

## **Satan Shoes or Satan Speech? Balancing Trademark and First Amendment Rights in the Altered Authentic Goods Context**

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### **INTRODUCTION**

In March 2021, art collective MSCHF released 666 pairs of radically altered Nike Air Max 97 sneakers on its website, christening them “Satan Shoes.”<sup>1</sup> The sneakers were updated from their original form to include a pentagram charm hanging from the laces and a citation to “Luke 10:18” printed on the mudguards.<sup>2</sup> MSCHF employees allegedly mixed their own blood with red ink and injected the combination into the shoes’ midsoles.<sup>3</sup> A small black loop of fabric featuring an upside-down cross extended from the shoes’ tongues, and each shoe was individually numbered out of 666 above the heel.<sup>4</sup> The Satan Shoes—arguably more artistic expression than consumer good after undergoing these devilish alterations—invite the question: Do artists who redesign authentic goods bearing famous trademarks and re-sell those goods to consumers violate the Trademark Act of 1946 (“the Lanham Act”)? If so, can they assert a First Amendment defense?

“Internet mischief maker” Gabriel Whaley founded MSCHF in 2016 as “a creative studio that makes internet to tell stories,” and the collective’s work has been compared to the work of prolific artists like Banksy, Warhol, and Duchamp.<sup>5</sup> Every two weeks,

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1. Bryan Pietsch, *Nike Sues Over Unauthorized ‘Satan Shoes’*, N.Y. TIMES (June 18, 2021), <https://www.nytimes.com/2021/03/28/style/nike-satan-shoes-lil-Nas-x.html> [https://perma.cc/893D-AR3D] [https://web.archive.org/web/20221012175813/https://www.nytimes.com/2021/03/28/style/nike-satan-shoes-lil-Nas-x.html].

2. *Id.*

3. *Id.*

4. *Satan Shoes*, MSCHF, <https://satan.shoes> [https://perma.cc/ZG9J-PQ33] [https://web.archive.org/web/20221012180040/https://mschfsneakers.com/satan-shoes].

5. Sanam Yar, *The Story of MSCHF, a Very Modern . . . Business?*, N.Y. TIMES (Mar. 30, 2021), <https://www.nytimes.com/2020/01/30/style/MSCHF-sneakers-culture.html> [https://perma.cc/49TF-6JMY]

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MSCHF “drops” new art on its website.<sup>6</sup> CNN referred to the collective as “the master of releasing products that nobody really needs, but everyone absolutely wants.”<sup>7</sup> Previous drops have included works like the *Cuss Collar*, a dog collar that swears whenever the dog wearing it barks<sup>8</sup> and a weekly newsletter filled with “unhinged” email chains called *Boomer Email*.<sup>9</sup> Many of MSCHF’s drops make pointed political and social commentary. For instance, MSCHF offers a *Guns to Swords* program that promises to buy people’s guns, melt them down into swords, and send the swords back to the former-guns’ owners.<sup>10</sup> In its *Medical Bill Art* drop, MSCHF made paintings out of three medical bills, sold them for \$73,000, and used the funds to erase the bill recipients’ medical debt.<sup>11</sup>

MSCHF placed its Satan Shoes for sale on its website in late March, 2021 as part of its forty-third drop.<sup>12</sup> Crucially, Nike was not involved in the Satan Shoes’ design, modification, or sale and did not endorse the Satan Shoes in any way.<sup>13</sup> MSCHF created the Satan Shoes in collaboration with Lil Nas X, a music artist who released the song “Montero (Call Me By Your Name)” alongside a music video in which Lil Nas dances seductively with the devil.<sup>14</sup> Lil Nas X described his work as responding to LGBTQ

[<https://web.archive.org/web/20221116172820/https://www.nytimes.com/2020/01/30/style/MSCHF-sneakers-culture.html>]; Gabriel Whaley, *The Invisible Dog*, <https://www.theinvisibledog.org/gabriel-whaley> [<https://perma.cc/NP83-2F2K>] [<https://web.archive.org/web/20221116173143/https://www.theinvisibledog.org/gabriel-whaley>] (last visited Nov. 16, 2022) (“Gabe is an internet mischief maker, known for creating sensational ‘internet’ that makes people feel things. He used to work at BuzzFeed, but that didn’t last very long. He has since founded MSCHF, a creative studio that makes internet to tell stories.”). See also Oscar Holland, *A \$30K Damien Hirst Was Cut Up—and the Pieces Are Selling for Seven Times as Much*, CNN (Apr. 30, 2020), <https://www.cnn.com/style/article/damien-hirst-msCHF-severed-spots/index.html> [<https://perma.cc/PN6E-EJ4M>] [<https://web.archive.org/web/20221012180249/https://www.cnn.com/style/article/damien-hirst-msCHF-severed-spots>].

6. MSCHF, <https://msCHF.xyz> [<https://perma.cc/AS6U-GV5X>] [<https://web.archive.org/web/20221012180746/https://msCHF.xyz>].

7. Alicia Lee, *You Can Now Buy a Dog Collar That Will Swear Every Time Your Dog Barks*, CNN (Feb. 16, 2020, 5:05 AM), <https://www.cnn.com/2020/02/16/us/cuss-collar-dog-barks-trnd/index.html> [<https://perma.cc/DT4P-WTJ4>] [<https://web.archive.org/web/20221012181048/https://www.cnn.com/2020/02/16/us/cuss-collar-dog-barks-trnd/index.html>].

8. *Id.*

9. Curtis Silver, *Boomer Email Pulls Back The Curtain On The Unhinged World Of Boomer Email Chains*, FORBES (Apr. 13, 2020, 12:00 PM), <https://www.forbes.com/sites/curtissilver/2020/04/13/boomer-email-pulls-back-the-curtain-on-the-unhinged-world-of-boomer-email-chains/?sh=1ec76a9742e7> [<https://perma.cc/DB45-NQZK>] [<https://web.archive.org/web/20221012181157/http://web.archive.org/screenshot/https://www.forbes.com/sites/curtissilver/2020/04/13/boomer-email-pulls-back-the-curtain-on-the-unhinged-world-of-boomer-email-chains/?sh=1ec76a9742e7>].

10. Jon Jackson, *Elon Musk’s Partner Grimes Carried a Sword at the Met Gala: The Story Behind It*, NEWSWEEK (Sept. 14, 2021, 12:44 PM), <https://www.newsweek.com/elon-musks-partner-grimes-carried-sword-met-gala-story-behind-it-1629017> [<https://perma.cc/5M2X-PKN5>] [<https://web.archive.org/web/20221012181415/https://www.newsweek.com/elon-musks-partner-grimes-carried-sword-met-gala-story-behind-it-1629017>].

11. Taylor Dafor, *An Art Collective Turned Three Americans’ Medical Bills Into Paintings and Then Sold Them To Erase \$73,000 Worth of Debt*, ARTNET (Sept. 28, 2020), <https://news.artnet.com/art-world/msCHF-medical-debt-paintings-1911250> [<https://perma.cc/MD93-LQ9J>] [<https://web.archive.org/web/20221012181910/https://news.artnet.com/art-world/msCHF-medical-debt-paintings-1911250>].

12. MSCHF, *supra* note 6.

13. Pietsch, *supra* note 1.

14. *Id.*

repression.<sup>15</sup> In the media, outcry over the music video compounded with outcry over the Satan Shoes' release, particularly on Twitter.<sup>16</sup> Some social media users—ostensibly confused as to the Satan Shoes' affiliation—insisted that they would never purchase Nike products again, with one suggesting that Nike should be “cancelled” over the Satan Shoes design and release.<sup>17</sup> Whether such comments were posted in good faith or simply to fan the controversy's flames cannot be confirmed.

