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PLAYBOY ENTERPRISES, INC. V. WELLES: FORMER BUNNY’S USE OF TRADEMARKED TERMS IS PERMISSIBLE, AS NO OTHER PRACTICAL WAY TO DESCRIBE HER EXISTS

Evan Scheffel†

There is no other way that Ms. Welles can identify or describe herself and her services without venturing into absurd descriptive phrases. To describe herself as the “nude model selected by Mr. Hefner’s magazine as its number-one prototypical woman for the year 1981” would be impractical as well as ineffectual in identifying Terri Welles to the public.¹

I. INTRODUCTION

A trademark is a limited property right in a word, phrase, or symbol which protects the identification of the source of a particular good or service.² One goal of trademark law is to prevent competitors from misappropriating a rival’s mark and capitalizing on its goodwill.³

When a trademark also describes a person, place, or attribute of another’s product, trademark law recognizes what is traditionally known as the “fair use” defense.⁴ The fair use defense carves out an exception to a trademark holder’s exclusive use of a word, phrase, or symbol in situations where a defendant uses that holder’s mark fairly and accurately to describe characteristics of its own goods or services.⁵ Courts have held that a defendant relying on the fair use defense must establish that its use is not likely to cause, or did not

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¹ Playbov Enters., Inc. v. Welles, 279 F.3d 796, 802 (9th Cir. 2002) (quoting the district court in support of its affirmation of that court’s granting of summary judgment).


³ See id.

⁴ See id.

⁵ See id. at 1073–74.
lead to, consumer confusion as to the identification of the source of the goods or services in question.\(^6\)

The Ninth Circuit Court of Appeals has recognized another exception to a trademark holder’s exclusive use of a word, phrase, or symbol.\(^7\) This different type of fair use, however, does not implicate the source identification function, because there is no comparison of marks.\(^8\) This type of fair use is described as a “nominative use.”\(^9\) In a nominative fair use scenario, the defendant is nominally using the trademarked term because the plaintiff’s trademark is the only word, phrase, or symbol reasonably available to describe a particular good or service, and because the defendant’s use actually describes the plaintiff’s good or service rather than its own.\(^10\)

In the traditional fair use context, courts examine the similarity of the mark used by the defendant to the plaintiff’s protected trademark to determine the likelihood of confusion.\(^11\) If the likelihood of confusion exists, the defendant’s use will be deemed unfair.\(^12\) However, the Ninth Circuit recognized that the application of the likelihood of confusion test in nominative use scenarios would invariably lead to the incorrect conclusion, that virtually all nominative uses are confusing because the defendant intends to use the plaintiff’s trademark to describe the plaintiff’s goods or services.\(^13\) In response, the Ninth Circuit adopted an alternative three-factor test that more appropriately analyzes the likelihood of confusion in such cases to determine whether that use is permissible.\(^14\)

In *Playboy Enterprises, Inc. v. Welles*, the defendant used Playboy’s trademarked terms on her Web site to describe herself as a former “Playboy” model and “Playmate of the Year.”\(^15\) The Ninth Circuit applied the nominative fair use test and concluded that Welles’ use of Playboy’s trademarked terms was permissible when there was no other practical way to describe herself as a recipient of

\(^6\) See id. at 1074 (quoting Transgo, Inc. v. Ajac Transmission Parts Corp., 911 F.2d 363, 366 (9th Cir. 1990)).

\(^7\) See id. at 1075 (citing *New Kids On The Block*, 971 F.2d at 308).


\(^9\) Id.

\(^10\) Id.

\(^11\) Id. at 1074.

\(^12\) See id. at 1074.

\(^13\) See id. at 1075 (citing *New Kids on the Block*, 971 F.2d at 308).


\(^15\) *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 799 (9th Cir. 2002).
those titles. This Case Note examines the nominative fair use test and its application in the Welles case.

II. FACTUAL AND PROCEDURAL BACKGROUND

In 1981, Terri Welles appeared as a cover model for Playboy magazine and received the "Playboy Playmate of the Year" award. Many years later, she launched her own Web site in an effort to promote her services as a spokesperson and model. Welles' Web site offered free photographs of herself, advertised the sale of additional photographs, solicited memberships in her photo club, and promoted her spokesperson services. The biographical section of the Web site described her status as a former Playboy model and as Playmate of the Year in 1981.

