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## TRADEMARK INFRINGEMENT: PURSUING COLORABLE CLAIMS MAY RESULT IN PAYING “KING” SIZE DAMAGES

The name “Kong” brings to mind a large gorilla holding a blonde woman captive on top of a large building. Despite this commonly held image, the Court of Appeals for the Second Circuit in *Universal City Studios, Inc. v. Nintendo Co., Ltd.*<sup>1</sup> (“*Nintendo I*”) held as a matter of law, that no likelihood of confusion existed between the video game known as “Donkey Kong” and the “King Kong” trademark owned by Universal City Studios, Inc. (“Universal”). In affirming summary judgment in favor of the video game manufacturer Nintendo Co., Ltd., (“Nintendo”), the Second Circuit determined that no likelihood existed that an appreciable number of prudent purchasers would be misled or confused about the source of Donkey Kong.<sup>2</sup>

In *Universal City Studios, Inc. v. Nintendo Co. Ltd.*<sup>3</sup> (“*Nintendo II*”) Nintendo counterclaimed against Universal for unjust enrichment, vicarious copyright infringement and tortious interference with contract. The district court held that Universal had sued Nintendo in bad faith to merely attempt to join in the profits of Donkey Kong<sup>4</sup> and awarded Nintendo \$1,142,545.70 in attorney’s fees, \$222,498.28 as punitive damages and \$150,908.97 in compensatory damages. The Second Circuit upheld the district court’s award of punitive damages and attorney’s fees as being well within the court’s discretion.<sup>5</sup> When taken together, *Nintendo I* and *Nintendo II*’s deleterious impact on trademark litigation is easily seen. Potential plaintiffs will be discouraged from pursuing even colorable trademark claims for fear that a court may, upon a finding of bad faith, award substantial punitive damages and attorney’s fees.<sup>6</sup>

### FACTS

Universal maintained that it owned a trademark in the name, character and story of “King Kong” based upon the favorable judgment in

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1. 746 F.2d 112 (2d Cir. 1984).

2. *Id.* at 120.

3. 615 F. Supp. 838 (S.D.N.Y. 1985).

4. *Universal City Studios, Inc. v. Nintendo Co. Ltd.*, 797 F.2d 70 (2d Cir. 1986).

5. *Id.*

6. The Second Circuit affirmed the district court’s award of attorney’s fees under section 35 of the Lanham Act, 15 U.S.C. § 1117 (Supp. 1985) which provides in pertinent part, “[t]he court in exceptional cases may award reasonable attorneys fees to the prevailing party.”

*Universal City Studios, Inc. v. RKO General, Inc.*<sup>7</sup> (“*RKO General*”). In *RKO General*, the United States District Court for the Central District of California upheld Universal’s claim that RKO Radio Pictures, Inc. (“RKO”), the distributor of the original 1933 King Kong movie, created the trademark in the name and character of King Kong. Furthermore, the trademark rights were passed from RKO to Richard Cooper (“Cooper”), son and heir of the King Kong story’s originator Merian C. Cooper, in *Universal City Studios Inc. v. RKO General Inc.*<sup>8</sup> Cooper then assigned all of his rights in King Kong to Universal for \$200,000.<sup>9</sup>

In 1981, Nintendo began designing, manufacturing and marketing its popular video game called Donkey Kong. Donkey Kong required the player to maneuver Mario the Carpenter up a girdered structure to rescue a blonde girl from the hands of the big gorilla at the top.<sup>10</sup> Universal claimed that the gorilla featured in Donkey Kong and the Donkey Kong game itself infringed on its trademark, because the public would likely be confused and believe that the Donkey Kong product was authorized or approved by the owner of the King Kong name, character or story.<sup>11</sup> Universal presented evidence that the word “Kong” was selected because it was believed to denote a gorilla. Furthermore, the Nintendo employee who designed the Donkey Kong game testified that, “[h]e had seen the ‘King Kong’ movies, and that he referred to the Donkey Kong gorilla as King Kong while designing the game.”<sup>12</sup> In addition, Universal submitted the results of a survey it had conducted which showed that eighteen percent of the individuals surveyed believed that Donkey Kong was made with the approval or under the authority of the people who produced the King Kong movies.<sup>13</sup>

