

Trader Joe's Bags A Victory At The Ninth Circuit

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Last year we reported on the Trader Joe's labor union's success in dismissing a trademark infringement action that Trader Joe's had filed against the union, Trader Joe's United, in the Central District of California. At the time, we noted that Trader Joe's had appealed the dismissal to the Ninth Circuit. That turned out to be a very good decision on Trader Joe's part. On September 8, the Ninth Circuit issued a decision reversing the district court's dismissal, vacating the award of attorneys' fees, and remanding for further proceedings. The Ninth Circuit's decision is instructive – both from the perspective of trademark law and that of labor law.

As you may recall from our previous post, the district court's decision – a rare dismissal of a trademark infringement action at the pleading stage – appeared to be based upon the court's suspicion that Trader Joe's was weaponizing trademark law to put pressure

on its union. For the Ninth Circuit, however, there simply wasn't sufficient evidence of that to dismiss the lawsuit.

After a brief recitation of the relevant factual background, the appellate court applied the Ninth Circuit's eight-factor *Sleekcraft* test for likelihood of confusion. On the first factor, strength of the mark, there was no dispute that it weighed in favor of Trader Joe's, a well-known and popular grocer. The Ninth Circuit also found that the next factor, proximity of the goods, weighed in favor of Trader Joe's. While the district court had noted that tote bags were the only product type sold by both parties, the appellate court held that a plaintiff like Trader Joe's need not establish that the parties are direct competitors to satisfy this factor. Rather, the proper inquiry is whether consumers are likely to associate the parties' products – in other words, whether customers are likely to be confused about the source or sponsorship of the products. The Ninth Circuit thought that such confusion was indeed likely, particularly given the viral popularity of Trader Joe's tote bags. The Ninth Circuit also rejected the district court's reliance on context in assessing the proximity factor. While context is certainly important, the issue here wasn't that Trader Joe's United used its employer's name for the purposes of identifying the union (that is fine and likely would not support a trademark infringement action). Rather, Trader Joe's complaint was that the union used its mark on merchandise it sold to consumers.

Moving on to the next factor, similarity of the marks, the Ninth Circuit again held that this factor favored Trader Joe's. Both parties used the same capitalized lettering, red color, stylized fonts, and concentric circles. And the appellate court again noted that it was not the use of Trader Joe's name that was problematic – it was the union's commercial use of the mark on merchandise. Moreover, while the union argued that its use of a raised fist made it apparent that its marks criticize Trader Joe's labor practices, the Ninth Circuit didn't think it was so simple. As that court saw it, a raised fist can signify different things and consumers might even think that Trader Joe's itself was expressing solidarity with social justice causes.

The appellate court next considered the five remaining factors, marketing channels, type of goods and degree of care exercised by purchasers, evidence of actual confusion, defendant's intent, and likelihood of product expansion, and held that these factors were neutral. But because the first three factors weighed in favor of Trader Joe's, the Ninth Circuit concluded that the district court erred in dismissing Trader Joe's trademark infringement and unfair competition claims. As the court put it, "[t]his is not one of the rare trademark infringement cases in which there is no plausible likelihood that a reasonably prudent consumer would be confused about the origin of the goods allegedly bearing the Trader Joe's distinctive marks."

Trader Joe's had also asserted a dilution by blurring claim against the union, a claim the district court also dismissed on the basis that Trader Joe's United's use of the Trader Joe's mark constituted nominative fair use. But unfortunately for the union, it had never raised this issue in its briefing before the district court. As such, Trader Joe's never had the opportunity to test this theory and the Ninth Circuit held that the district court again

erred in dismissing the dilution claim.

Finally, the Ninth Circuit grappled with the labor law issue of whether this case “involved or grew out of” a labor dispute such that the Norris-LaGuardia Act prohibited the court from issuing injunctive relief. The district court, which clearly thought this lawsuit was about Trader Joe’s attempting to strong-arm a pesky labor union, concluded that the case did indeed involve or grow out of a labor dispute such that it was divested of jurisdiction to issue injunctive relief. The Ninth Circuit, on the other hand, though it was far too early to make that determination. Neither party had moved for preliminary injunctive relief and Trader Joe’s had not yet established its entitlement to such relief by prevailing on any of its claims. Given that, and given the parties’ dispute about the timing of Trader Joe’s lawsuit and its previous demand (*i.e.*, whether it was a response to the National Labor Relations Board filing a complaint against Trader Joe’s), the appellate court thought it was premature to conclude that the “employer-employee relationship [is] the matrix of the controversy” such that the Norris-LaGuardia Act was implicated.

So, the union’s victory last year was short-lived and it now has to duke it out with its employer in the district court. One wonders if perhaps the union will conclude that it’s just not worth selling tote bags and other merchandise if it means a protracted and expensive litigation. For trademark litigators, the Ninth Circuit’s decision is another reminder that – absent defenses like lack of jurisdiction – it’s just really hard to get a trademark infringement action dismissed at the pleading stage.