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## How Confusing! Resolving the Three-Way Circuit Split on the Nominative Fair Use Doctrine

Eric W. Walker

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## HOW CONFUSING! RESOLVING THE THREE-WAY CIRCUIT SPLIT ON THE NOMINATIVE FAIR USE DOCTRINE

*Eric W. Walker\**

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#### I. INTRODUCTION: INJECTING COMMON SENSE INTO TRADEMARK TECHNICALITIES

The ultimate test in determining if there is infringement in trademark law is whether there is a likelihood of confusion among the consumers.<sup>1</sup> If there is no likelihood of confusion, there is generally no infringement.<sup>2</sup> But what if a trademark defendant’s legal and reasonable use of another’s mark causes consumer confusion anyway? For example, should a defendant who has the legal right to repair Volkswagen-branded vehicles also be allowed to *advertise* that they perform such work? While the answer may seem obvious, this was the basis of the dispute in *Volkswagenwerk Aktiengesellschaft v. Church*.<sup>3</sup> In this case, the Ninth Circuit held that a California-based auto repair shop specializing in the repair of Volkswagens did not infringe Volkswagen’s trademarks.<sup>4</sup> This was primarily decided because the owner of the shop, appellee Church, advertised that he repaired Volkswagens, but “did not use Volkswagen’s

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1. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:1.50 (5th ed. 2017).

2. *Id.* at § 23:3 (noting that “[l]ikelihood of confusion is synonymous with ‘probable’ confusion”).

3. *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

4. *See id.* at 352.

distinctive lettering style or color scheme, nor did he display the encircled ‘VW’ emblem.”<sup>5</sup>

Church’s use of the term “Volkswagen” was a “nominative use’ because it ‘names’ the real owner of the mark.”<sup>6</sup> One can see why a trademark defendant in Church’s position should be granted a nominative fair use defense. This defense allows Church to make an overt reference to Volkswagen in advertising repair services to potential customers. If Church has the legal right to *operate* an auto-repair shop, he should also be allowed to *advertise* that service. The Ninth Circuit later noted:

Church did not suggest to customers that he was part of the Volkswagen organization or that his repair shop was sponsored or authorized by VW; he merely used the words “Volkswagen” and “VW” to convey information about the types of cars he repaired. Therefore, his use of the Volkswagen trademark was not an infringing use.<sup>7</sup>

In 1992, the Ninth Circuit was the first to acknowledge that such a defense should be available to some trademark defendants, so long as they meet a three-factor test showing that the defendant’s use was necessary, limited, and suggests no sponsorship.<sup>8</sup> Since then, only two other circuits have formally recognized the doctrine of nominative fair use—with only the Third Circuit acknowledging the doctrine as an affirmative defense.<sup>9</sup> While a Supreme Court decision would be an adequate solution to resolving the circuit split, the Supreme Court recently declined to review a relevant nominative fair use case.<sup>10</sup> This leaves resolving the circuit split to Congress. Congress must therefore amend the Lanham Act to recognize the nominative fair use doctrine like all other forms of fair use: as an affirmative defense expanding the freedoms of trademark defendants to use another’s mark in a justifiable way.

This note will first explore the relevant background by reviewing the Lanham Act, the three-way circuit split by emphasizing the key

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5. *Id.*

6. MCCARTHY, *supra* note 1, at § 23:11.

7. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 307 (9th Cir. 1992).

8. *See id.* at 308 (summarizing the three-factor test).

9. Christian Ferlan, *Is This Going to Be on the Test? Reconciling the Four-Way Circuit Split over Handling Nominative Fair Use*, 18 N.C.J.L. & TECH. ON. 33, 57 (2016) (“[T]here are three distinct approaches for addressing nominative fair use claims . . .”); *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 228 (3d Cir. 2005) (“[W]e will employ it as an affirmative defense to be proven by defendant after likelihood of confusion has been demonstrated by the plaintiff.”).

10. Katie Howard, *Security University, LLC v. International Information Systems Security Certification Consortium, Inc.; Petition Denied*, SCOTUSBLOG (Jan. 9, 2017), <http://www.scotusblog.com/case-files/cases/security-university-llc-v-international-information-systems-security-certification-consortium-inc/> [<https://perma.cc/65E3-XMDA>].

differences among their respective approaches, and the loose foundation the Supreme Court has laid for the doctrine. Next, the Statement of the Issue section will describe the relationship between the Lanham Act and the policy rationale involved in resolving the circuit split. Finally, the Analysis section will examine why the doctrine is necessary as evidenced by numerous policy considerations, the arguments for and against incorporating the nominative fair use doctrine as an affirmative defense, and why the Third Circuit's test best resolves the split.

## II. BACKGROUND: HISTORY OF THE DOCTRINE

The Lanham Act is the foundational document for much of modern trademark law. The Lanham Act was designed to “protect registered marks used in such commerce . . . to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce” and “to provide rights and remedies” for consumers and plaintiffs affected by such unfair competition.<sup>11</sup> The goals of the Lanham Act can be succinctly summarized as “protect[ing] consumers as well as commercial interests from the effects of false advertising.”<sup>12</sup> Although the Lanham Act “was originally envisioned as a federal anti-False advertising statute,” it was gradually interpreted in cases to address infringement of unregistered marks, and this use of the Act was codified in the 1989 version of § 43(a) of the Lanham Act.<sup>13</sup>

While the Lanham Act addressed descriptive fair use, it did not specifically address nominative fair use, leaving it to the courts to determine whether the doctrine should be available to trademark defendants and the proper test to use.<sup>14</sup> Since the Lanham Act already addresses descriptive fair use, and since Congress has previously amended the Lanham Act to broaden its scope to include additional trademark protections, amending the Lanham Act would be the best avenue to codifying the nominative fair use doctrine.

The nominative fair use doctrine is a relatively new form of fair use.<sup>15</sup> It was not until the Ninth Circuit created its three-part test in 1992 that the doctrine was properly recognized as a viable defense for certain

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11. 15 U.S.C. § 1127.

12. MCCARTHY, *supra* note 1, at § 27:25.

13. *Id.* at § 27:7.

14. 15 U.S.C. § 1115(b)(4) (outlining descriptive fair use as one of several available defenses to trademark infringement).

15. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 305 (9th Cir. 1992) (comparing the introduction of descriptive fair use when the Lanham Act was passed in 1946, with the first formal recognition of nominative fair use).

trademark defendants.<sup>16</sup> Despite many opportunities over the better part of three decades since the decision in *New Kids*, most circuits have either declined to adopt nominative fair use as a defense or have outright declined to address it at all. Currently, there are three circuits that have fully embraced nominative fair use as an available defense, along with several circuits that have some version of the test but have yet to formally adopt the doctrine.<sup>17</sup> While each of the three circuits discussed herein has adopted the doctrine, they all take a significantly different approach.

*A. Ninth Circuit: New Kids on the Block and Playboy Enterprises*

In *New Kids on the Block v. News America*, the Ninth Circuit laid the foundation for the nominative fair use doctrine by acknowledging it as a defense against trademark infringement and enunciating a three-factor test to determine its applicability.<sup>18</sup> The plaintiffs, in this case, were the members of the musical group The New Kids on the Block.<sup>19</sup> The defendants were two national newspapers charged with trademark infringement after conducting polls of their readers to determine which of these New Kids was the most popular.<sup>20</sup> Although the district court granted summary judgment on First Amendment grounds, the Ninth Circuit was more interested in exploring the trademark issue this case presented.<sup>21</sup>

The court first outlined that there are limitations to trademark protections by discussing how a trademark registrant cannot “prevent others from accurately describing a characteristic of their goods” under 15 U.S.C. § 115(b)(4).<sup>22</sup> Likewise, “one might refer to ‘the two-time world champions’ or ‘the professional basketball team from Chicago,’ but it’s far simpler (and more likely to be understood) to refer to the Chicago Bulls.”<sup>23</sup> Indeed, the Ninth Circuit previously held that an automobile repair shop had the right to use the Volkswagen brand for the limited purpose of advertising that they repaired Volkswagens.<sup>24</sup>

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16. *Id.* at 308.

