

Repping Your School and How the Penn State Decision Ties In

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School merch is big business. Students want sweats, mugs and the like to show they belong at the school. Alums want merch to show they went to the school. Other purchasers want merch as an aspirational statement, or to support the idea of the institution.

Great demand naturally begets supply. Schools want to monopolize the market and have built substantial licensing businesses on having strong trademark rights. But recent

business models have challenged such models, questioning whether all uses of school names and logos have to be licensed. Vintage Brand is one such business. It offers clothing and other merchandise featuring retro and current school names and logos without licenses. Vintage Brand staked its business on the belief that consumers buy the products to show support of the school, not because they believe the school has approved of the product. Vintage Brand has long defended its model on the basis that (1) many of the names and logos it uses are no longer protected as trademarks, (2) it uses protected marks for decoration, not to identify a source, and (3) it employs disclaimers to make clear the schools have not licensed the products. Unsurprisingly, schools disagreed. More than a dozen universities have filed infringement cases against Vintage Brand.

Recall that to function as a trademark, a word, phrase, design or the like must function as a “source identifier.” That is, the mark must identify a source and differentiate the source from competitors. The purpose of requiring that a mark be a source identifier is to protect consumers who rely on the mark as shorthand for the quality of the goods. Words, and designs on a product that serve merely as decoration are not protectable as trademarks. But source identification and decoration are not mutually exclusive. A word or design can be both. A sweatshirt may feature a lion to make the shirt more attractive, the lion may also be a mascot of a school or team and used to identify the school and because the lion is decorative. Courts and experts have differed as to how to parse out what the function of a symbol is, as demonstrated in two recent cases involving Vintage Brand.

In 2023, U.S. District Judge Alan Albright granted Baylor University’s summary judgment motion against Vintage Brand with regard to trademark infringement. The finding rested on use of a “per se” test that if consumers associate use of a school’s symbols with the institution, then unauthorized use of such marks is infringing. The parties subsequently entered a Consent Judgment that permanently enjoined Vintage Brand from using Baylor’s marks.

In contrast, U.S. District Judge Matthew Brann, in a case brought by Penn State against Vintage Brand, rejected the per se approach, finding a mere mental association between a symbol and a trademark holder insufficient for infringement. Instead, Judge Brann required a fact-intensive inquiry into whether consumers “believe that the trademark indicates that the trademark holder is the source, sponsor, or is otherwise affiliated with the good.” Judge Brann reflected on other cases, and many experts, who believe disclaimers and prominent branding by the seller of the goods can be sufficient for consumers to understand the trademark owner was not the source of the goods.

Additionally, Judge Brann questioned whether consumer confusion arose from consumer’s incorrect belief that goods bearing a school’s symbols must be licensed. He indicated data shows support for the belief but pondered if the misconception should be corrected. It is unclear if the reason for the confusion matters. Trademark law does not require consumers understand the legal basis for confusion as to source, only that it be likely. One also wonders how requiring jurors, who are average consumers after all, to engage in extensive fact finding would work to correct any misconceptions as to why

they believed confusion was likely.

In instructing the jury, Judge Brann did not directly attempt to correct any misconception that all use of a mark must be licensed. He initially explained that confusion as to “affiliation” is sufficient for infringement. Expounding on that, he repeated that the core question of confusion was whether “consumers will be confused as to whether Penn State manufactured, sponsored, or approved Vintage Brand’s goods.” If consumers believe a trademark owner must approve all use of its marks, then the answer seems a foregone conclusion. If so, the “per se” approach seems the far more efficient approach.

In answering the question in *Penn State*, the jury unanimously rejected Vintage Brand’s defenses and found it willfully infringed Penn State’s marks. The verdict sends a clear message that the jury believed Vintage Brand’s goods were made, approved or sponsored by Penn State and that Vintage Brand intended to cause such confusion. The jury awarded Penn State \$28,000 in compensatory damages based on Vintage Brand’s sales of 1,269 products bearing Penn State marks, its revenue of approximately \$23,000 and the 10% royalty rate Penn State’s licensees typically pay to use the Penn State marks for similar merchandise.

Since the verdict, Penn State has filed motions requesting a permanent injunction to halt Vintage Brand’s use and sale of any products with Penn State trademarks and to request attorneys’ fees on the basis that the case was sufficiently exceptional under the Lanham Act (15 U.S.C. Section 1117(a)). Vintage Brand has opposed both motions and indicated it will appeal the decision.

Despite the alternative approaches used by the judges, both cases appear to have reached the same conclusion: consumers expect some authorized relationship between the mark’s owner and the seller. Further, the *Penn State* jury’s willfulness finding indicates that disclaimers are not only insufficient to prevent consumer confusion, but do not mitigate a defendant’s intent to deceive. While neither case is precedential, the decisions send a clear warning that unauthorized use of trademarks is done at great peril, particularly in university and sports markets. We will stay tuned to see if any of the findings change on appeal.