

# Third Circuit Decision Clarifies Proper Use of *Lapp* Factors in Trade Dress Infringement Actions

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On December 24, 2007, the U.S. Court of Appeals for the Third Circuit handed down an important decision that clarifies how district courts are to analyze and weigh the *Lapp* factors in a trade dress infringement action involving store brands. The *Lapp* factors, named after the Third Circuit's decision in *Interpace Corp. v. Lapp Inc.*, are used to determine whether a plaintiff in a Lanham Act case has demonstrated a likelihood of consumer confusion.

In the case, captioned *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC, et al.*, McNeil Nutritionals, LLC ("McNeil"), makers of SPLENDA products, a well-known national brand of sucralose artificial sweetener, sued Heartland Packaging Corp. ("Heartland"), manufacturers and distributors of store-brand sucralose for five supermarket chains, namely Stop & Shop, Giant, Tops, Food Lion and Safeway, for trade dress infringement. McNeil claimed that Heartland's store-brand product packaging was confusingly similar to that of SPLENDA products. The district court held that the Food Lion and Safeway packages were not sufficiently similar to the SPLENDA packaging to lead to consumer confusion. For the products from the other three stores, the district court found that although they were similar, McNeil had failed to demonstrate a likelihood of consumer confusion. The Third Circuit's decision upholds the district court's ruling on the Food Lion and Safeway packaging, but orders the district court to reconsider its denial of McNeil's request for a preliminary injunction with respect to the

packaging for the Stop & Shop, Giant and Tops products.

At the center of the Third Circuit's decision is its clear instruction that the first *Lapp* factor, the degree of similarity between the plaintiff's trade dress and the allegedly infringing trade dress, is the most important factor in a likelihood of confusion analysis, especially where the goods are directly competing. U.S. Circuit Judge D. Michael Fisher stated that the district court "committed clear error" by finding that the first factor weighed in McNeil's favor for the products from the Stop & Shop, Giant and Tops stores, but nonetheless holding that the balancing of all of the factors led to a finding of no likelihood of confusion.

The district court had found that McNeil failed to show a likelihood of confusion because customers are accustomed to seeing store-brand products next to national brands on supermarket shelves. In addition, the district court found that the presence of the store name or logo on each of the store-brand products, as well as other signals to consumers, such as price differentials and shelf-talkers inviting consumers to compare and save, sufficiently notify consumers that the products are not the same. The Third Circuit disagreed with the district court's reasoning and cautioned that the "[t]he danger in the District Court's result is that producers of store-brand products will be held to a lower standard of infringing behavior, that is, they effectively would acquire *per se* immunity as long as the store brand's name or logo appears somewhere on the allegedly infringing package, even when the name or logo is tiny." According to the Third Circuit, "[t]he Lanham Act does not support such a *per se* rule."

At the same time, the Third Circuit stated that the presence of a store logo or name on a package should "play a role in the inquiry." In the case of the Food Lion and Safeway packages, the prominent display of the "store-specific signature" reduced the degree of similarity between the products and the likelihood of consumer confusion. Accordingly, the Third Circuit stated that "store brands can 'get away' with a little



more similarity than other defendants' products when they display prominently a well-known label, e.g., a store-specific signature, on their packages, but they cannot copy the national brands to such a degree of similarity, then merely affix a tiny differentiating label, as to become entirely immune to infringement actions."

As for the other *Lapp* factors, the Third Circuit did not find clear error with the district court's findings. Regarding the third *Lapp* factor, the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase, the Third Circuit did not find clear error with the district court's determination that the level of care and attention consumers use when purchasing artificial sweeteners are heightened because they frequently purchase these products for health reasons. The Third Circuit stated that such health considerations typically cause consumers to exercise more care in their purchasing decisions than they otherwise might for low-priced products.

Likewise, the Third Circuit did not find clear error with the district court's decision regarding the sixth *Lapp* factor, evidence of actual confusion. The Third Circuit upheld the district court's finding that evidence of actual confusion from a "surgical strike" shopper was unrepresentative of the typical shopper in light of those shoppers' brand indifference and fast pace of shopping.

The Third Circuit's decision in *McNeil* provides brand owners with important guidance as to how district courts will analyze and weigh the *Lapp* factors in a trade dress infringement action involving store brands. The Third Circuit reaffirmed that the degree of similarity between a plaintiff's trade dress and an allegedly infringing trade dress is the most important factor in the analysis. **IP**