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Hormel Foods Corp. v. Jim Henson Productions, Inc.,

73 F.3D 497 (2D CIR. 1996).

INTRODUCTION

Hormel Foods Corporation (“Hormel”), the distributor of the luncheon meat Spam, brought suit against Jim Henson Productions, Inc. (“Henson”), creators of the Muppets, for trademark infringement and dilution of the mark Spam. The United States District Court for the Southern District of New York denied Hormel’s request for a permanent injunction. The United States Court of Appeals for the Second Circuit affirmed, holding that Henson’s use of a character called “Spa’am” in Henson’s movie, *Muppet Treasure Island*, did not create a likelihood of confusion in the marketplace, and furthermore, there was no likelihood of dilution by either blurring or tarnishing Hormel’s mark.

FACTS

Hormel has made the luncheon meat Spam since 1937, and has sold over five billion cans of Spam in the United States alone. In addition, Hormel has spent millions of dollars on advertisements for Spam. In February of 1996, Henson planned to release a movie entitled *Muppet Treasure Island*. This movie featured the cast of regular Muppet characters, including Miss Piggy and Kermit the Frog. Among the new characters created for the movie was “Spa’am,” the high priest of a tribe of wild boars that worship Miss Piggy as their queen. The name “Spa’am” is mentioned only once in the film.

In anticipation of the release of the film, Hormel filed suit alleging both trademark infringement and dilution. Hormel alleged that Henson’s characterization of “Spa’am” in the movie would damage its trademark for Spam, by questioning the quality of the meat. The district court found that the character in the movie, “Spa’am,” neither infringed Hormel’s trademark nor diluted the mark. On appeal, Hormel challenged the proposed use of “Spa’am” in merchandise, not the use of the “Spa’am” character in the movie.

LEGAL ANALYSIS

The Second Circuit decided three primary issues: (1) whether Henson’s use of the “Spa’am” character created a likelihood of consumer confusion; (2) whether there was a likelihood of dilution of the Spam mark either through blurring or tarnishment; and (3) whether the issue of the producer’s merchandising was ripe for determination by the district court.¹

The Second Circuit first held that Henson’s use of the character “Spa’am” did not create a likelihood of consumer confusion because consumers would not

1. The third issue will not be addressed in this case summary.

associate the movie character “Spa’am” with Hormel’s luncheon meat. The court evaluated the eight factors set out in *Polaroid Corp. v. Polarad Electronics Corp.*² to determine that Henson’s use of “Spa’am” did not create a likelihood of confusion.³ The court found that the first factor, strength of the mark, weighed in Henson’s favor because the “Spa’am” character was clearly a parody. Although the court recognized that Spam was a very strong mark, the court found that Henson’s “parodic intent” was clear.⁴ The court reasoned that the public’s familiarity with Muppet parodies of well known people and products would enable people to easily recognize the “Spa’am” character as a parody.

The court found that the second factor, the degree of similarity between the marks, weighed in Henson’s favor. The court put Spam and “Spa’am” in their respective settings, looking at Spam, a luncheon meat, and “Spa’am,” the movie character. The court determined that the two marks “appear[ed] in strikingly different contexts and project[ed] wholly different visual displays.”⁵ The court concluded that the parody behind the “Spa’am” character distinguished the mark from Spam.

Similarly, the court determined that the third factor, proximity of the products, weighed in Henson’s favor. The court found that the dissimilarity between the markets for the “Spa’am” character and Spam luncheon meat carried over into the secondary merchandising market. If Hormel marketed Spam merchandise, the consumers of Spam merchandise would be the same as those who consumed the luncheon meat. However, Henson and the “Spa’am” character occupied a completely distinct merchandising market. Additionally, the character “Spa’am” would be defined by his appearance in the movie and would always appear in merchandise with the presence of the *Muppet Treasure Island* logo. Thus, in the court’s opinion, consumer confusion would be unlikely.

