



One Court's View on the Fight over Athlete Endorsers: "Exclusive" Doesn't Necessarily Mean What We Think It Does

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by [Phillip Barengolts, Trademark Attorney](#)

Shelf space at grocery stores has always been in high demand. Product marketers pay far more for eye level, end-of-aisle space than bottom shelf, middle-of-the-aisle space. Placement of a product next to a market leader also generates increased sales – see where your neighborhood store places its private label products.

Being the exclusive sponsor of an athlete, and in turn being exclusively endorsed by that athlete, also increases sales. But does an exclusive sponsor have the right or ability to prevent a third party from also placing products on an athlete endorser? The District of Massachusetts addressed just such a claim in *Ruggers, Inc. v. USA Rugby Football Union, Ltd.*, Civil Action No. 09-30051 (D. Mass. Sep. 10, 2010).¹

Ruggers markets rugby clothing and gear. It had a deal with USA Rugby, whereby Ruggers provided USA Rugby-sanctioned teams with clothing and gear in exchange for the exclusive right to use the USA Rugby trademark on Ruggers' clothing and to have USA Rugby-sanctioned teams wear, use, and promote only Ruggers' clothing and gear.

Allegedly, USA Rugby didn't abide by its end of the bargain. Ruggers claimed that USA Rugby permitted third parties to use the USA Rugby trademark, allowed USA Rugby teams to wear and promote third-party clothing, and sold and promoted these third parties' brands through the USA Rugby website.

Among these third parties was Under Armour, a competitor of Ruggers in the sports clothing market. So, Ruggers sued Under Armour as well, alleging numerous claims, including false

¹ Available at http://scholar.google.com/scholar_case?case=1085822554857338862.



PATTISHALL
McAULIFFE
NEWBURY
HILLIARD &
GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • www.pattishall.com

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advertising and trademark infringement under the Lanham Act.² Under Armour moved to dismiss all claims and won.

A number of interesting items to note from this decision before we reach the meat of the Lanham Act claims:

- although the parties submitted additional materials with their briefs on the motion and Under Armour moved, alternatively, to treat its motion as one for summary judgment, the court decided the motion under the standards of Rule 12(b)(6), but nevertheless did not give Ruggers leave to re-file or amend;
- the court properly relied upon the new standard of pleading enunciated by the Supreme Court in *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009), and *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). That is, the factual allegations of the complaint must "state a claim for relief that is both actionable as a matter of law and 'plausible on its face.'"; and
- the court did not enter final judgment against Ruggers with respect to the Under Armour claim, instead inviting Ruggers or Under Armour to file a motion under Rule 54(b).

The court found inadequate Ruggers' allegations that Under Armour used the USA Rugby mark – a requirement to plead a traditional trademark infringement claim under the Lanham Act. Specifically, the court stated that Ruggers' "Lanham Act claims rest entirely on the vague and conclusory allegation that 'all' of the named competitor-defendants used USA Rugby trademarks." Furthermore, the court found that Ruggers made no allegation that Under Armour "attempted to exploit the [USA Rugby] mark...".

Ruggers attempted to escape the court's conclusion on non-use by arguing that members of the U.S. national team, among others, wore Under Armour apparel "in close physical relation to the USA Rugby marks on other garments" during public appearances. Thus, Under Armour used USA Rugby marks because USA Rugby representatives wore Under Armour-branded clothing in conjunction with USA Rugby-branded clothing. If the facts of the case existed in a vacuum, then the court's rejection of the proposition that this constitutes use under the Lanham Act would seem quite reasonable.

But Ruggers did have legal support for its theory of "use." In *National Football League Properties, Inc. v. Dallas Cowboys Football Club, Ltd.*, 922 F.Supp. 849 (S.D.N.Y. 1996), the Dallas Cowboys exclusively licensed the NFL to exploit COWBOYS trademarks. The NFL sued the Cowboys over the team's alleged side sponsorship deals with PepsiCo, Nike and Dr. Pepper. The NFL did not sue these sponsors. Specifically, the NFL alleged that the Cowboys used the COWBOYS trademarks in "solicitation materials they submitted to potential sponsors" and "through various press conferences and public appearances" to "create the impression that a relationship exists between the Cowboys and various sponsor companies." Additionally, and most importantly to Ruggers' argument, members of the Cowboys team attended a press conference dressed in COWBOYS brand clothing along with boots bearing a PEPSI logo. The court found these allegations sufficient to state a claim under Section 43(a) of the Lanham Act because the NFL "had sufficiently demonstrated

² For a great discussion of the details of this case and some doctrinal problems with the Court's decision, see Professor Tushnet's post: <http://tushnet.blogspot.com/2010/09/third-party-beneficiaries-dont-use-mark.html>.

that the Cowboys had used [the] Cowboys marks in a manner likely to cause the public confusion as to sponsorship."

Cowboys appears to be right on point, but the *Ruggers* court did not agree. It distinguished *Cowboys* on the ground that none of the third-party sponsors in that case were parties to the litigation. This distinction fails, however, if one considers contributory infringement. See, e.g., *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 854 (1982) (intentionally inducing another to infringe a trademark or continuing to supply product to one whom is engaging in infringement of that trademark may constitute contributory infringement). It is not clear if *Ruggers* raised this issue. Nevertheless, the court was correct in finding that Under Armour was not the party using the USA Rugby marks.

The *Ruggers* court also ignored the differences between *Ruggers*' claims of trademark infringement and false advertising. The trademark infringement claim required *Ruggers* to show that Under Armour somehow used the USA Rugby marks directly in a manner likely to cause confusion (apart from a theory of contributory infringement). Section 43(a), however, provides a cause of action against false or misleading representations of fact in advertising and promotions about one's own or another's "goods, services or commercial activities." There is no requirement that a mark even be used. The court did not address this distinction.

Could Under Armour's use of its own marks on clothing provided to USA Rugby athletes possibly mislead potential consumers about sponsorship? Maybe. Answering this question probably would require a carefully crafted survey. Would *Ruggers* be harmed by a perception that USA Rugby also has an affiliation with Under Armour? Maybe. Exclusive sponsors generally pay for exclusivity based on the belief that doing so will help sales. The procedural posture prevents *Ruggers* from exploring its false advertising claim, but it may do so against other third parties it sued.

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Phillip Barengolts is a partner with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a [leading intellectual property law firm](#) based in Chicago, Illinois. [Pattishall McAuliffe](#) represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#), and advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet](#), and [e-commerce](#) issues. Mr. Barengolts' practice focuses on litigation, transactions, and counseling in domestic and international [trademark](#), [trade dress](#), [Internet](#), and [copyright law](#).