17. Ferlan, *supra* note 9, at 57.

18. *See New Kids on the Block*, 971 F.2d at 308.

19. *Id.* at 304.

20. *Id.*

21. *Id.* at 305 (“While the district court granted summary judgment on First Amendment grounds, we are free to affirm on any ground fairly presented by the record.”).

22. *Id.* at 306.

23. *Id.*

24. *See Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

While classic fair use involves a defendant using a plaintiff's mark "to describe the defendant's *own* product,"<sup>25</sup> nominative fair use involves a defendant using the plaintiff's mark to describe the *plaintiff's* product. The court then declined to use the test already formulated for classic fair use, since in its view, the nature of descriptive fair use is fundamentally different from nominative fair use.<sup>26</sup>

Under the Ninth Circuit's view, "a commercial user is entitled to a nominative fair use defense provided he meets . . . three requirements."<sup>27</sup> "First, the product or service in question must be one not readily identifiable without use of the trademark."<sup>28</sup> This first element allows a defendant to bring the defense if it is necessary for them to use another's mark "nominally," in order to operate in the market. "[S]econd, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service."<sup>29</sup> The second element requires that the defendant uses the other's mark only to the extent necessary to meet the needs of the first element.

"[T]hird, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."<sup>30</sup> The final element is unsurprising in the trademark world; a trademark defendant should not cause confusion as to source, sponsorship, or endorsement.<sup>31</sup> Taken together, the three elements carve out a defense for a trademark defendant who uses another's mark nominally, so long as that use is: necessary, limited, and suggests no sponsorship.<sup>32</sup>

Applied to the facts of the case, the first element was easily met, because someone who cannot reference the New Kids as a group and who does not know the names of each member would not be able to have a discussion about the group.<sup>33</sup> Additionally, trademark "protection does not extend to rendering newspaper articles, conversations, polls and comparative advertising impossible."<sup>34</sup> Therefore, the defendant newspapers were entitled to the use of the New Kids trademark by

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25. *New Kids on the Block*, 971 F.2d at 308 (emphasis in original).

26. *Id.*

27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.*

31. 15 U.S.C. § 1125(a)(1)(A). See also MCCARTHY, *supra* note 1, at § 23:8 (noting that the confusion at issue in trademark law is "not only as to source, but also as to affiliation, connection or sponsorship").

32. *New Kids on the Block*, 971 F.2d at 308 (summarizing the three-factor test).

33. *Id.* (stating "how could someone not conversant with the proper names of the individual New Kids talk about the group at all?").

34. *Id.*

referencing the New Kids in a poll, since it was necessary for the newspapers to use the trademarked name to reference the group. The second element was met because the defendants did not use the New Kids logo or anything else that was not necessary to describe the New Kids to their readers.<sup>35</sup> Finally, nothing in the newspapers indicated endorsement or sponsorship.<sup>36</sup> Thus, the Ninth Circuit held in favor of the newspapers to use the New Kids mark nominally within the circumstances, under the newly constructed nominative fair use doctrine.

A decade after the Ninth Circuit revealed its three-part test in *New Kids*, the Ninth Circuit further elucidated its reasoning regarding why the doctrine is necessary as a separate form of analysis from the traditional likelihood of confusion test. It argued that if one were to apply the traditional likelihood of confusion test to nominative fair use cases, one would incorrectly conclude that almost all nominative fair use cases cause confusion. This is because “[w]hen a defendant uses a trademark nominally, the trademark will be identical to the plaintiff’s mark, at least in terms of the words in question.”<sup>37</sup> Thus, “the likelihood of confusion test as applied in nominative fair use cases would disadvantage the defendant by making confusion an all but foregone conclusion.”<sup>38</sup> This court’s reasoning is sound when it acknowledges that using another’s mark nominally will inherently involve some degree of confusion, “because it ‘names’ the real owner of the mark.”<sup>39</sup>

Though the Ninth Circuit created the nominative fair use test, it does not consider it an affirmative defense. The Second Circuit summarized this neatly by stating “[i]n the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is, in fact, a likelihood of consumer confusion.”<sup>40</sup> But since confusion is often a foregone conclusion, when applying the likelihood of confusion analysis, “the nominative fair use test replaces the multi-factor test that the Ninth Circuit typically employs to determine consumer confusion.”<sup>41</sup>

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35. *Id.* Similarly, “a soft drink competitor would be entitled to compare its product to Coca-Cola or Coke, but would not be entitled to use Coca-Cola’s distinctive lettering.” *Id.* at 308 n.7.

36. *Id.* at 308–09.

37. *Playboy Enter., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002).

38. *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220 (3d Cir. 2005).

39. *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 165 (2d Cir. 2016).

40. *Id.* at 166.

41. *Id.*



*B. Third Circuit: Affirmative Defense and Bifurcation*

Referring to it as the “fairness test,” the Third Circuit has adopted the three-part test enunciated in *New Kids*.<sup>42</sup> The Third Circuit’s factors vary slightly from the Ninth Circuit but largely hold the same meaning.<sup>43</sup> The defendant in this circuit must show:

(1) the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflect the true and accurate relationship between plaintiff and defendant’s products or services.”<sup>44</sup>

The Third Circuit is, as of now, the only circuit that considers the nominative fair use doctrine to be an affirmative defense.<sup>45</sup> This has the effect of affording broader protection for trademark defendants.<sup>46</sup> Being an affirmative defense means that the nominative fair use doctrine “may be asserted by the defendant despite a likelihood of consumer confusion.”<sup>47</sup> This is because “the defendant ultimately uses the plaintiff’s mark in a nominative case in order to describe its own product or services . . . even an accurate nominative use could potentially confuse consumers about the plaintiff’s endorsement or sponsorship of the defendant’s products or services.”<sup>48</sup> This is a similar view as the Ninth Circuit’s assertion that confusion in a nominative case is a “foregone conclusion.” Whereas the Ninth Circuit drops the confusion analysis to deal with the “foregone conclusion” problem, the Third Circuit solves the same problem more effectively by making it an affirmative defense, such that confusion is allowed so long as the nominative fair use elements are met.<sup>49</sup>

The Third Circuit has adopted the view that the “plaintiff has the exclusive burden to demonstrate likelihood of confusion, and that the defendant’s burden is only to show the affirmative defense of fair use.”<sup>50</sup>

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42. *Century 21 Real Est. Corp.*, 425 F.3d at 222.

43. While the Ninth and Third Circuits’ factors are largely the same, the Third Circuit goes to great lengths to explain why it has altered the language used in the Ninth Circuit’s test. *Id.* at 229–31. See discussion *infra* Section IV.C.2 on how these differences affect the analysis.

44. *Id.* at 222. See also MCCARTHY, *supra* note 1, at § 23:11.

45. See *Century 21 Real Est. Corp.*, 425 F.3d 211.

46. *Int’l Info. Sys. Sec. Certification Consortium, Inc.*, 823 F.3d at 166.

47. *Id.*

48. *Century 21 Real Est. Corp.*, 425 F.3d at 221.

49. See *id.*

50. *Id.* at 217 (citing *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 125 (2004)).

Although this burden shifting model was taken directly from the Supreme Court in *KP Permanent Make-Up*, that case involved classic fair use, not nominative fair use.<sup>51</sup> Even so, this circuit does “not see nominative fair use as so different from classic fair use as to warrant such different treatment.”<sup>52</sup> Therefore, the Third Circuit applies the Supreme Court’s burden-shifting test for descriptive fair use to nominative fair use by reason of analogy.<sup>53</sup>

### C. *Second Circuit: Expanding Confusion*

The Second Circuit largely adopted the Ninth Circuit’s approach to nominative fair use in two ways. First, this circuit does not treat the doctrine as an affirmative defense. Second, they embrace the familiar three-factor test announced in *New Kids*, and despite some alteration to the language of the factors, the meaning remains largely identical.<sup>54</sup> However, the Second Circuit complicates this simple test by combining their likelihood of confusion analysis (the Polaroid factors) with the three nominative fair use factors.<sup>55</sup> The Second Circuit’s likelihood of confusion analysis is an examination of eight non-exclusive factors as follows:

- (1) strength of the trademark; (2) similarity of the marks; (3) proximity of the products and their competitiveness with one another; (4) evidence that the senior user may “bridge the gap” by developing a product for sale in the market of the alleged infringer’s product; (5) evidence of actual consumer confusion; (6) evidence that the imitative mark was adopted in bad faith; (7) respective quality of the products; and (8) sophistication of consumers in the relevant market.<sup>56</sup>

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51. See *KP Permanent Make-Up, Inc.*, 543 U.S. 111.

