

## **Part II: Essay Question**

### **I. Introduction**

Nestle has two potential avenues to bring its Milky Bar product into the U.S. market: (1) filing an application for registration with the USPTO, or (2) introducing the Milky Bar commercially in the U.S.

If Nestle files an application to register “Milky Bar,” it’s likely, based on Lanham §2(d), that the examining attorney will issue a rejection or if not, Mars will subsequently file an opposition. Lanham §2(d) is an absolute bar to trademark registration rooted in likelihood of confusion.

If Nestle chooses to introduce its Milky Bar commercially into the U.S. market, Mars is likely to file actions for infringement under Lanham § 32(1) and dilution under Lanham §43(c).

### **II. Likelihood of Confusion**

The analysis the USPTO will utilize under the 2(d) bar to registration is similar to the judicial test for infringement as both are aimed at ascertaining likelihood of confusion. As a preliminary note, in trademark law, confusion must be as to source, sponsorship, affiliation, or approval. The following analysis will proceed through the eight *Polaroid* factors employed by the Second Circuit to determine the likelihood of confusion between Mar’s registered mark “Milky Way” and Nestlé’s “Milky Bar.”

### **III. Polaroid Factors**

#### **A. Strength of the mark**

The first factor considers marketplace strength and conceptual strength, although the former is of greater importance. “Milky Way” is likely a suggestive mark as the first word “Milky” could be regarded as a reference to the nature of the product and the addition of “Way” produces a composite that requires imagination, thought, or perception to reach a conclusion on the nature of a good. (*Abercrombie*). It could also be viewed as an arbitrary trademark as it conjures up ideas of the galaxy; in this context, use of “Milky Way” on a chocolate bar is arbitrary as “Apple” is relative to computers. Further, the acquisition of federal trademark rights in 1925 is prima facie evidence of the validity and distinctiveness of the mark (*Gallo*), making “Milky Way,” theoretically a strong mark. In terms of market strength, the Milky Way is “the best selling candy bar in the U.S.” and although marketing is focused abroad there is clear evidence of the breadth of the mark’s presence in commerce reaching back to 1925. This market power also supports finding “Milky Way” to be a strong mark; furthermore, when combined with Mars’ preeminence in the chocolate industry, it is conceivable that a court would consider the mark to be “famous.” When a mark is deemed famous, a broader range of protection attaches and the owner is empowered to bring a federal dilution cause of action. (*Nutrasweet; Gallo; Marshall Fields*). This factor cuts in favor of Mars.

## B. Degree of similarity between the marks

The degree of similarity is analyzed in terms of market context and based on three factors: sight, sound, and meaning. (*Sleekcraft*). Both marks are composite marks; the PTO and the courts can and will likely deem “Milky” to be a dominant part of the marks. (*Marshall Fields; Uncle Ben’s; Gallo*). Furthermore, both marks are composites of two words – one being the dominant “Milky” and the second being a short, 3-letter word. Therefore, based on sound, these marks have a significant degree of similarity.

However, the degree of similarity based on sight juxtaposed with market context is a factor that weighs in favor of Nestle. An important consideration is how the consumer encounters the product in the marketplace. (*Nabisco; Coca-Cola; Gallo; Jockey*). Our general experience tells us that chocolate bars are often displayed and sold on shelves, often in front of cash registers, open for customer perusal and purchase. This context persuades us that the sight of the marks is more influential than the sound, in that consumers will likely view the chocolate bar before purchasing as opposed to requesting the chocolate bar by name for purchase. Where Mars has a strong argument for similarity based on sound, Nestle has a comparatively strong argument based on sight.

The market context makes the trade dress of the two products an important consideration. Milky Way is dressed in a brown wrapper with “Milky Way” in white-bordered green letters imposed on a lighter brown swirling reminiscence of a galaxy. Conversely, the Milky Bar is wrapped in white, sometimes white and red and the letters are blue accented with a milk splashing design. These visual differences support a dissimilarity that the consumer will be cognizant of in making a purchasing decision. Moreover, the house trademark “Nestle” is predominantly displayed in white letters within a red bubble directly adjacent to the brand mark “Milky Bar.” Making a house mark predominant can potentially reduce the likelihood of confusion. (*Banfi*). These visual differences of package design trade dress support a dissimilarity that cuts in Nestlé’s favor. (*Jockey*).

In terms of meaning – the trade dress of both the classic Milky Way and dark chocolate version supports the association with the galaxy. Similar to the exposition above, the dark Milky Way displays a galaxy-like design complete with white stars on a “midnight” black wrapper background. On the other hand, the trade dress of “Milky Bar” on its face seems to be descriptive of the product – a white chocolate bar. There seems to be a fair difference in the meaning of the marks.