On March 26, 2021, 665 pairs of the Satan Shoes sold online for \$1,018 per pair within one minute of their release.<sup>18</sup> Nike sued MSCHF in the Eastern District of New York (EDNY) on March 29, alleging trademark infringement, false designation of origin, unfair competition, and trademark dilution under the Lanham Act, as well as common law trademark infringement and unfair competition.<sup>19</sup> By April 7, the parties had settled, but not before Nike secured a temporary restraining order against MSCHF.<sup>20</sup>

MSCHF does not fit the image of a typical counterfeiter. The Satan Shoes are not counterfeits or knockoffs and MSCHF is not trying to pass them off as authentic Nikes because they *are* authentic Nikes. MSCHF describes itself as an “art collective,” and sometimes refers to its work as “performance art.”<sup>21</sup> In other words, MSCHF had a unique opportunity to argue that in creating the Satan Shoes it sought to create works of art that comment upon Nike and collaboration culture rather than a product that

15. Andrew Chow, *Lil Nas X on 'Montero (Call Me By Your Name)'*, *LGBTQ Repression and the Influence of FKA Twigs*, TIME (Mar. 31, 2021, 10:20 AM), <https://time.com/5950756/lil-nas-x-montero-interview> [<https://perma.cc/VKM8-8YHG>] [<https://web.archive.org/web/20221012182030/https://time.com/5950756/lil-nas-x-montero-interview>].

16. Christopher Harris, *Twitter Reacts To Lil Nas X's Satan Shoes*, REVOLT (Mar. 28, 2021, 7:07 PM), <https://www.revolt.tv/news/2021/3/28/22355648/twitter-lil-nas-x-satan-shoes> [<https://perma.cc/RE9Y-MQUU>] [<https://web.archive.org/web/20221104144144/https://www.revolt.tv/article/2021-03-28/56773/twitter-reacts-to-lil-nas-xs-satan-shoes>]; Graham Hartmann, *Lil Nas X's 'Satan Shoes' Have Sent Conservative Christian Twitter Into a Rage Spiral*, LOUDWIRE (Mar. 29, 2021), <https://loudwire.com/satan-shoes-conservative-christian-twitter-reactions-lil-nas-x> [<https://perma.cc/JB99-959R>] [<https://web.archive.org/web/20221012182248/https://loudwire.com/satan-shoes-conservative-christian-twitter-reactions-lil-nas-x>].

17. COMPLAINT at 11–13, Nike, Inc. v. MSCHF Product Studio, Inc., 2021 No. 21-cv-1679 (E.D.N.Y. Mar. 29, 2021).

18. Pietsch, *supra* note 1.

19. COMPLAINT, *supra* note 17.

20. Neil Vigdor, *Company Will Offer Refunds to Buyers of 'Satan Shoes' To Settle Lawsuit by Nike*, N.Y. TIMES (July 7, 2021), <https://www.nytimes.com/2021/04/08/style/satan-shoe-settlement-nike.html> [<https://perma.cc/R8NF-W885>] [<https://web.archive.org/web/20221012182649/https://www.nytimes.com/2021/04/08/style/satan-shoe-settlement-nike.html>].

21. Morwenna Ferrier, *Hail Satan Shoes: Why Did the 'Banksy of the Internet' Put Blood in 666 Nike Air Max?* GUARDIAN (Apr. 16, 2021, 4:00 PM), <https://www.theguardian.com/fashion/2021/apr/16/hail-satan-shoes-why-did-the-banksy-of-the-internet-put-blood-in-666-nike-air-max> [<https://perma.cc/CTD6-CWNH>] [<https://web.archive.org/web/20221012182936/https://www.theguardian.com/fashion/2021/apr/16/hail-satan-shoes-why-did-the-banksy-of-the-internet-put-blood-in-666-nike-air-max>].

would freeride off of Nike's goodwill and reputation.<sup>22</sup> That is exactly what MSCHF argued before it settled.<sup>23</sup>

Whether the Satan Shoes are more akin to *Medical Bill Art's* impactful artistic commentary or more like the *Cuss Collar*, an entertaining consumer product, is an intellectually valuable debate not only for cultural critics but also for the legal world. This Note will argue that authentic goods that are altered post-sale and resold primarily as works of artistic expression to sophisticated consumers should be protected by the First Amendment. In doing so, this Note will offer courts a framework for analyzing whether an altered authentic good should qualify for a First Amendment defense by determining whether the good functions more like a competing consumer product or a work of artistic expression in the marketplace. Part I of this Note will provide an overview of the relevant trademark law. Part II will discuss the legal problems posed by cases involving modified authentic goods that function like art, and the lack of relevant defenses for trademark use in that context. Part III proposes considerations for courts seeking to balance trademark owners' rights with the rights of the public to sell modified authentic goods as artistic expression. Part III also provides business considerations for those seeking to modify and resell authentic goods.

### I. ALTERED AUTHENTIC GOODS IN THE CURRENT TRADEMARK LAW LANDSCAPE

Trademark law currently affords artists who alter trademark-bearing goods like sneakers thin protection at best. This section provides an introduction to Lanham Act causes of actions and defenses that are most relevant to the altered authentic goods context.

A trademark can be a word, name, symbol, or device (or some combination thereof) and must be used in commerce to distinguish an entity's goods in the marketplace.<sup>24</sup> Beyond the use in commerce requirement, trademarks must also be distinctive such that they are capable of signaling a product's unique source to consumers.<sup>25</sup>

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22. "A trademark is the visual symbol of the good will and reputation that a business has built up in a product or service . . . The Supreme Court noted that trademark protection 'helps consumers identify goods and services that they wish to purchase, as well as those they want to avoid.'" J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, §§ 2:14, 2:15 (5th ed. 2019) (quoting *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017)).

23. LETTER REGARDING PLAINTIFF'S MOTION FOR A TEMPORARY RESTRAINING ORDER BY MSCHF PRODUCT STUDIO, INC.COM, *Nike, Inc. v. MSCHF Product Studio, Inc.*, 2021 No. 21-cv-1679 (E.D.N.Y. Mar. 31, 2021).

24. 15 U.S.C. § 1127.

25. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768–69 112 S. Ct. (1992). Trademarks are categorized on a distinctiveness spectrum, from arbitrary and fanciful marks, which are the most distinctive, to generic marks, which are not distinctive and do not receive Lanham Act protection. Some marks are inherently distinctive, including all arbitrary, fanciful, and suggestive marks. An inherently distinctive mark is protected under the Lanham Act from its first use in commerce. Other marks, such as certain descriptive marks, are protectible only after they have acquired secondary meaning in the relevant market. Marks that are arbitrary, fanciful, or suggestive are inherently distinctive. See MCCARTHY, *supra* note 22, at § 11.

Trademarks are a form of intellectual property protected by federal law under the Lanham Act and by state statutory and common law.<sup>26</sup> In his treatise on trademarks and unfair competition, J. Thomas McCarthy notes that trademarks confer a property right to their owners because they grant a right to exclude, but unlike the right conferred by copyright or patent protection, a trademark's property right is inextricable from the goodwill for which the trademark stands.<sup>27</sup> Goodwill is therefore a key consideration in trademark law, and is reflected in trademark law's twin goals.<sup>28</sup>

### A. TRADEMARK LAW'S TWIN GOALS

Trademark owners like Nike rely on their trademarks to communicate and maintain their reputation in the marketplace, whether that be for providing high-quality products, discounted prices, sustainable practices, or other desirable qualities. Consumers also rely on trademarks when making decisions about which products to purchase and where to purchase them. The essential goals of trademark law therefore boil down to two categories of protection: consumer protection and trademark owner protection.<sup>29</sup>

#### 1. Consumer Protection

The consumer protection goal is reflected in much of the Lanham Act, as well as in judge-made trademark doctrines like the circuit courts' likelihood-of-confusion tests.<sup>30</sup> Consumer protection takes two primary forms: protection against exorbitant search costs and protection against confusion.

26. Trademark Act of 1946, 15 U.S.C. §§ 1051–1141 (2021); MCCARTHY, *supra* note 22, § 22:1.

27. MCCARTHY, *supra* note 22, §§ 2:14, 2:15 (5th ed. 2019).

28. *But see generally* Irene Calboli, *Trademark Assignment "With Goodwill": A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771 (2005) (arguing for free trademark transferability and an end to the rule against assignment in gross, which requires that trademarks continue to be used for similar products after they are assigned or transferred such that the trademarks retain their goodwill). For a summary of judicial constructions of goodwill and goodwill valuation methods, especially in the franchising context, see generally W. Michael Garner & Elliot R. Ginsburg, *Nailing the Blob of Mercury: Goodwill in Franchising*, 33 No. 2 FRANCHISE L.J. 149, 150 (2013) (proposing "a method for ascribing and allocating the value of goodwill between franchisor and franchisee").