52. *Id.* at 220.

53. See *id.* at 221.

54. *Int’l Info. Sys. Sec. Certification Consortium, Inc.*, 823 F.3d at 156. (stating that its version of the factors are “(1) whether the use of the plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff’s mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant’s conduct or language reflects the true or accurate relationship between plaintiff’s and defendant’s products or services”).

55. *Century 21 Real Est. Corp.*, 425 F.3d at 222 (Fisher, J., dissenting, suggesting a similar test to the Second Circuit by combining many of the Lapp factors (the Third Circuit’s analogue to the Polaroid factors) with the “fairness test” (the three-part nominative fair use factors)).

56. *Int’l Info. Sys. Sec. Certification Consortium, Inc.*, 823 F.3d at 165.

The Second Circuit reasons that the Polaroid factors and the nominative fair use factors announced in *New Kids* can be combined because the Polaroid factors are non-exclusive and many of the Polaroid factors are a poor fit when analyzing nominative fair use.<sup>57</sup> Likewise, the Third Circuit agrees that certain confusion factors do not apply neatly to nominative fair use.<sup>58</sup> In *KP Permanent Make-Up*, the Supreme Court determined that descriptive fair use was an affirmative defense; however, it was analyzing descriptive fair use under 15 U.S.C. § 1115(b)(4).<sup>59</sup> Nominative fair use does not fall under 1115(b)(4)'s language.<sup>60</sup> Descriptive fair use applies when an infringer engages in a “non-trademark use of words in their descriptive sense,” whereas, nominative fair use “involves using the mark at issue *as a mark* to specifically invoke the mark-holder’s mark, rather than its use, other than as a mark to describe the alleged infringer’s goods or services.”<sup>61</sup> This circuit further notes that “[i]f Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such.”<sup>62</sup>

#### D. *The Supreme Court: A Loose Foundation*

The Supreme Court has long noted that when a “mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.”<sup>63</sup> The Supreme Court has never announced a test for nominative fair use, but they have addressed descriptive fair use under 15 U.S.C.A. § 1115(b)(4) in *KP Permanent Make-Up*.<sup>64</sup> This case is cited by both the Second and Third Circuits as the basis for how they determined their respective views on the doctrine. The Third Circuit cites this case to support why it considers nominative fair use as an affirmative defense (via argument by analogy).<sup>65</sup> It is likewise cited by the Second Circuit for the proposition that nominative fair use is not an affirmative defense.<sup>66</sup>

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57. *Id.* at 168.

58. *Century 21 Real Est. Corp.*, 425 F.3d at 224.

59. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 115 (2004).

60. *Int’l Info. Sys. Sec. Certification Consortium, Inc.*, 823 F.3d at 165.

61. *Id.* at 167.

62. *Id.*

63. *Prestonettes, Inc., v. Coty*, 264 U.S. 359, 368 (1924). *See also Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 237 (3d Cir. 2005) (stating that while the nominative fair use doctrine was not yet in existence, “Prestonettes is clearly a nominative use case.”).

64. *See KP Permanent Make-Up, Inc.*, 543 U.S. 111.

65. *See Century 21 Real Est. Corp.*, 425 F.3d 211.

66. *See Int’l Info. Sys. Sec. Certification Consortium, Inc.*, 823 F.3d 153.

In *KP Permanent Make-Up*, the Supreme Court held that “a party raising the statutory affirmative defense of fair use to a claim of trademark infringement does not have a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected.”<sup>67</sup> However, the Supreme Court held contrary to the Ninth Circuit, stating that “some possibility of consumer confusion must be compatible with fair use”<sup>68</sup> and that it “takes a long stretch to claim that a defense of fair use entails any burden to negate confusion.”<sup>69</sup> Furthermore, the Court states that Congress’s silence on whether a defendant has a burden to disprove any likelihood of confusion was not an oversight because “the House Trademarks Subcommittee refused . . . a proposal expressly providing likelihood to deceive the public as an element of the fair use defense.”<sup>70</sup> This means that, at least with respect to descriptive fair use, a defendant can assert an affirmative defense against trademark infringement without disproving that the defendant’s use of the mark caused confusion among consumers.

*E. Other Circuits: Avoidance and Uncertainty*

While a few additional circuits have addressed or adopted some form of nominative fair use, most reject it outright, some decline to address their view on it, and others adopt some limited version of the Ninth Circuit’s three-factor test.

In *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, the First Circuit has stated, “we have recognized the ‘underlying principle’ of nominative fair use, but like several other circuits, we have never endorsed any particular version of the doctrine.”<sup>71</sup> The First Circuit then lauded the lower court’s attempt to resolve the nominative fair use issue in this case “[g]iven the uncertainty in this area of the law.”<sup>72</sup> The Fourth Circuit declined to address nominative fair use by stating “we are not adopting a position about the viability of the nominative fair-use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way. That question

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67. *KP Permanent Make-Up, Inc.*, 543 U.S. at 114.

68. *Id.* at 121.

69. *Id.* at 118. This may reflect some potential foreshadowing that the Supreme Court will once again oppose the Ninth Circuit’s general view that likelihood of confusion must be negated by the defendant.

70. *Id.* at 112.

71. *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, 704 F.3d 44, 50 (1st Cir. 2013) (citing the Fourth and Sixth Circuits as examples).

72. *Id.*

has not been presented here and we leave it for another day.”<sup>73</sup> Likewise, the Sixth Circuit noted that “[t]his circuit has never followed the nominative fair use analysis, always having applied the *Frisch’s Restaurants* test. We are not inclined to adopt the Ninth Circuit’s analysis here.”<sup>74</sup>

Other circuits have adopted or acknowledged some version of the test, but have generally failed to elucidate a test as refined as that of the Second, Third, or Ninth Circuits. The Fifth Circuit has adopted the second and third nominative fair use factors.<sup>75</sup> That court further noted that the circumstances of the case warrant that the first factor did not require analysis, thus, stating that it “express[es] no opinion as to whether this requirement should or should not be imposed in other circumstances.”<sup>76</sup> The Eleventh Circuit generally sides with the Second Circuit by clarifying in a footnote that “[w]e do note, however, that nominative fair use is not an affirmative defense set forth in the Lanham Act, . . . and that the considerations underlying nominative fair use appear to be more properly considered, if at all, as part of the likelihood-of-confusion analysis.”<sup>77</sup> Finally, the D.C. Circuit stated that it would use the three-part test created by the Ninth Circuit, but did not “resolve whether it would use nominative fair use as an alternative likelihood of confusion test or as an affirmative defense.”<sup>78</sup>

The failure of most of the circuit courts to acknowledge the nominative fair use doctrine may indicate a general unfamiliarity, lack of comfort with the principle, or fear to take a stance on such a seemingly novel doctrine. Even when they do acknowledge the doctrine, these other circuits detail their views in footnotes, have incomplete versions of the doctrine, or do not indicate whether the doctrine is an affirmative defense. In any instance, the failure of most circuits to adopt the doctrine, as well as the slow adoption rate for those that have, highlights that formal recognition at the federal level is necessary.

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73. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 155 (4th Cir. 2012).

74. The *Frisch’s Restaurants* test is the Sixth Circuit’s version of the likelihood of confusion analysis. *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 256 (6th Cir. 2003) (citing *Frisch’s Restaurants, Inc. v. Elby’s Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982)).

75. *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546 (5th Cir. 1998).

76. *Id.* at 546 n.13 (further noting that in the context of this case, which involved direct comparative advertising, the first factor will always be met).

77. *Parsons v. Regna*, 847 F.App’x 766, 773 n.13 (11th Cir. 2021) (citing 15 U.S.C. § 1115(b) (2002)) (noting that, in any case, the defendant failed to establish that he was entitled to the defense).