Nintendo’s counterclaim asserted that Universal interfered with certain Donkey Kong license agreements and that Universal’s agreements with Coleco, Atari and Ruby-Spears, resulting in \$4.76 million in revenues to Universal, constituted the misappropriation of Nintendo’s trademark and the unjust enrichment of Universal. Nintendo additionally argued that Universal vicariously infringed Nintendo’s copyright in

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7. No. 75-3526-R (C.D. Cal. 1975). Universal brought this action to resolve a dispute between Universal, Radio Pictures, Inc., and Dino D. Laurentis Corp. (“DDL”) as to who could proceed with a remake of the 1933 King Kong movie.

8. *Id.* On January 5, 1981, the district court reinstated the judgment in favor of Cooper on his cross-complaint against RKO which had been vacated by the Ninth Circuit.

9. *Nintendo I*, 578 F. Supp. 911, 921 (S.D.N.Y. 1983).

10. *Id.* at 918, 928.

11. *Nintendo I*, 746 F.2d at 114.

12. *Nintendo I*, 578 F. Supp. at 918.

13. *Nintendo I*, 746 F.2d at 118.

Donkey Kong by licensing a third party to use the King Kong character in a video game virtually identical to Donkey Kong.

In 1982, Nintendo granted a license to Coleco Industries, Inc. ("Coleco") which authorized Coleco to produce a Donkey Kong home video game.<sup>14</sup> Nintendo reached similar agreements with Atari and Ruby-Spears.<sup>15</sup> In 1982, Universal sent a letter to Coleco claiming that the Donkey Kong game infringed Universal's trademark rights in King Kong. Universal reached an agreement with Coleco which provided that Universal agreed not to sue Coleco for trademark infringement, if Coleco paid Universal three percent of the gross sales.<sup>16</sup> Universal sent similar letters to Atari and Ruby-Spears who promptly agreed to settle and pay Universal a three percent royalty on all sales. Similarly, in 1983, Universal sent letters to Nintendo's other licensees restating Universal's claims and demanding that the licensees either cease from marketing Donkey Kong or obtain authorization from Universal to use the name King Kong and variations of the name.<sup>17</sup>

At approximately the same time that Universal was negotiating with Nintendo's licensees, Universal was negotiating with Tiger Electronics Toys ("Tiger") for the production of a King Kong video game. Eventually, Universal granted Tiger a license to use the King Kong trademark in its video game, but only after Tiger made modifications Universal deemed necessary to distinguish it from Nintendo's Donkey Kong game.<sup>18</sup>

### COURT HOLDINGS

In granting Nintendo's motion for summary judgment,<sup>19</sup> the district court first found that Cooper's transfer of trademark rights in King Kong to Universal was an invalid assignment in gross since, "[t]rademark rights do not exist in the abstract, to be bought and sold as a distinct asset."<sup>20</sup> A trademark may only be transferred by means of a supervised license or along with a sale or transfer of a business or product.<sup>21</sup> The district court reasoned that since the transfer from RKO to Cooper was not made by a supervised license, or along with the sale of business assets or goodwill, Cooper had no trademark rights in King

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14. *Nintendo II*, 615 F. Supp. at 845.

15. *Id.* at 851-852.

16. *Id.* at 848.

17. *Id.* at 852.

18. *Id.* at 850.

19. *Nintendo I*, 578 F. Supp. at 930.

20. *Id.* at 922.

21. *Id.*

Kong when he sold all his rights to Universal.<sup>22</sup>

The district court next considered whether "King Kong" possessed secondary meaning such that Universal might prevail on its claim of false designation of origin in violation of section 43(a) of the Lanham Act.<sup>23</sup> A fundamental prerequisite to a section 43(a) action is that the trademark possess secondary meaning—"[t]he power of a name or other configuration to symbolize a particular business, product or company."<sup>24</sup> In other words, a trademark possesses secondary meaning if it indicates to consumers that the trademark has a single source of origin.<sup>25</sup> The district court concluded<sup>26</sup> that, due to conflicting ownership rights in the name and character of King Kong,<sup>27</sup> the vagueness of Universal's mark, and numerous third party registrations and commercial uses of the name King Kong, Universal was unable as a matter of law to demonstrate that King Kong signified a single source of origin to consumers.

