

19-2390

United States Court of Appeals
for the
Fourth Circuit

FLEET FEET, INCORPORATED,

Plaintiff/Appellee,

– v. –

NIKE, INC.; NIKE USA, INC.; NIKE RETAIL SERVICES, INC.,

*Defendants/Appellants.*ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA AT GREENSBORO

**DEFENDANTS-APPELLANTS’
OPENING BRIEF**

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

DISCLOSURE STATEMENT

- In civil, agency, bankruptcy, and mandamus cases, a disclosure statement must be filed by **all** parties, with the following exceptions: (1) the United States is not required to file a disclosure statement; (2) an indigent party is not required to file a disclosure statement; and (3) a state or local government is not required to file a disclosure statement in pro se cases. (All parties to the action in the district court are considered parties to a mandamus case.)
- In criminal and post-conviction cases, a corporate defendant must file a disclosure statement.
- In criminal cases, the United States must file a disclosure statement if there was an organizational victim of the alleged criminal activity. (See question 7.)
- Any corporate amicus curiae must file a disclosure statement.
- Counsel has a continuing duty to update the disclosure statement.

No. 19-2390Caption: Fleet Feet Inc., v. NIKE, Inc. et al.

Pursuant to FRAP 26.1 and Local Rule 26.1,

NIKE, Inc.

(name of party/amicus)

who is _____ Appellant _____, makes the following disclosure:
 (appellant/appellee/petitioner/respondent/amicus/intervenor)

1. Is party/amicus a publicly held corporation or other publicly held entity? YES NO
2. Does party/amicus have any parent corporations? YES NO
If yes, identify all parent corporations, including all generations of parent corporations:
3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? YES NO
If yes, identify all such owners:

4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation? YES NO
If yes, identify entity and nature of interest:
5. Is party a trade association? (amici curiae do not complete this question) YES NO
If yes, identify any publicly held member whose stock or equity value could be affected substantially by the outcome of the proceeding or whose claims the trade association is pursuing in a representative capacity, or state that there is no such member:
6. Does this case arise out of a bankruptcy proceeding? YES NO
If yes, the debtor, the trustee, or the appellant (if neither the debtor nor the trustee is a party) must list (1) the members of any creditors' committee, (2) each debtor (if not in the caption), and (3) if a debtor is a corporation, the parent corporation and any publicly held corporation that owns 10% or more of the stock of the debtor.
7. Is this a criminal case in which there was an organizational victim? YES NO
If yes, the United States, absent good cause shown, must list (1) each organizational victim of the criminal activity and (2) if an organizational victim is a corporation, the parent corporation and any publicly held corporation that owns 10% or more of the stock of victim, to the extent that information can be obtained through due diligence.

Signature: /s/ Richard T. Matthews

Date: 12/18/2019

Counsel for: Appellant NIKE, Inc.

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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- Counsel has a continuing duty to update the disclosure statement.

No. 19-2390Caption: Fleet Feet Inc., v. NIKE, Inc. et al.

Pursuant to FRAP 26.1 and Local Rule 26.1,

NIKE USA, Inc.

(name of party/amicus)

who is _____ Appellant _____, makes the following disclosure:
(appellant/appellee/petitioner/respondent/amicus/intervenor)

1. Is party/amicus a publicly held corporation or other publicly held entity? YES NO
2. Does party/amicus have any parent corporations? YES NO
If yes, identify all parent corporations, including all generations of parent corporations:

NIKE, Inc.
3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? YES NO
If yes, identify all such owners:

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Signature: /s. Richard T. Matthews

Date: 12/18/2019

Counsel for: Appellant NIKE USA, Inc.

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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- Counsel has a continuing duty to update the disclosure statement.

No. 19-2390Caption: Fleet Feet Inc., v. NIKE, Inc. et al.

Pursuant to FRAP 26.1 and Local Rule 26.1,

NIKE Retail Services, Inc.

(name of party/amicus)

who is _____ Appellant _____, makes the following disclosure:
(appellant/appellee/petitioner/respondent/amicus/intervenor)

1. Is party/amicus a publicly held corporation or other publicly held entity? YES NO
2. Does party/amicus have any parent corporations? YES NO
If yes, identify all parent corporations, including all generations of parent corporations:

NIKE Retail Services, Inc. is a wholly-owned subsidiary of NIKE USA, Inc.
3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? YES NO
If yes, identify all such owners:

4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation? YES NO
If yes, identify entity and nature of interest:
5. Is party a trade association? (amici curiae do not complete this question) YES NO
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Signature: /s/ Richard T. Matthews

Date: 12/18/2019

Counsel for: Appellant NIKE Retail Services, Inc.

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Defendants-Appellants NIKE, Inc., NIKE USA, Inc., and NIKE Retail Services, Inc. (collectively, “NIKE”) file this opening brief on appeal from the district court’s December 2, 2019 preliminary injunction.

INTRODUCTION

This appeal arises from Fleet Feet’s complaint that NIKE’s use of “Sport Changes Everything” in a short-lived advertising campaign, which focused on how sports change lives, infringed Fleet Feet’s alleged trademarks “Change Everything” and “Running Changes Everything.” The campaign began in July 2019, and despite many millions of documented views of the campaign, no consumer reported even a single instance of actual confusion. Nor did Fleet Feet have any other evidence of actual and imminent irreparable harm from the use of “Sport Changes Everything” in NIKE’s advertising campaign. The district court nonetheless imposed the extraordinary remedy of a preliminary injunction on a “reverse confusion” theory of trademark infringement. That was an abuse of discretion.

In addition to the district court’s legal errors on irreparable harm, NIKE’s use of “Sport Changes Everything” was fair under the Lanham Act. The court committed several legal errors in failing to recognize that NIKE did not use the tagline as a trademark, that NIKE’s use was merely descriptive in the sense required for fair use, and that NIKE did not act in bad faith in selecting the term.

The court's reverse confusion analysis was also infected by legal errors, especially with respect to actual confusion, intent, and similarity of marks. These are additional reasons why it was an abuse of discretion to enjoin Nike at the threshold of the case. Fleet Feet failed to meet its burden of showing both irreparable harm and a likelihood of success on the merits, and the district court's contrary rulings are reversible error. The preliminary injunction therefore should be vacated.

JURISDICTIONAL STATEMENT

The district court had subject matter jurisdiction over this federal trademark case under 28 U.S.C. § 1331. The court entered its preliminary injunction on December 2, 2019. NIKE filed its notice of appeal on December 3, 2019. This Court has jurisdiction over this appeal under 28 U.S.C. § 1292(a)(1).

STATEMENT OF ISSUES

Did the district court commit reversible legal error, and therefore abuse its discretion, by entering a preliminary injunction on a reverse confusion theory of trademark infringement where:

- (1) there was no evidence of actual and imminent irreparable harm;
- (2) Fleet Feet is unlikely to defeat NIKE's fair use defense; and
- (3) there was no basis for finding a likelihood of reverse confusion between the alleged marks?

STATEMENT OF THE CASE

A. Fleet Feet's Asserted Trademarks

Fleet Feet is primarily a retail seller of running shoes, running apparel, and other running gear. (JA 1982; *see also* JA 176; JA 1484.) Fleet Feet sells products made by many different companies, including NIKE. (JA 176, 194-95, 1982.) Fleet Feet allegedly uses “Change Everything” and “Running Changes Everything” as trademarks. (JA 1982.) For the word mark “Change Everything,” Fleet Feet owns a federal trademark registration with respect to three categories of use. (JA 1982-85.) Fleet Feet alleged that it used these two phrases in various ways, including as advertising slogans in its stores and on its website. (JA 1983, 1986-87.) The district court found: “On T-shirts, in stores, online, and in social media, [“Change Everything” and “Running Changes Everything” are] typically displayed next to, or on the other side of the T-shirt from, another Fleet Feet mark, such as the company name or ‘flame’ symbol.” (JA 1984, 1987.)

