

January 1999

Intellectual Property Law - Dreamwerks Production Group, Inc. v. SKG Studio

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Recommended Citation

Thomas J. Murphy, *Intellectual Property Law - Dreamwerks Production Group, Inc. v. SKG Studio*, 29 Golden Gate U. L. Rev. (1999).
<http://digitalcommons.law.ggu.edu/ggulrev/vol29/iss1/15>

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INTELLECTUAL PROPERTY

DREAMWERKS PRODUCTION GROUP, INC. v. SKG STUDIO

142 F.3d 1127 (9th Cir. 1998)

I. INTRODUCTION

In *Dreamwerks Production Group, Inc. v. SKG Studio*,¹ the United States Court of Appeals for the Ninth Circuit evaluated whether the trademarks “Dreamwerks” and “DreamWorks” were likely to confuse the reasonable consumer.² Traditionally, a well-known, senior trademark user will sue a lesser-known, junior trademark user in order to protect its goodwill and prevent customer confusion.³ In *Dreamwerks*, however, the parties’ positions were reversed, with the lesser-known, senior user, Dreamwerks Production Group, suing the better-known, yet junior user, SKG Studio.⁴ The Ninth Circuit held that, like every other new company, SKG Studio was required to select a name that would not cause consumer confusion with an already existing senior user.⁵

1. 142 F.3d 1127 (9th Cir. 1998). The appeal from the United States District Court for the Central District of California, William M. Byrne, Jr., was argued on June 4, 1997 and submitted and on April 21, 1998 before Judge Alex Kozinski, Judge James R. Browning and Judge Betty B. Fletcher. The decision was filed on April 21, 1998. Judge Kozinski authored the opinion.

2. *See Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1127 (9th Cir. 1998).

3. *See id.* at 1129-1130.

4. *See id.* at 1130.

5. *See id.* at 1132.

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II. FACTS AND PROCEDURAL HISTORY

Since 1984, Dreamwerks Production Group (hereinafter "Dreamwerks") has organized and produced science-fiction conventions in various parts of the United States.⁶ While Dreamwerks is a somewhat modest business enterprise,⁷ it does enjoy the support of its own loyal following, resulting in its prolonged small-scale success.⁸

In 1992, Dreamwerks registered the mark "Dreamwerks" with the United States Patent and Trademark Office.⁹ Two years later, Hollywood powerhouses Steven Spielberg, Jeffrey Katzenberg and David Geffen formed the joint enterprise of SKG Studio, dba DreamWorks SKG (hereinafter "DreamWorks SKG").¹⁰

In a case of David and Goliath, Dreamwerks filed a trademark infringement claim against the "entertainment colossus," DreamWorks SKG.¹¹ Dreamwerks asserted that as the senior user of the trademark "Dreamwerks," it was entitled to use its mark without fear of customer confusion caused by DreamWorks SKG's substantially similar mark.¹² Concluding

6. *See Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1128 (9th Cir. 1998). These conventions revolve around the "Star-Trek" theme and include appearances by popular actors, including original *Star Trek* cast members DeForest Kelley and Leonard Nimoy. *See id.*

7. *See id.* at 1129. In addition to orchestrating costume contests, autograph sessions and sci-fi product booth rentals, Dreamwerks uses these conventions to promote and preview movies likely to appeal to its attendees, including *Batman Returns*, *Dracula*, *Jurassic Park* and *Aladdin*. *See id.* at 1128-1129.

8. *See id.* at 1129.