The Second Circuit assumed, however, for purposes of its decision that the King Kong trademark was validly developed and conveyed to Universal<sup>28</sup> and that King Kong had acquired secondary meaning.<sup>29</sup> Accordingly, the pivotal issue addressed by the Second Circuit was whether Universal failed to raise a question of fact as to the likelihood of consumer confusion concerning the origin of Donkey Kong. The Second Circuit affirmed the district court's grant of summary judgment in favor of Nintendo and held, as a matter of law, that no question of fact existed as to the likelihood of consumer confusion.<sup>30</sup>

In reaching its conclusion that no question of fact was presented on the issue of consumer confusion, the Second Circuit applied and balanced the factors enumerated in *Polaroid Corp. v. Polarad Electronics*

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22. *Id.* at 923.

23. 15 U.S.C. § 1125(a) (1982) states, in pertinent part:

Any person who shall, affix, apply, or annex, or use in connection with any goods or services, . . . a false designation of origin, . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin . . . or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

24. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema Ltd.*, 604 F.2d 200, 203 n.5 (2d Cir. 1979) (citing *Ideal Toy Corp. v. Kenner Prods. Div. of Gen. Mills Fun Group, Inc.*, 443 F. Supp. 291, 305 n.14 (S.D.N.Y. 1977)).

25. *Nintendo I*, 578 F. Supp. at 925.

26. *Id.* at 923, 926.

27. Universal contended throughout the litigation that it owned only those rights in the name, character and story of King Kong that RKO and DDL did not own.

28. *Nintendo I*, 746 F.2d at 115.

29. *Id.*

30. *Id.* at 117, 120.

Corp.<sup>31</sup>

Where the products are different, the prior owner's chance of success is a function of many variables: the strength of the mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark. . . . Even this extensive catalogue does not exhaust the possibilities, the court may have to take still other variables into account.<sup>32</sup>

The Second Circuit agreed with the district court's analysis of the likelihood of confusion under the *Polaroid* factors.<sup>33</sup> Specifically, the Second Circuit agreed that Universal's mark was relatively weak, that the two marks were substantially dissimilar, and that Universal submitted no evidence of actual confusion. Consequently, the Second Circuit determined that no question of fact was presented on the likelihood of consumer confusion.<sup>34</sup>

The Second Circuit next looked to the standard articulated in *Warner Brothers, Inc. v. American Broadcasting Cos.*<sup>35</sup> and compared the, "[e]xtent to which the allegedly infringing character captures the 'total concept and feel' "<sup>36</sup> of the protected character. In *Warner*, the Second Circuit found that the Hinkley character from the television series "The Greatest American Hero" did not infringe on the Superman trademark. The appellate court noted that, "[t]he total perception of the Hinkley character is not substantially similar to that of Superman,"<sup>37</sup> that is, Superman is a brave proud hero who performs his feats with skill and dash, while Hinkley is a timid reluctant hero who performs his tasks in a bumbling and comical fashion.

The district court observed that the differences between Donkey Kong and King Kong were equally great—Donkey Kong was comical, entertaining, farcical, childlike and silly, while King Kong was ferocious and went on rampages, chasing, crushing and throwing people.<sup>38</sup> The district court perceived that these facts, along with the silly obstacles, pleasant colors and humorous sounds of the Donkey Kong game, clearly showed that Donkey Kong created a completely different concept and

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31. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

32. *Id.* at 495.

33. *Nintendo I*, 746 F.2d at 116, 117.

34. *Id.* at 117.

35. *Warner Bros. Inc. v. Am. Broadcasting Cos.*, 720 F.2d 231 (2d Cir. 1983).

36. *Id.* at 241, 246.

37. *Warner Bros.*, 720 F.2d at 237.