B. NIKE's “Sport Changes Everything” Advertising Campaign

In July 2019, NIKE began an advertising campaign to deliver a message important to NIKE and its consumers: sport is a platform for change—a means to change ourselves, our community, and our world. (JA 402-05, 408.) NIKE used the term “Sport Changes Everything” (“SCE”) as the tagline of the campaign (the “Campaign”). (JA 402.) The Campaign was intended to run only about seven

months until February 2020. (JA 402, 408.) NIKE had no plan to use SCE either separately from the Campaign or in any form after the Campaign ended. (JA 402, 408.) Both Fleet Feet and the district court were apprised of this fact. (JA 402, 408, 417-18.)

NIKE's creation of the Campaign and selection of SCE had nothing to do with Fleet Feet or its claimed trademarks. (JA 401-02, 408, 415-16.) Nor was NIKE using the phrase as a trademark, as shown by a number of facts, including NIKE's short-term advertising use of SCE. (JA 401-03, 408-09, 415-16.)

NIKE invested substantial resources into the Campaign, whose message reflects NIKE's core mission to bring inspiration and innovation to every athlete in the world. (JA 402-406.) NIKE used the Campaign in connection with community outreach efforts, including numerous events for athletes and children throughout the U.S. and an in-store give-back program where NIKE customers can contribute to a non-profit organization that serves girls in cities in the U.S. and Canada. (JA 404.) The Campaign included, among other things, a number of inspirational videos available on YouTube and highlighted many different sports and the change they can inspire in individuals and communities. (JA 403, 409; *see also* JA 425-62, 479-88, 1991-92.) While it featured running among those different sports, it did not focus on running. (JA 403, 409; *see also* JA 425-62, 479-88.) At the time the district court shut it down, about two months remained in

the Campaign. (JA 402.) At that stage, NIKE was unable to replace the Campaign before the season ended. (JA 406, 410-11.)

C. Fleet Feet's Lawsuit

Fleet Feet sued NIKE on August 30, 2019 and amended its complaint shortly thereafter. (JA 5-6.) Fleet Feet alleged that NIKE's Campaign infringed its asserted trademarks in "Change Everything" and "Running Changes Everything." (JA 19.) Fleet Feet also accused NIKE's very limited use of "Running Changes Everything" of infringement (JA 19), but NIKE promptly and voluntarily ceased all use of that particular phrase (JA 30). NIKE also voluntarily canceled upcoming running-related uses of the Campaign after the dispute commenced as a show of good faith to Fleet Feet, a NIKE business partner. (JA 405, 409-10, 417-18.)

Fleet Feet moved the district court for a preliminary injunction on September 19, 2019, just over two months after it had become aware of the Campaign. (JA 6.) NIKE answered the complaint, filed counterclaims, and opposed the preliminary injunction motion. (JA 8-9.) NIKE also filed with the Trademark Office two petitions to cancel Fleet Feet's registrations for "Change Everything." (JA 497.) The district court heard argument on the preliminary injunction motion on November 5, 2019. (JA 13.) On November 22, 2019, the district court issued an order stating it was "in the process of finalizing an opinion granting the motion for preliminary injunction and contemplates entering an opinion with findings and

conclusions and a separate preliminary injunction.” (JA 14.) As requested, the parties then filed letter briefs and proposed orders. (JA 14.)

D. The District Court’s Preliminary Injunction Order and Opinion

On December 2, 2019, the district court entered the preliminary injunction and issued an accompanying opinion. (JA 2029-2031 [preliminary injunction order]; JA 1978-2028 [opinion].) NIKE appealed the next day. (JA 2032-34.) The district court and this Court denied NIKE’s motions to stay the preliminary injunction pending appeal. (JA 12.)

The preliminary injunction prohibits NIKE from making, with certain limited exceptions, “any use whatsoever of the phrase ‘Sport Changes Everything,’ or any other designation confusingly similar to the RUNNING CHANGES EVERYTHING and CHANGE EVERYTHING marks owned by plaintiff” in connection with the advertising or sale of its goods and services. (JA 2029-30.) The district court required Fleet Feet to post a \$1 million bond. (JA 2031.)

In its accompanying opinion, the district court ruled that Fleet Feet had met all the requirements for a preliminary injunction. (JA 1978.) In its factual findings, the court acknowledged that, in contrast to a few members of the NIKE running sales group, “[n]one of the people on the Nike creative team who developed the ‘Sport Changes Everything’ campaign worked with Fleet Feet or were familiar with Fleet Feet’s ‘Change Everything’ and ‘Running Changes

Everything' marks." (JA 1989-90.) The court also found that the Campaign is directed towards multiple sports and that NIKE's uses of SCE are usually accompanied by a NIKE trademark. (JA 1990.) The district court also observed that Nike did not present evidence that it had conducted a trademark search before beginning to use the SCE phrase. (JA 1989-90.) The court decided to infer this fact anyway and pronounced: "From this silence and Nike's level of business sophistication generally and as to trademarks specifically, the Court infers and finds for purposes of this motion that Nike did do such a search and was aware of Fleet Feet's 'Change Everything' mark." (JA 1989-90 & n.29, citing NIKE's history as plaintiff and defendant in trademark litigation.)

In its legal conclusions, the district court first addressed likelihood of success on the merits, then irreparable harm, and then the other preliminary injunction factors. Regarding the first element of a trademark claim, the district court ruled that Fleet Feet had shown a likelihood of success on the merits as to the validity of its marks. (JA 2003.) NIKE reserves the right to contest validity in the underlying full litigation on the merits and before the Trademark Office. But NIKE does not raise likelihood of success on validity as an issue in this appeal from the preliminary injunction. Rather, NIKE challenges on legal grounds the three district court rulings summarized below.

1. The District Court's Likelihood of Confusion Ruling

After dispensing with validity, the district court evaluated Fleet Feet's assertions of both forward and reverse trademark confusion—ultimately rejecting the former theory while embracing the latter. (JA 2017-18.) The court concluded that “the evidence is almost non-existent that consumers would connect Nike's products with Fleet Feet, rather than with Nike. But the evidence is strong that consumers may come to associate Fleet Feet's marks, and thus its services and products, with Nike, not with Fleet Feet.” (JA 2017-18.) The district court based this conclusion on seven of the likelihood of trademark confusion factors outlined by this Court in *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984) (“the *Pizzeria Uno* factors”). (JA 2005-17.)

First, the district court addressed the strength of marks factor. (JA 2005-11.) For conceptual strength, the court concluded “while neither mark has great conceptual strength, [Running Changes Everything] is stronger than [Change Everything], and both are protectable without evidence of secondary meaning.” (JA 2008.) For commercial strength, the court concluded that owning a weak mark supported Fleet Feet, and found that “Fleet Feet's evidence of commercial strength for [the marks] is too thin to support a finding of forward confusion—but it strongly supports a finding of reverse confusion.” (JA 2008.)

