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SMART PILL

When Private Labels Need a Closer Look

What you need to know when product packaging bears a strong resemblance to a name brand.

—By Lauren Albert and David Reichenberg

Private label manufacturers routinely struggle with how closely they can come to a competing brand name's packaging without running afoul of trademark laws. Brand manufacturers, meanwhile, struggle with how aggressively to assert their trademark rights against those who aim to reference or copy their packaging. Courts have consistently looked at a private label or retailer logo placement as a key factor in assessing whether consumers are likely to be confused and whether a package violates the Lanham Act. Unexplained, however, is what the difference is between cases where the court finds the private label logo adequate to avoid liability and those where it does not. What do the commonly cited cases tell us about what private label manufacturers and brand manufacturers can do to assess the likelihood of injunctive relief, and to enhance their respective positions?

LOGO PLACEMENT AND CONFUSION

Courts deciding "private label vs. name brand" cases often look to the U.S. Court of Appeals for the Second Circuit's decision in *Bristol-Myers Squibb Co.* v. *McNeil-PPC, Inc.*, despite the fact that it was a battle between two name brands. The reason: The case, in which the maker of Excedrin PM challenged Tylenol PM's packaging, is among the first to stress that prominently displaying a logo is a strong defense against a trade dress infringement claim, even when colors, graphics, and other design elements closely mimic the senior user's packaging.

The Second Circuit found that the the name "Tylenol PM" occupied at least one-third of the product box and was as prominently displayed as "Excedrin PM." The court said, "the prominent presence of well-known trade names goes far toward countering any suggestion of consumer confusion arising from any of the other [likelihood of confusion] factors."

Using similar logic in the private label context, the U.S. Court of Appeals for the Federal Circuit in *Conopco, Inc.* v. *May Dep't Stores Co.*—in which private label packaging was challenged by the manufacturer of Vaseline Intensive Care lotion—found that, since retailers often sell national brands as well as their own private label goods, where the private label product "is clearly labelled [sic] and differentiated" from the national brand, there is no likelihood of confusion.

In *Pfizer Inc* v. *Perrigo Co.*, the Southern District of New York found that the private labels on products that competed with dental rinse PLAX were not likely to confuse consumers when, instead of using the mark "PLAX," the products used "Anti-Plaque" and prominently featured the private brand logo. The court also emphasized that some of the private labels at issue used white or yellow lettering for "Anti-Plaque" against a primarily blue background while the PLAX label used blue lettering against a mostly white background. The plaintiff's label also used a blue and white grid; the private labels did not.

PLACEMENT NOT ALWAYS ENOUGH

It should be noted that the inclusion of the private label's logo or store brand alone, however, is not sufficient to avoid Lanham Act liability. In *McNeil Nutritionals, LLC* v. *Heartland Sweeteners LLC*, which involved Ahold and Splenda sweeteners, the U.S. Court of Appeals for the Third Circuit confirmed that a private label must display its logo or name prominently. In reversing the district court, which found numerous similarities between the Ahold and

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Splenda boxes, the Third Circuit found that the private label sweeteners manufactured for Giant, Stop & Shop and Tops (all owned by Ahold) did not adequately meet that standard. The Third Circuit emphasized that consumers' awareness of where they are shopping and of store-brand products is not an absolute Lanham Act defense. Though the Third Circuit noted the differences between the boxes, it found that the district court had erred in finding an absence of a likelihood of confusion.

Similarly, in *McNeil-PPC, Inc.* v. *Guardian Drug Co.*, the Eastern District of Michigan enjoined a retailer, Arbor Drugs, from using a label on its "Arbor Ultra Lactase" digestive aid on the basis that it was likely to cause confusion with McNeil's "Lactaid Ultra." The court barred the label's use despite the "Arbor" name's promience

The court distinguished the Guardian case from *Bristol-Myers Squibb* on the basis that in the latter, both Excedrin and Tylenol had strong name identification with buyers and therefore their own secondary meaning, dispelling any likelihood of confusion.

LESSONS: PRIVATE LABEL MAKERS The main lesson for private label manufacturers to take from these cases is that a necessary, but not sufficient, requirement to avoid Lanham Act liability is that the store name or brand be prominently displayed. "Prominence," though, is not easily defined. In the case of the private label versions of Splenda, the circuit court found that the Ahold store brand names were not prominently displayed, appearing across only about 10 percent of each package. But in the case of the private label versions of PLAX, the court found that similarly sized store names did constitute a prominent display. So the first step in designing private label packaging is to make the name as large as possible.

Second, private label products with well-known store names or brands may have more leeway to copy the brand. But not all private labels have the benefit of reaching a high level of recognition.

If the store name or brand is not well-known, the private label manufacturer should use several distinguishing elements on its packaging. For example, where "PLAX" appeared on that brand's antiplaque product, "Anti-Plaque" appeared on packaging for the private label products; some also used a different-color background, which is helpful as a distinguishing feature.

LESSONS: BRAND MANUFACTURERS

The converse of the above is likely to be of use for brand manufacturers: Where the private label's store name or brand is not prominently displayed or well-known, and where there are no other distinguishing elements, there may be a substantial basis for injunctive relief.

The brand manufacturer should design packaging unlikely to be imitated. The look should be as distinct as possible and should be promoted so that it is widely viewed as being synonymous with the brand itself (the way a light blue box is synonymous with Tiffany jewelry). Case law indicates that the more widely recognized or unique a brand's packaging, the more recognized or otherwise distinguishable a private label package must be to combat the likelihood of confusion. Because Splenda's packaging, for example, had gained wide consumer recognition, the only private labels that escaped condemnation were those with distinct graphical elements. Also, because Lactaid Ultra's packaging was found to be unique, the prominent display of the Arbor logo wasn't enough to dispel the likelihood of confusion.

> **A brand-name product's look should be promoted so that it is widely viewed as being synonymous with the brand itself.**

The brand manufacturer should also consider doing periodic surveys to confirm consumer recognition of its packaging. If possible, the surveys should be completed under the direction of an attorney, so that the results can potentially be protected as attorney-work product (otherwise, a survey may be used against a manufacturer in litigation if the results are negative). Additionally, a brand should consider updating its packaging so that, should a private label copy the revision, the brand has a strong case that the private label is seeking to capitalize on consumer recognition. In sum, the brand should take all measures that link the value of its brand to its packaging, thus making it more difficult for a private label to claim that a store brand name or logo dispels any likelihood of confusion. ■

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