

## Same but not Similar? Supreme Court Asked To Weigh In on Counterfeit Case

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There may soon be new developments in the areas of counterfeit and trademark law following the April 8, 2021 filing of a petition for a writ of certiorari with the U.S. Supreme Court by Arcona, Inc. after its back-to-back losses before the U.S. District Court for the Central District of California and the U.S. Court of Appeals for the Ninth Circuit in *Arcona, Inc. v. Farmacy Beauty, LLC*. If the Supreme Court elects to hear this matter, it could result in a decision that substantially increases the evidentiary burden on brand owners to enforce rights against counterfeit and infringing products.

The Ninth Circuit's ruling in *Arcona* followed a grant of partial summary judgment by the district court in favor of Farmacy Beauty, LLC on the issue of counterfeiting. The district court examined whether defendant Farmacy Beauty's "EYE DEW" brand of skincare and eye cream products was an unlawful counterfeit of plaintiff Arcona, Inc.'s "EYE DEW" skincare products. Notably, even though Arcona's identical skincare products featured a previously registered, identical "EYE DEW" trademark, the remaining features of the parties' product packaging were quite distinct. As a result, the district court held that there could be no counterfeit because it was "implausible" that consumers would confuse the two products even though they shared an identical trademark.

In affirming the lower court's holding, the Ninth Circuit cited various Lanham Act provisions in holding that a counterfeit claim requires a showing that consumers are likely to be confused. Moreover, the Ninth Circuit rejected Arcona's argument that likelihood of confusion should be presumed simply because the parties used identical trademarks. In this, the Ninth Circuit emphasized the significant differences between the parties' product packaging. Finally, the Ninth Circuit rejected Arcona's argument that the lower court should have limited its analysis to a comparison of the shared "EYE DEW" trademarks only, without comparing the overall products. To the Ninth Circuit, reasonable consumers would likely compare the whole products and their packaging and not simply the shared trademark.

Arcona has sought Supreme Court review on grounds that the Ninth Circuit imposed a standard far in excess of the clear language of the Lanham Act, 15 U.S.C. § 1127. To Arcona, the Lanham Act only requires a showing that another mark is “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.”

### Practice Note:

Although the full impact of the Ninth Circuit’s ruling is yet to be determined, two implications are clear. First, while the Supreme Court decides whether to hear this case – or if it ultimately elects to hear it – there will be some uncertainty about the evidentiary burden to sustain a counterfeit claim. In the Ninth Circuit and other circuits that have not clearly addressed this issue, trademark owners should be prepared to present substantial evidence of likelihood of confusion to support any counterfeit claims. Because of this, the utility of such claims is necessarily reduced, and it may be advisable to pursue standard infringement and unfair competition claims instead.

Second, the Ninth Circuit’s ruling may have an unintentional impact on how courts assess likelihood of confusion, especially within the Ninth Circuit’s jurisdiction. Specifically, by rejecting the presumption of likelihood of confusion based on use of an identical mark in connection with identical goods and inflating the significance of tertiary product packaging, the Ninth Circuit may have made it more difficult for trademark owners to establish likelihood of confusion, even outside of the counterfeit context. At a minimum, the *Arcona* case has likely made it more difficult to obtain summary judgment based on the use by a third party of an identical mark for an identical product.