9. *See id.*

10. *See Dreamwerks*, 142 F.3d at 1128. Since its inception, it would be difficult to find a film enthusiast that has never heard of DreamWorks SKG. The DreamWorks SKG studio has produced such well-advertised films as *Amistad* and *the Peacemaker*. DreamWorks SKG has also ventured into the complimentary markets of computer software, video games and toys, collaborating with software giant Microsoft, and creating the subsidiaries of GameWorks and DreamWorks Toys. *See id.*

11. *See id.*

12. *See id.* Dreamwerks contended that its own goodwill would be usurped by the DreamWorks SKG and that any plans that Dreamwerks had to expand into other complimentary markets had effectively been squelched by DreamWorks SKG's looming presence. *See id.* at 1129.

that no “likelihood of confusion” existed as a matter of law,¹³ the United States District Court for the Central District of California granted summary judgment in favor of DreamWorks SKG.¹⁴ Dreamwerks appealed and the Ninth Circuit granted review.¹⁵

III. THE COURT’S ANALYSIS

The Ninth Circuit implemented the likelihood of confusion test for this trademark infringement appeal.¹⁶ In the traditional trademark infringement case, the likelihood of confusion test determines whether a junior user’s mark is likely to confuse the customers of a successful senior user.¹⁷ The parties’ positions in this case, however, were reversed thereby calling for a different analytical approach.¹⁸

The Ninth Circuit asserted that the more appropriate question was whether consumers doing business with the senior, lesser-known user, were likely to think they were, in fact, negotiating with the junior, better-known user.¹⁹ The court, therefore, applied three factors to determine whether likelihood of confusion existed between the marks of Dreamwerks and DreamWorks SKG.²⁰ The factors were (1) arbitrariness of the

13. *See Dreamwerks*, 142 F.3d at 1129. The district court concluded that consumer confusion would not likely occur given the companies’ substantially different functions. *See id.*

14. *See id.*

15. *See id.*

16. *See Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). The test for likelihood of confusion entails deciding whether a “reasonably prudent consumer,” when presented with the marks in commerce, is likely to be confused as to the source of those goods. *See id.*

17. *See id.* at 1129-1130.

18. *See id.* at 1130.

19. *See id.* In other words, would Dreamwerks customers think they were actually dealing with DreamWorks SKG or a subsidiary thereof? *See id.*

20. *See Dreamwerks*, 142 F.3d at 1130. The factors used to help determine likelihood of confusion include: (1) strength of the mark (2) proximity of the goods (3) similarity of sight, sound and meaning (4) evidence of actual confusion (5) marketing channels (6) intent of the parties; and (7) likelihood of expansion. *See id.* at 1129 (citing *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979)). The court explained that while there are a variety of ways to analyze for likelihood of confusion, it is most effective to keep focus on applicable factors. *See Dreamwerks*, 142 F.3d at 1129 (citing *Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992)). Hence, it

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mark,²¹ (2) similarity of sight, sound and meaning, and (3) relatedness of the goods.²²

Concerning the first factor, DreamWorks SKG argued that the Dreamwerks mark is weak because it is suggestive of a science-fiction company.²³ The court disagreed, asserting that the root "Dream" is used in far too many ways to suggest any one meaning to reasonable consumers.²⁴ Instead, the court concluded that Dreamwerks is a strong, arbitrary mark deserving of broad protection.²⁵

As between the two marks, the court easily found similarity of sound²⁶ and similarity of meaning.²⁷ With regard to visual similarity, the court found that, in an age where spelling is a lost art, the subtle difference in the spelling between Dreamwerks and DreamWorks SKG could either be totally overlooked or construed as a purposeful delineation of another branch of the movie studio.²⁸ With regard to the similarity of the goods, the court held that while at one time making movies

is a qualitative analysis of the factors, not a quantitative one. *See Dreamwerks*, 142 F.3d at 1130. "The factors should not be rigidly weighed; we do not count beans." *Id.* at 1129.

21. *See Dreamwerks*, 142 F.3d at 1130. The more arbitrary the mark, the stronger it is protected, because such a mark is understood to mean little if anything other than the product/service/company to which it refers. *See id.* "An arbitrary mark, such as Dutch Boy on a can of paint, uses common words in a fictitious and arbitrary manner to create a distinctive mark which identifies the source of the product." *Id.* at 1130 n.7.

22. *See id.* at 1130.

23. *See id.* After dismissing DreamWorks SKG's assertion that the "Dreamwerks" mark was weak, the court forewarned that DreamWorks SKG, by its own hand, had opened the door to similar future attack upon its own mark. *See id.* at 1130 n.4.