38. *Nintendo I*, 578 F. Supp. at 928.

feel from the drama of King Kong.<sup>39</sup> Reiterating the district court's finding that the only similarities between Donkey Kong and King Kong are a gorilla, a captive woman, a male rescuer, and a building scenario, the Second Circuit agreed that the two characters and stories are so different that no issue of fact was presented on the likelihood of consumer confusion.<sup>40</sup>

As a last effort, Universal argued that the name Donkey Kong is confusingly similar to the name King Kong. The Second Circuit also rejected this argument and decided that when taken as a whole, "Donkey Kong does not evoke or suggest the name King Kong."<sup>41</sup>

After dismissing Universal's complaint for trademark infringement and unfair competition,<sup>42</sup> the district court proceeded to try Nintendo's counterclaims against Universal for unjust enrichment, vicarious copyright infringement and tortious interference with contract.<sup>43</sup> The district court denied relief on the unjust enrichment counterclaim, but awarded compensatory and punitive damages on the counterclaim for tortious interference with contractual relations, damages and attorney's fees on the counterclaim for vicarious copyright infringement, and attorney's fees for successfully defending against Universal's trademark claims, all totaling in excess of \$1,600,000.<sup>44</sup>

#### A. Unjust Enrichment Claim

Nintendo unsuccessfully argued that Universal's agreements with Coleco, Atari and Ruby-Spears, which resulted in \$4.76 million in revenues to Universal, constituted the unjust enrichment of Universal. In rejecting Nintendo's initial argument, the district court reasoned that recovery based on unjust enrichment was precluded because either Universal licensed King Kong, a property not controlled by Nintendo, or because Universal's improper licensing of Donkey Kong only stated a claim under the copyright laws.<sup>45</sup> If Universal's agreements with Coleco, Atari and Ruby-Spears were based on the sale of King Kong, a right owned by Universal, recovery based on unjust enrichment was not justified.<sup>46</sup> Conversely, if Universal was in fact licensing Nintendo's copyrighted property, Donkey Kong, then Nintendo was preempted from

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39. *Id.*

40. *Nintendo I*, 746 F.2d at 117.

41. *Id.* at 117.

42. *Nintendo I*, 578 F. Supp. at 911.

43. *Nintendo II*, 615 F. Supp. at 838.

44. *Id.* at 865.

45. *Id.* at 857.

46. *Id.* at 856.

asserting its common law unjust enrichment claim under the Copyright Act of 1976.<sup>47</sup>

### B. *Vicarious Copyright Infringement Claim*

Nintendo next argued that by licensing Tiger's use of King Kong for its video game, Universal vicariously infringed on Nintendo's Donkey Kong trademark. A party who, with knowledge of infringing activity, induces or contributes to the infringing conduct of another is liable for vicarious copyright infringement.<sup>48</sup> In addressing this claim, the district court placed significance on the fact that Universal initially terminated Tiger's license, and concluded that Universal had knowledge that Tiger's King Kong was substantially similar to Donkey Kong. Consequently, the district court found that Universal's licensing of Tiger's King Kong video game amounted to vicarious copyright infringement and awarded Nintendo the profits Universal accrued on the Tiger license and attorney's fees.<sup>49</sup> The Second Circuit affirmed the finding of vicarious infringement, supporting a damage award totaling \$58,689.41 and attorney's fees of \$83,525.05.<sup>50</sup>

### C. *Tortious Interference with Contract Claim*

Nintendo's final claim for tortious interference with contract failed with respect to its contracts with Coleco, Atari, and Ruby-Spears because Nintendo failed to prove a material breach of the contract, an essential element of this cause of action.<sup>51</sup> To establish its tortious interference claim Nintendo had to prove: a valid contract between Nintendo and a licensee, Universal's knowledge of the contract and inducement of a breach, and damages to Nintendo.<sup>52</sup> The district court held that Nintendo's claim was fatally deficient because Nintendo failed to show that Universal's actions in any way induced a breach or reduced the payment of royalties to Nintendo.

Conversely, the district court found that Universal tortiously inter-

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47. *Id.* 17 U.S.C. § 301(a) (1982) states, "[a]ll legal or equitable rights . . . within the general scope of copyright . . . are governed exclusively by this title. Thereafter no person is entitled to any such right or equitable right in any such work under the common law or statutes of any state."