29. MCCARTHY, *supra* note 22, at §§ 2:1, 2:2; *see also* Zippo Mfg. Co. v. Rogers Imports, Inc., 216 F. Supp. 670, 694 (S.D.N.Y. 1963) ("The law of unfair competition has traditionally been a battleground for competing policies. The interest of the public in not being deceived has been called the basic policy.").

30. *See, e.g.*, Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961) (developing an eight-factor likelihood of confusion test used to determine whether trademark infringement has occurred by analyzing the strength of the senior user's mark, the two marks' similarity, the products' proximity, the likelihood that the senior user will bridge the gap, actual confusion, defendant's good faith in adopting its mark, defendant's product quality, and the relevant consumers' sophistication); *see also* Dustin Marlan, *Is the Word "Consumer" Biasing Trademark Law?*, 8 TEX. A&M L. REV. 367, 369–70 (2021) ("As 'a form of consumer protection,' each of trademark law's major doctrines revolves around *consumer* perceptions, thus identifying the *consumer* as the source of all of its internal boundaries . . . To this end, all of trademark law's doctrines invoke the *consumer* mindset.") (internal citation omitted).

First, trademarks reduce search costs for consumers.<sup>31</sup> Because trademarks assist consumers in identifying a product's source, consumers can learn to trust that a particular brand will deliver a certain level of quality or a certain kind of product with some consistency. For example, a consumer who prefers the taste of Coca-Cola will not have to spend time researching which cola at the grocery store will deliver the same taste because they can simply look for the Coca-Cola trademark and know that the product bearing it will taste the same every time.<sup>32</sup>

Relatedly, trademarks protect consumers from confusion and deception as to a product's source.<sup>33</sup> Consumer confusion occurs when a consumer believes a product comes from one brand when it actually comes from another. Expanding upon the previous example, if a consumer wishes to purchase Coca-Cola but the Coca-Cola bottles are sold on a grocery store shelf next to a product bearing a confusingly similar trademark (say, Coco-Cola), that consumer might mistakenly purchase a bottle of Coco-Cola when they believed they were purchasing Coca-Cola. Such confusion can result in everything from minor inconvenience to serious safety risks.<sup>34</sup> Imagine, for example, a consumer who mistakenly purchases a makeup compact from a company called Channel, thinking they have purchased a high-quality Chanel product, who later breaks out in a rash due to the Channel product's unsafe ingredients.<sup>35</sup> While such confusion can harm consumers in terms of search costs and, in extreme circumstances, in terms of their health and safety, consumer confusion can also harm trademark owners.

## 2. Trademark Owner Protection

In addition to facilitating consumer protection, trademarks also allow entities to protect their brand identities.<sup>36</sup> A brand's goodwill, as maintained and made

31. *Id.* at 369 (“According to the dominant law-and-economics-based account of trademark law, the fundamental purpose of a trademark is to reduce *consumer* search costs by providing a concise and unequivocal identifier of the particular source of particular goods.”); *see also*, MCCARTHY, *supra* note 22, § 2:5 (“[T]rademarks reduce the buyer’s cost of collecting information about goods and services by narrowing the scope of information into brand segments rather than have the buyer start a new search process with each purchase.”).

32. *See* Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2105–06 (2004) (using the Coca-Cola example to demonstrate how trademarks save consumers search costs).

33. MCCARTHY, *supra* note 22, § 2:22.

34. *See* David A. Simon, *Trademark Law & Consumer Safety*, 72 FLA. L. REV. 673, 694 (2020) (“trademark law sometimes must confront risks to consumer safety. Where confusingly similar trademarks might pose physical harm to the consumer, courts have been willing to lower the standard of liability to prevent the risk from materializing.”).

35. *See, e.g.*, Julianna McDermott, *Counterfeit Makeup: The Dangers of Buying Knockoff Beauty Products*, HUFFPOST (May 21, 2015, 11:54 AM), [https://www.huffpost.com/archive/ca/entry/counterfeit-makeup-the-dangers-of-buying-knockoff-beauty-product\\_n\\_7356884](https://www.huffpost.com/archive/ca/entry/counterfeit-makeup-the-dangers-of-buying-knockoff-beauty-product_n_7356884) [<https://perma.cc/Y5QL-4FK4>] [[https://web.archive.org/web/20221116184304/https://www.huffpost.com/archive/ca/entry/counterfeit-makeup-the-dangers-of-buying-knockoff-beauty-product\\_n\\_7356884](https://web.archive.org/web/20221116184304/https://www.huffpost.com/archive/ca/entry/counterfeit-makeup-the-dangers-of-buying-knockoff-beauty-product_n_7356884)].

36. MCCARTHY, *supra* note 22, § 2:2 (noting that “[t]rademark law serves to protect consumers from deception and confusion over trademarks as well as to protect the plaintiff’s infringed trademark as property”); *see also* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 (1992) (“The purpose underlying any trade-mark statute is twofold. One is to protect the public . . . Secondly, where the owner of a trade-mark

recognizable by its trademarks, is a financially valuable asset.<sup>37</sup> The value of this intangible asset depends heavily on a brand's reputation among consumers.<sup>38</sup> A powerful reputation can lead to greater consumer loyalty, and greater consumer loyalty can lead to lower customer acquisition costs.<sup>39</sup> Trademarks are thus essential to competing in modern markets, and trademark owners therefore have a vested interest in protecting their trademarks from losing their distinctiveness or their reputation.

### B. THE FIRST AMENDMENT AND TRADEMARK LAW

Trademark law's twin goals do not always exist in perfect harmony with First Amendment interests. Where trademark law strives to protect consumers and trademark owners, "the goal of free speech [is] to create a zone of open social, artistic, political and commercial expression."<sup>40</sup> In some trademark infringement cases, courts are therefore tasked with balancing free speech principles with trademark owners' rights.

Trademarks themselves are protected as speech, although courts usually consider trademarks "commercial speech," a category that is afforded less protection than expressive speech under the First Amendment.<sup>41</sup> Unauthorized trademark uses are sometimes protected as speech if they appear in works of artistic expression,<sup>42</sup> parodies (including parody products),<sup>43</sup> or advertisements.<sup>44</sup> While trademark owners might argue that such uses amount to infringement, courts are often wary of allowing trademark rights to trump First Amendment liberties.<sup>45</sup>

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has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.") (quoting S. Rep. No. 1333, at 3 (1946)).

37. Glenn Perdue, *Trademarks, Brands and Goodwill: Overlapping Sources of Economic Value*, 53 *LES NOUVELLES* 258, 258 (2018) ("There is great consensus in the worlds of marketing, economics and accounting that intangible assets associated with trademarks, brands and goodwill create value—value that arises from market awareness, relationships with customers and a good reputation.").

38. *Id.* at 259–60.

39. *Cf.* MCCARTHY, *supra* note 22, § 2:5 (Consumer brand preference is not irrational because it reduces valuable search costs. Consumer brand preference also lowers customer acquisition costs: customers with brand preferences are likely to buy from their preferred Brand X, even if Brand Y offered a similar product at a lower price because buying from Brand Y would present some risk, even if that risk is minimal. Thus, Brand X would not have to acquire new customers in the same way that Brand Y would).

40. MCCARTHY, *supra* note 22, § 31:139.

41. MCCARTHY, *supra* note 22, § 31:140 ("All courts agree that while commercial speech, such as a trademark, is within the First Amendment, it receives a lesser degree of protection than expressive speech.").

42. *See, e.g.*, *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008) (affirming a summary judgment grant holding that a strip club's suit for trademark and trade dress infringement should be dismissed because defendant video game creator's in-game depiction of a Los Angeles strip club was not explicitly misleading and therefore entitled to First Amendment protection).