24. *See Dreamwerks*, 142 F.3d at 1130. Had the company been called something like "Sci-F Conventions, Inc," then, states the court, the mark would be merely descriptive of what is the company does, and hence, a weak mark. *See id.*

25. *See id.* at 1131. "Arbitrary or fanciful marks deserve wide protection because the trademark holder can properly expect to run into very little confusion from honest competitors" and "must work hard to make consumers associate the trademark with the product." *Id.* at 1130 n.7.

26. *See Dreamwerks*, 142 F.3d at 1131. The marks sound identical. *See id.*

27. *See id.* Neither of the marks means anything and, therefore, they are equal. *See id.*

28. *See id.* at 1131. In its assertion that spelling is a lost art, the court states that "many moviegoers might think that Mirimax and Columbia Pictures are movie studios." *Id.*

and promoting sci-fi merchandise could have been seen as two distinctly different businesses, such is not the case today.²⁹

Recognizing that most entertainment companies have branched out into other areas, the Ninth Circuit found it obvious that a reasonable consumer could likely confuse the sci-fi company with the movie studio.³⁰ Therefore, the court reversed the district court's grant of summary judgment and remanded the case for further proceedings.³¹ In conclusion, the Ninth Circuit held that DreamWorks SKG, like any other company that registers a trademark, must be thoroughly aware of whether their proposed mark could potentially infringe upon another's mark.³²

IV. IMPLICATIONS OF DECISION

The *Dreamwerks* decision should give smaller companies, with legitimate claims to a trademark, reason to celebrate. This is particularly true on the Internet, where trademark disputes relating to domain names abound.³³ Undoubtedly, many smaller companies have unjustly lost their intellectual property to more powerful legal adversaries because of the ambigu-

29. See *Dreamwerks*, 142 F.3d at 1131. "Movies and sci-fi merchandise are as complimentary as baseball and hotdogs." *Id.*

30. See *id.* The court illustrated this by pointing out that Universal Studios has a theme park, and that Disney has helped turn Times Square into a G-rated shopping center. See *id.*

31. See *Dreamwerks*, 142 F.3d. at 1132.

32. See *id.* DreamWorks SKG complained that a favorable *Dreamwerks* ruling would leave little room for the development of new marks. The court responded by suggesting that DreamWorks SKG start thinking a bit more creatively, as fanciful marks are an endless source for the strongest of marks. See *id.* "Fanciful marks not only give the trademark holder a pristine legal landscape, they also add to the splendor of our language by giving us new ways to express ourselves. If you receive junk e-mail you were spammed. The childish antics of politicians are Mickey Mouse. Lousy, mindless work is a McJob. A quick fix is a Band-Aid. Glitz and ditz make for a Barbi World. Calling something the Rolls Royce of its class is shorthand for referring to a refined product targeted at those with expensive tastes. And maudlin family gatherings make for Kodak moments." *Id.*

33. See Sally M. Abel, *Trademark Issues in Cyberspace: The Brave New Frontier*, 528 PLI/PAT 323 (1998). "Cyberspace raises a variety of thought-provoking trademark and trademark related issues. While many of the issues and problems that arise may be analyzed and resolved from the vantage point of traditional notions of trademark law, others present thornier questions requiring greater sensitivity to the practical effect of cyberspace on the commercial marketplace." *Id.* at 333.

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ties in the law regarding domain names and trademarks.³⁴ The *Dreamwerks* decision, however, helps to bring clarity to an otherwise confused body of law.