78. *MCCARTHY*, *supra* note 1, at § 23:11. *See also* *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437, 457 (D.C. Cir. 2018).

## III. STATEMENT OF THE ISSUE

A circuit split indicates inherent discord among courts on how to resolve a legal issue. A three-way circuit split with indirect Supreme Court guidance, as well as a general avoidance and misunderstanding from the remaining circuits, indicates a complete failure of the legal system to provide guidance for all parties involved. To the average layman, and even among the legal community at large, the nominative fair use doctrine is a niche subject, largely an obscure academic exercise for those who are aware of it. But to defendants who need guidance on how to navigate the muddied waters of trademarks, to the legal counsel involved, and to the district courts facing this issue, the existence of poor and inconsistent guidance increases costs for all involved.<sup>79</sup> This can further lead to incorrect outcomes that unduly punish defendants who act in good faith by referencing a plaintiff's mark merely to indicate their own position within the marketplace.

The Lanham Act was designed “to protect persons engaged in commerce against false advertising and unfair competition.”<sup>80</sup> Specifically, “the Act prohibits commercial advertising or promotion that misrepresents the nature, characteristics, qualities, or geographic origin of the advertiser's or another person's goods, services, or commercial activities.”<sup>81</sup> If a defendant is not engaging in false advertising, unfair competition, or misrepresenting the nature of the relationship between the parties, the Lanham Act's purpose cannot be invoked by a trademark plaintiff since the purpose of the Act is not an issue. The nominative fair use doctrine acts to protect trademark defendants who are accused of, but not guilty of, running afoul of the Lanham Act as it was intended to function. Acknowledging the nominative fair use doctrine by amending the Lanham Act to expressly include the doctrine not only aligns with the policy objectives of the Lanham Act, but it also furthers the general aims of trademark law by allowing trademark defendants to reduce consumer costs by accurately indicating to consumers the relationship between the parties' goods. Such an accurate description of this relationship should not be punished in violation of the goals of the Lanham Act but should be encouraged via the adoption of the nominative fair use doctrine.

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79. See Ferlan, *supra* note 9, at 71 (noting that unsettled standards cause repetitive litigation and wastes judicial resources). See also *POM Wonderful LLC v. Coca-Cola Co.*, 573 U.S. 102, 107 (2014) (noting that “consumers also benefit from the Act's proper enforcement”).

80. *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1179 (8th Cir. 1998).

81. *Id.* at 1179–80.

## IV. ANALYSIS: RESOLVING THE CIRCUIT SPLIT

A. *Why the Nominative Fair Use Doctrine is a Necessary Defense*

Professor Dinwoodie has noted that while what constitutes trademark infringement has continued to expand, there has been no proportional growth of affirmative defenses.<sup>82</sup> This is particularly true with respect to nominative fair use, with just three circuits formally recognizing the doctrine and elucidating a specific test. Nominative fair use must be universally adopted in the United States as an affirmative defense since it is necessary for trademark defendants who must use a plaintiff's mark nominally to function legitimately in the free market.

There are several general policy rationales as to why the nominative fair use defense is necessary to trademark defendants who are properly engaging in the free market. First, it is necessary for a trademark defendant to properly compete in the market in certain scenarios where a nominal use of the plaintiff's mark is required, such as when a defendant repairs or resells genuine goods, uses comparative advertising, or sells complementary goods. This promotes healthy competition in the market because "[b]oth fair use and nominative fair use promote competition because the 'likelihood of confusion' factors tend to weigh in favor of restricting use simply because the user has no choice but to employ another's mark."<sup>83</sup> Second, a defendant needs to be able to advertise that they are engaging in such market transactions, otherwise they cannot viably operate or compete in the market. Third, implementing the nominative fair use defense standardizes protections and provides a single test for courts to employ, thus, simplifying the rules for plaintiffs, defendants, and courts. The risks of allowing a fractured system to remain intact not only raises costs for all parties, both in and out of court, but wastes judicial resources as well.<sup>84</sup> Finally, the Ninth Circuit addressed the "source-identification function" of trademark law by stating:

Such nominative use of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law: Because it does not implicate the

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82. Graeme B. Dinwoodie, *Lewis & Clark Law School Ninth Distinguished IP Lecture: Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 120–21 (2009).

83. Ferlan, *supra* note 9, at 37.

84. "In addition to repetitive litigation that wastes judicial resources, businesses suffer from an unsettled standard in nominative fair use because of uncertainty over how the courts will apply the new test. Because of this uncertainty, potential users can (1) pay for a license to use the mark, (2) find a less convenient way to inform consumers what their product or service is, or (3) assert nominative fair use and risk costly litigation." *Id.* at 71.

source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder.<sup>85</sup>

These policies are consistent with the goals of the Lanham Act: “to more effectively promote competition, maintain product quality, and protect consumers from being deceived and confused by misleading uses of a trademark.”<sup>86</sup>

This section will first discuss why the First Amendment is insufficient for protecting the full range of issues that the nominative fair use doctrine addresses. Then, this section examines a series of practical scenarios in which a defendant, acting in good-faith and with no intention to free-ride on the good will of a plaintiff’s mark, must use the plaintiff’s mark nominally to operate a business in a similar or related market.<sup>87</sup> While some of these scenarios are sometimes protected under separate defenses, others are not. Therefore, all these scenarios should be covered under the blanket protection of nominative fair use.

#### 1. Why not use the First Amendment?

The major circuit and Supreme Court cases discussed in this note have little, if anything, to say about the First Amendment.<sup>88</sup> The Ninth Circuit in *New Kids* merely references the fact that “[w]hile the district court granted summary judgment on First Amendment grounds, we are free to affirm any ground fairly presented by the record.”<sup>89</sup> The Ninth Circuit further notes that, whenever possible, it will resolve cases on non-constitutional grounds to avoid the constitutional issue.<sup>90</sup> But such reluctance to apply the First Amendment cannot be solely owed to avoiding the constitutional issue. In *Rogers v. Grimaldi*, the court determined that:

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85. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

86. Darian B. Taylor, *Nominative Fair Use Defense in Trademark Law*, 84 A.L.R. Fed. 2d 217 (2014).

87. Note that free-riding is a major policy consideration for the existence of trademark laws generally, and these scenarios indicate that the policies of trademark law are being met, therefore nominative fair use should be admitted into the existing framework of trademark defenses.

88. The Second Circuit and Supreme Court do not reference the First Amendment. *See Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153 (2d Cir. 2016); *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111 (2004). The Third Circuit merely states “regardless of First Amendment issues...” before discounting the First Amendment issue entirely to address a hypothetical focusing on differences between parties in a likelihood of confusion analysis. *Century 21 Real Est. Corp. v. LendingTree, Inc.*, 425 F.3d 211 (3d Cir. 2005).

89. *New Kids on the Block*, 971 F.2d at 305.

90. *Id.*



[T]he [Lanham] Act should be construed to apply to artistic works only where the public interest in a voiding consumer confusion outweighs the public interest in free expression. [T]hat balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.<sup>91</sup>

The *Rogers* test applies “in situations where claims of trademark infringement might encroach on First Amendment rights.”<sup>92</sup> While this test has been formulated to protect a defendant’s use of a trademark in works involving creative expression, the district court in *New Kids* noted that it applied this test to the facts before it because “[a]lthough *Rogers* concerned First Amendment values in the context of artistic expression, the First Amendment plays the same central role regarding news gathering and dissemination.”<sup>93</sup> Even though the district court in *New Kids* expanded the scope of the *Rogers* test to include news gathering, the test is still limited in scope, because it does not apply to purely commercial speech.<sup>94</sup>

In most cases of nominative fair use, the defendant is explicitly engaging in commercial, non-expressive speech. This makes the *Rogers* test generally inapplicable, leading nominative fair use cases to be decided on other grounds, namely, the nominative fair use doctrine. The nominative fair use doctrine also applies whether a use is artistic. Further, the nominative fair use doctrine already addresses the issue of a defendant attempting to “explicitly mislead.”<sup>95</sup> Therefore, not only is the *Rogers* test generally inapplicable to nominative uses, but the nominative fair use doctrine can also be applied consistently to all nominative uses and deals with some of the same underlying concerns that the *Rogers* test addresses.