43. *See, e.g.*, *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007) (finding that a dog toy company's use of name "Chewy Vuitton" did not infringe luxury fashion brand's trade dress because it was a parody).

44. *See, e.g.*, *MasterCard Int'l, Inc. v. Nader 2000 Primary Comm., Inc.*, No. 00 Civ.6068(GBD), 2004 WL 434404 (S.D.N.Y. Mar. 8, 2004) (finding that a presidential candidate's use of slogans similar to plaintiff's service marks did not constitute trademark infringement or dilution because there was no likelihood of confusion and because the defendants' slogans were political rather than commercial speech).

45. William McGeeveran, *Four Free Speech Goals for Trademark Law*, 18 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1205, 1206 (2008) ("[T]he eventual decisions in almost all recent controversial cases protected

McCarthy observes that there are two dominant indicators that a trademark owner's rights will override a trademark user's First Amendment rights when the trademark is used in a work of artistic expression. First, when the trademark "visually dominates or is the focal point of the art work" and second, "when reproductions of the art work are sold in commercial quantities or when reproductions appear on a commercial article, such as a calendar, tote bag or coaster."<sup>46</sup> Such uses are more likely to cause consumer confusion as to the source of a product or as to the trademark owner's affiliation with the artwork.<sup>47</sup> Nevertheless, a junior user may still prevail when both factors are present if they are a well-known artist or if their artwork's consumers are highly sophisticated.<sup>48</sup> Either would reduce the likelihood of consumer confusion and thus dampen concerns that courts typically have about damaging a trademark owner's reputation. These potential indicators aside, the mixed trademark-First Amendment jurisprudence is relatively murky, and there are no settled rules in this area of the law.<sup>49</sup>

### C. RELEVANT LANHAM ACT CAUSES OF ACTION

Trademark owners like Nike can assert their rights through a variety of causes of action. In the altered authentic goods context, the most relevant causes of action are trademark infringement and trademark dilution.

#### 1. Trademark Infringement: Likelihood of Confusion

The statutory basis for trademark infringement of a registered trademark is 15 U.S.C. § 1114, and the key question in any trademark infringement action is whether the defendant is likely to cause consumer confusion through its use of the plaintiff's trademark.<sup>50</sup> Likelihood of confusion is also at the heart of false designation of origin claims, which allow trademark owners to assert trademark infringement claims for trademarks not registered on the U.S. Patent and Trademark Office ("USPTO")'s principal register.<sup>51</sup>

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speech, just as the Ninth Circuit did in Freecycle. When courts finally reach the merits, these cases suggest, the defendant's free speech arguments ultimately carry the day.").

46. MCCARTHY, *supra* note 22, § 10:22.10.

47. *Id.*

48. *Id.*

49. Stephanie Dotson Zimdahl, *A Celebrity Balancing Act: An Analysis of Trademark Protection Under the Lanham Act and the First Amendment Artistic Expression Defense*, 99 NW. U. L. REV. 1817, 1827 (2005) ("American courts have yet to develop and adopt a singular approach for striking th[e] balance [between First Amendment rights and trademark rights], and there is continued disagreement between both appellate courts and commentators on how this should be accomplished."); *see also* McGeeveran *supra* note 45, at 1210–11 (noting that the balancing occurs at various stages in the life of any trademark, including when a court assesses the initial distinctiveness requirement for trademark protection and during the likelihood-of-confusion test in an infringement case, but observing that a recent expansion of trademark rights has undermined courts' ability to truly balance trademark and First Amendment rights).

50. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1582 (2006) (noting that the likelihood of confusion question is "the overriding question in most federal trademark infringement litigation"); MCCARTHY, *supra* note 22, § 23:1 ("In almost all aspects of trademark law, 'likelihood of confusion' is the test of infringement and of the scope of rights in a trademark.").

51. 15 U.S.C. § 1125(a)(1)(A); MCCARTHY, *supra* note 22, § 27:12.



In trademark infringement cases, courts use up to thirteen factors to analyze whether consumers are likely to be confused as to the source of an alleged infringer's goods and services.<sup>52</sup> The factors are slightly different in each circuit, but they analyze such issues as the strength of the senior user's mark, the similarity of the marks, evidence of actual consumer confusion, and the sophistication of the relevant consumer group.<sup>53</sup> Likelihood-of-confusion tests attempt to serve both of the major trademark law goals, but the overall inquiry primarily serves to protect consumers from confusion and deception as to the source of a product.<sup>54</sup>

## 2. Trademark Infringement: Counterfeit Products

Counterfeit products use a registered trademark or "a spurious designation that is identical with, or substantially indistinguishable from, a designation" that the Lanham Act protects without authorization from the trademark holder.<sup>55</sup> Trademark counterfeiting occurs where defendants intentionally and substantially copy a genuine trademark or where defendants are willfully blind to such substantial copying.<sup>56</sup>

Counterfeiting is a very serious matter. As McCarthy puts it, "counterfeiting is 'hard core' or 'first degree' trademark infringement and is the most blatant and egregious form of 'passing off.'"<sup>57</sup> Counterfeiting is so illicit that a defendant found to have committed this kind of trademark infringement is liable to incur criminal penalties.<sup>58</sup> As a civil penalty, the Lanham Act also allows for treble damages for the use of a counterfeit mark.<sup>59</sup> The trademark counterfeiting cause of action protects consumers from deception and trademark owners from theft of their intellectual property.<sup>60</sup>

52. *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973) (each circuit has a different number of factors in its likelihood-of-confusion test, but the Federal Circuit has the most at thirteen).

53. MCCARTHY, *supra* note 22, § 24:30–24:43.

54. See Anne M. McCarthy, Note, *The Post-Sale Confusion Doctrine: Why the General Public Should Be Included in the Likelihood of Confusion Inquiry*, 67 *FORDHAM L. REV.* 3337, 3337 (1999) (acknowledging that, in an effort to protect trademark owners' goodwill, courts have sometimes found confusion "in cases where the actual likelihood of confusion was quite slim"); Marlan, *supra* note 30, at 393 (arguing that trademark law's expansion of its likelihood-of-confusion analysis and courts' willingness to find infringement even where consumers have been confused but not harmed have been justified by the "thinly veiled guise of consumer protection").

55. 15 U.S.C. § 1116(d)(1)(B).

56. *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 536 (D.N.J. 2008) ("To establish federal trademark counterfeiting, the record must establish that (1) defendants infringed a registered trademark in violation of the Lanham Act, 15 U.S.C. § 1114(1)(a), and (2) intentionally used the trademark knowing that it was counterfeit or was willfully blind to such use.>").

57. MCCARTHY, *supra* note 22, § 25:10.

58. MCCARTHY, *supra* note 22, § 25:14. Congress passed the Trademark Counterfeiting Act of 1984 in response to a wave of international trademark counterfeiting. *Id.* The Act is codified at 18 U.S.C. § 2320 and criminalizes intentional trafficking in goods and services and knowingly using a counterfeit mark in connection to those goods or services, among other things. 18 U.S.C. § 2320(a). Penalties for a first offense not involving serious bodily injury or death committed by an individual include a fine of not more than \$2,000,000, a ten-year prison sentence, or both. 18 U.S.C. § 2320(b)(1)(A).

59. 15 U.S.C. § 1117(b).