Playboy, as the owner of the registered trademarks "Playboy," "Playmate," and "Playmate of the Year," brought suit against Welles, alleging that the unauthorized use of its trademarks on Welles' Web site constituted trademark infringement, dilution, unfair competition, and breach of contract. Playboy based its complaint on the following four uses by Welles of its trademarked terms: (1) the terms "Playboy" and "Playmate," which appeared in the hidden codes, or metatags, of the Web site; (2) the phrase "Playmate of the Year 1981," which appeared on the headlines, or masthead, of the Web site; (3) the phrases "Playboy Playmate of the Year 1981" and

16. See id. at 800-01.
17. Id. at 799.
18. Id.
19. Id.
20. Id.
21. Playboy also named Terri Welles, Inc., Pippi, Inc., and Welles' Web designers, Steven Huntington and Michael Mihalko, as defendants in the same suit. In this Case Note, reference to Terri Welles includes all other named defendants.
22. Playboy Enters., Inc. v. Welles, 279 F.3d 796, 800 (9th Cir. 2002). Playboy alleged breach of contract against only Pippi, Inc. on the ground that when Welles agreed to be Playmate of the Year in 1981, Playboy and Pippi, Inc. executed a contract requiring Playboy's advance written approval for Welles' "non-Playboy use of her name with the designation 'Playmate of the Year.'" Id. Playboy further alleged that Pippi, Inc. was the alter ego of Welles, despite the fact that Pippi, Inc. dissolved in 1984, rendering the contract enforceable against Welles. Id. Welles also filed a cross-complaint alleging causes of action for defamation, intentional interference with business advantage, intentional infliction of emotional distress, unfair competition pursuant to CAL. BUS. & PROF. § 17200, and declaratory relief. Playboy filed a motion for summary judgment that was heard contemporaneously with Welles' motion for summary judgment. Because of the complexity of the issues, the district court and the Ninth Circuit resolved Playboy's motion for summary judgment on Welles' cross-complaint in separate memoranda of decisions. Id. at 799; see also Playboy Enters., Inc. v. Terri Welles, Inc., 78 F. Supp. 2d 1066, 1070 n.1 (S.D. Cal. 1999).
“Playmate of the Year 1981,” which appeared on banner links to other Web sites; and (4) the use of the abbreviation “PMOY ‘81” as the watermark, or wallpaper, that appeared on each of the Web site’s pages.

Subsequent to Playboy’s filing its lawsuit, Welles included disclaimer language on her Web site stating that Playboy did not endorse her Web site and acknowledging that “Playboy” and “Playmate of the Year” were registered trademarks of Playboy Enterprises, Inc. She then filed a motion for summary judgment asserting that her descriptive use of the phrases “Playboy” and “Playmate” on her Web site constituted fair use. The district court granted Welles’ motion for summary judgment on Playboy’s infringement, dilution, and breach of contract claims, and Playboy appealed.

The Ninth Circuit Court of Appeals granted review on all three issues.

III. HOLDING, RATIONALE AND DISCUSSION

A. Trademark Infringement

The Ninth Circuit adopted an alternative fair use test in New Kids On The Block v. News America Publishing, Inc. In New Kids, band members claimed infringement when the defendant used their trademarked band name “New Kids On The Block” to conduct opinion polls to determine which members of the band were most popular. The New Kids court determined that the defendant’s use of the trademarked band name did not fit the traditional fair use scenario because the defendant used the New Kids’ trademark to reference the band members themselves, rather than to describe the defendant’s own product.

Rather than modifying the test used in the traditional fair use context, the New Kids court developed the nominative fair use defense to permit a defendant’s commercial use of another’s

23. Welles, 279 F.3d at 800.
24. Id. at 799 and n.1.
25. See id. at 800.
26. Id.
27. Id. A discussion of the breach of contract claim is outside the scope of this Case Note. However, as a matter of interest, the Ninth Circuit affirmed the district court’s decision declining to recognize Welles as the alter ego of Pippi, Inc.
29. Id. at 304.
30. Id. at 308.
trademark to describe the plaintiff's product, rather than its own.\textsuperscript{31} The nominative fair use defense is available when the defendant satisfies a three-prong test.\textsuperscript{32}