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91. *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

92. *New Kids On The Block v. News Am. Pub., Inc.*, 745 F. Supp. 1540, 1541 (C.D. Cal. 1990).

93. *Id.* at 1544.

94. *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1241 (9th Cir. 2013) (stating “[t]he *Rogers* test is reserved for expressive works”).

95. *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (explaining that the third factor states that “the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder”).

## 2. Nominative Fair Use is Necessary for Defendants who are Engaging in Comparative Advertising

Comparative advertising has been formally acknowledged as a defense in trademark law under the Lanham Act since 1995.<sup>96</sup> Comparative advertising can be said to be a “rather routine application of the basic premise that, *so long as consumers are not confused* by the defendant’s use of the plaintiff’s mark, the concerns of trademark and unfair competition law are not engaged by such use.”<sup>97</sup> But what if the comparative advertising causes confusion? As the Third and Ninth Circuits have acknowledged, nominative uses by their very nature will often result in consumer confusion.<sup>98</sup> This can potentially lead to scenarios in which comparative advertising causes consumer confusion, where the Lanham Act and common law of unfair competition do not adequately protect a trademark defendant who is otherwise engaging fairly within the market.<sup>99</sup> When confusion occurs in comparative advertising, the nominative fair use defense should apply to shield a defendant who is simply informing consumers of his position in the marketplace.

## 3. Nominative Fair Use is Necessary for Defendants who Advertise that they are Repairing or Reselling Genuine Goods

In an opinion predating *New Kids on the Block*, the Ninth Circuit held that a California-based auto repair shop specializing in the repair of Volkswagens did not infringe Volkswagen’s trademarks.<sup>100</sup> The owner of the shop, appellee Church, initially operated under the trade name “Modern Volkswagen Porsche Service,” but later incorporated the word “independent” into his advertisements after Volkswagen objected to this trade name.<sup>101</sup>

Although it was not yet developed, the court’s analysis fits neatly with the modern three-element nominative fair use analysis that the Ninth

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96. Dinwoodie, *supra* note 80, at 117; 15 U.S.C. § 1125(c)(3)(A)(i).

97. Dinwoodie, *supra* note 80, at 109–10 (emphasis added).

98. *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002); *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220 (3d Cir. 2005).

99. *See Smith v. Chanel, Inc.*, 402 F.2d 562, 563 (9th Cir. 1968) (suggesting that the Lanham Act and the common law of unfair competition are the avenues a trademark defendant may pursue when accused of trademark infringement due to comparative advertising).

100. *See Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

101. *Id.* at 351.

Circuit would later develop, and was a direct inspiration for developing the test.<sup>102</sup> The court noted that:

It is not disputed that Church may specialize in the repair of Volkswagen vehicles. He may also advertise to the effect that he does so, and in such advertising it would be difficult, if not impossible, for him to avoid altogether the use of the word ‘Volkswagen’ or its abbreviation ‘VW,’ which are the normal terms which, to the public at large, signify appellant’s cars.<sup>103</sup>

This is effectively an acknowledgment of what would become the first nominative fair use factor in that “the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service.”<sup>104</sup> The court also emphasized that Church’s use of the mark was limited in nature since he “did not use Volkswagen’s distinctive lettering style or color scheme, nor did he display the encircled ‘VW’ emblem.”<sup>105</sup> This also satisfies the second nominative fair use factor, “that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product.”<sup>106</sup> Finally, the court noted that “Church’s extensive use of the word ‘Independent’ sufficiently distinguished his business from those affiliated with appellant.”<sup>107</sup> This fits squarely with the third element of nominative fair use since the defendant “must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”<sup>108</sup>

While the doctrine of nominative fair use was not in existence at the time of this case, the court effectively employed the same test to determine that Church, so long as his “business was adequately distinguished” from Volkswagen’s, has a right to not only repair Volkswagen branded vehicles, but also to use the Volkswagen name in advertising that he performs such repairs.<sup>109</sup> Since one has the legal right to resell another’s

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102. The Court also cited *Volkswagenwerk Aktiengesellschaft v. Church* as a “good example” of a nominative use case where it is “virtually impossible to refer to a particular product . . . without using the mark.” *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 306–07 (citing *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir. 1969)).

103. *Volkswagenwerk*, 411 F.2d at 352.

104. *New Kids on the Block*, 971 F.2d at 308.

105. *Volkswagenwerk*, 411 F.2d at 352.

106. *New Kids on the Block*, 971 F.2d at 308.

107. *Volkswagenwerk*, 411 F.2d at 351.

108. *New Kids on the Block*, 971 F.2d at 308.

109. *Volkswagenwerk*, 411 F.2d at 352.

genuine goods (under the first sale doctrine) they likewise need to *advertise* that they are reselling such goods.<sup>110</sup>

In *Champion Spark Plug Co. v. Sanders*, the Supreme Court articulated some of the policy rationales behind allowing a trademark defendant to repair and resell trademarked goods. Since a trademark “only gives the right to prohibit the use of it so far as to protect the owner’s good will against the sale of another’s product as his,” and since the consumer expects repaired goods to be inferior in quality and cost less, such a repair and resale should be allowed “so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new.”<sup>111</sup> Retaining the original mark on a product is acceptable since it indicates the origin of the product.<sup>112</sup> The plaintiff in the Volkswagen case, likewise, was unable to prove trademark infringement since Church largely made efforts to distinguish himself from Volkswagen, such that there was no free-riding on the good will Volkswagen had procured with their consumers. The nominative fair use factors were essentially utilized in *Volkswagen* to indicate that such freeriding did not occur. So long as these factors are met, it is unreasonable to deny a trademark defendant the right to use a mark nominally when repairing or reselling genuine goods since the basic policy behind trademark rights is not undermined.

#### 4. Nominative Fair Use is Necessary for Defendants who Sell Complementary Goods

Complementary goods often require that a trademark defendant reference the plaintiff’s mark to indicate that the defendant’s product works in conjunction with the plaintiff’s goods. One such emblematic example is a generic producer of razor blades that “are compatible with a branded razor handle.”<sup>113</sup> One can readily see that the production of generic razorblades compatible with well-known branded razor handles should be allowed within the market. Likewise, the *advertisement* of such

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110. See MCCARTHY, *supra* note 1, at § 25:41 (noting that the general rule for the first sale doctrine in trademark law is “that a distributor who resells branded goods without change is not an ‘infringer’ and thus needs no ‘license’”); *NEC Elecs. v. CAL Cir. Abco*, 810 F.2d 1506, 1509 (9th Cir. 1987) (noting that “[o]nce a trademark owner sells his product, the buyer ordinarily may resell the product under the original mark without incurring any trademark law liability”). See also *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368–69 (1924).

111. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129–30 (1947). See also *Champion Spark Plug Co. v. Sanders*, 156 F.2d 488, 491 (2d Cir. 1946) (noting that “[t]he defendants have a right to sell them as such provided they make known to the public that they are second-hand and reconditioned and that the defendants- and not the plaintiff-have repaired the original plugs”).

112. *Champion Spark Plug Co.*, 156 F.2d at 491.

113. *Dinwoodie*, *supra* note 80, at 132.

compatibility is equally necessary for the generic company to inform consumers of such compatibility. A nominal reference to the plaintiff's compatible goods is therefore essential to the entirely legal production of such goods, and an accompanying defense acknowledging this right should be implemented universally.

Accepting nominative fair use into the Lanham Act, at least with respect to compatible goods, would be completely consistent with the existing Lanham Act provisions for descriptive fair use under section 33(b). This is because the advertising of complementary goods “also do describe the characteristics of the products or services offered by a defendant, even if they do so by reference to the plaintiff's product or services.”<sup>114</sup> While advertising compatible goods is nominal, such a broad reading of 33(b) could mean that in the particular instance of compatible goods, such a nominal use is equally defined already under the provision of descriptive fair use.<sup>115</sup> While this is the case, it is still necessary to acknowledge nominative fair use as a necessary defense so that there is no reliance on courts to describe a defense in compatible goods scenarios as descriptive fair uses.

