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IN THE SUPREME COURT OF THE UNITED STATES

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KP PERMANENT MAKE-UP, INC. , :

Petitioner, :

v. : No. 03-409

LASTING IMPRESSION INC. , et al. :

- - - - - x

Washington, D. C.

Tuesday, October 5, 2004

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 10:03 a.m

APPEARANCES:

MICHAEL MACHAT, ESQ., Beverly Hills, California, on behalf of the Petitioner.

PATRICIA A. MILLETT, ESQ., Assistant to the Solicitor General, Department of Justice; on behalf of the United States, as amicus curiae, supporting the Petitioner.

BETH BRINKMANN, ESQ., Washington, D. C., on behalf of the Respondent.

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P R O C E E D I N G S

[10: 03 a. m.]

CHIEF JUSTICE REHNQUIST: We'll hear argument now on number 03- 409, KP Permanent Make-Up, Inc. versus Lasting Impression, Inc.

Mr. Machat?

ORAL ARGUMENT OF MICHAEL MACHAT

ON BEHALF OF THE PETITIONER

MR. MACHAT: Thank you, Mr. Chief Justice, and may it please the Court:

This case concerns whether or not a defendant in a trademark case who fulfills the statutory requirements of the fair-use defense must also demonstrate an absence of likelihood of confusion in order to avail himself of that affirmative defense.

Now, here are four reasons why that should not be the case. In the first place, if that is the case it would render the defense useless, because if there is no likelihood of confusion, then there's no trademark infringement to begin with, so why should someone try to prove an affirmative defense when there's no trademark infringement? Second --

CHIEF JUSTICE REHNQUIST: You agree with Judge Niemeyer's comment in the Fourth Circuit case, I take it.

MR. MACHAT: Yes.

1 Secondly, what it does is, is it shifts the
2 burden of proof from the plaintiff to the defendant.
3 There's no reason ever to -- there's no reason ever to
4 prove an absence of likelihood of confusion if you're a
5 defendant. And then, also there's no reason to prove
6 the fair-use defense if you have to also prove an absence
7 of likelihood of confusion, because it's just much more of
8 a burden. You have to prove, first of all --

9 JUSTICE O'CONNOR: In this case, did the
10 plaintiff offer any evidence of confusion, consumer
11 confusion?

12 MR. MACHAT: This was a motion for summary
13 judgement.

14 JUSTICE O'CONNOR: And was there anything in the
15 affidavits or attachments that have to do with consumer
16 confusion on behalf of the plaintiff?

17 MR. MACHAT: Yeah, actually, the record does
18 contain some references to confusion. The -- in this
19 case, the respondent, they were claiming that they did
20 have some people that actually were confused. And when
21 that happens, you need to look at what is causing the
22 confusion. And essentially --

23 JUSTICE O'CONNOR: Well, it might make it
24 necessary for a defendant in such a situation, in order to
25 avoid some kind of summary judgement, to also offer

1 evidence on consumer confusion to try to show there wasn't
2 any.

3 MR. MACHAT: Well, but that's shifting the
4 issue, then, to whether or not there's likelihood of
5 confusion. However, even if there -- what I'm saying is
6 even if there is confusion, if you meet the elements of
7 the fair-use defense, it doesn't matter if there's any
8 resulting confusion.

9 JUSTICE O'CONNOR: Well, is it possible that
10 showing consumer confusion could be considered by the
11 court on the issue of what's the fair use? What's fair?

12 MR. MACHAT: Well, the thing is, a lot of times
13 when there is confusion, that is evidence that the term or
14 the word being used is not being used as a mark, so the
15 confusion illustrates that -- one of the elements of the
16 fair-use defense, whether or not the term is being used
17 descriptively or as a mark, whether or not those elements
18 are being met.

19 The confusion does not go to the likelihood of
20 confusion issue; rather, it goes to the individual
21 elements of the fair-use --

22 JUSTICE KENNEDY: Well, but I'm interested in
23 Justice O'Connor's point. Suppose it's a close case as to
24 whether or not the use is in good faith and it's only
25 discretion. With reference to good faith, suppose there's

1 very substantial confusion that's caused by the allegedly
2 infringing mark. Does that at least bear on a good-faith
3 assessment?

4 In other words, suppose that it were shown that
5 the owner of the non-registered mark, the alleged
6 infringing mark, used the phrase -- not the mark, but used
7 the phrase -- deliberately in order to cause confusion.
8 Would that --

9 MR. MACHAT: Yes -- well, that would show an
10 absence of good faith, and good faith is one of the
11 elements of the fair-use defense.

12 JUSTICE KENNEDY: Well, so that if you know
13 that there's going to be confusion, there is no good
14 faith? You wouldn't go that far.

15 MR. MACHAT: No, I wouldn't go that far. It's a
16 balancing Test and that's why it says "fairly and in good
17 faith," and you have to look at how descriptive the word
18 is, in particular.

19 For instance, if you're using the word "best" --
20 as in "best buy" or "best foods" -- I mean, best is an
21 extremely descriptive word. So you could go a lot further
22 in claiming, "Hey, I have the best -- I have the best
23 food," or, you know, "Come to my store. I have the best
24 buy." And, yes, there could be confusion, but that is one
25 of the risks that --

1 JUSTICE O'CONNOR: Well, is it your position
2 that subjective good faith is always a defense, no matter
3 how unreasonable it is or how much confusion results? Is
4 that your position?

5 MR. MACHAT: No, I wouldn't go that far, because
6 you also have to look at the objective use.

7 JUSTICE O'CONNOR: I would have thought that
8 consumer confusion is one factor in determining fairness;
9 perhaps not subjective good faith, but certainly on the
10 issue of fairness. Some of the amici take that position,
11 do they not?

12 MR. MACHAT: Well, I think -- I was reading the
13 amici brief last night. I think the issue of confusion,
14 as the INTA brief points out, you have to look at
15 whether the confusion is illustrative of whether or not
16 the term is being used as a mark or not. The same
17 evidence that shows confusion can be used to show a
18 likelihood of confusion on the plaintiff's side of the
19 case, and that same evidence can also be used to -- in the
20 case of determining whether or not the elements of a fair-
21 use defense have been -- have been met.

22 CHIEF JUSTICE REHNQUIST: What did -- what did
23 the district court do here? Did it grant summary
24 judgement or deny summary judgement?

25 MR. MACHAT: The -- well, the district court

1 granted summary judgment on a fair-use defense. It found
2 that, in this case, the mark was being used -- sorry, that
3 my client's words were being used not as a mark, only to
4 describe, and that the use was done fairly and in good
5 faith. The Ninth Circuit --

6 JUSTICE GINSBURG: But the district court -- the
7 district court -- this way --

8 [Laughter.]

9 JUSTICE GINSBURG: -- seemed to focus on the use
10 of the word "micro color," just the word. It didn't bring
11 up what was new in 1999. That is, a brochure appears
12 where "micro color" is not simply a word, but it appears
13 in a logo-like fashion. And as I understand it, the
14 district court said you could use "micro color" as you had
15 been using it since 1991. It didn't refer to the stylized
16 1999 new brochure. So --

17 MR. MACHAT: Yes, that is correct. The district
18 court, in its opinion, did not specifically refer to that
19 use in 1999.

20 JUSTICE GINSBURG: And it might not have been
21 confusion just by using the word. But when you're using
22 it in the logo-like appearance, maybe that's different.