60. G. Trenton Hooper & Janna M. Wittenberg, *Counterfeiting and the Myth of the Victimless Crime*, 4 *LANDSLIDE* 41, 41–42 (2011) (arguing that the major policy concern with counterfeiting is the ability to

### 3. Dilution

Trademark dilution can occur when a junior user uses a famous mark on unrelated goods without authorization in such a way that is not likely to cause confusion but instead is likely to have “a weakening or reduction in the ability of a famous mark to distinguish only one source.”<sup>61</sup> Unlike trademark infringement, trademark dilution claims can only be brought by owners of famous trademarks.<sup>62</sup>

Famous mark users (like Nike) can seek injunctions against defendants whose use of their mark in commerce is likely to cause dilution.<sup>63</sup> There are two categories of trademark dilution. Dilution can be by blurring, meaning that the defendant’s use is likely to dilute the famous mark’s distinctiveness in the market.<sup>64</sup> Dilution can also be by tarnishment, meaning that the defendant’s use is likely to harm the famous mark’s reputation in the eyes of consumers.<sup>65</sup>

Unlike in the trademark infringement context in which likelihood-of-confusion and other consumer-protection inquiries are key to finding infringement, the trademark dilution cause of action only protects trademark owners.<sup>66</sup>

### 4. The Difference Between Counterfeits, Knockoffs, and Altered Authentic Goods

Counterfeit goods are always in violation of the Lanham Act.<sup>67</sup> Counterfeiters use Lanham Act-protected trademarks (or close imitations of the marks) without authorization from the trademark holder in an attempt to pass merchandise off as

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protect a brand’s reputation and goodwill, but that consumer protection is also a critical concern). *But cf.* Connie Davis Powell, *We All Know It’s a Knock-Off! Re-Evaluating the Need for the Post-Sale Confusion Doctrine in Trademark Law*, 14 N.C. J.L. & TECH. 1, 2 (2012) (arguing that many consumers desire counterfeit products and that such consumers are not deceived and are therefore in less need of protection).

61. MCCARTHY, *supra* note 22, § 24:67.

62. MCCARTHY, *supra* note 22, § 24:104 (“Under both state and federal antidilution laws, the general rule is that only very well-known and strong marks need apply for the extraordinary scope of exclusivity given by antidilution laws. Under the 2006 revised federal [Trademark Dilution Revision Act], in order to be ‘famous,’ a mark must be ‘widely recognized by the general consuming public of the United States’ as a designation indicating a single source of goods or services. That is a difficult and demanding requirement. As the Federal Circuit observed: ‘It is well-established that dilution fame is difficult to prove.’”) (quoting *Coach Services, Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1373 (Fed. Cir. 2012)).

63. 15 U.S.C. § 1125(c).

64. 15 U.S.C. § 1125(c)(2)(B).

65. 15 U.S.C. § 1125(c)(2)(C).

66. Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1030–31 (2006) (“Prior to the advent of this form of protection, the owner of a mark could recover for trademark infringement under the Lanham Act only if the commercial use of its mark by someone else caused consumer confusion. By contrast, dilution grants trademark holders a remedy for the use of their famous marks by another even when consumers are not confused.”); MCCARTHY, *supra* note 22, § 24:72 (“Dilution Law Does Not Protect Consumers from Being Deceived. Traditional trademark law rests primarily on a policy of protection of customers from mistake and deception, while antidilution law more closely resembles an absolute property right in a trademark. Antidilution law has a strong resemblance, not to the law of consumer protection, but to the law of trespass on property.”).

67. ANNIE GILSON LALONDE, 1 GILSON ON TRADEMARKS § 5.19(2)(a) (2022) (noting that “all counterfeits infringe, but not all infringements are counterfeit”).

genuine.<sup>68</sup> In order to find that a mark is counterfeit, the Lanham Act requires a high degree of similarity between the genuine mark and the counterfeit mark (“identical with or substantially indistinguishable from”).<sup>69</sup> The likelihood of confusion in counterfeit cases is therefore high.

Knockoff goods can be counterfeit goods if they use counterfeit marks, but they can also be legal imitations of a brand’s general style.<sup>70</sup> A knockoff product that does not use a counterfeit mark and is not attempting to pass as an authentic good might not violate the Lanham Act depending on whether it is likely to confuse consumers or dilute a genuine trademark or trade dress.

Altered authentic goods are authentic goods that were purchased through an authorized retailer, altered, and then resold. Unlike counterfeit and knockoff goods, altered authentic goods are not attempting to pass as authentic because they already are.<sup>71</sup> While altered authentic goods are not the same as counterfeits or knockoffs, they can violate the Lanham Act depending on the nature of the alterations.<sup>72</sup>

#### D. TRADITIONAL LEGAL DEFENSES: THE DIFFICULTY OF DEFENDING ARTISTIC EXPRESSION IN THE ALTERED AUTHENTIC GOODS CONTEXT

Junior users like MSCHF that are accused of trademark infringement, trademark dilution, or another Lanham Act violation can assert any of several defenses. A handful of statutory defenses are outlined in 15 U.S.C. § 1115, including assertions that a trademark has been abandoned or is functional, as well as laches, estoppel, and acquiescence. In most altered authentic goods contexts, the relevant defenses are the first sale doctrine, trademark fair use, and First Amendment defenses.

##### 1. First Sale Doctrine

The first sale doctrine—sometimes referred to as the “exhaustion doctrine”—restricts trademark holders’ control of their products’ distribution beyond the products’ first authorized sale.<sup>73</sup> This doctrine allows someone who purchases a product to resell it on the secondhand market in most circumstances. The first sale doctrine is only a defense to the resale of goods if the goods are genuine and have not been materially altered and if the resale does not create confusion as to the product’s origin.<sup>74</sup>

68. MCCARTHY, *supra* note 22, § 25:10.

69. 15 U.S.C. § 1116(d)(1)(B).

70. *People v. Rosenthal*, 800 N.Y.S.2d 354 (N.Y. Crim. Ct. 2003) (“[W]hile it is perfectly legal to sell merchandise that copies the design and style of a product often referred to as ‘knock-offs’ it is against the law to sell goods that bear a counterfeit trademark.”).

71. See generally Yvette Joy Liebesman & Benjamin Wilson, *The Mark of A Resold Good*, 20 GEO. MASON L. REV. 157, 182 (2012) (discussing the resale of unaltered, authentic goods outside of authorized distribution channels).

72. MCCARTHY, *supra* note 22, § 25:40.

73. MCCARTHY, *supra* note 22, § 25:41; *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947).

74. MCCARTHY, *supra* note 22, § 25:41. See generally Julie Tamerler, *Everything Isn’t Gucci: Trademark Law and the Secondhand Luxury Goods Market*, REUTERS (June 18, 2021, 4:52 PM) <https://www.reuters.com/legal/legalindustry/everything-isnt-gucci-trademark-law-secondhand-luxury-goods-market-2021-06-18> [<https://perma.cc/93D2-5JVX>] [<https://web.archive.org/web/20221104161834/https://www.reuters.com>].

Not all alterations of authentic goods are considered “material.” Courts have considered different factors when deciding whether a genuine good’s alteration is “material” enough to bar the first sale defense. There is no settled test for the material alterations exception. Factors that some courts consider include whether the alteration is likely to cause confusion, whether the alteration is likely to harm the plaintiff’s goodwill, and whether “consumers [would] consider [the alteration] relevant to a decision about whether to purchase a product.”<sup>75</sup>

Whether an alteration counts as “material” such that it bars a first sale defense depends heavily on the facts of each case, as is evidenced by courts’ lack of bright line rules in this area. Some courts, for example, have held that altered packaging is a material alteration,<sup>76</sup> but other courts have held that altered packaging is not material.<sup>77</sup> Some courts have held that the loss of enforceable warranties is a “material” difference.<sup>78</sup> Other courts have found that the loss of access to customer support from a product’s original developer is not a “material” difference.<sup>79</sup> Some courts have attempted to supplement the factors listed above by emphasizing that alterations are material only if they impact a “necessary and integral part of the complete product.”<sup>80</sup>

For most artists selling altered authentic goods, the first sale doctrine will be worth asserting as one possible defense, but junior users should be aware that the unpredictable “material alteration” standard is likely to bar this defense in some cases.

## 2. Nominative Fair Use

Nominative fair use is a judge-made defense that allows the use of a senior user’s trademark to accurately describe the senior user’s product.<sup>81</sup> More specifically, junior

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com/legal/legalindustry/everything-isnt-gucci-trademark-law-secondhand-luxury-goods-market-2021-06-18] (discussing what constitutes “material” alteration in the context of online luxury resale markets).

75. *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1073 (10th Cir. 2009).

76. *See, e.g., Davidoff & CIE, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297 (11th Cir. 2001).

77. *See, e.g., Swatch S.A. v. New City, Inc.*, 454 F. Supp. 2d 1245 (S.D. Fla. 2006) (overruled on other grounds).