In making its determination that the strength factor should be flipped in reverse confusion cases, the court adopted reasoning from another circuit (JA 2005) even though not all circuits agree. The Sixth Circuit, for example, has reasoned that regardless of the theory of confusion, the Lanham Act is meant to protect strong marks. *See e.g., Progressive Distribution Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416, 431 (6th Cir. 2017) (“[W]e never distinguished between reverse or forward confusion claims in analyzing the strength of the mark factor. And we certainly never held that a plaintiff’s showing that his mark is weak is the very foundation of reverse confusion. Rather, this Court explicitly stated that the stronger a trademark, the greater the protection afforded.”) (internal quotation marks omitted).

Second, the district court addressed the alleged similarity of NIKE’s use of “Sport Changes Everything” in its advertising campaign to Fleet Feet’s marks. (JA 2011-13.) The court ruled that NIKE’s use of SCE is “quite similar” to Fleet Feet’s marks and that NIKE’s frequent use of its house marks (*e.g.*, the NIKE name and Swoosh Design) with SCE “increases the likelihood of reverse confusion as consumers are likely to associate Fleet Feet’s similar marks with Nike instead of with Fleet Feet.” (JA 2012.) According to the district court, “consumers who are familiar with Fleet Feet’s marks and who are now exposed to Nike’s extensive

SCE campaign may yet think that Nike has bought Fleet Feet or otherwise be confused as to the relationship between the two companies.” (JA 2013.)

Third, the district court ruled that the “similarity of goods or services the marks identify” factor favored Fleet Feet, despite the fact that Fleet Feet is primarily a franchise retailer of running gear that sells numerous brands, while NIKE makes and sells a wider variety of NIKE’s own sporting goods. (JA 2013.)

Fourth, in ruling that the “similarity of facilities” factor favors Fleet Feet, the court asserted: “The fact that Fleet Feet sells Nike products in its own stores—that it is a customer as well as a competitor of Nike, *supra* at ¶ 8—markedly increases the risk of confusion here.” (JA 2013.) The court again expressed concern that, “upon seeing ‘Change Everything’ and ‘Running Changes Everything’ marks [in a Fleet Feet store], [consumers] may assume that, or wonder if, Nike owns or controls Fleet Feet.” (JA 2014.)

The court did not address, however, the reasonableness of such an assumption in light of the fact that Fleet Feet also sells running shoes and apparel from other companies that compete with NIKE. (JA 2013-14.) In other words, the district court did not address whether it would be reasonable to assume NIKE owns or controls a non-NIKE-branded retail outlet that also sells Under Armour, New Balance, etc. (JA 2013-14; *see also* JA 176 [“Fleet Feet sells products from nearly every major running and fitness manufacturer.”]; JA 194-95 [Fleet Feet website

screenshot that displays 25 “Fleet Feet Brand Partners,” including NIKE and competitors of NIKE].) Nor did the district court address the reasonableness of making this assumption based on NIKE’s use of SCE when Fleet Feet already has long displayed and sold NIKE products in its stores and on-line. (JA 2013-14.)

Fifth, in ruling that the “similarity of advertising” factor favors Fleet Feet, the district court again found it significant that “Fleet Feet is a customer as well as a competitor of Nike.” (JA 2015.) The court again did not address whether it would be reasonable to assume NIKE owns or controls a non-NIKE-branded retail outlet that also sells products that directly compete with NIKE’s. (JA 2015.)

Sixth, the district court ruled that intent weighed in NIKE’s favor on forward confusion but against NIKE on reverse confusion. (JA 2016-17.) In rejecting intent for forward confusion, the district court observed that “Fleet Feet has not presented any evidence that Nike intended to capitalize on Fleet Feet’s good will” and instead “point[ed] only to Nike’s [alleged] failure to conduct a trademark search.” (JA 2016.) But the court applied a much lower standard for reverse confusion: ““whether the junior user adopted the infringing mark knowing, or recklessly disregarding, the senior user’s mark—not whether the junior user intended to trade on the senior user’s goodwill and reputation.”” (JA 2016, quoting *The Coryn Group II, LLC v. O.C. Seacrets, Inc.*, 868 F. Supp. 2d 468, 487-88 (D. Md. 2012).) The court repeated and relied heavily on its earlier finding that

“[w]hile the record does not reflect whether Nike did a trademark search in advance of the campaign, the Court infers Nike likely did so, *supra* at ¶ 28, and such a search would have turned up the ‘Change Everything’ mark.” (JA 2016.)

Seventh, the district court ruled that the actual confusion factor favored NIKE. (JA 2017.) After noting that actual confusion is not an absolute prerequisite to showing likelihood of confusion, the district court observed: “But the lack of *any* indication of confusion, particularly given the broad reach of Nike’s campaign thus far, calls its existence into question.” (JA 2017, emphasis in original.) The court based this conclusion on the “number of Nike’s SCE videos posted online and the total number of views”—more than 18 million—during the first four months of the Campaign. (JA 2017.)

The district court thus concluded that the remaining two months of the Campaign were “likely to swamp Fleet Feet’s marks in the market and to cause consumers to link Fleet Feet’s marks with Nike.” (JA 2018.) The court did not explain how the last two months of the Campaign would create confusion when the prior four months did not result in any evidence of actual consumer confusion.

2. The District Court’s Fair Use Ruling

Turning to NIKE’s fair use defense, the district court first ruled that the Campaign’s prominent display of “Sport Changes Everything” and NIKE’s frequent placement of its house marks near those words meant that NIKE was

using SCE as a trademark. (JA 2019-20.) Second, the court deemed NIKE’s use of SCE to be non-descriptive on the same theory—suggestiveness—on which it ruled Fleet Feet’s marks distinctive for purposes of validity. (JA 2020.)

On the third factor (good faith), the district court acknowledged that “it does not appear Nike intended to confuse the public by using SCE.” (JA 2020.) Yet the court nonetheless labeled NIKE’s evidence of good faith “not compelling” and stated that NIKE “has not denied that many of its employees work closely with Fleet Feet and were aware of its marks, *see supra* at ¶ 28, which is relevant for reverse confusion.” (JA 2020-21.)

3. The District Court’s Irreparable Harm Ruling

Turning to the other preliminary injunction requirements, the district court ruled there was irreparable harm based on “Nike’s market power, online and social media presence, and the wide-ranging placement of the [Campaign] in stores, billboards, and otherwise.” (JA 2022.) The court also opined that NIKE’s “inten[t] to use ‘Sport Changes Everything’ only until February 2020” supported irreparable harm to Fleet Feet and that the harm was difficult to quantify. (JA 2022.) According to the district court, “[t]he more consumers see ‘Sport Changes Everything’ before they see Fleet Feet’s similar marks, the more likely it is they will ‘come to assume’ that Fleet Feet’s products are really Nike’s or to associate all three marks with Nike.” (JA 2022.) The court relied on this same theory of

irreparable harm in also ruling that the balance of equities and public interest favored a preliminary injunction. (JA 2024-25.)

The court explained away Fleet Feet's lack of evidence of a decrease in revenue or franchisees by saying "this form of harm takes time to rise to the surface." (JA 2023.) The court also cited the concern of one franchisee who allegedly contacted Fleet Feet after seeing the Campaign, but without any suggestion that the franchisee or any of its customers had been confused. (JA 2023-24.)

SUMMARY OF ARGUMENT

The district court's preliminary injunction depends on several legal errors. It was therefore an abuse of discretion for the district court to award this extraordinary remedy.

