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Anheuser-Busch, Inc. v. Balducci Publications, 28 F.3d 769 (8th Cir. 1994)

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28 F.3D 769 (8TH CIR. 1994).

INTRODUCTION

Anheuser-Busch, Inc., producer of the Michelob line of beers, brought suit against Balducci Publications, a humorous magazine, and its publishers, Richard and Kathleen Balducci, for trademark infringement, trademark dilution and unfair competition resulting from a mock advertisement. The United States District Court for the Eastern District of Missouri held that there was no trademark infringement claim because there was no likelihood of confusion. The court also found in favor of Balducci on the dilution claim because there was no threat of tarnishment, and on the unfair competition claim because the parody was not connected with the sale of a product. The United States Court of Appeals for the Eighth Circuit reversed, holding that a likelihood of confusion did exist between the parody and the trademarks, and that the parody was not protected by the First Amendment. The court also held the magazine liable under the Missouri anti-dilution statute.

FACTS

Anheuser-Busch, Inc. ("Busch") operates a brewery in St. Louis, Missouri and produces the Michelob line of beers. In marketing these products, Busch owns the following federally-registered trademarks: 1) Michelob; 2) Michelob Dry; 3) A & Eagle Design; 4) Bottle and Label Configuration; 5) Bottle Configuration; 6) Vertical Stripe Design; 7) the phrase "ONE TASTE AND YOU'LL DRINK IT DRY;" and 8) Vertical Stripe and A & Eagle Design.

Balducci Publications ("Balducci"), owned by Richard and Kathleen Balducci, publishes the humorous magazine, *Snicker*. On the back cover of issue 5 1/2, appears a mock advertisement for "MICHELOB OILY." A can of Michelob Dry is depicted pouring oil onto a fish along with an oil-soaked A & Eagle design, a Shell Oil symbol and various other "Michelob Oily" products closely resembling Busch's Michelob line. Actual Busch "clip art" (collections of advertising pictures) was admittedly used in duplicating this material. The slogan, "ONE TASTE AND YOU'LL DRINK IT OILY" is printed in bold type above the words "MICHELOB OILY (R)." In smaller type is stated, "At the rate it's being dumped into our oceans, lakes and rivers, you'll drink it oily sooner or later, anyway." Finally, a disclaimer is printed vertically along the right side of the page in tiny letters stating: "Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life)." Copies of this issue are still sold, and the words "Michelob Oily" and Busch's blue ribbon design are used to advertise for this purpose.

Busch brought suit against Balducci and alleged five causes of action: 1)

infringement of federally-registered trademarks;[1] 2) federal unfair competition;[2] 3) state trademark infringement;[3] 4) common law unfair competition; and 5) state law trademark dilution.[4] The district court dismissed all five claims. The court held that the trademark claims were unfounded because there was no likelihood of confusion and stated the need to give "special sensitivity" to First Amendment issues. The state law dilution claim was dismissed because there was no danger of tarnishment where the use of Busch's trademarks occurred in an editorial context. Finally, the unfair competition claims were dismissed because the parody was not connected with the sale of a product, and there was no likelihood of confusion. Busch appealed.

LEGAL ANALYSIS

On appeal, the court considered two main issues: 1) whether the district court erred in finding no likelihood of confusion; and 2) if there was a likelihood of confusion, whether the parody was protected by the First Amendment. Although the court considered these to be dispositive, it also addressed Busch's dilution claim insofar as it related to the relief available to Busch.

The court first addressed the issue of whether Balducci's ad parody caused consumer confusion. The Lanham Act affords trademark owners protection against confusion as to "origin, sponsorship, or approval."[5] Noting that other courts had "correctly" applied an expansive interpretation of likelihood of confusion, the court proceeded to apply this expanded version which included "protection against use of [plaintiff's] mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner."[6] Factors considered by the court in evaluating whether likelihood of confusion existed were: 1) strength of the trademark; 2) similarity between the marks; 3) competitive proximity of the parties' products; 4) intent to confuse the public; 5) evidence of actual confusion; and 6) degree of care reasonably expected from plaintiff's potential customers.[7] Applying these six factors, the court found that a likelihood of confusion existed. Busch's trademarks are strong and the ad parody contained nearly exact duplications of those marks. Although there is no direct competition between the companies, the court stated that confusion