23 MR. MACHAT: Well, in the abstract case, it
24 could be. I would argue, though, in this case it's not,
25 because that was one use on a -- you have a ten-page

1 brochure, and it's one use on a ten-page brochure. And
2 you -- on that same page of the brochure, at the very
3 bottom, it said my client's name, KP Permanent Makeup. So
4 --

5 JUSTICE SCALIA: Well, that wouldn't relate to
6 the question presented here, anyway. It wouldn't relate
7 to the reason for which we took this case.

8 MR. MACHAT: Correct.

9 JUSTICE SCALIA: I mean, maybe the district
10 court misinterpreted or misapplied "fairly and in good
11 faith" if it didn't consider the logo-like use. But, as I
12 understand it, the only question we have before us is
13 whether the "fairly and in good faith" provision is an
14 exception even when there is confusion.

15 MR. MACHAT: Yes, I would agree. .

16 JUSTICE BREYER: Is that -- I'm -- and I'm mixed
17 up. I thought that the issue is whether you, on your
18 side, have to present evidence of no confusion.

19 MR. MACHAT: Yes, I think --

20 JUSTICE BREYER: So as far as --

21 MR. MACHAT: -- I think we're both saying the
22 same thing

23 JUSTICE BREYER: So as far as Justice O'Connor's
24 question is concerned, I thought your answer would be, if
25 they want to go and present evidence that there is

1 confusion, to the point where it's so obviously unfair,
2 it's ridiculous, they can do it. I mean, do you object to
3 that?

4 MR. MACHAT: No, I agree.

5 JUSTICE BREYER: No. So your answer to her
6 question is, of course it could be relevant. Let the
7 other side come in and show that it's relevant. You don't
8 have to show that there is no confusion.

9 MR. MACHAT: Absolutely.

10 JUSTICE BREYER: That's where we are, is that
11 right?

12 MR. MACHAT: That's exactly --

13 JUSTICE BREYER: Okay.

14 MR. MACHAT: -- where we are.

15 JUSTICE SCALIA: Could you give us a -- I'd be
16 much more sympathetic to your case if I could readily
17 envision a situation where there is confusion but,
18 nonetheless, the use is fair and in good faith. Give me a
19 clear example.

20 MR. MACHAT: In my particular case? This --

21 JUSTICE SCALIA: No. I mean, make up one --

22 MR. MACHAT: Okay.

23 JUSTICE SCALIA: -- that's really clear.

24 MR. MACHAT: Let's use the words "best buy."

25 Best Buy is a famous consumer electronics store, and

1 somebody opens up a shop, say Mark's, that says, "Mark's,
2 he has the best buy." He wants to advertise on radio,
3 "Come down to Mark's Electronics for the best buy - for
4 the best buy in consumer electronics, go to Mark's," and
5 he keeps using those words "best buy."

6 JUSTICE SCALIA: I don't think there's any
7 likelihood of confusion there, do you? I mean --

8 MR. MACHAT: Well --

9 JUSTICE SCALIA: -- what if he just takes out an
10 ad that says, "Best Buy," exclamation point? That would
11 be closer.

12 MR. MACHAT: Okay, in that case there would be
13 confusion, but Mark, in that case, would be using "best
14 buy" as a trademark, not only to describe; and, therefore,
15 he would not fulfill the statutory requirements of a fair-
16 use defense. Because a lot of times when confusion comes
17 up, it comes up in the case that --

18 JUSTICE SCALIA: I didn't mean to make it that
19 in my hypothetical. You're just putting it in bold type
20 at the beginning of the piece, "Best Buy," exclamation
21 point. That means it's a trademark?

22 MR. MACHAT: Well, it would be evidence that it
23 is a trademark. You have to -- it depends how big the
24 words "best buy" were in relation to the word "Mark's
25 Electronics."

1 CHIEF JUSTICE REHNQUIST: Well, but if you had a
2 -- if you had a headline at the head of an ad, "Great
3 Sale," that surely is not a trademark, just because you
4 have it in boldfaced print.

5 MR. MACHAT: I agree, it's not necessarily a
6 trademark. You have to look at the totality of the ad,
7 and you have to look at what the person is trying to use
8 to tell consumers to identify and distinguish the
9 products, or, in this case, the store.

10 JUSTICE KENNEDY: I suppose if you have a sign
11 that says "Park `n Fly" and an arrow, with a capital "P"
12 and a capital "F," then it's arguably being used as a
13 trademark.

14 MR. MACHAT: Well --

15 JUSTICE KENNEDY: Whereas, if you say in a
16 brochure, "Rent a car from us, and park and fly," then
17 that's okay. Is that the distinction?

18 MR. MACHAT: Yes, but I'd go even further and
19 say that the -- if you had a big sign that said "Park `n
20 Fly," and it's next to an airport, that would not
21 necessarily be a trademark. I mean, if it said, like,
22 "Jerry's Airport Parking, Park and Fly," I would say
23 that's being a descriptive use. But some people may argue
24 differently in that case.

25 JUSTICE GINSBURG: The Ninth -- the Ninth

1 Circuit, as I understand it, did put an initial burden on
2 the trademark-holder to prove confusion. If you look at
3 the petition for cert, 6a, in its opinion, it seems to
4 recognize that the trademark-holder must show that the
5 alleged infringer's use of the mark is likely to cause
6 confusion or to cause mistake or to deceive.

7 So this opinion starts out by saying, "Yes, we
8 know that under the Lanham Act the trademark-holder is
9 obliged to show likelihood of confusion."

10 MR. MACHAT: They do it. But then on -- if you
11 look on page 17a of my cert petition, the same opinion,
12 the Ninth Circuit later on go on to say, in the middle
13 paragraph, "As expressed in Kahn's, the fair-use analysis
14 only complements the likelihood of confusion -- likelihood
15 of customer confusion analysis." And then they quote from
16 Transgo, and they say -- explain that "anyone is free to
17 use a term in its primary descriptive sense as long as
18 such use does not result in consumer confusion as to the
19 source of goods."

20 In effect, what they're doing is, they're
21 expanding the rights of trademark-holders of descriptive
22 words. Essentially what they're saying is --

23 CHIEF JUSTICE REHNQUIST: Well, they go further
24 in that same paragraph, and the last couple of lines refer
25 to a Lindy Pen case, according to -- the way they

1 described, explaining that the fair-use defense is not
2 available if likelihood of confusion has been shown.

3 MR. MACHAT: Right, and that's -- that's where
4 they're negating what they said in the beginning of their
5 opinion.

6 JUSTICE GINSBURG: They do have one authority
7 for that proposition. They cite McCarthy, and I think
8 they're right about that.

9 MR. MACHAT: Well, they do cite McCarthy, but I
10 would submit that McCarthy is incorrect, in this case.

11 JUSTICE GINSBURG: But there is a treatise
12 writer who does take the position that if there's
13 confusion, there's no fair-use defense.

14 MR. MACHAT: Well, there are other treatise
15 writers -- Kane, for example, takes the contrary position
16 and says that fair use will always be a defense, even if
17 -- even if there is likelihood of confusion.

18 JUSTICE GINSBURG: So does the -- what is it --
19 the unfair competition restatement?

20 MR. MACHAT: Yes, that takes a similar position,
21 as well, that there can be confusion and fair use at the
22 same time. Again, you have to look at what's causing the
23 confusion. And most often the problem is the confusion is
24 being caused because the person with the words in question
25 is using it as a mark, and that's causing the confusion.

1 If -- there's certain -- there's certain --
2 there's certain terms and words that Congress has said
3 never get trademark protection. Descriptive words, of
4 course, is one of them, in the sense that they can never
5 get trademark protection in their primary descriptive
6 sense; they only get trademark protection in their -- in
7 their secondary-meaning sense if they can actually prove
8 secondary meaning.