## B. *Why Nominative Fair Use Should be an Affirmative Defense*

### 1. Other Forms of Fair Use are Affirmative Defenses

Most existing forms of fair use are viewed as affirmative defenses. Perhaps most notably, copyright fair use is considered an affirmative defense, which “allows an accused infringer to use copyrighted material in a reasonable manner without the consent of the copyright owner ... under some circumstances.”<sup>116</sup> Copyright's familiar four-factor test is also statutorily codified,<sup>117</sup> an approach this note advocates to best resolve the circuit split for nominative fair use. Even patents have a limited form of fair use, which is restricted to pharmaceutical preclinical trials.<sup>118</sup> More to

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114. *Id.* at 131.

115. *See id.*

116. DEFENSES TO COPYRIGHT INFRINGEMENT—FAIR USE—OVERVIEW, 20A1 MINN. PRAC., BUSINESS LAW DESKBOOK § 15:90 (further noting that “[s]ince fair use is an affirmative defense to copyright infringement, the party claiming its use of the copyrighted work constitutes fair use carries the burden of proof, and is determined on a case-by-case basis”). *See* Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 561 (1985). *See also* 17 U.S.C. § 107; Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 590 (1994); H.R. REP. NO. 90-83, at 37 (1967).

117. 17 U.S.C. § 107.

118. *See* Merck KGaA v. Integra Lifesciences I, Ltd., 545 U.S. 193 (2005).

the point, descriptive fair use (sometimes called “classic fair use”) in trademark law has been treated as an affirmative defense for years.<sup>119</sup>

The benefit to treating nominative fair use as an affirmative defense is that it “gives defendants the opportunity to prevail even if the plaintiff proves ‘likelihood of confusion.’”<sup>120</sup> This is essential in the context of nominative fair use, considering the Third and Ninth Circuits recognize that confusion is almost guaranteed to occur in nominative uses.<sup>121</sup>

## 2. The Existing Precedent Suggests Nominative Fair Use Should be an Affirmative Defense

While there is no direct statutory basis or Supreme Court precedent for nominative fair use, the existing precedent available within trademark law indicates that treating nominative fair use as an affirmative defense is the most consistent approach.

The Supreme Court has held that descriptive fair use should be treated as an affirmative defense for two reasons.<sup>122</sup> First, descriptive fair use is codified in 15 U.S.C. § 1115(b), which places the burden of proving confusion on the party claiming that infringement has occurred.<sup>123</sup> Second, because Congress said nothing about likelihood of confusion in reference to this fair use defense, the defendant does not bear any burden to negate confusion.<sup>124</sup> Therefore, the burden always remains on the plaintiff to prove their *prima facie* case for likelihood of confusion, and the defendant bears no such burden to negate confusion. Attempting to follow this existing precedent, the Third Circuit took the Supreme Court’s decision on descriptive fair use into consideration when it determined that nominative fair use should also be treated as an affirmative defense.<sup>125</sup>

## 3. Nominative Fair Use is not so Distinctive from Descriptive Fair Use to Justify a Different Analysis

While descriptive fair use is treated as an affirmative defense, critics argue that due to the inherent difference in how descriptive fair use and nominative fair use apply, they do not necessarily need to be given the

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119. See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

120. Ferlan, *supra* note 9, at 38. See also *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 166 (2d Cir. 2016).

121. *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002); *Century 21 Real Est. Corp. v. Lendingtree*, 425 F.3d 211, 220 (3d Cir. 2005).

122. See *KP Permanent Make-Up, Inc.*, 543 U.S. 111.

123. *Id.* at 118.

124. *Id.*

125. *Century 21 Real Est. Corp.*, 425 F.3d at 217–18.

same treatment. Note that the difference between each type of fair use hinges on which party's mark the defendant is describing. Descriptive fair use occurs "where the defendant has used the plaintiff's mark to describe the defendant's *own* product."<sup>126</sup> Nominative fair use, however, applies when "the defendant uses a trademark to describe the *plaintiff's* product, rather than its own."<sup>127</sup>

The Second Circuit argues that there is no basis to treat nominative fair use as an affirmative defense because neither Congress nor the Supreme Court has indicated otherwise. It argues that nominative fair use does not fall under 1115(b), and as a result, *KP Permanent* is not the proper authority upon which the nominative fair use approach should rely.<sup>128</sup> Additionally, it argues "[i]f Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such."<sup>129</sup>

The Third Circuit effectively counterargues that "nominative fair use [is not] so different from classic fair use as to warrant such different treatment."<sup>130</sup> This is because a defendant's nominative use can still potentially confuse "consumers with respect to its [own] products or services. Since the defendant ultimately uses the plaintiff's mark . . . to describe its own product or services . . . even an accurate nominative use could potentially confuse consumers about the plaintiff's endorsement or sponsorship of the defendant's products or services."<sup>131</sup> Applying this to the Volkswagen case means that the auto-repair shop's use of the Volkswagen mark might still cause some consumer confusion as to endorsement or sponsorship.<sup>132</sup> Therefore, the confusion in this nominative use, just as in a descriptive use, would relate to the defendant's *own* product. In this scenario, offering a different analysis is unnecessary and inapposite, since the effect is the same.

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126. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

127. *Id.* (emphasis added). See also Dinwoodie, *supra* note 80, at 110.

128. *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 165 (2d Cir. 2016).

129. *Id.* at 167.

130. *Century 21 Real Est. Corp.*, 425 F.3d at 220. But see Martin W. Aron, Mary L. Moore & Matthew Batastini, *The Emergence of A Nominative Fair Use Defense to Unfair Competition in the Third Circuit*, N.J. LAW., February 2008, at 28 (noting that "[c]lassic fair use was premised, in part, on the assumption that the plaintiff had chosen a mark that was inherently descriptive, diluting the enforceability of the mark. The plaintiff in a nominative fair use scenario has not chosen a highly descriptive mark, yet still appears to be punished as such").

131. *Id.* at 221. Note that even though such confusion as to endorsement or sponsorship is possible, the third nominative use factor is designed to limit the defendant from actively attempting to cause this type of confusion.

132. See *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

Further, the differences between descriptive and nominative fair use reinforce the need to treat nominative fair use as an affirmative defense. Since nominative fair use involves the defendant using the plaintiff's mark to describe the plaintiff's product, a degree of consumer confusion can be expected. Therefore, to allow a defendant to use a plaintiff's mark nominally, a degree of confusion must be allowed to coexist so long as the defendant can successfully invoke the nominative fair use doctrine. Additionally, the Supreme Court indicated that some confusion must be allowed to coexist with descriptive fair use.<sup>133</sup> Since confusion is even more likely in nominative uses, it follows that the coexistence of confusion and nominative uses is even more necessary.

The Third Circuit agrees, having indicated that the nominative fair use doctrine is necessary as an affirmative defense because confusion will be “an all but foregone conclusion.”<sup>134</sup> The Ninth Circuit does not treat nominative use as an affirmative defense, but it attempts to resolve the same issue by circumventing the standard likelihood of confusion analysis completely and replacing it with the nominative fair use factors.<sup>135</sup> While the Ninth Circuit's approach may allow for some consumer confusion to coexist with nominative uses, the Third Circuit's approach is more consistent with the precedent described by the Supreme Court in *KP Permanent*.<sup>136</sup> The Third Circuit's approach is also consistent with the approaches to other forms of fair use and is consistent with the policy behind trademark law more generally.

#### 4. The Policy Behind Nominative Fair Use Indicates Nominative Fair Use Should be an Affirmative Defense

The various “fair use” defenses traditionally operate as affirmative defenses, applying only after a defendant has been shown to have used the plaintiff's patent, copyright, or mark in a way that would normally constitute infringement. Yet, the general fair use defense is granted if such use should be allowed in some specific context, despite such infringement. The underlying policy in trademark law is to prevent unfair competition,

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133. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121 (2004).

134. *Century 21 Real Est. Corp.*, 425 F.3d at 220.