First, there was no evidence of actual and imminent irreparable harm. Instead, there was just legally insufficient speculation about remote possibilities that NIKE's Campaign—in its two remaining months—would overwhelm Fleet Feet's marks such that they would irreparably lose their value. The decision thus amounted to a presumption of irreparable harm that carried the day for Fleet Feet. This presumption should be definitively rejected in this case as incompatible with the Supreme Court's decisions in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), and *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008).

Once the presumption is gone, there is nothing left to support the injunction. Despite having the burden to prove irreparable harm, Fleet Feet presented no evidence that it was likely to be irreparably harmed without a preliminary injunction, and the district court cited none. The court instead merely restated the reverse confusion theory of trademark infringement and assumed that NIKE's market power meant that its short-lived advertising use of SCE would overwhelm Fleet Feet's use of its marks. This was a legal error that warrants vacating the preliminary injunction.

In fact, irreparable harm in reverse confusion cases is best evidenced by actual consumer confusion. Yet the court itself found that “the lack of *any* indication of confusion, particularly given the broad reach of Nike's campaign thus far, calls its existence into question.” (JA 2017.) Presumption or not, that should have been the end of the inquiry, allowing the parties to fully litigate the case on the merits without a threshold injunction. Instead, the district court stopped NIKE's campaign in its tracks despite no tangible indication of harm to Fleet Feet. This legal error alone rendered the preliminary injunction an abuse of discretion.

Second, the district court's rejection of NIKE's fair use defense is premised on legal errors. The district court essentially sidestepped the first factor—whether NIKE used SCE as a trademark—by focusing narrowly on the visual prominence of SCE and drawing an unsupported inference from NIKE's frequent

accompanying use of its house marks. On the second factor—whether NIKE’s use of SCE was descriptive—the court took the narrow view of “descriptive” it had used in its validity inquiry and incorrectly transposed it to the fair use analysis. On the third factor, the court likewise improperly narrowed its field of vision to discount NIKE’s evidence of good faith. The court took the fact that certain NIKE employees were aware of Fleet Feet’s marks through separate commercial dealings—even though they had no involvement in the Campaign—and equated this knowledge with bad faith. These legal errors on fair use are another reason why the preliminary injunction should not stand.

Third, even apart from the fair use defense, several legal errors undermine the district court’s ruling that Fleet Feet will probably succeed in showing likelihood of confusion. The court failed to give appropriate legal weight to its finding of no actual confusion, and it viewed intent through the wrong legal prism. The district court also failed to properly analyze the crucial similarity of marks factor. These legal errors were integral to the district court’s ruling and thus supply another reason why the preliminary injunction was an abuse of discretion.

The preliminary injunction should be vacated for any one or more of these independent reasons. The law warrants the removal of this restraint on speech and a remand for NIKE to recover on Fleet Feet’s bond.

ARGUMENT

I. The Standard of Review Is Abuse of Discretion, Which Includes Decisions Premised on Legal Errors.

This Court reviews for abuse of discretion an order granting a preliminary injunction. *Pashby v. Delia*, 709 F.3d 307, 319 (4th Cir. 2013). The abuse of discretion standard, however, permits no deference to the district court's legal errors. Rather, the Court reviews the district court's legal conclusions *de novo*. *Id.* Even under the abuse of discretion standard, "a mistake of law is grounds for reversal." *Mountain Valley Pipeline, LLC v. 6.56 Acres of Land*, 915 F.3d 197, 213 (4th Cir. 2019). Finally, to the extent an appeal challenges the district court's factual findings, the Court reviews those findings for clear error. *Id.*

II. A Preliminary Injunction Is an "Extraordinary and Drastic" Remedy that Requires a "Clear Showing" by the Movant.

A preliminary injunction is an "extraordinary and drastic" remedy. *Munaf v. Geren*, 553 U.S. 674, 689 (2008) (citation and internal quotation marks omitted). The movant must clearly establish entitlement to that relief. *Fed. Leasing, Inc. v. Underwriters at Lloyd's*, 650 F.2d 495, 499 (4th Cir. 1981). Absent the movant's "clear showing" that an injunction is needed before full litigation on the merits, no such injunction may issue. *Winter v. Natural Resource Defense Council, Inc.*, 555 U.S. 7, 22 (2008) (citing *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997) (per

curiam)). The movant's burden, of course, remains relevant on appeal: did the district court abuse its discretion in ruling that the movant had clearly established entitlement to this extraordinary and drastic remedy?

A party seeking a preliminary injunction must demonstrate four things: (1) "that he is likely to succeed on the merits," (2) "that he is likely to suffer irreparable harm in the absence of preliminary relief," (3) "that the balance of equities tips in his favor," and (4) "that an injunction is in the public interest." *Winter*, 555 U.S. at 20. Here, NIKE first addresses the district court's fundamental legal error on irreparable harm (the second factor), and then addresses the district court's legal errors on fair use and reverse confusion in ruling that Fleet Feet is likely to succeed on the merits (the first factor).

III. The District Court Abused Its Discretion by Entering a Preliminary Injunction in the Absence of Legally Required Evidence of Actual and Imminent Irreparable Harm.

The district court's irreparable harm analysis rests on a legal error: even under the facts as found by the court, there was simply no evidence that any irreparable harm was actual or imminent. "Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with [the Supreme Court's] characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to relief." *Winter*, 555

U.S. at 22 (citing *Mazurek*, 520 U.S. at 972). Moreover, “the required irreparable harm must be neither remote nor speculative, but actual and imminent.” *Direx Israel, Ltd. v. Breakthrough Medical Corp.*, 952 F.2d 802, 812 (4th Cir. 1991) (citation and internal quotation marks omitted). The district court’s own analysis shows that this standard was not met here. For this reason alone, it was an abuse of discretion to enter a preliminary injunction.

The district court cited no evidence that could show “actual and imminent” irreparable harm. Rather, the court relied on a speculative assumption that merely restated the theory of reverse confusion itself: “The more consumers see ‘Sport Changes Everything’ before they see Fleet Feet’s similar marks, the more likely it is they will ‘come to assume’ that Fleet Feet’s products are really Nike’s or to associate all three marks with Nike.” (JA 2022.) The court posited that this result was inevitable because of NIKE’s large presence in the marketplace and the widespread dissemination of the Campaign. (JA 2022.) But this is likewise just a conclusory restatement of the reverse confusion theory: that a larger junior user’s deployment of an allegedly infringing mark will cause a smaller senior user’s goods and services to become associated with the junior user. It is not evidence—much less the required “clear showing”—that any irreparable harm to the senior user is actual and imminent. *Winter*, 555 U.S. at 22.

Despite not expressly deciding whether irreparable harm can be presumed (JA 2022-23 n.51), the district court’s analysis amounted to precisely that: a presumption of irreparable harm without any evidence that it is likely to occur. Such a presumption, however, is inconsistent with the Supreme Court’s *eBay* decision. In *eBay*, the Supreme Court held that the traditional four-factor test for permanent injunctive relief applies to cases arising under the Patent Act. 547 U.S. at 391. There is no good reason why this same general principle of equity would not govern preliminary injunctions in trademark cases too, as it does in other circuits. *See, e.g., Ferring Pharms., Inc. v. Watson Pharms., Inc.*, 765 F.3d 205, 216 (3rd Cir. 2014) (“Because a presumption of irreparable harm deviates from the traditional principles of equity, which require a movant to demonstrate irreparable harm, we hold that there is no presumption of irreparable harm afforded to parties seeking injunctive relief in Lanham Act cases.”); *Herb Reed Enters., LLC v. Florida Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (“We now join other circuits in holding that the *eBay* principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a trademark infringement case.”); *see also Salinger v. Colting*, 607 F.3d 68, 78 n.7 (2d Cir. 2010) (“[A]lthough today we are not called upon to extend *eBay* beyond the context of copyright cases, we see no reason that *eBay* would not apply with equal force to an injunction in *any* type of case.” (emphasis in original)).