78. *See, e.g., Beltronics*, 562 F.3d. In *Beltronics*, the 10th Circuit upheld a preliminary injunction against a consumer electronics company, Midwest, enjoining it from selling Beltronics radar detectors with false or removed serial number labels. Midwest asserted a first sale defense in response to Beltronics’ infringement claim, but the court found that Midwest’s removal or alteration of Beltronics’ original labels constituted a material alteration because it prevented consumers from taking advantage of Beltronics’ warranties and services, which require an original serial number.

79. *See, e.g., SoftMan Prod. Co., LLC v. Adobe Sys., Inc.*, 171 F. Supp. 2d 1075 (C.D. Cal. 2001).

80. *See, e.g., Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23 (7th Cir. 1964) (holding that a watch’s case and crown are necessary and integral parts of the watch, that substituting them aftermarket results in a new product entirely, and that entities must disclaim such changes to consumers).

81. McCarthy, *supra* note 22, § 23:11 (Nominative fair use is “a use of another’s trademark to identify the trademark owner’s goods or services. This is not an infringement so long as there is no likelihood of confusion. This has been dubbed a non-confusing ‘nominative use’ because it ‘names’ the real owner of the mark.”). Nominative fair use appeared for the first time in the 9th Circuit case *New Kids on the Block v. News America Pub., Inc.*, 971 F.2d 302 (9th Cir. 1992), when “Judge Kozinski said that it is legal to use a senior user’s trademark in a non-confusing way to identify the senior user’s goods or services.” McCarthy, *supra* note 22, § 23:11 (emphasis in original); *see also id.*, § 11:45 (“The nominative fair use analysis is appropriate where a defendant has used the plaintiff’s mark to describe the plaintiff’s product, even if the defendant’s ultimate goal is to describe his own product.”) (quoting Cairns v. Franklin Mint Co., 292 F.3d 1139, 1151 (9th Cir. 2002)).

users can assert a nominative fair use defense if they use a senior user's mark in good faith to accurately identify that senior user's product in a manner that does not cause a likelihood of confusion.<sup>82</sup> For example, someone who specializes in repairing Volkswagens can use the registered trademarks "Volkswagen" and "VW" to advertise their repair services as long as the use is in good faith and not likely to cause confusion as to whether Volkswagen authorized the use of its trademarks.<sup>83</sup> Those who resell authentic goods could also rely on the nominative fair use defense depending on the circumstances, for example by advertising that they sell "genuine Brand X products."<sup>84</sup> However, altering an authentic good before reselling it may result in courts finding that the altered good is no longer "genuine," or that the junior user is using the mark in a manner that is likely to cause confusion or dilution.<sup>85</sup>

Nominative fair use should not be confused with descriptive fair use. Descriptive, or "classic," fair use is an affirmative defense to trademark infringement outlined in 15 U.S.C. § 1115(b)(4).<sup>86</sup> A descriptive fair use is a *defendant's* use of a *plaintiff's* mark "only to describe [the defendant's] own product, and not at all to describe the plaintiff's product."<sup>87</sup> For instance, if an orange stand owner places the word "juicy" on its orange cartons to describe how juicy the oranges are, the stand owner is using the word "juicy" not as a mark but rather in a descriptive sense to describe its own goods. Should the orange stand owner be sued for trademark infringement by, say, Juicy Couture, the stand owner could assert a descriptive fair use defense.<sup>88</sup> Nominative fair use is more likely than descriptive fair use to be relevant in altered authentic goods cases because an altered authentic good's expressive worth might depend on accurately describing the good's origins. In the Satan Shoes case, for example, MSCHF would have a very difficult time arguing that it used the Nike swoosh or the term "Nike" in a descriptive sense to describe its goods. MSCHF would not be able to successfully argue that its Satan Shoes are swoosh-like or invocative of the Greek goddess Nike. However, MSCHF may wish to use the term "Nike" or the Nike swoosh in good faith to accurately communicate to consumers that the Satan Shoes are authentic Nike sneakers that have been altered post-

82. Liebesman & Wilson, *supra* note 71, at 184.

83. Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350 (9th Cir. 1969), *supplemented*, 413 F.2d 1126 (9th Cir. 1969).

84. MCCARTHY, *supra* note 22, § 23:11 ("Some examples of hypothetical uses that might qualify as a 'nominative fair use' are: [...] independent retailers. (e.g.,) 'We sell genuine GLUGMORE plumbing parts.'").

85. MCCARTHY, *supra* note 22, § 25:41 ("In addition, the first sale defense is not applicable where a product is distributed without being subject to the trademark owner's quality control and there is some potential defect in the product that customers would not readily be able to detect. In such cases, the product sold is not 'genuine' because [sic] not subject to the trademark owner's quality control.")

86. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 114 (2004) (describing "the statutory affirmative defense of fair use to a claim of trademark infringement").

87. Cairns v. Franklin Mint Co., 292 F.3d 1139, 1151 (9th Cir. 2002).

88. See McCarthy, *supra* note 22, § 11:45 ("For example, while the term 'Adventure' when used as a mark for credit card services is probably not descriptive, if it were hypothetically used as a trademark, a junior user should be able to make a noninfringing, descriptive and nontrademark 'fair use' of that term. For example, in the author's opinion a competing credit card company should be able to claim a fair use in order to advertise: 'GO FOR AN ADVENTURE! Have an adventure in your local shopping mall with the PASSPORT brand credit card.'").

sale if this is essential to the artistic or expressive commentary that MSCHF hopes to make with its Satan Shoes drop.

Artists planning to rely on a fair use defense to avoid a trademark infringement finding should be aware that these are only a defense to non-confusing uses of a senior user's mark.<sup>89</sup> Therefore, in cases where the senior user has a valid likelihood of confusion claim as to the use of their mark (nominative or otherwise), artists will have to rely on other defenses.

### 3. First Amendment Defenses: the Right of Artistic Expression and Parody

The First Amendment affords expressive works strong constitutional protection.<sup>90</sup> The First Amendment right of artistic expression can be used as a defense to Lanham Act claims. In the trademark context, this defense traces its origin to right of publicity cases like *Rogers v. Grimaldi*: "the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression."<sup>91</sup> Even so, "the First Amendment cannot permit anyone who cries 'artist' to have *carte blanche* when it comes to naming and advertising his or her works, art though it may be."<sup>92</sup> In *Rogers*, the court developed a two-part test for determining whether a trademark used in the title of an artistic work is protected by the First Amendment. A title is not protected if "(1) 'the title has no artistic relevance to the underlying work,' or (2) if there is artistic relevance, the title 'explicitly misleads as to the source or the content of the work.'"<sup>93</sup> The *Rogers* test is now used beyond the context of titles, and almost all courts employ it to balance First Amendment interests against trademark owners' interests.<sup>94</sup>

Parody is a type of artistic expression protected by the First Amendment.<sup>95</sup> Parody is not an affirmative trademark defense, but a factor that courts consider in balancing trademark holders' rights against First Amendment principles.<sup>96</sup> In the trademark context, a parody often comments on or criticizes the brand or product that it is parodying.<sup>97</sup> This pointed commentary or critique is essential to the distinction

89. McCarthy, *supra* note 22, § 23:11.

90. Zimdahl, *supra* note 49, at 1825–26 (Noting that the First Amendment protects artistic expression even when the work is sold for profit and that while courts sometimes interpret trademarks purely as forms of commercial speech, trademark enforcement can risk limiting free expression where a trademark use is not exclusively commercial speech).

91. *Rogers v. Grimaldi*, 875 F.2d 994, 999–1000 (2d Cir. 1989). In *Rogers*, the court held that the use of Ginger Rogers' name in a film title did not amount to trademark infringement because the title counted as artistic expression due to its artistic relevance to the underlying work and was thus protected under the First Amendment. *Id.* In doing so, the court acknowledged that "[t]his construction of the Lanham Act accommodates consumer and artistic interests." *Id.*; see also Lynn M. Jordan & David M. Kelly, *Another Decade of Rogers v. Grimaldi: Continuing To Balance the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 109 TRADEMARK REP. 833 (2019) (detailing *Rogers* test usage over the past thirty years).