135. *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 166 (2d Cir. 2016). (describing the Ninth Circuit's reasoning as to why it replaces the likelihood of confusion analysis with the nominative fair use test).

136. *KP Permanent Make-Up, Inc.*, 543 U.S. at 125.



which is what the varying likelihood of confusion tests are evaluating.<sup>137</sup> Therefore, like other forms of fair use, the plaintiff should be given the opportunity to prove the defendant has used their mark in an infringing way, before the defendant is given an opportunity to claim that despite such infringement, the use was still fair. Both descriptive and nominative uses are treated as defenses against such unfair competition. If a trademark defendant must reference another's mark to fairly compete in the market, they are not competing unfairly or in bad faith, and should therefore be granted a right to operate even though some confusion will occur.

The elements of nominative fair use were designed specifically to prevent unfair competition, and further limit the amount of confusion that will inevitably occur. The first element requires that the defendant *needs* to use plaintiff's mark, generally.<sup>138</sup> If the defendant does not need to use the plaintiff's mark, no nominative use should be allowed. The second element limits the defendant to using only as much of the plaintiff's mark as necessary.<sup>139</sup> This element helps ensure that there is as little confusion as to the source as possible. The third element limits the defendant by requiring that they "do nothing that would . . . suggest sponsorship or endorsement by the trademark holder."<sup>140</sup> This element ensures that there is as little confusion as to sponsorship and endorsement as possible. This element is particularly critical as "[t]he potential for confusion in a nominative use case is not one of source . . . but rather one of *endorsement or affiliation*."<sup>141</sup> Taken together, the elements create a limited and narrow field for a defendant to use a plaintiff's mark nominally, which helps ensure that unfair competition will not result.

##### 5. Treating Nominative Fair Use as Anything Other Than an Affirmative Defense is Problematic

Some argue that nominative fair use should not be an affirmative defense. One argument posits that because the likelihood of confusion factors are a poor fit in nominative uses,<sup>142</sup> they should not be assessed at

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137. *New W. Corp. v. NYM Co. of California*, 595 F.2d 1194, 1201 (9th Cir. 1979) ("Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a 'likelihood of confusion?'").

138. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

139. *Id.*

140. *Id.*

141. *Swarovski Aktiengesellschaft v. Building No. 19, Inc.*, 704 F.3d 44, 49 (2013) (emphasis in original).

142. Ferlan, *supra* note 9, at 64; *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 168 (2d Cir. 2016).

all.<sup>143</sup> Others argue that the three-part nominative fair use test is merely an alternative likelihood of confusion test, more narrowly and properly tailored in nominative cases to assess confusion.<sup>144</sup> The concurring judge for the Third Circuit even noted that “[t]he Ninth Circuit’s decisions make it clear that the test is nothing more than a likelihood of confusion substitute, making it an inappropriate foundation for an affirmative defense.”<sup>145</sup>

However, the purpose of any likelihood of confusion factors is to show whether a mark would cause confusion such as when the marks are too similar, whereas the second and third nominative fair use factors are attempting to show that the defendant did not explicitly aim to create such confusion. Additionally, the Supreme Court noted that “some possibility of consumer confusion must be compatible with fair use.”<sup>146</sup> This is because “confusion [is] an all but foregone conclusion” in nominative uses.<sup>147</sup> Therefore, removing or replacing the standard likelihood of confusion factors with other, albeit more properly tailored, confusion factors, does not drastically alter the analysis. Confusion is still likely, and the defendant must have a way to thwart this confusion since nominative uses are legal and necessary. An affirmative defense allows for such confusion and necessity of use to coexist, as the Supreme Court indicated.<sup>148</sup>

### C. *Why the Third Circuit’s Test is the Best*

#### 1. Why the Second Circuit’s Test Misses the Mark

The Second Circuit’s approach causes the greatest amount of confusion. The Second Circuit combines the eight Polaroid factors with the three nominative fair use factors, creating an eleven-factor test. Combined with the Second Circuit’s acknowledgment that the Polaroid factors are “non-exclusive,” meaning a court could voluntarily assess more than the required eleven factors, this creates the most complex set of factors for a court to weigh simultaneously. Further, combining disparate sets of factors with their own unique precedent risks ruining existing precedent and creating contradictory results. This confusion only

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143. See Ferlan, *supra* note 9, at 57 & 64–65 (suggesting the Ninth Circuit’s view is preferable for this reason).

144. See MCCARTHY, *supra* note 1, at § 23:11.

145. Century 21 Real Est. Corp. v. Lendingtree, Inc., 425 F.3d 211, 233 (3d Cir. 2005).

146. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 121 (2004).

147. Century 21 Real Est. Corp., 425 F.3d at 220.

148. KP Permanent Make-Up, Inc., 543 U.S. at 121.

serves to create uncertainty for all parties, causing harm to the businesses and private parties who no longer have precedent to rely upon, and wasting judicial resources due to repetitive litigation and unnecessary appeals.<sup>149</sup>

The Second Circuit's approach is also fundamentally contradictory. The Polaroid factors are designed to assist a court in determining if the use of a mark is likely to confuse consumers. This confusion stems from the *similarity* of the plaintiff's mark and the defendant's use of a confusingly similar mark. The nominative fair use factors are, at least in part, designed to show that a defendant's use of the mark was *dissimilar*. By separating the analysis, the Third Circuit removes the contradiction by allowing the court to consider the analyses as distinct from one another while retaining the Second Circuit's view that a nominative fair use defense "may be asserted by the defendant despite a likelihood of consumer confusion."<sup>150</sup>

The Second Circuit has also noted that "the Polaroid factors—or their analogues in other circuits" are a poor fit for the nominative fair use analysis.<sup>151</sup> It further noted that its own district court incorrectly applied the Ninth Circuit's test by considering only source confusion.<sup>152</sup> It would seem counterintuitive to then add these non-exclusive factors with the Ninth Circuit's version of the test, to create a new test that is both a poor fit for nominative fair use analysis and serves to potentially confuse lower courts as to the types of confusion that should be assessed. Either removing the Polaroid factors entirely, as the Ninth Circuit does, or separating the analysis and dropping the confusion factors which do not apply, as the Third Circuit does, results in a more coherent test for district courts to use.

## 2. Choosing the Third or Ninth Circuit's Test

The Third Circuit's test represents the best existing approach to the problems raised by both the Ninth and Second Circuits. It is the most consistent with other forms of fair use but allows for the types of confusion that necessarily exist in nominative fair use cases. While the Third Circuit's three-factor test is largely based on the Ninth Circuit's test

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149. Ferlan, *supra* note 9, at 71.

150. Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 166 (2d Cir. 2016).

151. *Id.* at 165, 168.

152. *Id.* at 169.

enunciated in *New Kids*, each circuit approaches the first and third factors differently.

The Ninth Circuit's first factor states: "the product or service in question must be one not readily identifiable without use of the trademark."<sup>153</sup> The Third Circuit's version of this factor states: "the use of plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service."<sup>154</sup> As the Third Circuit has observed, the Ninth Circuit's version looks "*only* into the necessity of using plaintiff's trademark to describe plaintiff's product."<sup>155</sup> This version is incomplete, and even led a district court to examine only "the necessity of the use of plaintiff's trademark in order to describe defendant's product."<sup>156</sup> The Third Circuit has noted that its version also takes into consideration whether the defendant's use of the plaintiff's mark "is necessary to accurately describe what defendant does or sells, [and] whether its reference to plaintiff's mark is actually gratuitous."<sup>157</sup> The Third Circuit's version therefore more fully encapsulates the central issue at play in a nominative fair use analysis: whether the *defendant's* use of the mark was necessary to describe the defendant's product or service. Fortunately, both circuits appear to consider this factor to be satisfied if the defendant's use of plaintiff's mark "would be rendered *significantly more difficult* without use of the mark" rather than strictly impossible.<sup>158</sup> The Third Circuit further acknowledges that the degree of necessity is considered under the first factor, noting that the greater the defendant's necessity to reference the plaintiff's mark, the more likely a court should find that use of the mark to be considered fair use.<sup>159</sup>

The Ninth Circuit's third factor states: "the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."<sup>160</sup> The Third Circuit's version of the third factor states: "that the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services."<sup>161</sup> The Ninth Circuit's version has been shown to cause district courts to incorrectly draw the conclusion that "the only type of confusion

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153. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

154. *Century 21 Real Est. Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir. 2005).