9 JUSTICE GINSBURG: But I thought we're dealing
10 with an incontestable mark here, and the secondary meaning
11 would be assumed.

12 MR. MACHAT: Yes. In the case of an
13 incontestable mark, secondary meaning is presumed;
14 however, that still does not take away the burden of the
15 holder of an incontestable mark of proving likelihood of
16 confusion. And, second, the trademark protection attaches
17 only to the secondary meaning of the mark, never to the
18 primary, descriptive meaning of the words in question.

19 And one other quick example. The laws say you
20 cannot obtain a trademark in the U.S. flag. Now, we have
21 12 ice-cream manufacturers, they each put the flag on
22 their ice cream. There will be confusion there. Someone
23 will say, "I want the ice cream with the flag on it." But
24 they all have a flag on it. That's another example where
25 Congress said, "We will tolerate confusion." Sometimes we

1 tolerate confusion so we can free up descriptive words so
2 business owners are free to describe their goods to
3 consumers.

4 And, if I may, I'd like to reserve the balance
5 of my time.

6 CHIEF JUSTICE REHNQUIST: Very well, Mr. Machat.

7 Now, Ms. Millett, we'll hear from you.

8 ORAL ARGUMENT OF PATRICIA A. MILLETT

9 ON BEHALF OF UNITED STATES,

10 AS AMICUS CURIAE, SUPPORTING PETITIONER

11 MS. MILLETT: Mr. Chief Justice, and may it
12 please the Court:

13 Justice Scalia, you asked for an example of a
14 case where there might be confusion, but there would still
15 be a fair use. This Court's decision in William Warner
16 versus Eli Lilly, which was a common-law case cited on
17 page 27 of our brief, gives an example of that. You had
18 Coco-quinine, and Quin-coco being sold.

19 And this Court held, as a matter of the common
20 law fair-use doctrine, that the descriptive -- fair,
21 truthful, descriptive use of a term to describe a product
22 will be permitted even if consumer mistakes result.

23 There are other cases cited in the briefs. Howe
24 Scale is cited in our brief. The Canal Company versus
25 Clark case.

1 The fair-use defense that's at issue here takes
2 its -- has its roots in that common law precedent, and
3 that common law precedent, in origin, speaks directly,
4 Justice O'Connor, to your -- and Justice Kennedy -- to
5 your questions about, what does a fairness component of
6 this test in the statute mean.

7 There is not a general requirement that the --
8 say, the defendant here; the parties were reversed, but
9 the non-trademark holder acts fairly. That's not what
10 Congress said. It says the term -- and I'm -- and you can
11 see, on page 9a of the statutory appendix to our brief
12 -- the term has to be used fairly and in good faith --
13 putting that aside, used fairly only to describe the
14 product.

15 That is not some sort of general equitable
16 receptacle for fairness concerns. That focuses on what
17 the defendant did and how they acted in describing.
18 That's not a test of how the public reacted. How did the
19 defendant behave? Which is exactly what William Warner,
20 Canal Company, and Howe Scale also looked at.

21 In common parlance, in a common dictionary
22 meaning, when you talk about fairly describing something,
23 that's not general equity. That is, is it a legitimate,
24 reasonable, proper, objectively apt, and fair way to
25 describe a product. One could reasonably --

1 JUSTICE O'CONNOR: Well, does -- does consumer
2 -- if substantial consumer confusion is shown by the
3 plaintiff, is that enough to defeat a fair-use defense?

4 MS. MILLETT: Not by itself, no, Justice
5 O'Connor. Congress told us what will defeat the defense,
6 and that is a -- that is a conclusion that the term is
7 being used as a mark. Consumer confusion might be, if you
8 could explain that that demonstrates that it's being used
9 as a mark. It might show that you're not objectively,
10 reasonably, accurately describing your product.

11 If I describe Twinkies as a sugary snack, that's
12 a -- I can fairly describe Twinkies as a sugary snack. I
13 can't fairly describe Twinkies as a healthy food.

14 JUSTICE KENNEDY: Suppose, in the Coco-quinine
15 case, the non -- the non-holder is doing just fine
16 without using the particular term, and then he decides,
17 "you know, I'm going to cut into that market, and I'm
18 going to use the term Coco-quinine. And I'm going to do
19 that just in order to get more customers away from the
20 trademark-holder." Is that good faith?

21 MS. MILLETT: Yes, because there's nothing, in
22 the marketplace, with wanting to increase your business
23 and to do better and to use descriptive terms
24 descriptively to do that. The good-faith --

25 JUSTICE KENNEDY: But what --

1 MS. MILLETT: -- continued here --

2 JUSTICE KENNEDY: -- what if he intends to
3 increase his market share precisely by causing the
4 confusion? That would eliminate the good-faith element,
5 wouldn't it?

6 MS. MILLETT: The good-faith element is, do I
7 intend -- it depends on what you mean by "causing
8 confusion." If I intend to freeload or ride or exploit
9 the secondary --

10 JUSTICE KENNEDY: Yeah.

11 MS. MILLETT: -- meaning of the term --

12 JUSTICE KENNEDY: Right.

13 MS. MILLETT: -- that's what good faith means in
14 trademark law, generally. It has an established
15 component.

16 JUSTICE SCALIA: Right.

17 MS. MILLETT: If I intend to do that. But just
18 showing that consumer confusion could result, or that I
19 hope consumers will pause and think about, you know, "what
20 -- what's in the -- what am I now being offered in the
21 marketplace?" But I have to -- if I intend to avail
22 myself of the secondary meaning that you've established of
23 the goodwill that you've generated, that's what good faith
24 goes to.

25 But to use fairly to describe is not a general

1 means of just saying --

2 JUSTICE STEVENS: May I ask you --

3 MS. MILLETT: -- if there's confusion, that's a
4 bad --

5 JUSTICE STEVENS: What does the term "micro
6 color" describe?

7 MS. MILLETT: The term "micro color" describes
8 -- this is not my area of expertise, but -- describes, as
9 I understand it, the inks that are used for this permanent
10 make-up process. And the reason it's called "micro color"
11 --

12 JUSTICE STEVENS: Does it have a meaning in any
13 context other than describing the -- one party's product
14 in this case?

15 MS. MILLETT: I wouldn't begin to know whether
16 other professions or occupations use the term "micro
17 color." But my understanding, from the record, is that
18 the color is obvious. That's -- it's different color
19 inks.

20 And the reason that they use the term "micro" --
21 and this is on page, I believe, 98 of the first volume of
22 the joint appendix, is that the molecular size of these
23 inks is very, very fine. It's going into the skin. It's
24 micron-size.

25 And so that's, I think, the -- as suggested by

1 petitioner's client -- that that's the origin of the term
2 "micro color."

3 Now, "micro" is a common term that's -- common
4 descriptive term in its own right. It appears in many
5 contexts. Obviously, computers is one that we're all
6 familiar with. Medical devices often will refer to
7 "micro." But "micro color" --

8 JUSTICE GINSBURG: Wasn't there -- wasn't there
9 something to the effect that "micro pigmentation" is a
10 synonym in the trade for permanent make-up? It's another
11 name for permanent make-up, and it's -- it has "micro" in
12 it, "micro pigmentation."

