

The *Vintage Brand* decision: Should trademark owners be worried?

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The July 14, 2022, decision of the Middle District of Pennsylvania in *Pennsylvania State University v. Vintage Brand, LLC* caught the attention of the sports merchandising world, and it is easy to understand why. Despite a fairly narrow holding, the Court's consideration of whether universities' symbols are source-identifying initiates a conversation about the use of trademarks in merchandise more generally. Indeed, one can appreciate why commentators would fixate on an opinion that concludes with a suggestion that the "multibillion-dollar" regime of "collegiate trademark and licensing" could be "a house ... built on sand."

Before adopting an alarmist view, however, it is important to recognize that the actual import of the decision is far from clear, and potentially more pedestrian than some suggest. Both stakeholders and practitioners therefore should understand the contours of the decision, the "battle lines" that it draws, and the potential implications for merchandising that turn on how the decision is interpreted.

Background

Pennsylvania State University ("PSU") asserted trademark infringement claims against Vintage Brand, LLC ("Vintage Brand"), an online retailer of retro-looking apparel, for selling commercial products bearing prior iterations of PSU's logos and imagery.

Vintage Brand filed counterclaims attacking the validity of PSU's trademarks, including on grounds that they were solely "ornamental" — *i.e.*, that the marks were not understood by consumers to identify and distinguish PSU as the source of products, but rather as mere decorative features that signal consumers' support for the university.

PSU moved to dismiss that counterclaim, arguing that university marks always indicate to consumers that the university has produced or approved the product, and thus no fact inquiry into consumers' beliefs was required — a position previously suggested by some courts and that the *Vintage Brand* court referred to as a "*per se* approach."

Vintage Brand encouraged the Court to either "minimally follow" an approach that requires a fact inquiry into consumers' beliefs or to consider such marks as inherently not serving a source-identifying function.

The Court denied PSU's motion, noting that although the case "touches on broad and substantial questions," the motion turned on the "narrower question" of whether a symbol identifies the source of goods if it "merely creates an association between it and the trademark holder." The Court answered that question in the negative, rejecting the *per se* approach and stating: "[w]hether consumers believe that a university is a source, sponsor, or authorizer of merchandise bearing its marks should — minimally — turn on just that: what the consumers believe."

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The Court further concluded that either of Vintage Brand's approaches to the ornamentation question allowed the case to move past the pleading stage, and thus there was no need to "choose between them at this early stage."

But the Court also sought to "ensure fulsome briefing of the issue in further proceedings" and "fe[lt] compelled" to discuss the ornamentation question in greater depth. The decision thus included dicta concerning the public policy behind trademark protection and its interaction with merchandising in this context. For example, the decision referred to "the mark itself [being] the product," expressed concerns about trademark holders having "exclusive right[s] to control merchandise" bearing their marks, and inquired about the "modern collegiate trademark-and licensing-regime."

In addition, and to the surprise of many, the Court further suggested that a disclaimer — not an injunction — may be a sufficient remedy to dispel consumer confusion in these cases.

Narrow holding or industry-altering?

As the Court acknowledged, the actual holding in *Vintage Brand* is narrow. It refused to automatically attribute source-identifying properties to PSU's marks at the pleading stage. In that regard, the decision simply recognized that whether symbols function as trademarks or are "ornamental" can be a fact question.

Such a decision is of little surprise given that consumer impression and confusion in the trademark context have routinely been treated as fact-sensitive inquiries. Indeed, as recently as 2015 and in an analogous context, the Supreme Court reviewed the 9th U.S. Circuit Court of Appeals' decision on the issue of whether a company's modified trademark created the same commercial impression in the mind of consumers as its original mark, in *Hana Financial, Inc. v. Hana Bank*. After emphasizing that the inquiry must be viewed through the eyes of a consumer, the Supreme Court acknowledged that the jury is the decisionmaker "when the relevant question is how an ordinary person or community would make an assessment."

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The impact of the *Vintage Brand* decision is less clear, however, when considering its dicta about trademark and merchandising issues. The Court tees up a dichotomy of views concerning whether trademarks in this context should be treated as source identifying, and notes that how that dichotomy is addressed subsequently in this case and in other courts could have broader implications for sports merchandising.

On one side is the *per se* rule that the Court rejected, whereby university logos on merchandise are presumptively source-identifying; on the other side is the rule advocated by *Vintage Brand* that university logos are *never* source-identifying, but rather always merely associative.

But it is unclear why there must be a binary choice between association and source-identification. There is the possibility, some might say probability, that the two concepts can co-exist. That is, consumers may purchase logo-bearing apparel because they want to associate with a team *and also* are confused as to source or sponsorship of the apparel due to the logo.

This issue is of particular concern to sports organizations that have invested heavily in fostering communities of loyal consumers who express their affiliation and team support through "official"

merchandise prominently displaying the teams' marks. What's more, the market for such officially licensed apparel is booming, and it seems obvious to many that a majority of consumers have become accustomed to thinking that when a logo is printed on apparel, a team has sponsored or approved the product.

Thus, if consumers' desire to express affinity for a certain brand necessarily eradicates that brand's ability to obtain and enforce trademark rights, the role that trademarks play in protecting logos will drastically change. In fact, that rule would undermine such brands' incentive to use trademarks as a way to facilitate development and expansion of their businesses.

Further, if source identification and expression of brand loyalty become a binary proposition, the door opens for counterfeiters to immunize themselves from liability despite actually creating confusion about source or approval — the exact kind of behavior the Lanham Act seeks to deter. Even if purchasers of counterfeited products buy them to associate themselves with the brand owner and its goodwill, that doesn't automatically make the marks, logos, and trade dress of those brand owners any less source-identifying.

A disclaimer about disclaimers

Survey research indicates that disclaimers frequently are ineffective in dispelling confusion, creating a question as to whether they alone suffice as an injunctive remedy in infringement cases. See J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 23:51 (5th ed. 2022); *Maui Jim, Inc. v. SmartBuy Guru Enterprises*, 459 F. Supp. 3d 1058 (N.D. Ill. 2020) (survey finding that certain disclaimers misled 40% of respondents to be confused as to source); *Coty Inc. v. Excell Brands, LLC*, 277 F. Supp. 3d 425 (S.D.N.Y. 2017) (survey evidence reflecting 54% consumer confusion where product prominently displayed another brand's mark and attached disclaimer).

This could be because people simply do not pay attention to disclaimers (particularly when in "fine print" or buried among other text), and even when they do, the disclaimers may seem inconsistent or confusing in light of other product messaging suggesting sponsorship or affiliation. Additionally, disclaimers at the point-of-sale have no impact on *post-sale confusion*, where a third party observing the trademark-bearing product never sees the disclaimer and incorrectly believes the mark holder is the source.

A case to keep an eye on

Time will tell if the decision in *Vintage Brand* will be viewed narrowly or lead to a new movement in how courts treat university and sports organization trademarks. One thing is for sure: The case is going to be watched very closely, particularly given the Court's stated intent to delve into broader issues of trademark protection and modern licensing regimes. Stakeholders in the logo-apparel industry are advised to pay close attention.

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