

I. ESSAY QUESTION

A. LIKELIHOOD OF CONFUSION

Since it has not actually used its mark in US commerce, Nestle will rely on an intent-to-use application (Lanham Act §1(b)) if it registers with the USPTO.

Nestle should argue that MILKYBAR is a *suggestive* mark (therefore inherently distinct). It is unlikely to survive an argument that the mark is arbitrary or fanciful given that the product is a candy “bar” made from milk-colored white chocolate and has milk as a prominent ingredient. However, this creates a strong argument that the mark is *descriptive* since it identifies two very significant characteristics of the product (*Abercrombie*), especially since the terms “milk” and its derivatives and “bar” are commonly used in the candy industry (*Labrador*). Given the context of the mark’s use and the product it is describing, it does not take any “mental gymnastics” to figure out what the mark means (*Quik-Print*). This is less true for its “buttons” variation of the candy, since it is not at bar at all. Whether the USPTO determines that the mark is suggestive or descriptive, Nestle will still be able to register since there is a presumption that it will be properly used as a trademark or will develop secondary meaning (*Kodak*).

Nestle can also register its trade dress without requiring that it acquire secondary meaning since it is a *package* design (*Two Pesos*) and not a *product* design (*Samara*). The combination of a red and off-white background with the playful blue reflective typeface splashing into what appears to be milk is inherently distinct. There is no reason to believe that this combination of colors and symbols is functional or subject to other bars to registration (Lanham Act §2).

To successfully file an intent-to-use application, Nestle must show a bona fide intention to use the MILKYBAR mark in US commerce. To do so, Nestle should begin marketing MILKYBAR in the US and make clear its intentions to introduce it specifically into the US market. Mere advertising of the mark in the US without intent to use the mark in the US is insufficient (*Buti*). Nestle should be prepared to begin actual use in commerce (beyond token use, *P&G*) within six months of receiving the notice of allowance.

Nestle could introduce MILKYBAR into the US market without registering with the USPTO first. This may give them slightly more time to develop a market presence before Mars is put on notice of Nestle’s use (though it is likely that Mars is constantly watching out for such

campaigns). They could market their product extensively as a *Nestle* product and distinguish it from Mars. However, this strategy can also be used if Nestle registers first, though it does not have the added benefit of developing actual evidence that confusion will not be likely. There are some differences depending on which route Nestle ultimately takes. First, by registering, the USPTO evaluates the likelihood of confusion and is not bound by *Polaroid* whereas non-registration would result in federal court jurisdiction. This would give Nestle more opportunities to appeal an unfavorable result, but it would similarly give Mars the same advantage. Second, by entering the market without registering, there is real-life evidence of whether there is or is not a likelihood of confusion. This could play in Nestle's favor if it properly executes a strong marketing campaign. There is a danger that without an intent-to-use application there is no "constructive use." Constructive use would give Nestle protection from a competitor trying to register MILKYBAR for itself, namely Mars (*Zirco*).

Since MILKY WAY has been registered since 1925 and has been used in commerce since 1923, there is a presumption of Mars' ownership of the mark and its exclusive right to use the mark in connection with Class 46 goods. If Nestle decides to register the mark first or introduce the product into the US market first, it will either face a §2(d) opposition for likelihood of confusion or a §32 infringement action from Mars. Nestle's strategy will be to prove that no likelihood exists on either basis.

First, MILKY WAY is a strong mark. Conceptually, MILKY WAY is arguably suggestive in the same way MILKYBAR is suggestive. Furthermore, its alternative meaning as our galaxy, makes it less likely to fall into the descriptive category since it requires slightly more imagination to come to the conclusion that it is candy. Assuming it is descriptive, its extended market presence in the US and abroad has created strong secondary meaning. While MILKYBAR may share a similarly strong market presence in Australia and Great Britain, it has no such presence in the US. The strength of MILKY WAY's trade dress is less strong since it has chosen to use brown, which is arguably a functional color in the world of chocolate (*Qualitex*).