The whole point of *eBay* is that traditional equitable principles apply to injunction decisions unless there is a contrary statutory mandate. 547 U.S. at 391-92 (“As this Court has long recognized, ‘a major departure from the long tradition of equity practice should not be lightly implied.’ . . . Nothing in the Patent Act indicates that Congress intended such a departure.”) (citations omitted). Far from mandating a departure from traditional equitable principles, the Lanham Act actually codifies them. 15 U.S.C. § 1116(a) (Courts “shall have power to grant injunctions, *according to the principles of equity* and upon such terms as the court may deem reasonable,” (emphasis added)). Moreover, the notion of presumed irreparable harm cannot be squared with the Supreme Court’s “clear showing” requirement and its ban on preliminary injunctions based on a mere “possibility” of such harm. *Winter*, 555 U.S. at 22.

Irreparable harm therefore should not be presumed in trademark cases—whether under a traditional forward confusion theory (which the district court rejected here) or under the more novel reverse confusion theory that the district court accepted here. NIKE has not located any case from this Court that expressly recognizes the theory of reverse confusion in trademark cases. *See also* 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION at § 23:10 n.7 (5th ed. 2019). But even assuming this Court recognizes the theory, other courts have persuasively required an independent showing of irreparable harm before an

injunction may issue in a reverse confusion case. *See, e.g., Fabick, Inc. v. JFTCO, Inc.*, 944 F.3d 649, 659-60 (7th Cir. 2019) (rejecting argument that a finding of reverse confusion “should automatically lead to a finding of irreparable harm and, thus, a permanent injunction”); *Bridges in Orgs., Inc. v Bur. of Nat’l Affairs, Inc.*, Civ. No. B-19-23, 1991 WL 220807, at *5 (D. Md. June 24, 1991) (denying injunction in reverse confusion case where plaintiffs “ha[d] offered no evidence of lost sales, nor ha[d] they presented evidence that revenues for their consulting services have declined or been affected by the introduction of defendants’ product”).

Presumption or not, the alleged irreparable harm still “must be neither remote nor speculative.” *Direx Israel*, 952 F.2d at 812. But here, the district court found no actual and imminent effect on Fleet Feet’s revenues or roster of franchisees. The court instead excused Fleet Feet’s lack of evidence on these points by saying “this form of harm takes time to rise to the surface.” (JA 2023.) That equivocal assertion is the antithesis of the required proof of “actual and imminent” irreparable harm that is missing here. *Direx Israel*, 952 F.2d at 812.

In fact, the most probative *evidence*—not speculation—of irreparable harm in reverse confusion cases is that upon the larger entity’s commencement of use of the offending mark, abundant actual confusion evidence ensues. *See, e.g., Equinox Hotel Management, Inc. v. Equinox Holdings, Inc.*, No. 17-cv-06393-YGR, 2018

WL 659105, at *8 (N.D. Cal. Feb. 1, 2018) (“Plaintiff does not persuade on this record, as its proffer of just eleven instances of confusion over 30 months is insufficient to show that it will suffer a ‘total’ loss of control over its business reputation if this Court denies its PI Motion.”); *Saint Laurie Ltd. v. Yves Saint Laurent America, Inc.*, No. 13 Civ. 6857 (DAB), 2014 WL 12772088, at *5 (S.D.N.Y. Sept. 30, 2014) (“Despite claiming that there is a ‘high likelihood’ of reverse confusion, Saint Laurie has not provided any evidence of actual confusion.”); *Masters Software, Inc. v. Discovery Communications, Inc.*, 725 F. Supp. 2d 1294, 1300-01 (W.D. Wash. 2010) (“The court need not simply hypothesize that the marketing resources behind *Cake Boss* threaten to overwhelm whatever goodwill CakeBoss has built; there is evidence that this has happened already. The record reveals that Masters has received dozens of misdirected communications from fans of *Cake Boss*. . . . The court finds Masters’ evidence of actual confusion highly probative of the very harm that a reverse confusion case is designed to remedy: loss of control over the senior user’s brand.”). Here, the opposite was true: in the four months of the “widespread” Campaign, Fleet Feet could not produce evidence that even one consumer was confused. In these circumstances, this failure should have resulted in a ruling that Fleet Feet had not met its burden of showing actual and imminent irreparable harm.

Finally, the district court’s own finding regarding actual confusion cements Fleet Feet’s failure to show irreparable harm. The district court found that “the lack of *any* indication of confusion, particularly given the broad reach of Nike’s campaign thus far, calls its existence into question.” (JA 2017, emphasis in original). The court based this conclusion on the “number of Nike’s SCE videos posted online and the total number of views”—more than 18 million—during the first four months of the Campaign. (JA 2017; *see also* JA 1992.) Setting aside the impact of this finding on NIKE’s underlying liability, the notion that Fleet Feet faced actual and imminent irreparable harm is incompatible with the fact that it went 0-for-18+ million in marshaling evidence of actual confusion from a four-month period. And whether the theory is reverse or forward, the touchstone of trademark injury is consumer confusion. Having found there was not even “*any* indication of confusion”—emphasis in original—the district court’s conclusion that Fleet Feet had nonetheless made a clear showing of likely irreparable harm cannot be sustained on appeal.

Again here, the district court theorized that irreparable harm existed because the Campaign was large, and the more consumers that saw NIKE’s “Sport Changes Everything” tagline, “the more likely” consumers will associate Fleet Feet’s “Change Everything” and “Running Changes Everything” marks with NIKE. (JA 2022.) The court also noted that one of Fleet Feet’s many franchisees reached out

to express concern (but not confusion) about the Campaign. (JA 2023-24; *see also* JA 176 [stating Fleet Feet has “153 franchised stores”].) This is not evidence of non-speculative, non-remote irreparable harm, but rather a summation of the theory of reverse confusion, that a larger company may overwhelm a smaller senior user of a mark. Given this absence of evidence, the district court erred as a matter of law in concluding that Fleet Feet had suffered irreparable harm. This error alone suffices to vacate the preliminary injunction as an abuse of discretion.

IV. The District Court Abused Its Discretion by Entering a Preliminary Injunction Premised on Legal Errors in Its Fair Use Analysis.

The district court also committed several legal errors in ruling that Fleet Feet had shown a likelihood of success on the merits of its trademark claim. This section concerns the district court’s flawed treatment of NIKE’s fair use defense; the next section addresses the legal errors on likelihood of reverse confusion.