1. 15 U.S.C. § 1114 (1).
2. 15 U.S.C. § 1125 (a).
3. MO. REV. STAT. § 417.056.
4. MO. REV. STAT. § 417.061.
5. 15 U.S.C. § 1125 (a).
6. McCarthy, TRADEMARKS AND UNFAIR COMPETITION § 24.03, at 24-13 (3d ed. 1992); Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 398 (8th Cir. 1987); Nike, Inc. v. "Just Did It" Enters., 6 F.3d 1225, 1228 (7th Cir. 1993); Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 204-05 (2d Cir. 1979); Jordache Enters., Inc. v. Levi Strauss, 841 F. Supp. 506, 514-15 (S.D.N.Y. 1994).
7. Squirtco v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980).

could exist absent direct competition.[8] While recognizing that Balducci intended to make a social comment via the parody, the court found that he was indifferent to the possibility of misleading consumers. In support of this, the court noted that there was no significant reminder to readers that the ad was a parody, the ad appeared on the back cover (usually reserved for legitimate ads), few alterations were made to the trademarks, and the disclaimer was almost undetectable. Finally, the court found that evidence of actual confusion was presented in a survey offered by Busch. Of 200 participants surveyed regarding the parody, over half thought Busch had to approve the ad and six percent thought the ad was real. Thus, the court found that the district court had erred in finding no likelihood of confusion.

The court next considered whether the parody was protected by the First Amendment such that Balducci would not be liable despite the likelihood of confusion. In analyzing the reach of the Lanham Act, freedom of expression must be weighed against avoiding consumer confusion.[9] The court stated that confusion might be tolerated if plausibly necessary to achieve a desired commentary, however, in this case, the confusion was unnecessary to Balducci's purpose. The message could have been conveyed with less risk of confusion if the marks were altered, the placement in the magazine changed or the disclaimers made noticeable. Since Balducci did not take measures to eliminate confusion and make it obvious the ad was a parody, the court held there was no First Amendment protection.

Finally, the court discussed Busch's dilution claim, noting that the validity of this claim might affect the relief available to Busch. Missouri's anti-dilution statute provides that "[l]ikelihood of injury to business reputation or dilution of the distinctive quality of a mark . . . shall be ground for injunctive relief."[10] Dilution can occur via association with "unsavory" goods, persons or services.[11] Busch's trademarks were held to be tarnished in that the majority of those surveyed construed the ad to suggest that Michelob beer contains oil, and thus, the quality of products represented by the Busch trademark was cast in a negative light. In finding for Busch on the dilution claim, the court rejected Balducci's First Amendment defense for substantially the same reasons stated in its infringement analysis. Thus, the court held that injunctive relief was appropriate.

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8. *Id.*

9. Cliff's Notes, Inc. v. Bantam Doubleday Dell Pub. Group, 886 F.2d 490, 494 (2d Cir. 1989).

10. MO. REV. STAT. § 417.061.

11. Chemical Corp. of America v. Anheuser-Busch, Inc., 306 F.2d 433, 436-38 (5th Cir. 1962) (enjoining use of "Where there's life . . . there's bugs!" slogan), *cert. denied*, 372 U.S. 965 (1963); Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc., 642 F. Supp. 1031, 1039 (N.D.Ga. 1986) (tarnishment "occurs when a defendant uses the same or similar marks in a way that creates an undesirable, unwholesome, or unsavory mental association with the plaintiff's mark").

CONCLUSION

In reversing and remanding, the Eighth Circuit found in favor of Busch on three issues. On the trademark infringement claim, the court found that a likelihood of confusion did exist because: 1) Busch's marks were strong; 2) the parody virtually duplicated those marks; 3) absence of competition did not preclude confusion; 4) Balducci evinced reckless disregard for the possibility of confusion; and 5) there was evidence of actual confusion. Balducci's defense of First Amendment protection was rejected because the message could have been conveyed with less risk of confusion. Finally, the court granted an injunction under Missouri's anti-dilution statute because the marks were "tarnished" by the suggestion that Busch's beer was contaminated with oil.

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