13 MS. MILLETT: That's my understanding, yes.

14 JUSTICE GINSBURG: "Micro pigmentation" sounds
15 awfully close to "micro color."

16 MS. MILLETT: "Micro color," yeah. That's my
17 understanding. Again, I don't really want to weigh in on
18 one side of the dispute or the other on the merits of
19 whether "micro color" is a generic or a --

20 JUSTICE SCALIA: Well, you have to weigh in on
21 it. I mean, you have to show that the -- it seems to me,
22 if you think that side should win, that the words are
23 being used in a descriptive sense. And if "micro color"
24 doesn't mean a blessed thing to anybody unless they
25 associate it with the trademark, then, it seems to me, you

1 lose.

2 MS. MILLETT: But, Justice Scalia, the problem
3 here is that the Ninth Circuit said that what makes them
4 lose is not that they didn't use this fairly to describe
5 their product, or not that they failed to act in good
6 faith, or not that they were using this as a trademark,
7 but that it was a --

8 JUSTICE SCALIA: You're right, that's not the
9 issue in the case.

10 MS. MILLETT: Right. Right. And my
11 understanding -- again, the record shows that, in fact,
12 the descriptive use of this was conceded in this case, and
13 that's on page 29a of the petition appendix, and also in
14 the joint appendix on 152.

15 JUSTICE SCALIA: You're right.

16 MS. MILLETT: But, again, our concern is that
17 this statute has to be read with the terms Congress
18 enacted. Congress drew a balance here. Congress struck
19 the balance between allowing -- giving unprecedented
20 protection that this Court recognized in "Park 'n Fly" to
21 descriptive terms, but policing the line between the
22 secondary meaning that attaches to descriptive terms and
23 the -- reserving for the marketplace, for competition, the
24 availability of descriptive terms in their original
25 descriptive sense.

1 JUSTICE SCALIA: In other words, if you choose
2 to use a descriptive term as your logo, you take your
3 chances --

4 MS. MILLETT: Exactly.

5 JUSTICE SCALIA: -- that that descriptive term
6 will be used fairly and in good faith by somebody else and
7 cause confusion.

8 MS. MILLETT: Exactly.

9 JUSTICE SCALIA: And if you don't want
10 confusion, pick a term that isn't descriptive.

11 MS. MILLETT: That's exactly right. There's a
12 tradeoff. When you pick a descriptive term, you get right
13 up front, right up front, the immediate appeal and
14 resonance of a term to the -- to the consumers. "Best
15 buy." Who wouldn't want the best buy? I want the best
16 buy. "Chunky" candy bars. It's going to be easier to
17 break into the marketplace with "Chunky" candy bars or
18 "Almond Joy" candy bars, because consumers will have a
19 sense of what they're getting, than if you come in with a
20 --

21 JUSTICE SCALIA: "Schwartz," "Schwartz" candy
22 bars.

23 MS. MILLETT: "Schwartz" candy bar, "Kodak," I
24 don't know

25 JUSTICE SCALIA: It doesn't do anything for you.

1 [Laughter.]

2 MS. MILLETT: I don't know why that is, and why
3 would I want to eat it. They're going to have to do more
4 work. But the downside, the tradeoff, is, as you said,
5 Justice Scalia, that you do not get to take those terms
6 out of usage. Trademark law protects usage, not words.

7 And if the usage is descriptive, and it's fair,
8 in the sense that it's reasonable, apt, and accurate, as
9 this Court said in *William Warner, Canal Company, Howe*
10 *Scale*, in the unfair-competition sense; and the *Kellogg*
11 *versus National Biscuit Company*, the *Shredded Wheat* case,
12 if it's apt and accurate, that's what "used fairly" means.

13 And if its satisfies that objective test, and if
14 it satisfies the subjective good-faith test, and it's not
15 used as a mark, we will tolerate that confusion, because
16 that --

17 JUSTICE GINSBURG: How do you tell whether it's
18 used as a mark? I mean, is that -- that certainly seems
19 to be central. Is it used as a mark? And if it's used as
20 a mark, then there is a violation.

21 MS. MILLETT: The fair-use defense is
22 unavailable if it's used as a mark. There are other --

23 JUSTICE GINSBURG: Right.

24 MS. MILLETT: -- defenses that are available,
25 but the fair-use defense is, by definition, unavailable.

1 That's correct.

2 The way you prove whether something is used as a
3 mark -- there's, sort of, two ways of getting to that end.
4 When something is used as a mark, that means it is
5 signifying to the origin or source of those goods in the
6 marketplace. It's not just describing it, it's telling
7 you who is making it or who is putting it out on the
8 market.

9 JUSTICE GINSBURG: So let's go back to the use
10 on the brochure of a logo-like -- I mean, as long as
11 they're using just the word "micro color," I see your
12 position entirely, it's used descriptively, not as a mark.
13 But what about when they use something that looks like a
14 mark?

15 MS. MILLETT: Well, there's -- there's going to
16 be difficult questions of proof. Our position is that, by
17 taking a descriptive term, you don't get to consign
18 everybody else to ten point Times New Roman font, and that
19 they can do some colorful display, but not a mark.

20 CHIEF JUSTICE REHNQUIST: Thank you, Ms.
21 Millett.

22 Ms. Brinkmann, we'll hear from you.

23 ORAL ARGUMENT OF BETH S. BRINKMANN
24 ON BEHALF OF THE RESPONDENT

25 MS. BRINKMANN: Mr. Chief Justice, and may it

1 please the Court:

2 Defendant's - Petitioner's absolute defense is
3 contrary to the text, purpose, structure and history of
4 the fair-use defense of the Lanham Act. In response to
5 Justice Scalia's question about this is the risk that
6 someone takes when they choose a descriptive term, this
7 defense does not apply only to descriptive terms.

8 Under Petitioner's view, this defense would be
9 available to users of arbitrary, fanciful and suggestive
10 marks so long as they were used descriptively and not as a
11 mark. Indeed, our mark here is not --

12 JUSTICE SCALIA: How can you use a fanciful term
13 descriptively? I mean, I think that's the definition of
14 an arbitrary or fanciful term, that it doesn't mean
15 anything.

16 MS. BRINKMANN: Well, it may mean something in a
17 different context, I think an example you could use would
18 be the arbitrary trademark of "Apple" for computers.
19 There could be advertising for Computer Electronics,
20 Incorporated in the fall, when there's the back to school
21 rush, using the term "Apple" in a descriptive sense:
22 "Apples for Teachers," you know, the beginning of the
23 year, "Come to our store."

24 So, in reliance on that, you drive two hours
25 because you're the school district director who needs to

1 buy ten new computers to hook into the system. You get
2 there, it turns out they're not Apple Computers.

3 JUSTICE STEVENS: No, but do they use the apple
4 as clearly a descriptive term with secondary meaning,
5 that's what gives it protection. But if you have an
6 arbitrary term, as Justice Scalia says, how could that be,
7 how could the defense have any relevance to a fanciful or
8 arbitrary term. And I thought the defense only was
9 relevant when you -- everybody agrees you're talking about
10 descriptive terms?

11 MS. BRINKMANN: No, Your Honor, the Solicitor
12 General does not take that position either, in their brief
13 they recognize that this applies to all level of mark.

14 JUSTICE KENNEDY: No, but that, all we need to
15 decide this case is to assume that it's descriptive.

16 MS. BRINKMANN: Well, Your Honor, the Ninth
17 Circuit's holding was that it was inherently distinctive,
18 or descriptive, and we maintain that it is suggestive, as
19 was pointed out earlier, this isn't a word that can be
20 found in the English language anywhere, it doesn't
21 describe the pigment or the ink, what it does is suggests
22 the small nature and the fine lines that are ultimately
23 used when this is applied.

