

World Trademark Review Daily

IP attorneys reminded that creative arguments must have reasonable basis
United States - Silverberg Goldman & Bikoff

Unfair use
Dilution

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In *Franklin Mint Company v Manatt Phelps & Phillips LLP* (B190482, May 3 2010), the [Franklin Mint Company](#), known for its commemorative plates and products featuring well-known public figures, has succeeded in its malicious prosecution claim against the lawyers representing the estate of the late Princess Diana, the law firm of [Manatt Phelps & Phillips](#). The California Court of Appeals held that Manatt lacked probable cause to support either a false advertising claim or trademark dilution claim because no reasonable attorney would be able to conclude that either claim could satisfy the basic fundamental principles of trademark law.

In late 1997, a few months after Princess Diana's death, Franklin Mint decided to design a line of Princess Diana products. At the same time, Franklin Mint asked the trustees of [The Diana, Princess of Wales Memorial Fund](#) to authorize the products and donate the proceeds to Princess Diana's favourite charities. Franklin Mint proceeded unilaterally with the product line. The fund eventually declined the proposal.

On May 18 1998 Manatt filed a lawsuit in the US District Court for the Central District of California on behalf of the fund and against Franklin Mint, alleging, among other things, trademark dilution and false advertising under the [Lanham Act](#). In its trademark dilution claim on behalf of the fund, Manatt argued that Princess Diana's name is a famous trademark that is either inherently distinctive or has acquired secondary meaning as a result of Princess Diana's long history of charitable activities. In its false advertising claim, Manatt argued that Franklin Mint's advertisements for the Princess Diana products were patently false, since certain advertisements stated that all proceeds from all Princess Diana products would be donated to her charities.

The district court granted summary judgment to Franklin Mint, finding that Princess Diana had not acquired secondary meaning and thus could not function as a trademark. It also found no false claims in Franklin Mint's advertising campaign, as all profits garnered as a result of the advertisements in question were in fact donated to Princess Diana's charities. The court awarded Franklin Mint \$2.3 million in attorneys' fees. Franklin Mint then sued Manatt in Los Angeles County Superior Court, alleging malicious prosecution of its trademark dilution and false advertising claims. The Superior Court held that Manatt did have the requisite probable cause to prosecute the claim. Franklin Mint appealed and the California Court of Appeals reversed in favour of Franklin Mint.

Pointing to a complete absence of legal support or evidence, the court held that Manatt lacked the requisite probable cause to prosecute either the trademark dilution or false advertising claim. The court found no probable cause to support the trademark dilution claim because no reasonable attorney could conclude that the claim satisfied basic principles of trademark law. The court further held that no reasonable attorney could find probable cause to support a false advertising claim in light of the evidence in question.

With regard to the trademark dilution claim, the court held that Manatt had no basis to argue that the name Princess Diana had ever functioned as a trademark. Indeed, Manatt had proffered no evidence that the name Princess Diana had ever acquired secondary meaning, other than a brief reference to her charitable activities. Unlike the celebrities in other 'celebrity as trademark' cases (Elvis Presley, Johnny Carson, Glenn Miller and Paul Prudhomme), Princess Diana was primarily recognized for who she was, and not for any goods or services.

Manatt had argued that the trademark dilution claim presented novel and complex factual issues, and that a finding of malicious prosecution in this case might preclude attorneys from making creative arguments in future cases. The court disagreed, finding that Manatt had veered too far astray from long-held principles of trademark law - namely:

- a protectable trademark must be used to identify a source for goods and services; and
- a person's name does not function as a trademark unless it acquires secondary meaning.

The fund had also alleged that Franklin Mint's advertising campaign was false and deceptive. The court disagreed, and found Manatt's presentation of the evidence to be false and fairly egregious in light of its many opportunities to clarify the record. Since Franklin Mint had clearly made reference to the donation pledge in only some of the advertisements, and all proceeds from sales related to those advertisements were in fact donated to Princess Diana's charities, there was no evidence to suggest that Franklin Mint's

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advertisements were in any way deceptive or false.

The dissenting justice disagreed. Justice Richard M Mosk reasoned that attorneys are charged with zealously advocating for their client's interest. Overuse of malicious prosecution claims would chill not only creative legal arguments, but also the 'zeal' with which they should be argued. Furthermore, the dissenting justice argued that the standard for finding an absence of probable cause was much higher than the majority had suggested - namely, whether any reasonable attorney would find a legally tenable basis for the argument. Finally, Justice Mosk argued that the court had not viewed the entire record of evidence in this case, and had erred in its reliance on what was presented by Franklin Mint.

The lesson for IP attorneys is clear: they must have a tenable legal and factual basis behind their claims in order to support a lawsuit. Creative legal arguments may succeed. Weak legal and evidentiary support will not, either for attorneys or their clients.

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