The Second Circuit concluded that the fourth factor, bridging the gap, and the fifth factor, actual confusion, both favored Henson. The court reasoned that the “market proximity in the instant case depends on identification with the primary product,” and because there was no evidence that Hormel wanted to enter the puppet entertainment market, the fourth factor weighed in Henson’s favor.⁶ Moreover, there was no evidence that anyone had mistaken “Spa’am” as promotional merchandising for Hormel’s product, Spam. Therefore, the court concluded that there was no actual confusion, and the fifth factor weighed in Henson’s favor.

As to the sixth factor, the court found that there was no evidence of bad faith on Henson’s part. The court reasoned that the “lack of subtlety” in the “Spa’am”

2. 287 F.2d 492 (2d Cir.), cert. denied, 368 U.S. 820 (1961).

3. The eight factors in the *Polaroid* test are: (1) strength of the mark; (2) degree of similarity between the marks; (3) proximity of the products; (4) bridging the gap; (5) actual confusion; (6) bad faith; (7) quality of the products; and (8) consumer sophistication. *Id.* at 495.

4. *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497, 503 (2d Cir. 1996).

5. *Id.* at 504.

6. *Id.*

parody indicated a lack of bad faith.⁷ Furthermore, the court noted that Henson would have nothing to gain by trying to create confusion between its product and Hormel's product.

Analyzing the seventh factor, quality of the products, the court concluded that this factor weighed in Henson's favor. The court found that the Muppets were high quality products themselves, and this would not cause confusion because the Spam meat product and the "Spa'am" Muppet character were not otherwise related. The Second Circuit dismissed Hormel's contention that the characterization of "Spa'am" in the movie would "call into question" the quality of their meat.⁸ The court reasoned that the "Spa'am" character was a "positive character" who was "not unhygienic," and therefore the character would not reflect poorly on Hormel's luncheon meat.⁹

Finally, the court concluded that the last factor, consumer sophistication, favored Henson. The court reasoned that the purchasing consumer would buy a "Spa'am" product because they liked the Muppets and not because of its association with Hormel's luncheon meat. Therefore, the court found that the evident parodic element of the "Spa'am" character and the strength of the *Muppet Treasure Island* mark would keep consumers from being confused between Spam and "Spa'am."

In addition, the Second Circuit held that no trademark dilution would result from Henson's use of the character "Spa'am." First, the court found that there would be no dilution by blurring of the Spam mark. Dilution occurs when "[c]ustomers . . . see the plaintiff's mark used on a plethora of different goods and services."¹⁰ The court found that there was "very little likelihood that Henson's parody w[ould] weaken the association between Spam and Hormel's luncheon meat."¹¹ In fact, the court found that Henson's parody would probably increase the association between Hormel and Spam. Because of Henson's "transparent parodic intent and the contextual dissimilarity between the two marks" it was clear that there was no blurring of Hormel's mark.¹²

Similarly, the court found that there was no dilution by tarnishment. Tarnishment occurs when a trademark is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context."¹³ The court found that Hormel's mark would not suffer negative associations through Henson's use. The court reasoned that, contrary to Hormel's contentions that "Spa'am" would color their product Spam in a bad light, the "Spa'am" character was "a likeable, positive character, who w[ould] not generate any negative associations."¹⁴ The court

7. *Id.* at 505.

8. *Id.*

9. *Id.*

10. *Id.* at 506 (citing 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24.13[1][a][i] at 24-10 (3d ed. 1995)).

11. Hormel Foods Corp. v. Jim Henson Productions, Inc., 73 F.3d 497, 506 (2d Cir. 1996).

12. *Id.* at 507.

13. *Id.* (citing Deere & Co. v. MTD Prods., Inc., 41 F.3d 39, 43 (2d Cir. 1994)).

14. *Id.*

concluded that Henson did not seek to sell more of its product by ridiculing Spam, but that in Henson's case "the parody is part of the product of itself."¹⁵

CONCLUSION

The Second Circuit held that Henson's use of the "Spa'am" character did not create a likelihood of confusion. The court found that all of the *Polaroid* factors¹⁶ weighed in favor of Henson and against a likelihood of confusion. The court was influenced by the parodic nature of the Muppets in making its determination. Finally, the court found that there was no dilution by either blurring or tarnishment because of the parodic element of the "Spa'am" character.

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15. *Id.* at 508.

16. *See Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961); *see also supra* note 3.