24 JUSTICE KENNEDY: Let's assume that it was
25 descriptive, would the Ninth Circuit test still apply?

1 That you would have to show absence of confusion before
2 you raised the good faith defense?

3 MS. BRINKMANN: We don't believe that's what the
4 Ninth Circuit test does, this was a summary judgment
5 entered against us when we had introduced --

6 JUSTICE KENNEDY: Well, would you agree, then,
7 that in a case where the mark is descriptive, the non-
8 trademark holder, the defendant in the case, can raise the
9 fair-use defense without having to show that there's no
10 confusion?

11 MS. BRINKMANN: Yes, we believe it's the
12 plaintiff's burden, it's clear it's the plaintiff's burden
13 to show likelihood of confusion. The point is, under the
14 district court's absolute rule, notwithstanding evidence
15 in this case of actual confusion, indeed, summary judgment
16 was entered against us because the district court took
17 Petitioner's absolute view that there was no relevance
18 whatsoever to likelihood of confusion to the determination
19 of fair use, that's the rule in the Ninth Circuit overall,
20 and that's what needs to be affirmed.

21 JUSTICE BREYER: Now, I'm confused. I thought
22 the question you're supposed to answer, which is in the
23 blue brief, is whether they have to show an absence of
24 confusion. And I guess now you agree the answer to that
25 question is "no." Is that right, you agree with that?

1 MS. BRINKMANN: Yes.

2 JUSTICE BREYER: Now, that's the end of this
3 case, isn't it? That's what we took it to decide, and
4 that's -- you agree with it and they agree with it, so
5 everybody's happy. We don't even have to write an
6 opinion, we can just--

7 MS. BRINKMANN: I believe the Petitioner came up
8 with that formulation because they had taken on the burden
9 because they were the movant on summary judgment. That's
10 where that misnomer came from.

11 JUSTICE SCALIA: Did you object to the
12 formulation of the question presented? Here's the
13 question, "Does the classic fair-use defense to trademark
14 infringement require the party asserting the defense to
15 demonstrate an absence of likelihood of confusion?" That's
16 the question. And you say, "no."

17 MS. BRINKMANN: We agree that the plaintiff,
18 it's clear that under - in the Ninth Circuit - the Ninth
19 Circuit pointed out that, Justice Ginsburg quoted before,
20 made clear that the plaintiff does bear the burden of
21 establishing likelihood of confusion.

22 JUSTICE BREYER: Now, suppose you establish it,
23 maybe we can find some differences here, would you also
24 agree that simply establishing confusion is not enough to
25 overcome the fair-use defense, you'd have to also show

1 that the confusion, along with possibly other things are
2 such that it shows unfairness, or what's the other word,
3 unfairness, or lack of good faith?

4 MS. BRINKMANN: We believe that when Congress -

5 JUSTICE BREYER: You agree with that, or not?

6 MS. BRINKMANN: No, Your Honor, we agree that
7 when Congress wrote the test in 1946, it used the terms
8 "used fairly" to refer to the common law, which included
9 not only the common law of technical trademark, but the
10 common law of unfair competition.

11 JUSTICE BREYER: Good, so now we have something
12 I can disagree with you about. Now, the question would
13 be, why, it's the words are unfair, why, if you just show
14 there's some confusion, which normally there would be, or
15 quite often there would be, why is that enough to overcome
16 their defense that they put here?

17 MS. BRINKMANN: Your Honor, the time that those
18 words were used, the common law, and we respectfully
19 disagree with the Solicitor General's office on the
20 reading of Warner, we'd urge the Court to read that. The
21 reason the Court allowed the use of the term in that case
22 is because they quite clearly said it did not have a
23 secondary meaning. There is no trademark protection for
24 descriptive words with secondary meaning, we are in
25 complete agreement with that. We're dealing with the

1 secondary meaning.

2 JUSTICE BREYER: All right, so now, if we're
3 going to go back into what the Court did, I would say that
4 I was a little disturbed reading this as to why you get
5 protection at all, because I was thinking "micro color,"
6 well, that describes very well what it is, it's a tiny,
7 teeny, weenie, weenie bit of color.

8 And when I think of "micro pigment," I think of
9 a farm animal, I think -- I don't know what I think, it's
10 confusing me. So, for an average person, the word "micro
11 color," I thought, "Gee, that's very descriptive of just
12 what it is, a teeny weenie bit of color."

13 MS. BRINKMANN: Well, Your Honor, I would urge
14 you to look at joint appendix pages 137 to 139 where it
15 lists twenty other competitors that sell this very
16 product, they have no cause to use that word. It is not
17 used in the industry as a descriptive term, they're called
18 "pigment," they're called "ink," they're not called "micro
19 colors," that is my client's trademark.

20 JUSTICE GINSBURG: What's the difference between
21 pigment and color, especially when it's not just "micro
22 color," don't they advertise "micro color red," "micro
23 color grey," so pigment --

24 MS. BRINKMANN: The typical suggestive term, it
25 was created to associate the high quality that my client

1 markets in this product with that term, I want the "micro
2 color" pigments, not the other pigments that are sold by
3 --

4 JUSTICE GINSBURG: But, what about the word, is
5 it -- am I wrong in what I suggested before, that the
6 word, "micro pigmentation" is used in the trade as a
7 synonym for permanent makeup?

8 MS. BRINKMANN: That's correct, and oftentimes,
9 trademarks are shortened versions of other terminology.
10 The fact is it is suggestive because "micro colors" is the
11 protected trademark here.

12 JUSTICE SOUTER: But there is a sense of color
13 in which color is synonymous with pigment. And I assume
14 that's what was accepted here, which leads me to my
15 question, I don't understand why we're having this
16 discussion.

17 JUSTICE SCALIA: Exactly.

18 JUSTICE SOUTER: Because I thought it was agreed
19 that for purposes of the defense, this was a descriptive
20 use, is that incorrect?

21 MS. BRINKMANN: Yes, Your Honor, for purposes of
22 the defense, it's the other party that has to be using the
23 term differently.

24 JUSTICE SOUTER: Well, could you just point to
25 me -- I'm not asking so much about the "why," I just want

1 to know what this case is. Is there someplace in the
2 materials that we've got that indicate that, in fact, you
3 dispute that there is a descriptive use here?

4 MS. BRINKMANN: Yes, footnote 3 of the red brief
5 explains that this purported concession that they discuss
6 about the use of this mark had to do because Justice
7 Ginsburg was distinguishing before, early uses on a
8 bottle, and a flyer, which we dispute occurred, but
9 assuming they occurred, those were descriptive. In 1998
10 and 1999, Petitioner started using this on their marketing
11 brochures in a very different manner.

12 JUSTICE SCALIA: Excuse me, this still goes to
13 the merits of the defense and not to the question
14 presented. The question presented is, descriptive or not
15 descriptive, do you have a defense if it's, if there is
16 consumer confusion? And your position, if you're opposing
17 the question presented, is that if there is consumer
18 confusion, there is no defense. And it's -- I thought
19 that was the only question you were going to discuss here,
20 not in fact whether, if there is such a defense, it has
21 been made out in this case, because these words were or
22 were not descriptive. I mean, that's a --

23 MS. BRINKMANN: Thank you, Your Honor, I'd be
24 happy to discuss that. As I pointed out, it's contrary to
25 the textual language used by the Congress in 1946. They

1 meant "used fairly" to mean what the common law meant.
2 The common law prohibited confusing uses of both technical
3 trademarks and trade names.