48. *Nintendo II*, 615 F. Supp. at 857.

49. *Id.* at 857-860.

50. *Nintendo II*, 797 F.2d 70 (2d Cir. 1986). (This holding involved a separate set of facts and has no bearing on Universal's trademark claim or Nintendo's subsequent action for tortious interference with contract which are the subjects of this note).

51. *Nintendo II*, 615 F. Supp. at 860.

52. *Id.* at 860.



ferred with Nintendo's contractual relations with respect to other licensees when it sent letters threatening litigation.<sup>53</sup> The district court reasoned that Universal's threats of litigation induced breaches of the license agreements and resulted in the failure of these other licensees to pay Nintendo \$94,219.41 in guaranteed royalties. The Second Circuit affirmed the district court's finding.<sup>54</sup>

Universal argued, nonetheless, that tortious interference in the form of a threat of litigation is actionable only if instituted without good faith or probable cause.<sup>55</sup> Universal asserted that the threats of litigation were based upon a good faith belief in its trademark rights and with probable cause since it acted on the advice of counsel.<sup>56</sup> In rejecting Universal's assertion of a good faith belief, the district court reasoned that Universal knew, as a result of the earlier California litigation, that it had no rights to any visual image of King Kong from either the RKO movie or the Dino D. Laurentis Corp. ("DDL") remake and thus Universal acted in bad faith when it asserted broad rights in King Kong.<sup>57</sup> The district court further reasoned that Universal's failure to protect its rights in King Kong prior to the action against the makers of Donkey Kong lent additional support to the conclusion that Universal lacked good faith.<sup>58</sup>

In addressing Universal's assertion of probable cause to threaten litigation, the district court recognized the principle set forth in *Restatement (Second) of Torts* section 675, which provides that probable cause exists when a party acts, "[i]n reliance upon the advice of counsel, sought in good faith and given after full disclosure of all relevant facts within his knowledge and information."<sup>59</sup> Nonetheless, the district court dismissed Universal's advice of counsel claim, stating that advice of counsel is only one factor to be considered.<sup>60</sup> The district court used its bad faith conclusions to overcome Universal's reliance on advice of counsel.

In adopting the findings of the district court, the Second Circuit affirmed an award of \$94,219.56 in compensatory damages on the tortious interference claim and \$222,498.28 as punitive damages.<sup>61</sup> In addition, the Second Circuit affirmed the district court's award of \$1,142,545.70<sup>62</sup>

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53. *Id.* at 861.

54. *Nintendo II*, 797 F.2d 70 (2d Cir. 1986).

55. *Nintendo II*, 615 F. Supp. at 861.

56. *Id.* at 862.

57. *Id.*

58. *Id.*

59. RESTATEMENT (SECOND) OF TORTS § 675 (1976).

60. *Nintendo II*, 615 F. Supp. at 862.

61. *Nintendo II*, 797 F.2d 70, 75, 77 (2d Cir. 1986).

62. *Id.*

for attorney's fees incurred in defending against Universal's trademark infringement claim.

#### ANALYSIS

The flaw in the appellate court's reasoning in *Nintendo I* is that the ruling on likelihood of confusion was made without the benefit of a side-by-side comparison. As a result, it is difficult to understand how the Second Circuit held, as a matter of law, that no likelihood of confusion existed. An ad hoc determination of whether the ordinary purchaser would likely be confused by two trademarks is inevitable, since each case must necessarily turn on its own facts. This lack of uniformity and precision in determining when a likelihood of confusion exists between two trademarks is especially troubling when courts, like the Second Circuit in *Nintendo I*, hold as "a matter of law" that a defendant's use of a trademark is not likely to confuse or mislead. A ruling on likelihood of confusion, as a matter of law, is more appropriate where a side-by-side comparison of the goods is possible, such as goods sold in a supermarket.<sup>63</sup> In such a situation, a physical comparison of the shape, color and design of the marks may reveal whether the similarity between the marks is likely to cause confusion.

