains to be seen how lower courts will interpret that guidance, but we can expect this footnote to receive a lot of attention from brand owners eager to avoid the consequences of the holding in this case.