92. *Parks v. LaFace Recs.*, 329 F.3d 437, 447 (6th Cir. 2003).

93. Zimdahl, *supra* note 49, at 1834 (quoting *Rogers*, 875 F.2d 994 at 999).

94. MCCARTHY, *supra* note 22, § 31:144.50.

95. Zimdahl, *supra* note 49, at 1849.

96. McCarthy, *supra* note 22, § 31:153.

97. Kathleen E. McCarthy, *Free Ride or Free Speech? Predicting Results and Providing Advice for Trademark Disputes Involving Parody*, 109 TRADEMARK REP. 691, 694 (2019) ("Essential to the categorization of a use as

between parody and satire. Where a parody must evoke a specific target in its audience's minds to successfully comment on or critique that same target, satire is a broader form of artistic expression that involves uses a target to comment or critique a wider target, like a societal trend.<sup>98</sup> Thus, a parody of a specific brand may require the use of that brand's trademarked name or logo in order to leave no doubt in an audience's mind as to the parody's target. A satire may be able to successfully critique or comment upon a larger societal trend without using a particular brand's name or logo. However, artists hoping to resell altered authentic goods in an effort to comment on a brand are not always entitled to a parody defense. Parodies can still infringe trademarks if they are likely to cause consumer confusion.<sup>99</sup>

## II. SAVING SATAN?

Had *Nike v. MSCHF* gone to trial, would MSCHF have been able to successfully defend its use of the famous Nike trademarks on its Satan Shoes, or would the court have found that use infringing? Although it is impossible to be sure of the court's ultimate decision, the nebulous current landscape of trademark infringement and dilution defenses makes answering this question unnecessarily difficult.<sup>100</sup>

### A. CURRENT TRADEMARK DEFENSES ARE INADEQUATE

From the first sale doctrine's "material" alteration exception to the artistic relevance inquiry in the *Rogers* test, defenses for those who use trademarks in artistic works lack nationally accepted standards that account for the nuances in cases where the artwork at issue is made out of a consumer good. McCarthy notes that this is a particularly tricky issue that is still evolving:

[I] at one time took the position that almost all unpermitted uses of expressive critical or parody marks on such 'commercial' goods should be an infringement and not shielded by the First Amendment. However, on reflection and the progress of the case law, I have modified my views [. . .] Imprinting a message on a T-shirt is a very common method of conveying some kind of expressive message. Is a T-shirt infringing 'merchandise' or an immune communicative medium akin to an Internet web page or a printed newspaper?<sup>101</sup>

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'parody' under this definition is some effort by the parodist to comment upon the brand, although there are debates as to how direct or relevant to the brand any brand-related comment must be.").

98. McCarthy, *supra* note 22, § 31:153.

99. Kathleen E. McCarthy, *supra* note 97, at 700 (noting that "[a] non-infringing parody is merely amusing, not confusing").

100. See generally Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in A "Formalist" Age*, 24 BERKELEY TECH. L.J. 897, 903 (2009) (arguing "for further development of trademark defenses," and noting that "defenses to infringement are comparatively narrow and rigid.").

101. McCarthy, *supra* note 22, § 31:152.

The “materially altered” exception for products that would otherwise be protected under the first sale doctrine is too broad to address instances in which the alterations may be protected by the First Amendment as artistic expression. A materially altered product will not always cause consumer confusion as to the product’s association (or lack thereof) with the trademark owner, nor will it always cause safety concerns or brand reputation issues.<sup>102</sup> Similarly, the nominative fair use doctrine does not account for instances in which products are altered to the extent that they are no longer genuine originals, but where those products were described using the senior user’s trademarks in good faith in a manner that is unlikely to cause confusion. Moreover, the nominative fair use doctrine is used only in three circuits, and all three of those circuits use different tests to determine whether a use is fair.<sup>103</sup> Finally, right-of-artistic-expression cases (including parody cases) hinge on whether the trademark’s use was artistically relevant to the underlying work. But what should courts make of cases where the underlying work is not a painting or film but a modified version of the trademark owner’s own product? Should the test be whether the trademark use is relevant to the underlying work, or whether the modifications are relevant to the underlying work, or whether the modifications transform the product into a work of artistic expression, or something else? Courts need a test that sufficiently protects junior users’ First Amendment rights when their works of artistic expression are created using authentic consumer goods like Nike sneakers.

### III. ALTERED AUTHENTIC GOODS THAT FUNCTION LIKE ART IN THE MARKETPLACE DESERVE FIRST AMENDMENT PROTECTION AS ARTISTIC EXPRESSION

The Satan Shoes straddle the line between wearable consumer goods and collectible art. They are not knockoffs or counterfeits that are likely to deceive consumers. When authentic goods are turned into a work of art that is unlikely to compete with the original trademark holder’s products or confuse consumers, the goods should be considered artistic expression and should therefore receive First Amendment protection.

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102. *Id.* (citing *Smith v. Wal-Mart Stores, Inc.*, 537 F. Supp. 2d 1302, 1339–40 (N.D. Ga. 2008)) (“[A] vocal critic of the policies of Wal-Mart Stores devised parody marks consisting of twisted versions of Wal-Mart trademarks (e.g., ‘Walocaust’ and ‘Wal-Qaeda’) imprinted on items such as T-shirts, mugs, and bumper stickers as well as on the critic’s Web site [sic]. The court found on summary judgment that there was neither trademark infringement nor dilution by tarnishment [because the] critic’s messages as they appeared on goods like T-shirts were noncommercial speech.”).

103. Liebesman & Wilson, *supra* note 71, at 184–86 (“[In] spite of its 20-year history, the nominative fair use defense has mostly been confined to the Third, Fifth, and Ninth Circuits, and is not well understood in any of them [...] The First, Second, and Sixth Circuits have either rejected or declined to adopt nominative fair use, 197 and other courts have yet to decide on its adoption or rejection [...] The nominative fair use defense has been criticized for its analytical defects.”).



**A. A NEW TEST: WHETHER AN ALTERED AUTHENTIC GOOD  
FUNCTIONS LIKE ART IN THE MARKET**

Courts should balance the trademark owner's interest in protecting its marks from dilution against the defendant's and the public's interest in promoting artistic expression, parody, and artistic commentary. In doing so, courts should consider whether the altered product functions more like art than a competing good in the secondhand market *as a result of the alterations*, in addition to whether the trademark's use has any artistic relevance to the underlying work (the *Rogers* test).

The function-in-the-market inquiry could help address the safety, quality control, and likelihood-of-confusion issues that might arise in modified authentic goods cases. Courts could consider (1) the number of altered goods intended for resale, (2) the goods' resale price, (3) the altered products' intended use, (4) where the goods are being resold, and (5) the goods' intended and actual purchasers, among other factors.

Under factor one, a limited number of altered products is less likely to create consumer confusion in down-market sales and is less likely to have an impact on the trademark holder's business. In the Satan Shoes case, for example, 666 pairs of Satan Shoes are a miniscule fraction of the number of shoes Nike sells per year.<sup>104</sup> This means that Nike was not likely facing serious competition from MSCHF in the sneaker market. Further, MSCHF could reasonably persuade a court that the number 666—a number associated with Satanism—was artistically relevant to the underlying work under the *Rogers* test.<sup>105</sup> On the other hand, the fact that there were 666 pairs rather than, say, ten might give courts the impression that the Satan Shoes were more like mass-manufactured custom sneakers rather than bespoke artworks and that they were therefore more likely to compete with Nike's genuine, unaltered sneakers. Such an impression might reasonably swing this factor in Nike's favor.

Under factor two, a higher price indicates that the product's alterations make the product more comparable to an exclusive piece of artwork than a traditional consumer good, as reflected by the amount that intended consumers are willing to pay. The Satan Shoes, for example, sold for \$1,018 a pair, whereas the most expensive men's shoe on Nike's website as of November 4, 2022, sells for \$305 and the Air Max 97 sells for only \$170.<sup>106</sup> This speaks to the value of MSCHF's alterations and the fact that the altered goods are unlikely to compete directly with authorized Nike products.