Second, the word marks are similar at first glance. Both marks are three syllables where the first two syllables are "milky." Both companies use "milky" to invoke the image of smooth chocolate, though MILKYBAR may be referencing its color too. MILKY WAY is two words whereas MILKYBAR seems to be displayed as one. Mars may argue that its use of the word

“bar” on its trade dress makes it more similar. However, the mark is not registered or used as such and it is so small that it is negligible. They are both composite marks where “milky” arguably dominates (*Mrs. Fields*; *Uncle Ben’s*; *Gallo*). Given that MILKY WAY is alternatively defined as our galaxy, it is less likely that it will be viewed in divided parts since it is a play on the whole term. Even if it was dominant, Nestle could argue that “milky” should be available for all chocolate producers (for its functionality) and the addition of “way” and “bar” sufficiently distinguish the products (*Mrs. Fields*). Additionally, Nestle prominently displays its house mark on the packaging. Since the consumer only encounters candy in their packaging, this is relevant (*Banfi*). The trade dress for the products are entirely distinguishable – Mars uses a dark/smooth motif with brown/green whereas Nestle uses a bright/playful one with red/white/blue. This may work against Nestle, since Mars sells variations of its MILKY WAY product. Consumers may believe that MILKYBAR is a new white chocolate version of a MILKY WAY product. This is especially true since Mars has a dark chocolate version on the market. This point may be weakened by Nestle’s use of its house mark and Mars’ use of “MILKY WAY” with the same words and typeface in its variations (not an entirely new mark).

Third, Nestle could argue there is disparate proximity of the goods since they are in segregated segments of the chocolate industry (*Banfi*). There is a difference between selling white chocolate in bar and button form and selling milk chocolate bars with nougat and caramel filling. Mars will argue that chocolate is chocolate (*Gallo*) and candy is generally isolated in a single section in stores or wherever candy is sold (*Nutrasweet*). While the goods themselves are less proximate, the marketing channels are identical.

Fourth, Mars may bridge the gap and introduce a white chocolate variation of MILKY WAY since it already has introduced other versions of it. Though there is no indication of such in the facts, one could assume that such a large corporation would want to reach as many relevant products as possible. Even if Mars were to extend its MILKY WAY line into white chocolate territory, it will likely follow the pattern it has been using for its other MILKY WAY variations, and that is a chocolate “covered” candy bar, not a solid bar like MILKYBAR.

Fifth, there is no actual evidence of confusion. Nestle could argue that their co-existence with Mars in Australia indicates a lack of confusion. But given the different trademark systems, this is unlikely to be persuasive.

Sixth, there is no evidence of bad faith. Both companies began selling their products with their respective marks around the same time (*Banfi*). There is no indication that MILKY WAY was well known when MILKYBAR entered the Australian market. The British market is less relevant since MILKY WAY is marketed as MARS BARS there. Mars may argue that Nestle's bad faith comes from its intentions to enter the US market with the MILKYBAR mark. However, this is a weak argument since Nestle adopted the mark in the 1930s for use in other markets.

Seventh, there is no indication as to the quality of the goods.

Eighth, it seems that low-cost items such as candy would fall into the "impulse buy" category. Its consumers would therefore be characterized as less sophisticated (*Nutrasweet*). However, Nestle could argue that there are many types of candies with a plethora of ingredients. Unless the consumer knows exactly what is in the bar they will take greater care in making their purchase. Unlike products like sugar or detergents, candies are not necessarily substitute goods. There is a greater reliance on brand recognition and loyalty. Consumers will evaluate new, unrecognizable products with a keener eye.

The word marks and trade dress are sufficiently different that any possibility a likelihood of confusion exists can be remedied by a strong marketing campaign. Such a marketing campaign should be accompanied with an intent-to-use application, lest Mars takes the opportunity to do so itself.

B. INITIAL INTEREST CONFUSION

Mars may argue that there is a likelihood of initial interest confusion even if there is no actual confusion at the time of the purchase. MILKY WAY and MILKYBARS are likely sold right next to each other, and a less discerning consumer may pick up the MILKYBAR assuming it is associated with Mars and MILKY WAY (*Mobil*). However, Nestle will argue that there is little "sunk costs" associated with such initial interest even if it were to exist (*Playboy*). The consumer need only put the MILKYBAR back and pick up a MILKY WAY. This is analogous to a magazine rack – GQ would not be able to claim initial interest confusion because there are other men's lifestyle magazines that might divert the consumers' attention. There may be an alternative layer of consumers in the retailers, but Nestle is sufficiently well-known in the US that it would not need to free-ride off of Mars (*Mobil*).

C. DILUTION

Mars may make a dilution claim against Nestle (Lanham Act §43(c)). This would require a threshold determination that MILKY WAY is famous. It is arguably famous in the US – even if it is not famous worldwide (since it uses the mark MARS BAR in some countries for the same product) – given its strength, its large market presence, its extended use as a mark, and its presence in multiple channels of commerce. A blurring claim would be subject to a similar analysis as infringement and would fail accordingly. A tarnishment claim is not relevant since MILKYBAR does not carry any negative connotation.

THIS ESSAY IS 1800 WORDS.