155. *Id.* at 229 (emphasis in original).

156. *Id.*

157. *Id.* (further noting "[t]he District Court's inquiry into the latter aspect was not called for under the New Kids On The Block test, but it actually seems entirely appropriate").

158. *Id.* (emphasis added). See *New Kids on the Block*, 971 F.2d at 307–08.

159. *Id.* at 229.

160. *New Kids on the Block*, 971 F.2d at 308.

161. *Century 21 Real Est. Corp.*, 425 F.3d at 222. See also MCCARTHY, *supra* note 1, at § 23:11.

relevant in determining infringement is confusion as to *source*.”<sup>162</sup> This is a particularly unusual view to take in this instance, since the issue before the district court involved a certification mark and “certification marks are generally not used to designate source at all.”<sup>163</sup> The Third Circuit’s version is an improvement because:

[T]he Third Circuit’s iteration of the Ninth Circuit’s nominative fair use test could clear up some judicial uncertainty as to the types of confusion that courts should consider when analyzing nominative fair use. In particular the last question, asking whether “the defendant’s conduct or language reflects the true and accurate relationship between plaintiff and defendant’s products or services,” more fully describes the concerns that the Ninth Circuit’s third element addresses.<sup>164</sup>

The Third Circuit further noted that the Ninth Circuit’s version of factor three wrongly focuses on endorsement, because the relationship between the parties sometimes involves endorsement.<sup>165</sup> The Third Circuit’s version of factor three allows for a defendant to use plaintiff’s mark only in a way that accurately reflects the relationship between the parties. The Third Circuit further noted that its version of this factor allows it to “consider the defendant’s failure to state or explain some aspect of the relationship, whereas the *New Kids* version focuses on affirmative acts, i.e., what the defendant did to suggest sponsorship.”<sup>166</sup> This is because “[a] defendant’s purposeful portrayal of plaintiff’s endorsement of its product . . . does not necessarily render the use unfair, as long as the depiction of the endorsement is accurate.”<sup>167</sup> Whereas the Third Circuit accounts for this possibility and gives some guidance, the Ninth Circuit’s version of this factor leaves lower courts to merely speculate as to the proper approach to this scenario since their version fails to discuss this possibility.

As discussed, both circuits deal with the “foregone conclusion” that confusion will be found in virtually all nominative fair use cases in different ways.<sup>168</sup> Either approach is, therefore, a significant improvement over the Second Circuit’s approach which has no solution to allow

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162. *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 161 (2d Cir. 2016).

163. *Id.* at 161 n.3.

164. Ferlan, *supra* note 9, at 54. However, Ferlan notes that “this difference has yet to lead a court to the conclusion that the Third Circuit approach is preferable.” *Id.*

165. *Century 21 Real Est. Corp.*, 425 F.3d at 230–31.

166. *Id.* at 231.

167. *Id.*

168. See discussion *supra* Sections II.A., II.B., IV.B.3, IV.B.5.

confusion to coexist with nominative uses. However, the Third Circuit's approach still deals with this issue more effectively than the Ninth Circuit. The Ninth Circuit, and even the dissenting judge in *Century 21*, have both suggested that the use of the three-factor nominative fair use analysis "better evaluates the likelihood of confusion in nominative use cases."<sup>169</sup> The fact that the Ninth Circuit still considers the nominative fair use analysis to be another, albeit more properly tailored, set of confusion factors means it still considers confusion to be the basis for analysis and therefore leave open the possibility for district courts to disallow confusion to coexist with a defendant's necessity of use.<sup>170</sup> This approach could also lead a court to reduce the burden of proof on the plaintiff, such that "a plaintiff could win in the Ninth Circuit without even proving likelihood of confusion" by simply negating one or more of the nominative fair use factors.<sup>171</sup> The Third Circuit's bifurcated approach completely prevents this possibility by properly distributing the burden and viewing the nominative fair use doctrine as a defense to be proven by the defendant.

The Ninth Circuit itself seems to have wavered on where to place the burden. It initially stated that the "nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion."<sup>172</sup> More recently, it has stated the opposite, that once a defendant asserts the nominative fair use defense, "[t]he burden then reverts to the plaintiff to show a likelihood of confusion."<sup>173</sup> If the Ninth Circuit struggles to decide where to place the burden and incorrectly asserts that the nominative fair use analysis is merely another set of confusion factors, district courts will likely be uncertain about how to approach such cases. By implementing a bifurcated approach, the Third Circuit's test clearly establishes the structure of burden-shifting, while properly dealing with the fact that confusion is a foregone conclusion by allowing the defendant to assert their defense, even though confusion has been proven by the plaintiff.

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169. *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002). "The Ninth Circuit's decisions make it clear that the test is nothing more than a likelihood of confusion substitute." *Century 21 Real Est. Corp.*, 425 F.3d at 233 (Fisher, J., dissenting).

170. Treating nominative fair use as an alternate standard for plaintiff rather than as a defense also vitiates "most of its usefulness. Instead of serving as an early 'gatekeeper' that can screen out fair uses and reduce the length and cost of litigation, nominative fair use becomes just another fact-intensive confusion inquiry that may be brought only after extensive discovery." William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 91 (2008).

171. *Id.* at 92.

172. *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183 (9th Cir. 2010).

173. *Id.*

## V. CONCLUSION

The primary policy rationales behind the creation of the Lanham Act are to prevent free-riding on the goodwill earned by mark holders, promote fair and efficient competition, and minimize consumer search costs, among many others. Since nominal uses of another's mark are necessary for certain businesses that use comparative advertising, repair or resell genuine goods, or sell complementary goods, a nominative fair use defense must be acknowledged and implemented on a national scale. The nominative fair use factors are designed specifically to limit a defendant who uses a plaintiff's trademark nominally from using too much of the plaintiff's mark such that they violate the policies underlying trademark rights. Using the factors allows a defendant a window in which to legitimately operate in the free market, without freeriding on a plaintiff's mark. This further promotes the goals of trademark policy by promoting fair and efficient competition, while informing the consumer that they are buying repaired genuine goods, complementary goods, or establishing an efficient comparison by means of comparative advertising.

It is further necessary for nominative fair uses to be acknowledged as affirmative defenses. Most other forms of fair use defenses are treated as affirmative defenses, most notably in copyright law. Specifically, within trademark law, the descriptive fair use defense is also considered an affirmative defense. There is a substantial amount of crossover between descriptive fair use and nominative fair use, which lends weight to the idea that these defenses should be applied similarly. Further, policy considerations of unfair competition dictate that a defendant who meets the nominative fair use defense factors should be able to rebut a claim of infringement. The existing confusion factors are a poor fit for nominative uses of a mark, especially since confusion is largely a foregone conclusion in nominative use cases. Treating the nominative fair use defense as an affirmative defense is therefore the most reasonable approach since confusion and necessity of use can be allowed to coexist so long as the nominative fair use factors are met.

A single nominative fair use test must be adopted, and the Third Circuit's approach is currently the best version of this defense. The Second Circuit's approach is the most complicated test and generates the largest amount of confusion. By combining two separate sets of factors with separate precedents which test for differing aspects of a defendant's use of a mark, the Second Circuit's approach will result in the largest amount of redundant litigation and judicial waste.

While the Ninth Circuit's approach is a significant improvement over the Second Circuit's test, it is still not an affirmative defense and has been shown to confuse some lower courts as to which types of confusion should be assessed. Only the Third Circuit's approach properly deals with all the issues created by the Second and Ninth Circuits' approaches. The Third Circuit's test as an affirmative defense, consistent with other forms of fair use, fully allows for the coexistence of confusion and nominative use and avoids judicial confusion and waste by separating the confusion analysis from the nominative fair use analysis. It is therefore incumbent that Congress adopts the Third Circuit's approach by amending the Lanham Act so that courts and parties dealing with nominative uses have a single guidepost by which to rely upon.