On the other hand, such a comparison of the trademarks is improper if the buyers do not see the trademarks side-by-side in the marketplace.<sup>64</sup> In this instance, the court must determine the purchasing public's state of mind when presented with similar trade names in different contexts. Summary judgment on the issue of likelihood of confusion is less appropriate in the latter case, where the court is faced with the difficult task of determining the ordinary purchaser's state of mind and cannot rely solely on a side-by-side comparison of the marks. Although summary judgment may be appropriate in a limited number of these situations, it is difficult to see how the Second Circuit could hold that Universal did not raise a triable issue of fact as to the likelihood of consumer confusion.

First, Universal submitted survey evidence which demonstrated actual confusion. Evidence of actual confusion is strong proof of the fact that a likelihood of confusion exists.<sup>65</sup> Despite the fact that eighteen percent of those surveyed believed that the Donkey Kong game was made with the approval of the people who produced the King Kong movies,

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63. *Lever Bros. Co. v. Winzer Co.*, 326 F.2d 817, 819 (C.C.P.A. 1964).

64. *Geigy Chem. Corp. v. Atlas Chem. Indus., Inc.*, 438 F.2d 1005, 1007 (C.C.P.A. 1971).

65. *Tisch Hotels, Inc. v. Americana Inn Inc.*, 350 F.2d 609, 612 (7th Cir. 1965).

the Second Circuit rejected the survey evidence.<sup>66</sup>

Second, Universal presented evidence of intentional copying by the Nintendo employee who designed the game. The employee testified that he referred to the Donkey Kong gorilla as "King Kong" while constructing the game, and that he had seen the King Kong movies.<sup>67</sup> Where such intent is shown it raises a presumption that deception and confusion will result.<sup>68</sup> Nintendo did not raise enough evidence to rebut this presumption.<sup>69</sup> In short, Universal presented at least enough evidence to raise a question of fact as to the likelihood of confusion.

Third, the Second Circuit recognized that the names "Kong" and "King Kong" are widely associated with large apes by the general public.<sup>70</sup> The court found, however, that when taken as a whole, the name "Donkey Kong does not evoke or suggest the name King Kong."<sup>71</sup> The court's reasoning was simple: "Donkey has no similarity in meaning or sound to the word King."<sup>72</sup> In contrast, a number of cases have held that a likelihood of confusion exists between marks with the same or similar suffix and a different prefix.<sup>73</sup> It is difficult to understand how the Second Circuit decided, as a matter of law, that the name Donkey Kong did not give an overall impression of general similarity to the name King Kong, especially in light of the court's own recognition that the "Kong" name is widely associated with apes by the general public.<sup>74</sup>

Finally, in addressing the issue of a likelihood of confusion the Second Circuit focused on the satirical nature of Donkey Kong and reasoned that at best Donkey Kong is a parody of King Kong and as such is not an infringement.<sup>75</sup> The claim of parody, however, is merely a way of arguing that the ordinary prudent purchaser is not likely to be confused as to the source of the trademark. The purpose of trademark law is to protect the public from confusion;<sup>76</sup> thus, it makes little sense to say that

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66. *Nintendo I*, 746 F.2d at 118, 119. (The court found that the survey was flawed because it utilized an improper universe, those who had already purchased rather than those intending to purchase, and because it utilized a leading question).

67. *Nintendo II*, 578 F. Supp. at 918.

68. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 158 (9th Cir. 1963).

69. *Id.*

70. *Nintendo I*, 746 F.2d at 117.

71. *Id.*

72. *Id.*

73. *Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144, 147 (3d Cir. 1953). (The term "Cotton Tips," for cotton swabs infringed trademark "Q-Tips," used for cotton tipped medical swabs).

74. *Nintendo I*, 746 F.2d at 117.

75. *Id.*

76. *Anti-Monopoly, Inc. v. General Mills Fun Group*, 611 F.2d 296 (9th Cir. 1979), *on remand* 515 F. Supp. 448 (N.D. Cal. 1981), *rev'd*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied.*,

a parody which is likely to confuse is permitted merely because it is a parody. Even if the court were to find that Donkey Kong is a parody of King Kong, it must still determine that confusion is likely.