The trademark fair use defense is rooted in the First Amendment to the Constitution. *See Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010) (noting that a trademark injunction “can raise serious First Amendment concerns because it can interfere with truthful communication between buyers and sellers in the marketplace”); *see also CPC Int’l, Inc. v. Skippy Inc.*, 214 F.3d 456, 461-62 (4th Cir. 2000) (vacating preliminary injunction that raised “serious First Amendment concerns”). In today’s robust commercial

marketplace, competition and efficiency mandate that all participants have the ability to use words and symbols necessary to communicate effectively with consumers. *See KP Permanent Make-up, Inc. v. Lasting Impression I Inc.*, 543 U.S. 111, 122 (2004). Trademark rights thus do not permit “anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.” *Id.* The Lanham Act expressly shields descriptive uses of trademarks by providing that no trademark infringement claim can be based on a “use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party.” 15 U.S.C. § 1115(b)(4); *see also KP Permanent*, 543 U.S. at 118. Accordingly, the fair use defense serves the public by operating as a check on aggressive trademark owners who seek to monopolize common words and limit meaningful access to words in their ordinary, descriptive sense. *See Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 335 (1938) (“[T]his right of freedom [from the competitive use of a word as a trademark] does not confer a monopoly on the use of the words. It is a mere protection against their unfair use as a trade-mark or trade name . . .”).

To prevail on fair use, NIKE must show that: (1) it used the marks in a non-trademark manner; (2) the use is descriptive of its goods or services; and (3) it used the marks in good faith. 15 U.S.C. § 1115(b)(4). For each factor, the district court’s analysis was premised on a legal error.

First, the district court erred in ruling that NIKE used SCE as a trademark because the phrase was visually prominent and “the Nike name, ‘swoosh’ symbol, or both are almost always placed near the SCE words, . . . linking the phrase to Nike in context.” (JA 2019.) The court’s heavy emphasis on the visual prominence of SCE did not truly account for the *manner* of its use, which was for advertising, and not for source identification (that is what NIKE’s actual trademarks do). Advertising slogans will typically be visually prominent, and those advertisements will typically contain the advertiser’s actual brand identifiers. Accordingly, whether the public draws an association between NIKE and SCE as a result of its use in advertising does not automatically equate to SCE taking on a dual function as advertisement and trademark. *See, e.g., Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 31 (2d Cir. 1997) (“So long as the defendants in good faith are using the phrase in its descriptive sense and prominently identifying the product with the defendants’ marks, the defendants incur no liability simply because the materials containing the descriptive phrase are so widely disseminated as to form some degree of association in the public’s mind between the phrase and the product.”); *Citrus Group, Inc. v. Cadbury Beverages, Inc.*, 781 F. Supp. 386, 391-92 (D. Md. 1991) (“The phrase [‘main squeeze’] projects a familiar, playful image, with which Canada Dry wanted to associate its new ginger ale. The fact that ‘main squeeze’ is used by Defendants as a symbol to

attract public attention does not mean it is being used as a trademark.”). Yet that was the district court’s conclusion here.

On this point, NIKE presented extensive evidence that it was not using the phrase to identify the source of any goods or services. It was undisputed that NIKE had not affixed the phrase to any product labels or hangtags and had not sought a trademark registration for SCE or placed “™” after the phrase. (JA 1993.) And NIKE had always planned to end its use of SCE when the Campaign was over. (JA 402, 408.) Such short-lived use is common for ad slogans, but completely antithetical to trademark usage: in the United States, trademark rights are acquired by use, and “[o]wnership rights flow from prior appropriation and actual use in the market.” *Daniel Grp. v. Serv. Performance Grp., Inc.*, 753 F. Supp. 2d 541, 546 (E.D.N.C. 2010). “Under the Lanham Act a trademark is abandoned when ‘its use has been discontinued with intent not to resume such use.’” *Emergency One, Inc. v. Am. FireEagle, Ltd.*, 228 F.3d 531, 535 (4th Cir. 2000) (quoting 15 U.S.C. § 1127). Why would NIKE use SCE as a trademark only to abandon that use seven months later? The district court gave no explanation why the mere visual prominence of SCE trumped this detailed evidence bearing directly on the statutory inquiry.

The court also erred by drawing a conclusory and unsupported inference from NIKE’s frequent concomitant use of its house marks. (JA 2019-20.) The

court failed to explain why NIKE's almost-invariable use of its name and Swoosh Design alongside SCE meant, in these particular circumstances, that NIKE was also using SCE as a mark. (JA 2019-20.) It failed to even grapple with the opposite inference: that NIKE was *not* using the inspirational SCE slogan to identify the source of its goods and services *because* its own famous house marks already served that function. (JA 2019-20.) Indeed, in *Cosmetically Sealed*, the presence of the defendant's other marks weighed *against* a finding of trademark use. 125 F.3d at 30-31.

Additional analogous case law, which the district court largely ignored, reinforces NIKE's non-trademark use of SCE. For example, in *Kelly-Brown v. Winfrey*, the court found that defendants' use was not as a trademark because it was short-lived (leading up to and culminating at an "Own Your Power" seminar) and was always accompanied by use of defendants' *actual* marks. 95 F. Supp. 3d 350, 363-64 (S.D.N.Y. 2015), *aff'd*, 659 F. App'x 55 (2d Cir. 2016). NIKE's campaign likewise was intended to be short-lived and NIKE used its well-known house marks alongside SCE.

Similarly, in *SportFuel, Inc. v. PepsiCo, Inc.*, the Seventh Circuit found that the slogan "The Sports Fuel Company" in advertisements with the house mark GATORADE was not being used a source identifier partly because the term was only rarely used on product packaging and was disclaimed in a trademark

application. 932 F.3d 589, 598 (7th Cir. 2019). Here, SCE did not appear on any NIKE product labels or hangtags. (JA 1993.) Nor did NIKE even try to register SCE as a trademark. (JA 1993.)

For these reasons, it was legal error for the Court to conclude that NIKE used SCE as a trademark.

Second, the district court erred as a matter of law in concluding that NIKE does not use SCE descriptively because “it does not merely describe the goods Nike is selling.” (JA 2020.) The district court’s analysis was based on an overly narrow and frequently rejected conception of descriptiveness in the fair use context. Courts assessing fair use have repeatedly found the statutory phrase “to describe the goods” is not narrowly confined to words that directly describe a physical quality such as size or quality. The leading treatise explains:

[T]he statutory phrase ‘to describe the goods’ is not narrowly confined to words that directly describe a physical quality such as size or quality. Defendant’s fair use can fit within the statutory defense if its use is descriptive in a broader sense.

2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION at § 11:49 (5th ed. 2019). This tenet is pervasive in the applicable case law. *See, e.g., Kelly-Brown*, 95 F. Supp. 3d at 354, 364 (“Own Your Power” used “on the cover of [defendants’] magazine, at a magazine-related event, on their website and social

media accounts, and on their TV show” was deemed descriptive where “[d]efendants use[d] the phrase to describe their overall message of self-empowerment”); *Tovey v. Nike, Inc.*, No. 1:12-cv-448, 2014 WL 3510975, at *14 (N.D. Ohio July 10, 2014) (NIKE’s use of BOOM in seasonal campaign was descriptive because it “describes or refers to exciting and important moments in competition”); *Bell v. Harley Davidson Motor Co.*, 539 F. Supp. 2d 1249, 1258 (S.D. Cal. 2008) (use of RIDE HARD was descriptive because it “capture[d] the consumer’s intended reaction of vigor and energy to Harley-Davidson products and merchandise”). And in a seminal fair use advertising case, the Second Circuit held that a lipstick seller made descriptive use of “Seal it with a kiss!” because it “describe[d] an action that the [defendant] sellers hope consumers will take, using their product.” *Cosmetically Sealed*, 125 F.3d at 30.

