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Advisory | Equine Industry Group

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Race to the Top: Trademark Litigation in the Equine Industry

"Trademark law has a long history, going back at least to Roman times." *B&B Hardware v. Hargis Indus.*, 575 U.S. 138, 142 (2015)(citation omitted). "The principle underlying trademark protection is that distinctive marks — words, names, symbols, and the like — can help distinguish a particular artisan's goods from those of others." *Id.* "One who first uses a distinct mark in commerce thus acquires rights to that mark." *Id.* (citing, 2 J. McCarthy, Trademarks and Unfair Competition § 16:1 (4th ed. 2014)). "Those rights include preventing others from using the mark." *Id.* (citations omitted). The Equine Industry has many valuable trademarks that need to be protected.

Is There A Likelihood of Confusion Between the Two Marks?

Trademark law "seeks to prevent one seller from using the same 'mark' — or one similar to — that used by another in such a way that he confuses the public about who really produced the goods (or service)." *See, e.g., DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 605 (1st Cir. 1992). Trademark infringement "requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

In determining whether there has been trademark infringement, courts examine whether there is a "likelihood of confusion" between the two trademarks. Courts weigh various factors in assessing whether there is a likelihood of confusion, including:

> (1) the strength of the mark, (2) the similarity of the two marks, (3) the proximity of the products, (4) actual confusion, (5) the likelihood of plaintiff's bridging the gap, (6) defendant's good faith in adopting its mark, (7) the quality of defendant's products, and (8) the sophistication of the consumers.

Louis Vuitton Malletier v. Dooney Bourke, Inc., 454 F.3d 108,116 (2d Cir. 2006)(citing *Polaroid Corp. v. Polaroid Elect. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)) (other circuits employ similar tests with the majority of the factors the same or slightly different); *see Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 774 (8th Cir. 1994); *AMf Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979)(abrogated in part on other grounds by *Mattel, Inc. v. Walking Mountain Prod.*, 353 F.3d 792 (2003)); *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973).

Examples of cases involving trademark infringement pertinent to the Equine Industry:

- In *Equine Techs., Inc. v. Equitechnology, Inc.*, 68 F.3d 542 (1st Cir. 1995), the plaintiff had patented a line of specialized hoof pads for horses that it sold under its registered trademark, "EQUINE TECHNOLOGIES." The defendant sold hoof care products under the trademark "EQUITECHNOLOGIES." The court granted a preliminary injunction in favor of the plaintiff, finding that the two marks were likely to confuse consumers. The "similarity between the two marks is strong … the goods are similar enough to create confusion, … [and] Plaintiff's mark is moderately strong." *Id.* at 546-47. RESULT: The defendant could no longer use "EQUITECHNOLOGIES" as a trademark.
- In *Choice of Champions Int'l v. Champions Choice Unites States*, 2010 U.S. Dist. LEXIS 149465 (S.D. Fla. Mar. 11, 2010), the trademark in dispute included a website and product names for supplements treating joint problems in horses. Product names included "Ulser Shield," "Super Joint Solution," "Lung Aid," and "True Sweat." The court granted a preliminary injunction for the plaintiff-trademark owners. The court found that "[a] comparison of the plaintiff's website…with those of the defendants…clearly demonstrates that the names and marks used on the defendants' websites are confusingly similar to the plaintiff's registered name and marks, such that there is a likelihood of confusion for consumers as to the origin of the goods as a result of the defendants' use of the name and the marks." *Id.* at 6. RESULT: Trademark owner prevented others from using its valuable trademarks.
- In *Schneider Saddlery Co. v. Best Shot Pet Prods. Int'l, LLC*, 2009 U.S. Dist. LEXIS 27227 (N.D. Ohio Mar. 31, 2009), the plaintiff and the defendant were two companies that sold directly competing equine grooming products. In 1985, the plaintiff received registration for the "ULTRA" mark for a line of horse grooming products. In 2001, the defendant began using the registered trademarks "ULTRA WASH," "ULTRA PLENISH," and "ULTRA VITALIZING MIST" for its line of equine products. The court denied plaintiff's motion for partial summary judgment on trademark infringement, holding that the question of likelihood of confusion must be submitted to the trier of fact. *Id.* at 53. "[A] reasonable jury might not consider [plaintiff's] Marks to be strong," *id.* at 34, and there is "no evidence of actual confusion," *id.* at 44. RESULT: A jury would have to decide this close call as to whether there would be a likelihood of confusion between the ULTRA mark and the complained-of marks with ULTRA in them.
- In *Nokota Horse Conservancy, Inc. v. Bernhardt*, 666 F. Supp 2d 1073 (D.N.D. 2009), the plaintiff-Conservancy had been using the term "Nokota" in connection with breed registration since 1999. In 2004, defendant-Bernhardt registered the "NOKOTA" mark for horse breeding and stud services. In 2009, Bernhardt assigned the mark to defendant-Nokota Horse Association Inc., which began to sell breed registrations using the NOKOTA mark. The court granted plaintiff's motion for a temporary restraining order, finding strong proof of likelihood of confusion. There is "a substantial similarity between the NOKOTA mark and the Association's use of an essentially identical mark or a dominant