## C. Proximity of the products

Proximity encompasses the nature of the good and the channels of commerce. As both products are chocolate bars, they appear to be proximate supported by the fact that in applying for registration Nestle would be applying under the same class as Mars – 046 for chocolate, candy, and ice cream. This is analogous to the reasoning in *Gallo* that determined red wine to be one class of products (‘wine is wine’).

However, the court in *Banfi* bifurcated red wine based on blend and this approach can be exploited in Nestlé's favor. Mars sells Milky Way bars in two varieties – milk and dark chocolate, whereas Nestlé's Milky Bar is only sold in white chocolate. Just as the preference of some consumers for Sangiovese as opposed to a 50/50 blend divides the wine market, the preference for white chocolate over milk or dark could do the same in the chocolate industry. (*Banfi*). It is not unreasonable to imagine a different group of consumers for white chocolate as opposed to milk and dark; of further support, there are less white chocolate products on the market than milk and dark chocolate, reinforcing a smaller and separate niche in the chocolate market for white chocolate products. Moreover, other defining traits of Milky Way bars are nougat and caramel that are plainly missing in the Milky Bar and this goes towards the different groups of chocolate consumers each respective company aims to target. This is not an overwhelmingly strong argument for Nestle, but it is plausible.

However, the channels of commerce seem to cut clearly in Mars' favor as chocolate bars are likely to be sold side-by-side in a convenience or grocery store. Further, consumers typically devote less time to the purchase decision of low-cost impulse-type items, which necessitates a greater realm of protection over such items. (*Nutrasweet*).

D. Bridge the gap

As the products are quite similar there isn't much of a product gap to bridge which increases the likelihood of confusion and weighs in favor of Mars.

E. Actual confusion

There is no evidence of actual confusion as Nestle has not yet entered the U.S. market. However, Nestlé's Milky Bar has had wide success in Australia, a market in which Mars advertises its Milky Way. The peaceful coexistence of two marks cuts against confusion. (*Marshall Fields; Banfi*). If Nestle decides to enter the U.S. market, the proper test is whether confusion is likely when a consumer familiar with "Milky Way" is confronted with "Milky Bar" alone. (*Gallo*). Actual confusion is not required for a finding of infringement. (*Gallo*).

F. Good faith

There is little evidence on this factor. However, generally there's an inference of bad intent when the senior mark holder's trademark is arbitrary and/or fanciful. It would be helpful to know how successful Mars' Milky Way has been in foreign markets as this would help determine Nestlé's knowledge of Mars' mark. Nestle has sold its Milky Bar in Australia and Great Britain since the 1930s and although Mars received U.S. trademark registration in 1925, it is undisclosed when it branched into foreign markets. However, it should be noted that Mars and Nestle are two of the main competitors in the fierce worldwide chocolate industry and presumably keep apprised of new products launched by their unrelenting competition.

#### G. Quality of junior user's product

This factor is of little value to the analysis.

#### H. Sophistication of the consumer

Inexpensive chocolate bars represent the classic impulse purchase that consumers will not devote much purchasing care to. Therefore, the likelihood of confusion is greater which calls for a correspondingly greater protection of the consumer. (*Nutrasweet*).

The likelihood of confusion analysis supports a Lanham §2(d) rejection or a finding of infringement, depending on the route Nestle chooses to take.

#### IV. Initial Interest Confusion

Although the distinctiveness of the respective trade dresses is a strong deterrent, the common use of the word "Milky" could present an initial interest confusion in that a consumer going to quickly purchase a chocolate bar may mistake Mars' sponsorship of another chocolate bar that similarly employs the dominant and distinctive word "Milky." The premise in this cause of action is attraction, in that a consumer may be deceived or confused in the initial moments of a transaction that gives the junior user an undeserved advantage based on the reputation earned by the senior user. (*Mobil; Blockbuster*). There is an actionable claim if the initial interest confusion bears on the ultimate transaction. (*Playboy*).

#### V. Dilution

Assuming the court will recognize "Milky Way" as a famous mark, if Mars fails to win on infringement, a federal dilution claim can be brought against Nestle. Milky Way has been in commerce since 1923 and its large market presence most probably qualifies it as a "famous" mark. The last requirement is also satisfied as Nestle will enter the market after the acquisition of Milky Way's fame.

Under the umbrella of dilution, a blurring argument can be made in charging that Milky Bar will whittle away the distinctiveness (*Ringling Bros.*) and value of Milky Way. The blurring test is premised on similar factors to those analyzed for likelihood of confusion above.

#### VI. Conclusion

Mars has a strong chance of winning a potential opposition proceeding or an infringement action if Nestle brings its "Milky Bar" into the U.S. market. The best approach for Nestle to launch "Milky Bar" in the U.S. is by keeping the house mark visibly next to the brand mark, touting its distinctive packaging design trade dress, and marketing it as innovative in the niche *white chocolate* industry.

This Essay is 1,796 Words.