

No Free Ride for Copycat Perfume Company – Fair Use Rejected, False Advertising Found, Accounting of Profits Awarded

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by Sandra Edelman



Well-known perfume marketer Coty Inc. had a big win in New York federal district court, obtaining injunctive relief and \$6.5 million dollars in an accounting of profits from copycat perfume seller Excell Brands, LLC. In an eighty-two page opinion (with product pictures helpfully included), Southern District Judge Furman rejected Excell's arguments of nominative fair use and good faith intent to compete rather than bad faith intent to deceive and ruled for Coty on its claims for trademark infringement, unfair competition and dilution. The court also held that Excell had misleadingly communicated that its

perfumes were of similar or equivalent quality to Coty's brand name products.

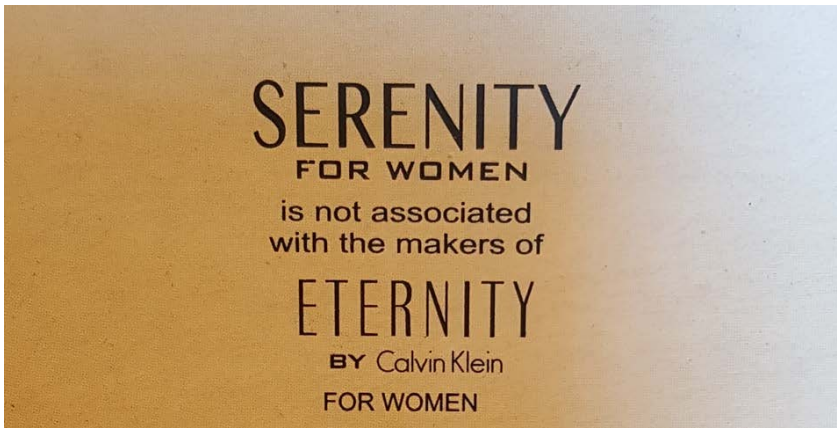
It likely did not help Excell's case that several of Excell's principals and employees had been indicted on charges of money laundering for the benefit of certain Latin American drug cartels. As a result, several Excell witnesses invoked their privilege against self-incrimination and refused to answer substantive questions during discovery and at trial. Putting that aside, what was the case about? As the saying goes, a picture is worth a thousand words. Two examples of Excell's copycat perfumes line are pictured below:





As the court recounted, Excell's business model involved selecting well-known brand or celebrity fragrances and marketing imitations with similar evocative names (such as SERENITY instead of ETERNITY and POSSESSION instead of OBSESSION) and "nearly identical" trade dress. On the front of each package, Excell included a legend that the fragrance was "Our Version of" the brand name perfume, but the brand name was depicted more prominently than other wording and in imitative type font. On the back of the packages, Excell included a disclaimer that the product "is not associated with the maker of" the brand name product. An example of this packaging approach is set out below:





Particularly in light of the prominence of the name brands relative to the disclaimer language, the court did not accept Excell's argument that it would be "clear" from the packaging that the products were not associated with Coty.

Nominative Fair Use Rejected

The court considered and rejected Excell's argument that it was making "nominative fair use" of Coty's marks. In accordance with recent Second Circuit precedent in *Int'l Info. Sys. Sec. Certification Consortium Inc. v. Sec. Univ., LLC*, 823 F. 3d 153 (2d Cir. 2016), the fair use argument was considered as additional factors in the "*Polaroid*" analysis of likely confusion, not as an affirmative defense. The court held that Excell's nominative fair use argument "misses the mark" because "Excell sought to mirror Coty's fragrances' appearance in nearly every way possible": the fragrances were not sold in generic bottles and cartons but rather with imitative trade dress, the names chosen were related to Coty's and Coty's brands were prominently displayed on product packaging in the purported disclaimer statements.

Survey Evidence on Two Products Deemed Relevant to Other Products in the Excell Line

Coty faced a dilemma common to plaintiffs that assert claims against a varied product line with similar infringing elements but don't want to have to present survey evidence of confusion about each and every variant product. Coty ended up presenting survey evidence pertaining to two of the products at issue in the Excell line, which generated an average of 54% confusion, although the level for the two products varied. In response to Excell's contention that the survey evidence should only be considered relevant to the two products actually tested, the court held: "No doubt the surveys are more compelling with respect to the fragrances tested than they are with respect to the other fragrances at issue in this litigation. Additionally, the survey itself provides reason to believe that the levels of consumer confusion would vary among the fragrances...But [the] results are still relevant, albeit in a more attenuated manner, to the other fragrances given that they share 'common and prominent features' with the tested fragrances." Accordingly, the court found the survey to be "circumstantial evidence that each of Excell's fragrances at issue here is likely to cause at least some level of confusion as to source in the minds of fragrance shoppers."

False Advertising of Product Equivalence

Marketers of copycat products hope to convey the impression that “if you like” the brand name “you’ll love” their imitation product, or that “our version of” means the imitation will be very similar in nature and quality to the original. In this case, Coty argued that the use of the phrase “our version of” by Excell was false and misleading due to material differences in the quality of the fragrances. Without deciding whether the words were “literally false” the court found that Coty’s survey evidence helped establish that “our version of” communicated the implied message that the products “are similar if not equivalent” when that was not the case. Rather, the evidence showed that Excell “did not make any meaningful effort to replicate the scent of Coty’s products,” did not have first-hand knowledge of the chemical composition of the products and had no meaningful quality assurance program.

Remedies

As noted above, Coty was awarded an accounting of more than \$6.5 million in Excell’s profits from the violative products. But Coty did not get everything it asked for. The court declined to grant an enhanced monetary award for counterfeit products, holding that more than “mere similarity” or “colorable imitation” is necessary for counterfeiting remedies. In addition, the court did not award attorneys’ fees to Coty, even though it had determined that Excell had acted in bad faith. The opinion noted that courts have “broad discretion” in the area of attorneys’ fee awards under the “exceptional case” language of the Lanham Act and that Coty had not presented material evidence that it had suffered “ascertainable damage” from Excell’s conduct.

Judge Furman began his opinion with the oft-quoted aphorism that “imitation may well be the sincerest form of flattery,” while adding that “if taken too far it can also be costly.” He closed with a paean to Justice Frankfurter’s opinion in *Mishawaka Rubber & Woolen Mfg. Co.* that described trademark protection as “the law’s recognition of the psychological function of symbols” and held that if “another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.” Judge Furman concluded that Excell’s “knockoff fragrances poach upon the commercial magnetism of Coty’s fragrances,” entitling Coty to the injunctive and monetary relief granted.