portion of the mark." *Id*. at 1080. "The court also finds that the Association's use of the word 'Nokota' coupled with the fact it appears the products the Association is selling (breed registrations) tends to establish that the Association intends to draw customers who are interested in the Conservancy." *Id*. Therefore, the court found it likely that "the [defendant's] actions have created some confusion." *Id*. RESULT: Bernhardt had to quit using the trademark owner's NOKOTA mark.

Fair Use Defense to Trademark Infringement

Even if a plaintiff could establish a likelihood of confusion, a defendant might still prevail by showing fair use. There is both descriptive and nominative fair use. The Lanham Act contains a statutory descriptive fair use provision that allows third parties to accurately describe their goods. *See* Lanham Act §33(b)(4), 15 U.S.C. §1115(b)(4). Nominative fair use involves the descriptive use of the plaintiff's mark to describe or identify the party's goods or services. The "use does not implicate the source-identification function that is a purpose of a trademark, it does not constitute unfair competition. . ." *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

Equine Industry cases invoking the fair use defense include:

- *Tenn. Walking Horse Breeders' & Exhibitors Ass'n v. Nat'l Walking Horse Ass'n*, 528 F. Supp. 2d 772 (M.D. Tenn. 2007) related to a registry recording the pedigrees of Tennessee Walking Horses. The plaintiff (TWHBEA) had created a registry in 1938 to record the pedigrees of Tennessee Walking Horses. In 2004, the defendant launched a registry on its website, but it "never asked TWHBEA for permission to use TWHBEA trademarks or the registry.'" *Id*. at 776. The court found that the "[d]efendant used the [p]laintiff's trademark in a descriptive sense to describe its own offerings … [and] referring to those certificates by using [p]laintiff's trademarked name was the only way to describe [p]laintiff's certificates." *Id*. at 783. Accordingly, the court held that "[d]efendant had established the defense of 'fair use.'" *Id*. RESULT: The defendant could continue to use the TWHBEA mark because it fell within the fair use defense.
- *Oaklawn Jockey Club, Inc. v. Ky. Downs, LLC*, 184 F. Supp. 3d 572 (W.D. Ky. 2016). This case involved trademarks for horse racing tracks. Plaintiffs owned horse racing tracks and trademark rights associated with those tracks. *Id*. at 574. Defendant Encore Gaming developed a form of gambling called "historical horse racing." *Id*. This gambling system was featured at a track owned by Defendant Kentucky Downs, LLC. *Id*. "While displaying the animated race, the video screen identifies the race track where the race was conducted, variously including the names of [p]laintiffs' tracks and [p]laintiffs' wordmarks." *Id*. The court granted a motion to dismiss brought by defendants, holding that "even if [p]laintiffs could establish a likelihood of confusion, the [d]efendants have satisfied the affirmative defense of fair use." *Id*. at 580. Defendants were free to "use [p]laintiff's marks in a descriptive sense as Encore's game is currently conducted." *Id*. at 579. RESULT: The defendants could continue to use the race track trademark names because use of these race track trademark names fell within the fair use defense.