The first prong of the test requires that "the product or service in question must be one not readily identifiable without use of the trademark."\textsuperscript{33} This occurs when "a trademark also describes a person, a place, or an attribute of a product" and there is no description that sufficiently substitutes for the trademarked term.\textsuperscript{34} This prong is intended to prevent trademark holders from monopolizing trademarked terms by asserting exclusive rights in them.\textsuperscript{35}

The second prong of the test requires that "only so much of the mark or marks may be used as is reasonably necessary to identify the product or service."\textsuperscript{36} As an example, "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."\textsuperscript{37}

The third prong of the test requires "the user [to] do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."\textsuperscript{38} For example, a trademark that describes a class of goods, such as an aspirin, as opposed to a specific product, does not imply that the trademark holder sponsors or endorses the product if the term has become generic.\textsuperscript{39}

In \textit{Welles}, similar to the \textit{New Kids} court, the Ninth Circuit recognized that Welles used the Playboy trademarks to describe Playboy's awards and titles (rather than her own goods or services), and therefore applied the nominative fair use test to determine if she infringed on Playboy's trademarks.\textsuperscript{40}

1. Headlines and Banner Links

The Ninth Circuit determined that the district court properly applied the nominative fair use test to conclude that the headline and banner links did not infringe on Playboy's trademarks.\textsuperscript{41} It agreed

\begin{itemize}
\item \textsuperscript{31} Id.
\item \textsuperscript{32} Id.
\item \textsuperscript{33} Id.
\item \textsuperscript{34} New Kids On The Block v. News Am. Publ'g, Inc., 971 F.2d 302, 306 (1992).
\item \textsuperscript{35} Id.
\item \textsuperscript{36} Id. at 308.
\item \textsuperscript{37} Id. at 308 n.7.
\item \textsuperscript{38} Id. at 308.
\item \textsuperscript{39} Id. at 306 and n.4.
\item \textsuperscript{40} See Playboy Enters., Inc. v. Welles, 279 F.3d 796, 801–02 (9th Cir. 2002).
\item \textsuperscript{41} Id. at 803.
\end{itemize}
with the district court that the only reasonable way for Welles to describe herself accurately on the Web site’s headlines and banner links was to use Playboy’s trademarked terms. The circuit court also concluded that the headline and banner links did not unnecessarily use Playboy’s trademarked terms, because they only consisted of the trademarked words, not the distinctive fonts or symbols that are associated with Playboy’s trademarks. Further, the circuit court held that the marks that appeared on the Web site did not imply sponsorship or endorsement by Playboy because they were clearly used solely to identify her as a former Playboy Playmate and model, and because after the dispute arose, Welles placed disclaimers on the Web site specifically disavowing any such endorsement or sponsorship.

2. Hidden Codes

The Ninth Circuit determined that the district court also properly concluded that the trademarked terms contained in the hidden codes were nominative. With respect to the hidden codes, Welles could not accurately describe herself or the content of her Web site without referencing Playboy’s trademarked terms. The court refused to require Welles to use other less practical terms, reasoning that it “would be particularly damaging in the internet search context” because it would make it difficult or impossible for Internet users to locate her Web site. Granting Playboy exclusive use of its trademarked terms “would have the unwanted effect of hindering the free flow of information on the internet, something which is certainly not a goal of trademark law.”

The Ninth Circuit also concluded that the trademarked terms were not excessively used in the hidden codes, which otherwise could have caused Welles’ Web site to regularly appear before Playboy’s in Internet searches. Had that been the case, the Ninth Circuit noted, it

42. Id. at 802.
43. Id.
44. Id. at 803. The court specifically stated that it would express no opinion concerning whether a defendant’s use of a current title implies sponsorship or endorsement by the trademark holder. Id. at 803 n.25.
45. See id. at 803.
46. Playboy Enters., Inc. v. Welles, 279 F.3d 796, 803 (9th Cir. 2002).
47. Id.
48. Id. at 803–04.
49. Id. at 804.
could have concluded differently.\textsuperscript{50} Lastly, the court found no indication that the trademarked terms in the hidden codes endorsed or sponsored Welles' Web site.\textsuperscript{51}

3. Watermarks

With respect to the watermarks, the Ninth Circuit questioned whether the PMOY abbreviation was entitled to trademark protection, because the abbreviation itself was not a registered trademark.\textsuperscript{52} Notwithstanding, Playboy argued that the PMOY abbreviation deserved protection simply because it was a well-known abbreviation of the trademarked term "Playmate of the Year."\textsuperscript{53} The circuit court remanded to the district court the issue of whether the PMOY abbreviation was in fact a trademarked term.\textsuperscript{54} However, it implied that Playboy's infringement claim with respect to the use of the PMOY abbreviation might be moot if the PMOY abbreviation is not trademarked.