SCE was likewise selected as a tagline for the Campaign because it described what NIKE sought to inspire in its consumers: the use of sport as a vehicle for change, a message conveyed through a campaign singularly focused on the change that sport can bring to individuals and communities. (JA 402-05, 408.) The district court committed legal error when it “narrowly confined” this factor “to words that describe a characteristic of the goods,” despite recognition that “the phrase [‘to describe the goods’] permits use of words or images that are used, in Judge Leval’s helpful expression, in their ‘descriptive sense.’” *Cosmetically*

Sealed, 125 F.3d at 30. The court apparently believed it was constrained by its ruling that Fleet Feet's asserted marks were "suggestive" for purposes of validity, and it made a mirror-image ruling for NIKE's use of SCE, ignoring the standard for determining fair use descriptiveness discussed above. (JA 2020.) But no authority supports the categorical proposition that a mark that is distinctive for validity cannot be used by another in a manner that is descriptive for fair use. The district court compounded its legal error by merging these two separate inquiries.

Third, the district court applied the wrong legal framework in concluding that NIKE did not act in good faith. The court ruled that "Nike's evidence of good faith is not compelling" and pointed solely to the fact that NIKE did not deny that its running-department employees worked with Fleet Feet and were aware of Fleet Feet's asserted marks. (JA 2020.) This conclusion contradicts highly analogous case law showing that a defendant's prior knowledge of plaintiff's mark and continued use after a lawsuit is filed is not enough to show bad faith. *See SportFuel*, 932 F.3d at 600-01. The district court appeared to completely discount NIKE's extensive evidence of good faith, including NIKE's selection of SCE in light of the widespread use of similar terms, the descriptive nature of SCE, and NIKE's self-imposed limitations on the Campaign after Fleet Feet complained. (*See* JA 401-18.)

Taken as a whole, the district court's fair use analysis amounted to the creation of a *per se* rule that advertising slogans are necessarily trademarks, despite this Court's contrary directive that "[u]nless used in a context whereby they take on a dual function, advertisements are not trademarks." *MicroStrategy Inc. v. Motorola, Inc.*, 245 F.3d 335, 342 (4th Cir. 2001). In fact, in reaching its conclusion, the court compared some of NIKE's uses of SCE to allegedly "similar" uses of one of NIKE's actual trademarks. (JA 2019.) This argument is a red herring: that some NIKE trademarks have a "dual function" of advertisement and source identifier does not mean that SCE shares that dual function. The district court's legally erroneous fair use analysis is thus another independent reason why the preliminary injunction should be vacated.

V. The District Court Abused Its Discretion by Entering a Preliminary Injunction Premised on Legal Errors in Its Likelihood of Confusion Analysis.

The district court's legally defective likelihood of confusion analysis is the third independent reason why the preliminary injunction should be vacated. The court properly recognized that Fleet Feet had failed to adduce any evidence of actual confusion even though the Campaign was widespread and its associated videos had been viewed over 18 million times on YouTube (JA 1992). Yet the court largely disregarded its own (correct) factual finding of no actual confusion

and, applying a legally incorrect standard for intent, proceeded to find a likelihood of confusion anyway. In addition, the court incorrectly analyzed the similarity of marks factor under its reverse confusion theory—*i.e.*, the theory that consumers “may assume that, or wonder if, Nike owns or controls Fleet Feet” despite Fleet Feet’s sale of NIKE’s direct competitors’ products. (JA 2014.) All of this added up to a legally erroneous conclusion that Fleet Feet had shown a likelihood of success on this essential element of its trademark claim.

“‘Forward confusion’ occurs when customers mistakenly think that the junior user’s goods or services are from the same source as or are connected with the senior user’s goods or services.” 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION at § 23:10 (5th ed. 2019). “In ‘reverse confusion,’ customers purchase the senior user’s goods under the mistaken impression that they are getting the goods of the junior user.” *Id.* “That is, reverse confusion occurs when the junior user’s advertising and promotion so swamps the senior user’s reputation in the market that customers are likely to be confused into thinking that the senior user’s goods are those of the junior user: the reverse of traditional confusion.” *Id.*

Courts use a multi-factor test to determine whether a likelihood of confusion (forward or reverse) exists: (1) the strength or distinctiveness of the plaintiff’s mark; (2) the similarity of the two marks to consumers as actually used in the marketplace; (3) the similarity of the goods or services that the marks identify; (4)

the similarity of the facilities used by the parties; (5) the similarity of advertising used by the parties; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's services; and (9) the sophistication of the consuming public. *See Pizzeria Uno*, 747 F.2d at 1527 (factors one through seven); *see also Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463-64 (4th Cir. 1996) (factors eight and nine). The ultimate inquiry is whether consumers are likely to be confused about the source or sponsorship of goods or services based on the defendant's alleged use of the plaintiff's asserted mark(s). *See Pizzeria Uno*, 747 F.2d at 1527.

Actual confusion: The district court ruled there was a likelihood of reverse confusion despite acknowledging that “the lack of *any* indication of confusion, particularly given the broad reach of Nike's campaign thus far, calls its existence into question.” (JA 2017.) While the court's factual finding is correct, it erred as a matter of law by not giving the actual confusion factor its “often paramount” status. *George & Co. v. Imagination Entm't Ltd.*, 575 F.3d 383, 393 (4th Cir. 2009) (quoting *Lyons P'ship, L.P. v. Morris Costume, Inc.*, 243 F.3d 789, 804 (4th Cir. 2001)); *see also Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 937 (4th Cir. 1995) (noting that the actual confusion factor is “entitled to substantial weight as it provides the most compelling evidence of likelihood of confusion”).

Over 18 million consumers saw NIKE's use of SCE on YouTube during a four-month period (JA 1992), and yet neither party was aware of any evidence of actual confusion. And while the touchstone of trademark infringement is an assessment of the *likelihood* of consumer confusion, courts utilize the multi-factor test to determine whether *actual* consumer confusion is likely to occur. If "the lack of *any* indication of confusion, particularly given the broad reach of Nike's campaign thus far, calls its existence into question," then how can confusion be likely? Moreover, how can these circumstances justify the drastic remedy of a preliminary injunction that forced NIKE to forgo its investment in the Campaign's two remaining months and to divert resources to shutting it down? In these circumstances, actual confusion should have been given far greater significance, as this Court's precedent requires.

Intent: The district court did not identify one iota of evidence that NIKE acted with intent to confuse consumers or with any reckless disregard for Fleet Feet's alleged rights. The court instead made assumptions to support its conclusion that NIKE acted in bad faith, namely: (1) that NIKE "likely" conducted a trademark search and (2) that "such a search would have turned up" Fleet Feet's mark. (JA 2016.) The court's analysis was based entirely on speculation. The court then applied to its speculation a legally incorrect premise that awareness of a mark, including from a trademark search, equals wrongful intent. (JA 2016.)

Numerous courts have rejected the incorrect legal standard that the district court applied to the intent issue. For example, in *Star Industries, Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 388 (2d Cir. 2005), the Second Circuit explained that “in some cases even where a trademark search resulted in knowledge of the earlier mark, in the absence of additional evidence indicating an intent to promote confusion or exploit good will or reputation, this Court has found the junior user to be in good faith.” *See also id.* at 388 n.3 (indicating that this standard applies to reverse confusion cases). A number of other circuits agree. *See M2 Software, Inc. v. Madacy Entertainment*, 421 F.3d 1073, 1085 (9th Cir. 2005) (in reverse confusion case, affirming district court’s ruling of no bad faith intent despite trademark search that uncovered plaintiff’s mark because there was no evidence that defendant ““had any intention of capitalizing”” on the plaintiff’s mark); *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 480 (3d Cir. 2005) (in reverse confusion case, affirming finding of no bad faith intent where a trademark search “presumably” revealed the existence of the plaintiff’s mark but there was no evidence of an intent to deceive); *see also AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 800 (6th Cir. 2004) (no bad faith intent where defendant performed two trademark searches that uncovered plaintiff’s mark but believed its own use would not infringe); *Sweats Fashion, Inc. v. Pannill Knitting Co., Inc.*, 833 F.2d 1560, 1565 (Fed. Cir. 1987) (no bad faith even after performing

trademark search revealing plaintiff's mark because "an inference of 'bad faith' requires something more than mere knowledge of a prior similar mark"). The district court's improper legal standard likewise should be rejected here.