4 Moreover, Petitioner's interpretation is
5 contrary to the clear focus of the Lanham Act, which is to
6 prevent customer confusion. The whole point is so that
7 you can walk into a store --

8 JUSTICE GINSBURG: Ms. Brinkmann, may I stop you
9 there, because I thought you have conceded, as I think you
10 must, I thought you conceded quite clearly, I wrote down
11 that you said, it is the plaintiff's burden to show
12 likelihood of confusion. So, if it's the plaintiff's
13 burden to show likelihood of confusion, how can it be the
14 defendant's burden to show unlikelihood of confusion?

15 MS. BRINKMANN: We don't believe it's the
16 defendant's burden, we believe we -- the district court
17 was correctly reversed by the Ninth Circuit in entering
18 summary judgment against us, notwithstanding the fact that
19 there was dispute regarding likelihood of confusion. And
20 the district court did that, because as I said it was
21 absolutely irrelevant to the determination of used
22 fairly.

23 CHIEF JUSTICE REHNQUIST: I think this is really
24 quite confusing, Ms. Brinkmann. The question presented,
25 as several people have pointed out, whether the Lanham

1 Act's fair-use defense to trademark infringement requires
2 a party asserting the defense to demonstrate the absence
3 of a likelihood of consumer confusion.

4 Now, do you agree or disagree with that?

5 MS. BRINKMANN: We --

6 CHIEF JUSTICE REHNQUIST: You can surely answer
7 that, "we agree," or "we don't agree."

8 MS. BRINKMANN: We don't agree. We believe that
9 likelihood of confusion defeats the fair-use defense.

10 CHIEF JUSTICE REHNQUIST: Okay, okay.

11 MS. BRINKMANN: And we would point out that as a
12 textual argument and the purpose argument -

13 JUSTICE STEVENS: May I ask, may I just
14 interrupt, but when would one ever be able to use the
15 defense if the plaintiff makes out a prima facie case,
16 prima facie case, I assume, includes the burden of
17 establishing likelihood of confusion. So, is there any
18 room for the defense at all?

19 MS. BRINKMANN: As we point out in our brief,
20 Your Honor, we do believe that since the amendment in
21 1988, this has ultimately become a redundancy, but the
22 plaintiff's burden of showing likelihood of confusion -

23 JUSTICE STEVENS: So the answer is no.

24 MS. BRINKMANN: It remains as a Congressional
25 emphasis that even if, in a trademark situation, a use

1 that is not likely to confuse is allowed. That is what,
2 this was a -

3 JUSTICE STEVENS: It's allowed without the
4 affirmative defense.

5 MS. BRINKMANN: To understand why this came in,
6 it's important to understand in 1946 this defense applied
7 only to incontestable marks. It did not apply to other
8 registered marks.

9 At that time, incontestable mark holders did not
10 have to prove likelihood of confusion. That incontestable
11 mark was a conclusive evidence of the mark holder's
12 exclusive right to use that mark on the same goods. Same
13 mark, on the same goods that were set forth in the
14 affidavit with the PT0. That was akin to early common
15 law.

16 At that point, the plaintiff could go into court
17 with their incontestable mark, and it was conclusive
18 evidence. So there had to be a safety valve for
19 defendants to be able to say, "Okay, I know this is an
20 incontestable mark, I know that, and I know I'm using it
21 on the same goods, but notwithstanding, I can use it
22 because I'm using it fairly, I'm not confusing consumers
23 with this. That's what the purpose was. In 19 -

24 JUSTICE STEVENS: But are you suggesting, I want
25 to be sure I follow your thinking, are you saying that in,

1 back in those days, somebody with an incontestable mark
2 did not have to prove likelihood of confusion?

3 MS. BRINKMANN: It was presumed by the weight of
4 that, that was the conclusive evidence.

5 JUSTICE STEVENS: Because otherwise, wouldn't
6 that defeat the defense, too, then?

7 MS. BRINKMANN: Because the way Congress
8 structured 1115(b), it was conclusive evidence except
9 subject to the seven specific defenses, this was the
10 fourth one.

11 JUSTICE SOUTER: No, but you're saying, isn't
12 your answer to Justice Stevens is that it was a rebuttable
13 presumption?

14 MS. BRINKMANN: Yes.

15 JUSTICE SOUTER: Yes.

16 MS. BRINKMANN: Yes, I'm sorry, yes. Yes, Your
17 Honor. I would also point out that when Congress amended
18 in 1988, there's absolutely no evidence whatsoever that
19 they intended to change this and that's what's so
20 fundamental about the position - the district court
21 position. This is a gaping hole in the core purpose of
22 the Lanham Act.

23 JUSTICE BREYER: But suppose IBM had used the
24 word "computers" when they were the only company for ten
25 or fifteen years to mark their product. Now, another

1 company comes along and they produce the same thing, they
2 want to use the word "computer." You're saying that that
3 would be the end of it, they couldn't do it?

4 MS. BRINKMANN: Not at all, Your Honor.

5 JUSTICE BREYER: People would be confused. For
6 a while they'll think that "computer" refers to IBM, there
7 would be confusion, but it's the best word to describe the
8 product, in fact, at least a very good one.

9 MS. BRINKMANN: Your Honor, if that were the
10 case, it was more than likely, almost certainly be a
11 generic term with no protection.

12 JUSTICE BREYER: Well, at the very beginning,
13 IBM was the only one to do it, they didn't have to call it
14 computer, they could have called it a word processor, they
15 could have called it a "think faster." I don't know what
16 they could have called it, but I mean, you know, they
17 chose the word computer.

18 MS. BRINKMANN: And Congress took that
19 explicitly into account when it allowed any mark to be
20 canceled at any time for genericism. Escalator, aspirin
21 are all examples of your situation. That's exactly what
22 happened, and when they came a generic term, that
23 trademark was canceled and it became used as generic.
24 Congress took that into account.

25 JUSTICE BREYER: So what is this fair-use

1 defense for, since you're normally going to show confusion
2 to show the infringement, what's it for, in your opinion?

3 MS. BRINKMANN: Since 1988 it's a vestigial
4 reminder of what Congress wanted to make sure was
5 understood in 1946. Even for the strongest, incontestable
6 mark on the same goods, we are still going to always allow
7 uses that are not likely to confuse.

8 JUSTICE SCALIA: But we don't usually interpret
9 statutes that way. I mean, you tell us what Congress had
10 in mind, but our best indication of what Congress had in
11 mind is the words of the statute. And the words of the
12 statute make no sense if they say you have to prove
13 confusion and the only -- however, there's a special
14 defense which you have, which turns out to be there's no
15 confusion, that's not a special defense.

16 MS. BRINKMANN: Two points, Your Honor -

17 JUSTICE SCALIA: Makes it a meaningless statute,
18 really.

19 MS. BRINKMANN: Two points. Petitioner gives no
20 meaning to words "used fairly." So if a worst statutory
21 construction -

22 JUSTICE GINSBURG: I thought they did when they
23 outlined to us what it means is you're using it
24 descriptively, and not as a mark.

25 MS. BRINKMANN: Your Honor, those are other

1 terms that are used in the statute, those are separate
2 requirements. There are four requirements in the
3 provision, used not as a mark, used descriptively, used in
4 good faith, and used fairly. They read "used fairly"
5 right out of the language.

6 JUSTICE GINSBURG: Ms. Brinkmann, am I right
7 that several cases say, the key here is, are you using it
8 as a mark. Because that suggests you're trying to pawn
9 off your goods as another's. Are you using it as a mark?
10 Or, are you using it, merely descriptively? I thought use
11 as a mark was the key, you're using it as a mark, you're
12 not using it in good faith.

