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watered down whisky: bad spaniels dilutes trademarks but does not infringe

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After more than a decade of litigation, which included U.S. Supreme Court review, *VIP Products LLC v. Jack Daniel's Properties Inc.*, No. CV-14-02057 returned to the United States District Court for the District of Arizona for yet another ruling on remand. On January 21, 2025, U.S. District Judge Stephen M. McNamee ruled that although the "Bad Spaniels" dog toy, shaped like the Jack Daniel's Tennessee Whiskey bottle and designed to poke fun at the famous brand, does not infringe the spirit maker's trademark rights, it does dilute Jack Daniel's trademarks and trade dress.

Background

The case began in 2014 when Jack Daniel's demanded that VIP Products cease and desist the sale of its Bad Spaniels chew toy, on the basis that it infringed Jack Daniel's trademarks. The chew toy was designed in the shape of the Jack Daniel's Black Label Whiskey bottle, and lampoons the brand by including dog-poop related jokes on its label, including "Old No. 2 on Your Tennessee Carpet" instead of "Old No. 7 Tennessee Sour Mash Whiskey;" "43% Poo by Vo." instead of "40% alcohol by vol. (80 proof);" and adding "100% Smelly."

VIP filed an action, seeking a declaratory judgment that its chewable rubber dog toy, designed to imitate a bottle of Jack Daniel's Black Label Whiskey, neither infringed upon nor diluted the Jack Daniel's trademark rights to its black label whiskey. After a bench trial, the District Court initially found that VIP's "Bad Spaniel's" trademark was likely to confuse consumers and therefore constituted trademark infringement in violation of the Lanham Act. VIP appealed.

On appeal, the Ninth Circuit reversed, holding that VIP's use of the "Bad Spaniel's" mark was expressive in nature and constituted a protected First Amendment expression under *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989). *See*

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VIP Prods. LLC v Jack Daniel's Props., Inc., 953 F.3d 1170 (9th Cir. 2020). The *Rogers* test is determines whether use of an owner's trademark in an artistic work violates the Lanham Act. Under the *Rogers* test, courts assess: (1) whether the work at issue is "expressive," i.e., the use has some "artistic relevance" to the new work; and (2) if so, whether the use explicitly misleads" the consumer as to the "source or content of the work." 875 F.2d at 999.

On remand after the first appeal, the District Court found that Jack Daniel's could not satisfy either prong of the two-prong Rogers test and granted summary judgment to VIP on the infringement and dilution claims. The Ninth Circuit affirmed.

The Supreme Court granted *certiorari* on the Ninth Circuit's rulings on both trademark infringement and dilution. *See Jack Daniel's Properties, Inc. v. VIP Products LLC*, 599 U.S. 140 (2023). The Supreme Court held that the First Amendment protections provided by *Rogers* "do not [apply] when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods." *Id*. at 153. The Supreme Court vacated the Ninth Circuit's decision and remanded. The Ninth Circuit in turn remanded to the District Court to determine, consistent with the Supreme Court's decision, (1) whether VIP's "Bad Spaniels" dog toy tarnishes Jack Daniel's trademarks, and (2) whether "Bad Spaniels" infringes on Jack Daniel's trademark rights.

Dilution of Trademark

The Trademark Dilution Revision Act ("TDRA"), signed into law in 2006, identifies trademark dilution as occurring when a "person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 USC § 1125(c)(1).

In general, "'[d]ilution' refers to the whittling away of the value of a trademark when it's used to identify different products." *Mattel Inc. v. MCA Records, Inc*., 296 F.3d 894, 903 (9th Cir. 2002) (internal quotes omitted). "'[D]ilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). For example, dilution by blurring might occur if a grocer applied a mermaid logo, similar to the Starbucks logo, to its own brand of coffee, or other food products. In contrast, "'dilution by tarnishment' is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). Jack Daniels only argued that the Bad Spaniels chew toy diluted its trademark by tarnishment.

To establish dilution by tarnishment, a trademark owner must prove that at least one of its asserted trademark and trade dress rights was famous before the accused use began, that the use was similar to the owner's mark, and that the accused use is likely to cause negative associations that harms the reputation of the famous mark. *See* 15 U.S.C. § 1125(c); A.R.S. 44- 1448.01; *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir. 2008); *Moab Indus., LLC v. FCA US, LLC*, No. CV 12-8247, 2016 WL 5859700, at *8 (D. Ariz. Oct. 6, 2016) (stating that the "elements necessary to prove [an Arizona] state law trademark dilution counterclaim are basically identical" to federal trademark dilution claims).