The district court's inference from silence is both unsupported and perilous. The court observed that "Nike has presented no evidence as to whether it did or did not do a trademark search before beginning to use the SCE phrase." (JA 1989.) Yet the court pronounced: "From this silence and Nike's level of business sophistication generally and as to trademarks specifically, the Court infers and finds for purposes of this motion that Nike did do such a search and was aware of Fleet Feet's 'Change Everything' mark." (JA 1989-90 & n.7, citing NIKE's history as plaintiff and defendant in trademark litigation.) The court's emphasis on evidence relating to trademark searching is misplaced: neither the absence nor the existence of a trademark search alone determines intent. *See, e.g.*, cases cited at pp. 36-37, *supra*; *George & Co.*, 575 F.3d at 398 ("[T]he failure to conduct a trademark search or contact counsel shows carelessness at most, but is in any event irrelevant because knowledge of another's goods is not the same as an intent 'to mislead and to cause consumer confusion.'") (citation omitted); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084 (10th Cir. 1999) (rejecting plaintiff's argument that a jury could properly infer intent to take a free ride on plaintiff's good will because defendant Chrysler failed to conduct a full search

before using KING OF THE MOUNTAIN as the mark for downhill ski races sponsored by Chrysler to promote its JEEP vehicles); *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 460 (2d Cir. 2004) (“failure to perform an official trademark search, does not, standing alone, prove that Defendants acted in bad faith”) (internal quotation marks and alterations omitted); *SecuraComm Consulting, Inc. v. Securacom, Inc.*, 166 F.3d 182, 189 (3d Cir. 1999) (“it is unreasonable to conclude that [the defendant’s] failure to conduct a trademark search established willful ignorance akin to willful infringement”). In addition, turning this inference into a litigation weapon threatens to unfairly punish litigants who may choose not to disclose their trademark searches and legal analyses based on the attorney-client privilege and/or attorney work product doctrine, as litigants who opt to rely on those facts would then be faced with categorical privilege waiver issues.

On top of these problems, the court equated mere awareness of a mark—by employees not involved in the Campaign, no less—with bad intent. *See Walter v. Mattel*, 210 F.3d 1108, 1111 (9th Cir. 2000) (affirming district court’s rejection of plaintiff’s argument that “because two of Mattel’s employees who never worked on Pearl Beach Barbie had met plaintiff, [the court] should impute that information to Mattel and hold that Mattel’s failure to investigate satisfies the intent factor”). The court acknowledged that such an equation is improper for forward confusion (JA 2016-17, citing *George & Co.*, 575 F.3d at 398); it is no more appropriate for

reverse confusion either, *see, e.g., Star Industries*, 412 F.3d at 388 & n.3 (“[W]here a trademark search resulted in knowledge of the earlier mark, in the absence of additional evidence indicating an intent to promote confusion or exploit good will or reputation, this Court has found the junior user to be in good faith.”).

The district court’s repeated invocation of its improper inference of intent suggests that it gave the issue outsized significance in its overall analysis. (JA 1989-90; JA 2016-17; JA 2020; JA 2025.) Correcting the district court’s legal error, therefore, means more than just flipping one factor in a seven-factor analysis of one issue. Rather, it vitiates what the district court apparently viewed as a crucial foundation for the preliminary injunction as a whole.

Similarity of marks: Finally, the district court erred in ruling similarity of the alleged marks “weigh[ed] decidedly” in favor of Fleet Feet. (JA 2011-13.) This Court considers the marks as a whole in the context in which the ordinary consumer sees them; the analysis hinges not upon “how closely a fragment of a given use duplicates the trademark, but on whether the use in its entirety creates a likelihood of confusion.” *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 319 (4th Cir. 1992). “If one of two similar marks is commonly paired with other material, that pairing will serve to lessen any confusion that might otherwise be caused by the textual similarity between the two marks.” *CareFirst of Maryland, Inc. v. First Care, P.C.*, 434 F.3d 263, 271 (4th Cir. 2006).

Here, SCE and Fleet Feet's marks are dissimilar, especially given the prominent first word "Sport" in SCE, which is absent from Fleet Feet's use of "Change Everything" and "Running Changes Everything," and the parties' almost-invariable use of their house marks with the respective phrases. (*See, e.g.*, JA 1984, 1987, 1990.) The district court erred by not counting these facts in NIKE's favor under *CareFirst*. The dissimilarities between NIKE's uses of SCE and Fleet Feet's asserted marks are especially significant given the widespread third-party use of variations on the "Change Everything" tagline. (*See* JA 2007 ["The idea of 'change everything' has appeared broadly in athletic advertising for some time. Given the extensive third-party registrations and use of similar phrases in other classes, the 'Change Everything' mark, while distinctive, is relatively weak."].) The crowded field of "[Something] Changes Everything" references makes it all the more likely that consumers will focus on the dissimilar portions of the alleged marks, including any accompanying house marks. *See CareFirst*, 434 F.3d at 271. In addition, these dissimilarities further underscore the implausibility of the district court's reverse confusion theory as a whole: the notion that a reasonable consumer is likely to believe that NIKE owns or controls Fleet Feet simply because NIKE used SCE in one seasonal advertising campaign, and even though Fleet Feet continues to sell NIKE's competitors' products.

Once the district court's legal errors on these three reverse confusion factors are corrected, Fleet Feet cannot sustain its burden of showing it is likely to succeed on this essential element of its case. This is yet another independent reason why the preliminary injunction cannot stand.

CONCLUSION

The district court improperly awarded Fleet Feet the extraordinary remedy of a preliminary injunction. Despite no evidence of actual confusion or irreparable harm to Fleet Feet, the district court shut down NIKE's advertising campaign on a theory of reverse confusion before the case could be fully litigated on the merits. The district court's fair use and likelihood of confusion analyses were also infected by legal errors. Fleet Feet is unlikely to succeed on the merits of either of those issues. The preliminary injunction was therefore an abuse of discretion and should be vacated.

Date: February 24, 2020

Respectfully submitted,

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STATEMENT REGARDING ORAL ARGUMENT

Pursuant to this Court's Local Rule 34(a), NIKE respectfully submits that oral argument should be heard in light of the extraordinary nature of the preliminary injunctive relief that the district court ordered and the importance of the legal issues on appeal.

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CERTIFICATE OF COMPLIANCE

This opening brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B). The brief contains 9,951 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f). This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft Word 2016 in 14-point Times New Roman font.

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CERTIFICATE OF SERVICE

I certify that, on this 24th day of February 2020, I filed this Defendants-Appellants' Opening Brief with the United States Court of Appeals for the Fourth Circuit using the Court's CM/ECF system, and that a copy was served on all counsel of record by the CM/ECF system.

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