

The Nittany Lions Are the Champs … Trademark Champs

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Many eyes were on the Nittany Lions this past year as sports pundits speculated The Pennsylvania State University (Penn State) would make it to the College Football National Championship. But those with an interest in trademark law were watching for a completely different reason. Back in June 2021, Penn State filed a lawsuit against online retailer Vintage Brand, LLC (Vintage), its manufacturer and distributor, Sportswear Inc. d/b/a Prep Sportswear (Sportswear), and their owner, Chad Hartvigson, for infringing Penn State's retro trademarks. On November 19, a jury found the defendants liable for willful trademark infringement and awarded Penn State $28,000 in damages.

Bypassing the traditional licensing route, Vintage copied "historic designs" of mascots and other Penn State logos from memorabilia, such as game tickets, and used those images on shirts, hats, coffee mugs and other merchandise. Penn State argued that consumers are likely to believe Vintage is associated with or licensed by the university, regardless of the disclaimer on Vintage's website and hang tags to the contrary. Vintage argued that Penn State's marks are not even trademarks because they do not serve a source-identifying purpose; rather, Vintage argued such marks are only secondary source indicators and that Vintage's designs were not identical to the Penn State marks. Additionally, Vintage argued consumers do not buy Penn State merchandise for its quality but because they want to show support for their school/team or because they find the lion design attractive. Indeed, Vintage claimed that it only used the retro designs ornamentally (rather than as source indicators), in combination with its own house marks and disclaimers to identify Vintage as the manufacturer of such goods. Vintage's arguments asserted that the heart of trademark law is to ensure consumers buy the product they want, and that it does not protect marks that solely serve as "attractive ornamentation," nor is it meant to protect freedom of expression.

Ornamentality

Vintage raised an ornamentality counterclaim and affirmative defense, but neither made it before the jury. During the summary judgment phase of the litigation, the court found most of the Penn State marks were incontestable, and once a trademark is incontestable, its registration can only be challenged on a few specific grounds. Ornamentality is not one of them.

Notably, the court still performed an ornamentality analysis in connection with the earlier summary judgment motion to determine whether Penn State's use of the marks was ornamental or source-identifying. Determining ornamentality is a two-part inquiry. First, the court assesses the aesthetic ornamentation, which is a sliding scale analysis. Courts have determined that small logos on typical trademark spaces (i.e., hang tags, labels and sleeves) are non-ornamental. The larger and more prominently the mark is featured on the merchandise, the more likely a court may be to find it ornamental. Judge Matthew Brann of the US District Court of the Middle District of Pennsylvania determined that the Penn State marks fell into the latter category.

However, a decorative mark can still serve as a source and quality indicator. The parties diverged on what that source indicator is. Penn State argued for a "per se" approach (i.e., that design marks serve as source indicators, per se), while Vintage argued for a "fact-intensive" or case-by-case analysis of whether consumers believe the trademark owner is the source of the tangible product itself.

The court declined to accept either party's position, instead adopting a position proposed by amicus counsel. The court held that the test is whether the mark is likely to create consumer confusion as to origin, source, approval, affiliation, association or sponsorship, not merely as to the source of the good itself. Applying this test, the court held that Penn State had sufficient evidence[1] at the summary judgment stage to defeat Vintage's ornamentality claim.

With its ornamentality counterclaim and affirmative defense stripped from the case, Vintage was left to defend its use of Penn State's marks on the grounds that there was no likelihood of confusion between the marks, its nominative fair use defense and its aesthetic functionality defense. After a six-day trial and one day of deliberation, the jury found the defendants[2] willfully infringed all seven Penn State marks and rejected Vintage's affirmative defenses. The jury awarded Penn State $28,000 in compensatory damages.

If Vintage appeals the jury's verdict and the court's summary judgment ruling, Vintage may not raise the ornamentality argument due to the incontestable status of Penn State's marks. But it may challenge both the test that the court adopted and how it applied that test in finding that there was a triable issue of fact as to whether Penn State's use was source-identifying or purely ornamental. It is

also possible that Vintage will raise this issue in another one of its pending cases against other academic institutions whose marks may still be contestable.