13 MS. BRINKMANN: No, that is one of the factors
14 in likelihood of confusion, that you can take into
15 account, that there can be non-trademark uses that are
16 confusing, but the common law cases we talk about are full
17 of examples of that.

18 I would like to make one other response to
19 Justice Scalia's point, if I could. Justice Scalia, to
20 the extent that you hold that the fair-use defense no
21 longer prohibits, all uses are likely to confuse as
22 unfair, we would look to the suggestion made by the amici
23 that there is a middle ground that likely to confusion, in
24 any event, cannot be completely irrelevant to the used
25 fairly determination, as Petitioner in the district court

1 would have it.

2 We discuss on page 15 of our brief, for example,
3 the Restatement's position, which we would urge the Court
4 to look to, which is akin to what the amici suggests.

5 JUSTICE SCALIA: That may well be, but I don't
6 think that's the question presented here. I mean, we
7 could agree with that, that it's relevant to deciding the
8 defense, and still answer the question presented the way
9 that the Petitioner wants.

10 MS. BRINKMANN: The district court's entry of
11 summary judgment must be reversed, the Ninth Circuit did
12 that because of its total disregard for likely to
13 confusion --

14 JUSTICE SOUTER: Well, that may be, but the
15 issue here is whether the Ninth Circuit simply went too
16 far in the other direction and required too much. And all
17 we have to determine is whether there is a per se
18 obligation to prove non-confusion. If we do so, that
19 doesn't necessarily reinstate the district court's
20 position, it simply says that the Ninth Circuit went too
21 far, isn't that correct? I mean, that is what is -- that
22 is the issue before us?

23 MS. BRINKMANN: I think the ruling from this
24 Court would have to be that it's not an absolute defense
25 against likelihood of confusion.

1 JUSTICE GINSBURG: How about if the ruling were
2 a defendant who uses a descriptive term fairly and in good
3 faith to describe its goods or services is not liable for
4 infringement, even if some residual confusion is likely.
5 That's what the Restatement that you've just been
6 applauding says.

7 MS. BRINKMANN: Yes, and that discussion
8 explains a couple of things. It explains that if there is
9 a likelihood of substantial confusion, that would be the
10 outer limit, ordinarily that would not be a fair use. It
11 also points out that likelihood of confusion is relevant
12 to that determination that Your Honor just described.
13 Yes, we would win under that position, Your Honor, that's
14 absolutely correct, that's the middle ground of the
15 Restatement -

16 JUSTICE GINSBURG: Well, you would win -

17 JUSTICE O'CONNOR: You'd still have to vacate
18 the judgment below, which seemed to go too far in saying
19 that if there is any consumer confusion, that's the end of
20 it.

21 MS. BRINKMANN: Well, Your Honor, we would
22 actually urge the Court to affirm the judgment below, in
23 support of we cite cases in our brief, the Meritor case
24 and the Yakima case, in which the judgment of the Ninth
25 Circuit reversing the district court should be affirmed,

1 and there are other holdings of the Ninth Circuit also
2 that are not before the Court that should be affirmed.

3 CHIEF JUSTICE REHNQUIST: Well, you're urging
4 then that the Ninth Circuit be affirmed on alternate
5 grounds.

6 MS. BRINKMANN: Yes, Your Honor, that's -

7 CHIEF JUSTICE REHNQUIST: We rarely do that.

8 MS. BRINKMANN: Yes, Your Honor, I understand
9 that, but in this particular situation -

10 JUSTICE O'CONNOR: Why wouldn't we just vacate
11 it, and you have other grounds that the court below didn't
12 address, but why wouldn't, at the very least, we vacate
13 the judgment and send it back?

14 MS. BRINKMANN: We certainly would agree, Your
15 Honor, that if we are then given an opportunity on remand
16 to go back to summary judgment and carry our burden of
17 establishing a likelihood of confusion, but not have it
18 held against us. For example, in the middle ground, to
19 determine what used fairly is, in addition to likelihood
20 of confusion, we would suggest that there are other
21 factors that the Restatement puts forth. For example,
22 whether there is commercial justification for the use.
23 Did we point out, there is no commercial justification,
24 there are twenty other competitors that don't use this
25 terminology.

1 JUSTICE SCALIA: They might have been afraid
2 that you'd sue them

3 MS. BRINKMANN: That's quite a strong mark, Your
4 Honor.

5 JUSTICE GINSBURG: Ms. Brinkmann, am I right
6 that they were, "they" being KP, they were in fact using
7 the word "micro color" before you registered your
8 trademark?

9 MS. BRINKMANN: No, we dispute that, Your Honor,
10 they've never produced one bottle from that period. In
11 fact, we introduced four bottles of their -

12 JUSTICE GINSBURG: But that would be -- that
13 would be a disputed issue of fact.

14 MS. BRINKMANN: Yes, Your Honor.

15 JUSTICE GINSBURG: And are we making any
16 differentiation at all between the mini color red or
17 whatever, and this logo that appears?

18 MS. BRINKMANN: Yes, all the difference in the
19 world, Your Honor. We maintain that that is a mark use.
20 I mean, the district court rejected that as well, but that
21 is one of the issues where you suggested that courts have
22 resolved these on whether something is used as a mark or
23 not, that is not an easy answer, and that is why it's
24 always part and parcel of the likelihood of confusion.

25 That's the purpose of the Lanham Act, to ensure

1 that when you go into a store, you can buy the products
2 you want. For example, in the health and safety area
3 here, you may be willing to buy a product that costs more
4 money because you know of the quality of them. At the
5 same time, you want to be assured when you go in, because
6 you don't want to buy the one that's recalled all the
7 time, or that has ingredients that cause allergies for
8 you, that's what the Lanham Act is to protect. And it
9 encourages the economic efficiency of the market -

10 JUSTICE STEVENS: Your customers are pretty
11 sophisticated people, I guess, they're specialists in an
12 unusual trade, so they're not just like a person walking
13 off the street that doesn't know what it is, they probably
14 know this market pretty well.

15 MS. BRINKMANN: That's directly relevant to the
16 likelihood of confusion, Your Honor. In fact, the typical
17 way of proving that when it ultimately goes to trial is
18 through consumer survey. And the law is clear that that
19 survey would not be of the person on the street, it would
20 be of the appropriate purchasers, who are more
21 sophisticated clinicians and cosmetologists.

22 But, Your Honor, even on that situation in this
23 record, we have direct evidence of confusion. It's at
24 joint appendix page 170, Your Honor, it's the declaration
25 of Gloria Torres, where about 1998, 1999, she was one of

1 the people who did sales, and she started getting calls
2 from people wanting products, and it confused her because
3 they weren't on my client's customer list, and also they
4 were citing different prices. It didn't mean anything to
5 her at the time, it turns out this was the confusion
6 because they were actually seeing this new usage on the
7 marketing brochure by KP Permanent.

8 JUSTICE STEVENS: Just out of curiosity, it has
9 nothing to do with the case, do they market this product
10 with color charts, just like paint companies do?

11 MS. BRINKMANN: They do, Your Honor, that's
12 absolutely right, color wheels, color -- and also in the
13 micro pigmentation history, it's very important, because
14 even though it's like tattooing, the purpose is absolutely
15 the opposite, it's to hide the color. So mixing of the
16 colors is a critical component of that industry.