In determining the issue of likelihood of confusion, the court failed to apply any legal test and simply concluded on the basis of the differences between the trademarks that the public ought not to be confused. However, in weighing the evidence of likelihood of confusion, the court should have strived to place itself in the role of the prospective purchaser:

In this role, the court does not act as an enlightened educator of the public but takes into account the mythical ordinary purchaser's capacity to discriminate as well as his propensity for carelessness. Accordingly, an overly analytical approach with close attention to differences is less important than the overall impression of general similarity.<sup>77</sup>

The difficulty of determining whether the ordinary buyer is likely to be confused is easily seen. The decision maker must try to decide the state of mind of other people. Furthermore, the amorphous factors listed in *Polaroid*<sup>78</sup> do very little to aid this process. The decision maker may manipulate and apply these factors in such a way to buttress his or her own personal evaluation of the trademarks. In granting Nintendo's motion for summary judgment the judges may have been too influenced by their own personal evaluations of the marks. What remains is a vague standard for determining likelihood of confusion that must be applied on a case-by-case basis.

The significance of this case extends beyond the narrow questions of who owns the trademark rights in King Kong and whether Donkey Kong infringed on the King Kong trademark. The decision in *Nintendo I* stands as a clear warning to owners of trademarks, especially in fictitious characters, that their trademarks may not be safe from confusingly similar use by others. This decision makes it easy for unauthorized users of trademarks to escape section 43(a) liability merely by using the mark in a comical or satirical manner such that no likelihood of consumer confusion results. The message of *Nintendo I* is clear—unauthorized trademark users will be permitted to take a free ride on the trademark

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CPG Prod. Corp. v. Anti-Monopoly, Inc. 457 U.S. 1227 (1982), *reh'g denied*, 460 U.S. 1104 (1982).

77. E.I. DuPont de Nemours & Co. v. Yoshida Int'l Inc., 393 F. Supp. 502, 510 (E.D.N.Y. 1975).

78. Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961), *See supra* note 31 and accompanying text.

owner's reputation, so long as the user can show enough differences between the two marks to satisfy the court that no likelihood of confusion exists.

Equally important is the court's failure to resolve the trademark issue—namely who owns the trademark in King Kong. The Second Circuit assumed for purposes of its argument that a trademark in King Kong was validly developed and that some of the rights were conveyed to Universal. The court, however, never declared precisely what rights in the King Kong trademark Universal owned. From the opinion it may logically be inferred that Universal owns a trademark in the name, character and story of King Kong and that RKO and DDL own the rights in the visual images from the 1933 and 1976 movies. This vague description of Universal's rights in King Kong provides little guidance to a third party who desires to use the name, character, story or image of King Kong. Who has the authority to grant a license authorizing the use of King Kong by a third party? How will a third party know if he or she is infringing on the King Kong trademark? These questions were left unresolved by the Second Circuit in *Nintendo I*.

In affirming an award of substantial punitive damages and attorney's fees against Universal, the Second Circuit in *Nintendo II* overlooked the realities of business negotiations. In holding that a party could not threaten litigation under these circumstances, the appellate court disregarded the fact that an individual possessing a belief in the merit of his or her claim may wish to threaten litigation in an attempt to arrive at some sort of settlement and avoid costly litigation. The appellate court in *Nintendo II* seemed to suggest that the mere threat of litigation could at some point rise to the level of bad faith, but failed to define those circumstances with any clarity. Hence, after *Nintendo II*, an individual may hesitate in asserting a claim for fear that a threat of litigation will be found to constitute bad faith.

#### CONCLUSION

When taken together, *Nintendo I* and *Nintendo II* will have a drastically negative impact on future trademark infringement litigation. Trademark owners will inevitably be disinclined to pursue even colorable trademark infringement claims for fear that a court, upon a finding of bad faith, will enter substantial compensatory and punitive damage awards and award attorney's fees. This decision will not only discourage trademark litigation, but will serve to disrupt normal business negotiations as well.

In addition, *Nintendo I* and *Nintendo II* will clearly benefit the

trademark infringer at the expense of those possessing legitimate trademark rights. More important, by protecting the trademark infringer the court is also failing to protect the general public from confusion and deception.

*Jodi Lauren Schapiro*