Aesthetic Functionality

The jury did hear Vintage's aesthetic functionality argument, which essentially asserts that consumers are not purchasing Penn State merchandise for source-identifying reasons, but instead to show their support or affiliation with the institution. Vintage argues it is placed at a significant, non-reputational disadvantage because it is not permitted to use a feature that is essential to the purpose of the merchandise.

As noted by the court in its summary judgment opinion, the moving party's initial burden to show that the design lacks aesthetic functionality is "not substantial; the plaintiff need only show that the design is not a competitive necessity such that exclusive use would put competitors at a significant non-reputation related disadvantage." Although neither party defined the "relevant market" (the collegiate goods market, in general, or the Penn State-branded market), the court held Vintage is not at a significant non-reputation related disadvantage since it could use non-trademarked Penn State historical images, non-protected color schemes or creative language to reach Penn State supporters. Therefore, the court denied Vintage's motion for summary judgment on its aesthetic functionality defense. Then at trial, the jury also rejected the defense. This is an issue we expect to be raised on appeal.

Nominative Fair Use

Vintage also asserted a nominative fair use defense. The elements for nominative fair use require a defendant to show (1) plaintiff's marks are necessary to describe defendant's product or service; (2) the defendant only uses so much of the marks as necessary to identify the product; and (3) the defendant's conduct or language reflects the true relationship between defendant's and plaintiff's products. Penn State argued the evidence shows there are a multitude of other ways for Vintage to describe its products, and that Vintage failed to accurately reflect the relationship between the parties on its website. The jury agreed with Penn State and rejected the defense.

Conclusion

In the end, the question before the jury was whether consumers would likely be confused between the different sets of marks. Ultimately, the jury determined consumers would likely believe Penn State had licensed its designs to Vintage and therefore Vintage's unauthorized use infringed all seven marks at issue.

What's Next:

At the time of writing, Vintage had not yet filed a notice of appeal. Penn State filed a motion to amend/correct the clerk's judgment as well as a motion for attorneys' fees, which runs the time to file an appeal until the last remaining motion is decided. The parties requested a hearing on the motions in the middle of January and are awaiting a decision from the court. It is expected that Vintage will file an appeal since several other universities,[3] including the University of Illinois, University of Colorado and University of California, Los Angeles (UCLA), have also sued the defendants for trademark infringement. The case remains one to watch, particularly for brands that don't manufacture their own products and rely on large licensing programs.

Key Takeaways:

- Brand holders with incontestable marks should file an incontestability affidavit with the US Patent and Trademark Office (USPTO) as soon as the registered mark has been in continuous use for five years. Incontestability is not automatic! Schedule that calendar reminder now.
- In the meantime, brand holders with contestable marks should be mindful of their use of the mark. Ornamentality is a sliding scale. The larger and more prominently the mark is featured on the merchandise, the more likely a court may be to find it ornamental.
- Brand holders and counsel need to keep an eye on ornamentality. The court's summary judgment order created more questions than answers, especially regarding what kind of survey evidence will be needed to win on this issue.
- Secondary source indicators may be treated differently than primary indicators of source, which may impact licensors with large licensing programs.
- Disclaimers are not always a foolproof means of avoiding confusion. Consider whether the use of house marks and other disclosures is prominent enough to educate consumers as to source.
- Aesthetic functionality is a defense that likely only applies against cultural institutions (think universities and sport teams) as opposed to all brand holders. Aesthetic functionality is the argument that consumers are purchasing the goods featuring the marks "for reasons independent of any source-related meaning," such as to show school spirit.

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1 Penn State submitted survey evidence that indicated that many of the respondents believed Vintage's marks identified a secondary source — Penn State.

2 For "THE PENNSYLVANIA STATE UNIVERSITY" trademark, the jury found Sportswear, Inc., the manufacturer, did not infringe the mark.

3 Other universities include Purdue, Baylor, Arizona, Arizona State, Berkeley, Oregon, Oregon State, USC, Stanford, Utah, Washington, and Washington State.

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