In an effort to resolve this issue, the Ninth Circuit assumed, for the sake of argument, that the PMOY abbreviation was a trademarked term, and concluded that Welles' use of the abbreviation failed the first prong of the nominative fair use test.\textsuperscript{55} Not only did the watermarks fail to identify Welles' name or likeness, but also her use of the watermarks was unnecessary, because the term "Playboy Playmate of the Year 1981" sufficiently described her status.\textsuperscript{56} The court also stated that the watermarks were repeated uses of the abbreviation and imitated Playboy's distinctive style.\textsuperscript{57}

Because Welles' use of the PMOY abbreviation failed the first prong, the Ninth Circuit did not apply her use of the abbreviation to the second and third prongs of the test.\textsuperscript{58}

\textsuperscript{50} \textit{Id.} at 803–04.
\textsuperscript{51} \textit{Id.} at 804.
\textsuperscript{52} Playboy Enters., Inc. v. Welles, 279 F.3d 796, 804 and n.32 (9th Cir. 2002).
\textsuperscript{53} \textit{Id.}
\textsuperscript{54} \textit{Id.} at 805.
\textsuperscript{55} \textit{Id.} at 804.
\textsuperscript{56} \textit{Id.}
\textsuperscript{57} See \textit{id.}
\textsuperscript{58} Playboy Enters., Inc. v. Welles, 279 F.3d 796, 804 (9th Cir. 2002).
B. Nominative Uses Do Not Dilute Trademarks

The Ninth Circuit held "that nominative uses, by definition, do not dilute... trademarks" because the use refers to the trademark holder's product rather than the user's product.59

Federal law protects against dilution when the trademark is "famous" and another's use threatens its "distinctive quality."60 Courts have defined dilution as "the gradual 'whittling away' of a trademark's value."61 A trademarked term is diluted when another's use creates an "association" between the trademarked term and a different product or service, resulting in the subsequent user's capitalizing on the goodwill created by the trademark holder.62

The Ninth Circuit affirmed the district court's granting of summary judgment in favor of Welles on Playboy's claim of trademark dilution, with the exception of Welles' use of the PMOY abbreviation.63 The court reasoned that when Welles used Playboy's trademarked terms to describe herself truthfully as a former award recipient, she unquestionably referred to Playboy's award and title, rather than to any product of her own.64 Therefore, Playboy's trademarked terms were not diluted.65

IV. CONCLUSION

In Welles, the Ninth Circuit determined that a former Playboy model's use of trademarked terms was permissible, nominative use. The court applied the alternative nominative fair use test, as adopted by the New Kids court, in this context because the former Playboy model used certain trademarked terms to describe Playboy's award and title, rather than to describe her own goods or services. However,

59. Id. at 806.
60. Id. at 805 (quoting 15 U.S.C. § 1125(c)(1) (2000)).
61. Id. (quoting Acad. of Motion Pictures Arts and Scis. v. Creative House Promotions, Inc., 944 F.2d 1446, 1457 (9th Cir. 1991) (internal citation omitted)).
62. Id. at 805 (citing 4 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, § 24:70 (4th ed. 2001)). As an illustration, the Ninth Circuit explained that dilution would occur if a cocoa maker used the trademarked term "Rolls Royce" to identify its cocoa; the cocoa company would unfairly capitalize on the car company's earned reputation of exceptional quality, even if there is no resulting confusion as to the origin of the trademarked term. Id. at 805-06.
63. Id. at 806. The Ninth Circuit remanded the issue of dilution as to the PMOY abbreviation for an initial determination of whether the PMOY abbreviation is entitled to trademark protection. Id. The court noted that if the district court determines that the PMOY abbreviation is not trademarked, there is no longer an issue of dilution. Id.
64. Playboy Enters., Inc. v. Welles, 279 F.3d 796, 806 (9th Cir. 2002).
65. Id.
remaining unresolved is the issue of whether the use of trademarked terms by a current award recipient to describe status or title constitutes nominative fair use.