The inequity in current Internet controversies is often that the party who actually has senior trademark rights based either on a previous trademark registration certificate, or prior use, is often forced to cede those rights to a larger junior user.³⁵ When a trademark holder acquires the same mark as a domain name to continue to identify the source of their goods or services, the courts should automatically implement a likelihood of confusion analysis.³⁶ This, however has not been the case, with

34. See G. Peter Albert, Jr., *Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names*, 15 J. MARSHALL J. COMPUTER & INFO. L. 277 (1997). "As the internet continues to grow, disputes over proprietary rights on the Internet are becoming increasingly common. However, adequate dispute resolution policies and procedures have not yet been established to deal with these disputes." *Id.* at 277. See also *Roadrunner Computer Systems, Inc. v. Network Solutions, Inc.*, No. 96-413-A (E.D. Va. Filed Mar. 26, 1996). In *Roadrunner*, Roadrunner Computer Systems (RCS) sued Network Solutions (NSI), the official domain name registry, to enjoin NSI from interrupting its use of the domain name "roadrunner.com." In May 1994, RCS reserved the domain name "Roadrunner.com" with NSI. In 1995, NSI informed RCS that Warner Brothers, the owner of the trademark to the famous "meep-ing" cartoon character, had commenced a challenge to RCS's right to that domain name. The case "resolved itself" before the court had a chance to address the merits. Perhaps RCS was too intimidated by such a formidable opponent. See also *Comp Examiner Agency, Inc. v. Juris*, No. 96-0213-WMB, 1996 U.S. Dist. LEXIS 20259 (C.D. Cal. Apr. 26, 1996). Similarly, in *Comp Examiner, Juris, Inc. ("Juris")* challenged the Comp Examiner Agency's (CEA) registration of the domain name "Juris.com" with NSI. Juris used the mark Juris to identify its legal billing software. CEA was using the mark Juris as a domain name for its legal information web-site. When CEA sued Juris, attacking the trademark "Juris" as being generic, Juris counterclaimed for trademark infringement. The district court granted Juris a preliminary injunction, which forced CEA to stop using the "Juris.com" or any other similar domain name. Shortly after the injunction, the case settled. Again, the opportunity to apply a likelihood of confusion analysis to a case where both companies had a legitimate claim to the same name was missed.

35. Abel, *supra* note 33, at 347.

36. See *Data Concepts Inc. v. Digital Consulting Inc. and Network Solutions, Inc.*, 150 F.3d 620 (6th Cir. 1998). In *Data Concepts*, Digital Consulting ("Digital") filed a challenge with NSI over Data Concepts' ("Data") use of the domain name "dci.com." When Data feared that it could, in fact, lose its domain name to Digital, Data sued. Data claimed to have used "dci" as a trademark in commerce since 1982, and had used the domain name "dci.com" since its registration with NSI in 1993. This, under common law, made Data the senior user. Nevertheless, the district court held that because Digital had a trademark registration certificate dated December 2, 1986, its rights were superior to those of Data. Data appealed and the Sixth Circuit granted review. The Sixth Circuit affirmed the summary judgment motion against Data's claim to retain "dci.com," finding that Data's use of "dci" in the marketplace and "dci.com" on the internet as distinguishable. However, the court did not agree that summary judg-

senior trademark holders having to relinquish their corresponding domain names to junior users.³⁷

Dreamwerks insists that the likelihood of confusion analysis be applied to ensure that an existing trademark holder's rights are not infringed.³⁸ Applying this reasoning to Internet domain name cases would help establish a body of precedent upon which small companies and the courts, alike, can depend.

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ment in favor of Digital's trademark infringement claim was appropriate. The court held that the magistrate judge had not adequately weighed the factors used to determine if confusion was likely. *See id.* at 627.

37. *See id.* *See also* Fry's Electronics, Inc. v. Octave Systems, Inc., No. 95-CV-02525-CAL (N.D. Cal. 1995). In Fry's, the plaintiff, Fry's Electronics ("Fry's"), brought suit for trademark infringement after it learned that the vendor of french fry machines had registered the domain name "Frys.com." While the district court issued a default judgement, which is being appealed to the Ninth Circuit, the case is nonetheless interesting in that it presents an instance where two companies have legitimate claims to the same mark.

38. *See* Dreamwerks Production Group, Inc. v. SKG Studio, 142 F.3d 1127, 1132 (9th Cir. 1998). "DreamWorks [SKG] is in no different a position than any other new company which must ensure that its proposed mark will not infringe on the rights of existing trademark holders." *Id.*

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