

Client Alert

“A House Built on Sand”: Where does the Penn State Case Leave Sports Merchandising?

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In June 2021, Penn State filed a lawsuit for trademark infringement against online retailer, Vintage Brand, LLC for selling items containing the school’s trademarks. Vintage Brand countersued claiming, among other things, that three of the university’s marks at issue should be cancelled because they are ornamental and fail to function as trademarks. It is this claim that Penn State sought to dismiss.

On July 14, 2022 Judge Matthew W. Brann denied Penn State’s motion for summary judgment. In doing so, the court answered the narrow question: Does a symbol identify the source of the goods if it merely creates an association between it and the trademark holder? The court determined it does not. Vintage Brand argued that when consumers purchase university-branded merchandise, they do so to show their support for the school, not that the university has “produced, approved, or guaranteed the quality of the item”. Conversely, Penn State contended that “it would be unimaginable that using PENN STATE, the University, or the Pozniak Lion Logo [the trademarks at issue] on a good, no matter how prominently, could be perceived by the consuming public as anything other than an identification of Penn State as the source or second source of the good.”

The court highlighted the distinct case presented by university-trademarked apparel and merchandise because “the mark itself is the product”. To reach its conclusion, the court reasoned that the question of “whether consumers believe a university is the source, sponsor, or authorizer of merchandise bearing its marks should – minimally – turn on just that: what the consumers believe.”

The *Penn State v. Vintage Brands* case has the potential to profoundly impact the sports merchandising industry. Ultimately at issue is whether the designs on apparel and merchandise serve as source identifiers for the goods themselves. In its summary judgment ruling, the court has made it clear that trademark law does not provide university and professional sports teams exclusive control over merchandise containing their trademarks. According to law professor Mark Lemley of Stanford University, “To say the university is the only one that can communicate a message about the university is a problem...The thing the trademark owner is trying to own isn’t a connection between its brand and the product sold, it’s the image and the word itself.” Thomas Baker, Sports Law professor at the University of Georgia, put it this way, “Modern trademark law does not account for an industry dependent on third-party manufacturers that produce goods based on an exclusive license provided to them by a trademark owner.” Judge Brann acknowledges the issue and poses an insightful question: “It would seem perverse to award market exclusivity based on a fake-it-until-you-make-it approach. If consumers’ confusion stems from their incorrect belief that goods bearing Penn State’s emblem must be licensed, shouldn’t that belief be corrected, not perpetuated?”

Judge Brann charged both Penn State and Vintage Brand with answering the following questions in future motions:

- What percentage of consumers are confused about the source or sponsorship of Vintage Brand's products?
- Does this belief vary by logo or merchandise type?
- And does it stem from their belief that the law requires Penn State's permission?

He concluded the opinion by stating, “The modern collegiate trademark- and licensing-regime has grown into a multibillion-dollar industry. But that a house is large is of little matter if it's been built on sand.”

According to Professor Lemley, “[this is] very much going to be a case to watch. The trademark bar and sports associations are going to be interested in it... Unless the parties run quickly to settle, we’ve not heard the last of it.”

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