Here, the district court found that fame and similarity were no-brainers. Jack Daniels has been the number one whiskey brand in America since 1997, "exceeding 75 million cases and 10 billion dollars in sales." As to similarity, "VIP appropriated Jack Daniel's trade dress in every aspect; 'Jack Daniel's' became 'Bad Spaniels,' 'Old No. 7' became 'Old No. 2,' and 'Tennessee whiskey' became 'Tennessee carpet.' Meanwhile, the square bottle shape, the nearly identical size of the two products, the ribbed neck, arched lettering, filigreed border, black-and-white color scheme, fonts, shapes, and styles remain virtually unchanged." Thus, the Court's primary concern was the extent to which reputational harm would be visited upon Jack Daniels if the Bad Spaniels chew toy persisted in commerce.

The court held that Jack Daniel's had shown, by a preponderance of the evidence, that the Bad Spaniels toy would dilute its trademark and trade dress because the toys' similarity in shape and design would call to mind the Jack Daniel's brand in consumers, but tarnish it by associating the drink with dog feces by virtue of the many scat puns on the label (e.g., "The Old No. 2 on Your Tennessee Carpet;" and "43% POO BY VOL.). The court was unpersuaded that the use of the "excrement-focused messaging used to parody a product intended for human consumption does not amount to tarnishment."

Trademark Infringement

To prove trademark infringement, a mark owner must prove (1) distinctiveness, (2) non-functionality, and (3) a likelihood of confusion. *See Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery*, 150 F.3d 1042, 1047 (9th Cir. 1998); *see also* 15 U.S.C. § 1125(a)(1)-(3). The only issue to be resolved on remand was whether Bad Spaniels created a likelihood of consumer confusion as to the source of the product.

In 2018, the District Court had agreed with Jack Daniel's that there was a high likelihood of consumer confusion, and disregarded VIP's claim that its parodic take on the bottle design entitled it to First Amendment protection, due to VIP's clear intent to capitalize on Jack Daniel's success with a similar-looking product. The Ninth Circuit reversed, holding that the Bad Spaniels" toy was a protected "expressive work," under the *Rogers* Test. The Supreme Court disagreed, and held that the heightened First Amendment protections provided by *Rogers* do not apply where the mark in question was used "in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods." 599 U.S. at 152. However, the Supreme Court also stated that "a trademark's expressive message—particularly a parodic one, as VIP asserts—may properly figure in assessing the likelihood of confusion." *Id*. at 161.

On remand, the District Court analyzed notable cases involving parody, including *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 263 (4th Cir. 2007); and *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994), and concluded that Bad Spaniels was a successful parody of Jack Daniels insofar as it "create[d] contrasts between it and Jack Daniel's trademarks by way of a humorous message achievable 'by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner.'" Slip Op. at 40 (citing *L.L. Bean, Inc. v. Drake Pub. Inc.*, 811 F.2d 26, 34 (1st Cir. 1987)). Having determined that Bad Spaniels presents a successful parody, the court analyzed the likelihood of confusion between the two products by weighing eight non-exclusive factors enunciated in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979): (1) the strength of the plaintiff's mark; (2) the proximity or relatedness of the goods; (3) the similarity of the parties' marks; (4) evidence of actual confusion; (5) marketing channels used; (6) the type of goods and degree of care likely to be

exercised by the buyer; (7) the defendant's intent in adopting the junior mark; and (8) the likelihood of expansion into the parties' product lines. While the Court found that nearly all the factors, individually, favored Jack Daniels, most of those factors held little weight in the context of this dispute. Instead, VIP's intent in selecting Jack Daniel's mark—to parody, rather than to deceive customers—favored VIP and ultimately outweighed the remaining factors. Accordingly, the Court determined that Jack Daniel's had not, by a preponderance of the evidence, demonstrated infringement of its trademark rights.

After more than a decade of litigation, and no fewer than three full length opinions from the District Court, one might be tempted to sit back, pour themselves a drink, and observe the next step in the litigation, which could involve yet another appeal to the Ninth Circuit.

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