17 I want to make another point about the economic
18 efficiency that is furthered by the trademark laws and not
19 allowing likelihood of confusing uses, which is what
20 Congress intended. By allowing purchasers to know that
21 they're getting the product that they want, they're a lot,
22 able to be more efficient in the market -

23 JUSTICE BREYER: I also -- it's very efficient
24 to allow people to communicate, in English.

25 MS. BRINKMANN: Your Honor, there's nothing to

1 prevent that.

2 JUSTICE BREYER: Well, I guess that's the
3 question, because sometimes people -- I have no doubt -

4 MS. BRINKMANN: Your Honor, I don't think
5 there's anything -- the way that Petitioner passed the
6 Lanham Act grossly overstates it. I mean, I would just
7 submit the following list. The only thing that the Lanham
8 -- the Lanham Act does not allow registration of generic
9 brands, as we mentioned before.

10 It allows cancellation of any mark if it becomes
11 generic. It applies only to commercial uses, not usage in
12 ordinary English language, only in connection with the
13 mark. It can only have a valid trademark when it's
14 actively being used, any mark can be canceled or abandoned
15 after three years.

16 It also, of course, only applies when there's
17 likelihood of confusion. Also there is an expert agency
18 that reviews and goes through a process in which there can
19 be oppositions, objections, all of this could be brought
20 up at that point.

21 And also Congress directly addressed
22 anticompetitive interests when it enacted the statute.
23 It, in 1946, enacted B(7) as a defense for antitrust
24 violations. It also reinforced the Justice Department,
25 and the FTC maintains its enforcement authority, and it

1 also had a particular provision that allowed the FTC to go
2 in and cancel registration. I'd also point out -

3 CHIEF JUSTICE REHNQUIST: What would be a really
4 expert agency, which you referred to as represented by the
5 government here, and it takes the position quite different
6 from yours.

7 MS. BRINKMANN: At this point in time, Your
8 Honor. I would also point out economic efficiency -

9 CHIEF JUSTICE REHNQUIST: You say at
10 this point in time? Are you suggesting that it took a
11 different position some other time?

12 MS. BRINKMANN: Your Honor, in this case, it --
13 this mark has been put through becoming to -- but went
14 through all of the procedures that the PTO required.
15 There's no question that this is a valid mark.

16 JUSTICE GINSBURG: They're not assailing the
17 validity of the mark.

18 CHIEF JUSTICE REHNQUIST: Nobody is challenging
19 it, it's the fair-use defense.

20 MS. BRINKMANN: Your Honor, no, what I -- the
21 government's position is the same position that, in fact,
22 it urged before Congress in 1946. The Court's opinion in
23 Park 'n Fly makes this clear. They did not want
24 descriptive terms at all protected, even with secondary
25 meaning. And as the Park 'n Fly opinion makes clear,

1 Congress rejected that and struck the balance this way and
2 included all of these other safeguards, not allowing
3 registration of generic marks, always prohibiting uses
4 that are likely to confuse.

5 We would also point out that that encourages
6 economic efficiencies for businesses as well. By being
7 able to benefit from the reputation of your mark, the
8 business invests more. As soon as confusion is allowed,
9 there is a free rider problem, and that competitor is free
10 riding on that investment. And it's a disincentive for
11 further investment and it undermines the quality of the
12 goods, because the only way -

13 JUSTICE O'CONNOR: Certainly the Restatement and
14 the view of some of the amici is contrary to yours on
15 this.

16 MS. BRINKMANN: We believe that the Restatement
17 and the amici are very consistent in rejecting
18 Petitioner's position and the district court's position
19 that likelihood of confusion is completely irrelevant. We
20 embrace that, I think that's a consistent position, and
21 that would be the bottom line, I would urge, on this
22 Court, because Petitioner's position in the district court
23 wreaks havoc, truly, with the statutory framework that
24 Congress set up and intended.

25 We believe as a matter of strict statutory

1 construction, that indeed it is now a vestigial provision,
2 the fair-use defense, after the 1988 changes to the
3 inconstestability provision. But if the Court is not
4 going to hold that that fair-use defense prohibits uses
5 that are likely to confuse, we would urge the Court to
6 adopt the Restatement position, that the totality of the
7 circumstances, likelihood of confusion is relevant, we
8 think factors that it's confusing in relationship to a
9 health and safety issue would be relevant, the investment
10 by the mark holder could be relevant. And to the extent
11 the competitor had a commercial justification for it,
12 because it was a term that everyone needed to use, but
13 "micro colors" is just not that kind of terminology as the
14 record in this case demonstrates.

15 If there are no further questions, Your Honor.

16 CHIEF JUSTICE REHNQUIST: Thank you, Ms.

17 Brinkmann. Mr. Machat, you have three minutes remaining.

18 REBUTTAL ARGUMENT OF MICHAEL MACHAT

19 ON BEHALF OF PETITIONER

20 MR. MACHAT: Thank you. I'd like to point out
21 that Ms. Brinkmann's reference to the legislative history
22 is incorrect, and I'd just like to refer the Court's
23 attention to my reply brief, pages 14 to 17 where
24 basically it shows that prior to 1988, courts were
25 required to find a likelihood of confusion before finding

1 for the plaintiff on a trademark case. I'd also like to
2 point out that in this particular case, the trademark is
3 not for the word "micro color," the trademark is for the
4 logo mark, and here's some of the confusion.

5 The Respondents were able to obtain a trademark
6 registration for the logo itself, and the strength in the
7 logo itself is not being copied, we're just using the
8 descriptive words within the logo itself. And Congress
9 always intended for descriptive words to be free for
10 everybody to use in their primary descriptive sense, so
11 long as the person, the subsequent user, is not using
12 those descriptive words in the secondary meaning sense,
13 and that's the distinction.

14 The confusion is only an issue to determine
15 whether or not the elements of the fair-use defense is
16 being met, but that confusion should be distinguished from
17 likelihood of confusion. Confusion is a factual
18 determination, likelihood of confusion is a legal
19 determination. So you can use whether or not there is
20 actual confusion to determine whether or not the mark, sorry,
21 the word is being used as a mark.

22 JUSTICE SCALIA: I forget your position, if
23 you've taken it, do you agree that the degree of confusion
24 that is predictable or that is likely is one of the
25 elements that can be used to determine whether the use is

1 a fair one? Do you agree or disagree with that?

2 MR. MACHAT: I would agree, the degree of
3 confusion, but that comes into whether or not -

4 JUSTICE SCALIA: All right, that's all I wanted
5 to know.

6 MR. MACHAT: In this case, "used fairly" means,
7 it does mean something, we're saying used fairly refers to
8 whether or not the use is a truthful or reasonably
9 accurate description of the mark. And it always --
10 truthful is something that the common law always looked at
11 to see, that was a term used, in fact, by this Court in
12 the Warner decision, basically, to quote briefly from that
13 decision, it said "the use of a similar name by another to
14 truthfully describe the same product does not constitute
15 a legal or moral wrong."

16 So I would maintain that "used fairly" means
17 truthful, or can determine whether or not it's exactly
18 true, reasonably accurate. And that would be the meaning
19 of "used fairly." And of course, good faith refers to the
20 intent, and there you have the elements of the fair-use
21 defense.

22 Also, I'd just like to point out once again the
23 Ninth Circuit opinion, it says on the bottom of page 17a,
24 it says, "KP can only benefit from the fair-use defense if
25 there is no likelihood of confusion between KP's use of

1 the term `micro color', and Lasting's mark." And then
2 they go on to say, "as discussed above, because in this
3 case they can be no fair use --"

4 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Machat,
5 the case is submitted.

6 (Whereupon at 11:02 a.m., the case in the above-
7 entitled matter was submitted.)

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