Strength of the Mark and Registrability

Trademarks are classified in categories of generally increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). "The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection." *Id*. "In contrast, generic marks—those that 'refe[r] to the genus of which the particular product is a species,' *Park `N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U. S. 189, 194 (1985),—are not registrable as trademarks." *Id*.; *see*

Duluth News-Tribune, a Div. of Nw. Publ'ns, Inc. v. Mesabi Pub. Co., 84 F.3d 1093, 1096 (8th Cir. 1996). The issue of whether a mark was generic or distinctive in the Equine Industry is set forth below:

- In *Cheval Int'l v. Smartpak Equine, LLC*, 2016 U.S. Dist. LEXIS 33023 (D.S.D. Mar. 15, 2016), the court considered a range of names for equine supplements. Plaintiff's three supplements, "Black-As-Knight," "Gold-As-Sun," and "Red-D-Vinity," were used to improve the look of horse coats, and "Inside-Out" (also known as "Bug-Off") was a natural insect repellant. The court found that the "'Black-As-Knight', 'Gold-As-Sun' and 'Red-D-Vinity' are strong and distinctive." *Id.* at 24. However, while "'Red-D-Vinity' is… an inherently distinctive mark entitled to the highest protection [,] 'Inside-Out' is a generic term not entitled to trademark protection." *Id.* at 13. Similarly, "'Bug-Off'…leans toward generic." *Id.* RESULT: Plaintiffs received good news that its marks "Black-As-Knight", "Gold-As-Sun" and "Red-D-Vinity" were strong marks. However, the "Inside-Out" and "Bug-Off" marks were deemed generic and thus not protected.

Non-Trademark Use

At times, a party might not establish valid trademark rights. "[I]n order to be protected as a valid trademark, a designation must create a separate and distinct commercial impression, which … performs the trademark function of identifying the source of the merchandise to the customers." *Aini v. Sun Taiyang Co., Ltd.*, 964 F. Supp. 762, 773 (S.D.N.Y. 1997).

This issue was addressed in the case below:

- In *Thoroughbred Legends, LLC v. Walt Disney Co.*, 2008 U.S. Dist. LEXIS 19960 (N.D. Ga. Feb. 12, 2008), after the plaintiffs learned that the defendants planned to make a movie featuring a racehorse trained by the plaintiffs, the plaintiffs registered the horse's name, Ruffian, with the USPTO and attempted to license the mark to defendants. The plaintiffs sued when defendants made the film without licensing the mark.

  The court granted summary judgment for defendants, holding that the plaintiffs failed to state claims for trademark infringement. "Plaintiffs fail to show that the alleged 'RUFFIAN' mark was in fact *ever used to signify origin to customers and competitors*." *Id.* at 14 (emphasis in original). Even if plaintiffs had used "RUFFIAN" as a trademark, it is a descriptive designation. *Id.* at 19. Further, defendants were entitled to a fair-use defense as matter of law as their use was "descriptive, a non-trademark use, and in good faith." *Id.* at 27-29. RESULT: The defendants could make the movie about the horse named Ruffian both because the plaintiffs had not actually used the mark as a trademark and it was a fair use of the horse's name.

Damages in Trademark Cases

Injunctive relief to prevent further use of the trademark is often sought. In addition, a trademark owner may recover monetary damages. Such damages include: (1) infringer's profits; (2) any damages sustained by the trademark owner; and (3) the costs of the action. *See* Lanham Act §35(a), 15 U.S.C.A. §1117(a). The court may treble the damages. *Id.* Finally, the court can award reasonable attorney's fees to the trademark owner in exceptional cases

Damages were discussed in an Equine case below:

- In *Churchill Downs, Inc. v. Commemorative Derby Promotions, Inc.*, 2016 U.S. Dist. LEXIS 131845 (N.D. Ga. Mar. 1, 2016), the plaintiff held trademarks associated with the Churchill Downs Track and

the Kentucky Derby and Kentucky Oaks races. The defendants marketed and sold horse-racing commemorative merchandise. After the defendants' licensing agreement with the plaintiff expired in 2010, the defendants continued to sell products bearing the plaintiff's protected marks.

After finding that the defendants had infringed on the trademark, the court determined that the "proper measure of damages … should be the profits [the d]efendants received from selling the infringing goods." *Id*. at 4. While "awarding both profits and royalties would give [the p]laintiff a windfall to which it was not entitled … [l]imiting damages to the royalty payments that [the d]efendants would have paid under the former licensing agreement would permit [the d]efendants to profit from wrongful behavior." *Id*. RESULT: The owner of the trademarks received damages in the form of the profits made by the defendants' sales of the infringing products.

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