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Tiger Lily Ventures Ltd v. Barclays Capital Inc.: TM Holders, Don't Skimp on the Merchandizing Budget

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When I discuss trademarks with clients, I often make the point that unlike copyrights and patents, trademarks, although registered by the hopeful future trademark-holder are largely for the benefit of the public. More accurately, the benefit of the consumer. A client's trademark designates to the consumer the source of goods and can mature to carry with it an expectation, and expectation of quality that the consumer can rely upon when purchasing a marked product.

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Hence, the trademark holder must continuously use the mark to maintain it and the trademark holder cannot nakedly license the trademark because these actions would damage this trust that the trademark instills in the consumer. Of value to the trademark holder, as well as to the consumer, who will recognize and therefore purchase from a brand, ultimately, is the goodwill associated with the trademark.

Beyond even the goodwill, trademark holders have argued that the consumer recognition of their brands is important, but given that trademarks are registered in different classes, depending on the goods and services sold by the trademark holder, an issue that has been litigated is whether a consumer would be confused when buying an unfamiliar product with a familiar name. For example, will a consumer associate a well-known coffee shop with tractor repair supply merchandise and become confused? Courts have often looked to the sophistication of the buyers in this scenario.

The goodwill associated with trademarks and the most amorphous ideas of consumer recognition are both relevant in *Tiger Lily Ventures Ltd v. Barclays Capital Inc.*, a case appealed from a decision by the Trademark Trial and Appeal Board (TTAB) and decided by the Federal Circuit earlier this month. Certain aspects of the Federal Circuit's decision were surprising and can have interesting implications for trademark seekers and holders in the future.

The LEHMAN BROTHERS trademark is at issue in Tiger Lily Ventures. After the mythic collapse of Lehman Brothers (on September 15, 2008, at that time the largest bankruptcy filing in the United States), Lehman Brothers assigned its marks and accompanying goodwill to Barclays. Before its collapse, Lehman Brothers has used its LEHMAN BROTHERS trademark and its name on a large range of promotional goods, such as alcohol-related goods including whiskey decanters, wine gift sets, wine books, wine carriers, and coasters. Possibly because the name "Lehman Brothers" no longer represents anything aspirational in finance and because Barclays' current trademark portfolio is at least heavily in the financial services and financial services support (e.g., technology and transactional security), Barclays allowed the LEHMAN BROTHERS trademarks to expire because they did not use them. Regardless of the motivation of Barclays, though, Tiger Lily applied to register the LEHMAN BROTHERS trademark for its whiskey. The Lehman Brothers whiskey webpage boasts, "With cleverness, bullishness, excess, power and glory in every drop, these are whiskies for the new masters of the universe – and like Lehman Brothers itself, they go down in style. . . Lehman Brothers' Whiskies – the spirit of the age of shameful excess." In the same spirit (pun intended), Tiger Lily named one of the whiskies, "Lehman Brothers: Ashes of Disaster." Barclays opposed the registration stating, in its filings, "[A]ll goodwill arising from the LEHMAN marks, including the mark LEHMAN BROTHERS, by Lehman Brothers insures to Barclay's benefit. But throughout the TTAB proceeding and again, to the Federal Circuit, Tiger Lily argued that there is no goodwill to trade on. Rather, Tiger Lily admits to attempting to trade on the "bad will" associated with the LEHMAN BROTHERS trademark. It stated that it had filed its application only after Barclays had abandoned the LEHMAN BROTHERS trademarks.

Tiger Lily lost both in front of the TTAB and at the Federal Circuit. In its decision, the Federal Circuit did not appreciate Tiger Lily's attempt to distinguish "consumer recognition" from "goodwill" as its argument that it was using the "bad will" associated with the name to promote its brand. Tiger Lily did not dispute that it was drawing a connection between its goods and Lehman Brothers, the business. The argument is interesting given that Barclays had argued specifically that it is entitled to the goodwill associated with the LEHMAN BROTHERS trademarks. Tiger Lily had argued (possibly correctly, given the spectacular implosion of Lehman Brothers) that there is no goodwill to dispute. The Federal Circuit was not persuaded by this distinction but if one is not benefitting from goodwill associated with a brand, is one truly confusing any customers? The Federal Circuit stated that Tiger Lily had no legal support for its distinction but perhaps the issue will emerge again in cases that follow.

Somewhat concerning, or encouraging depending on one's position in a dispute, was the reliance of both the TTAB and the Federal Circuit on the promotional items Lehman Brothers had gifted its clients before its collapse. These included the aforementioned whiskey decanters, wine gift sets, wine books, wine carriers, and coaster, but also hats, bags, umbrellas, apparel, jackets, pens, calculators, cigar humidors, water pitchers, bowls, mouse pads, luggage tags, trays, paperweights, key chains, mugs, and water bottles. During this dispute, Barclays, its claim on the LEHMAN BROTHERS trademarks was strictly under common law – they had let the registered marks become abandoned. Both the TTAB and the Federal Circuit looked to these promotional items and the fact that they were actively traded among collectors as evidence that there could be consumer confusion with a LEHMAN BROTHERS alcoholic beverage.

Generally, collectors are quite sophisticated and thus, a confusion argument involving this group of consumers would be hard to mount. Also concerning is that the TTAB and the Federal Circuit seemed to view the abundance of promotional items as evidence that Barclays could and would expand the LEHMAN BROTHERS trademarks to products that related to alcohol and thus, consumers could be confused if Tiger Lily used the mark on whiskey.

A possible takeaway from this case, which is likely unintended, is that clients who wish to solidify their brands and protect their trademarks should print and distribute promotional items that are in classes that differ from their core businesses. Barclays was largely able to defend its rights to the LEHMAN BROTHERS trademarks in the alcohol industry and advance what was considered a good faith argument because Lehman Brothers, the firm, before its collapse, gave away wine decanters to clients. It is arguably a strange position to take that promotional items are indicative of consumer-perceived brand expansion. But unless and until the underlying logic in this case is re-examined, trademark owners would be well-served to provide their clients with a lot of swag. It may prove the lynch pin for excluding others from using its marks.

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