Under factor three, a good functions more like art in the marketplace if it will be used not as the senior user intended but rather in the manner that one would treat art.

104. Jake Woolf, *Nike Sells 25 Pairs of Sneakers Every Second*, GQ (Oct. 11, 2016), <https://www.gq.com/story/nike-business-how-many-sneakers-per-second> [<https://perma.cc/2MM4-3K9S>] [<https://web.archive.org/web/20221018041338/https://www.gq.com/story/nike-business-how-many-sneakers-per-second>].

105. 666: *The Mark of the Beast*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/words-at-play/what-does-666-mean-mark-of-the-beast> [<https://perma.cc/LW5Q-PWNL>] [<https://web.archive.org/web/20221019015939/https://www.merriam-webster.com/words-at-play/what-does-666-mean-mark-of-the-beast>] (last visited Nov. 4, 2022).

106. *Men's Shoes & Sneakers*, NIKE, <https://www.nike.com/w/mens-shoes-nik1zy7ok?sort=priceDesc> [<https://web.archive.org/web/20221104164545/https://www.nike.com/w/mens-shoes-nik1zy7ok?sort=priceDesc>] (last visited Nov. 4, 2022).

In the Satan Shoes case, the Satan Shoes are sneakers, which means that they can be worn. This fact might favor Nike as it could conceivably increase the likelihood that the products would be worn as Nike intended rather than being displayed as art as perhaps MSCHF intended. Consumers choosing to wear the Satan Shoes could increase the likelihood of confusion and the likelihood that the Satan Shoes would compete directly with Nike's authorized sneakers, and this could arguably create consumer safety hazards.<sup>107</sup> However, while some might wear their Satan Shoes after purchasing them, this would negatively impact their resale value, and buyers are more likely to keep their shoes in pristine condition to preserve their value either as collector's items or as items to be resold for a profit.<sup>108</sup> If a court found that most people were treating the shoes more as collectible art, the products would function more like art than consumer goods, which would place this factor firmly in MSCHF's favor. On the other hand, even if the initial purchasers kept the shoes in pristine condition for resale, the secondary (and even tertiary) purchasers might actually wear the shoes, not knowing whether they are genuine Nikes or altered artistic works. The potential for down-market confusion and competition could swing this factor in Nike's favor.

Under factor four, altered goods that are resold not alongside genuine or competing goods but rather on their own in more exclusive settings might function more like art in the marketplace than consumer goods. For example, the Satan Shoes were sold online over the course of a few seconds through MSCHF's website. Purchasers were not encountering them on shelves next to non-modified genuine Nike sneakers. Additionally, sneakers are emerging as a popular new category in the art world, and the Satan Shoes could someday find themselves in a museum or on auction at Sotheby's.<sup>109</sup> Under the conditions that MSCHF created for the Satan Shoes' drop, this factor would likely favor MSCHF. However, had MSCHF sold the Satan Shoes in a pop-up shop alongside genuine, unaltered Nike sneakers, the products would function more like competing goods, in which case this factor would likely swing in Nike's favor.

Finally, under factor five, the more sophisticated the consumer, the less likely the consumer is to be confused as to the source of the altered goods or as to their association

107. Imagine someone purchases a pair of Satan Shoes mistakenly believing that MSCHF's design was authorized by Nike. Now imagine that the blood allegedly injected into the Satan Shoes somehow corroded the shoes' treads, causing the purchaser to slip, fall, and break their arm. The purchaser, mistakenly believing that Nike is responsible for this design defect, sues Nike and takes to social media to accuse Nike of having lax consumer safety standards. It is reasonable for Nike to try to avoid such a scenario and others like it by preventing artistically altered versions of its sneakers from reaching consumers. However, the more Satan Shoes purchasers treat the shoes like art rather than consumer goods, the less likely such an event is to occur.

108. Maria Bobila & Eric Hardwood, *Nylon Fit Picks: Miley Cyrus' "Satan Shoes," Rihanna in Rick Owens, & More Celebrity Looks*, NYLON (Mar. 29, 2021, 12:22PM) <https://www.nylon.com/fashion/miley-cyrus-wore-lil-nas-x-msCHF-satan-sneakers> [<https://perma.cc/AK78-ZDC6>] [<https://web.archive.org/web/20221104164715/https://www.nylon.com/fashion/miley-cyrus-wore-lil-nas-x-msCHF-satan-sneakers%20>] (detailing how Miley Cyrus wore a pair of Satan Shoes); Christina Binkley, *Sneakerheads Are the Targets of a New Million-Dollar Category for Auction Houses. Can a Shoe Be a Work of Art?*, ARTNEWS (Jan. 23, 2022, 11:46AM), <https://www.artnews.com/art-news/news/sneakers-auction-house-category-1202676047> [<https://perma.cc/FEE7-VQXZ>] [<https://web.archive.org/save/https://www.artnews.com/art-news/news/sneakers-auction-house-category-1202676047>] (explaining the value of sneakers when sold as collectible art).

109. *Id.*

with the senior user, which would also lessen the chance of dilution.<sup>110</sup> Satan Shoes purchasers had to be highly sophisticated to learn about MSCHF's drop in time to purchase the shoes and to be willing to invest more than a thousand dollars in a pair of sneakers. Such customers could reasonably be expected to be familiar with MSCHF and its previous work and to recognize that MSCHF's Satan Shoes were not genuine Nikes but artistic works whose alterations were necessary to make the social commentary that MSCHF sought to express through that particular drop.

Together, these facts might point to an altered authentic product that is likely to function more like art in the downstream market than like a competing consumer good. If a court determines that an altered authentic good functions more like art than a regular consumer good in the marketplace, the court can then apply the *Rogers* test to determine whether the trademark use was artistically relevant to the artistic expression. In *Nike v. MSCHF*, MSCHF argued that it used Nike's mark to comment on the explosion in popularity of collaboration culture that brands like Nike often participate in, and thus that the mark's use had artistic relevance to the underlying work's goal.<sup>111</sup> MSCHF did not specifically invoke the *Rogers* test, but had the case proceeded to trial this argument may have had merit under that test. On the other hand, perhaps MSCHF's commentary was more satire than parody, and MSCHF may have been able to make the same impact with its work without using Nike's exact trademark. However, even using a similar but slightly different trademark (like a backwards swoosh or a more angular check mark) could have landed MSCHF in court, as "colorable imitations" of registered trademarks that cause a likelihood of confusion are actionable under the Lanham Act as trademark infringement.<sup>112</sup> Further, if the goal of creating 666 pairs of Satan Shoes was to comment on the absurdity of collaboration culture, it would be hard to find a better target than Nike to facilitate this kind of artistic expression, and using a fake trademark from a fake brand would not have had the same artistic impact.<sup>113</sup>

110. See Thomas R. Lee et. al., *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 EMORY L.J. 575, 575 (2008) ("In trademark law, 'everything hinges upon whether there is a likelihood of confusion in the mind of an appreciable number of 'reasonably prudent' buyers.' Where the ordinary consumer is deemed sufficiently 'sophisticated' to discern differences between two competing marks, the law forecloses protection for the senior trademark.") (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:91 (4th ed. 2007)).

111. LETTER REGARDING PLAINTIFF'S MOTION FOR A TEMPORARY RESTRAINING ORDER BY MSCHF PRODUCT STUDIO, INC. at 2-3, *Nike, Inc. v. MSCHF Product Studio, Inc.*, 2021 No. 1:21-cv-01679-EK-PK (E.D.N.Y. Mar. 31, 2021).

112. 15 U.S.C. § 1114(1).

113. Nike has a long history of brand collaboration that has likely contributed to its unparalleled success in the sneakers market. See, e.g., Felix Richter, *Nike Reigns Over the Sneaker World*, STATISTA.COM (May 4, 2022), <https://www.statista.com/chart/13470/athletic-footwear-sales> [<https://perma.cc/V89W-LJ8G>] [<https://web.archive.org/web/20221201203104/https://www.statista.com/chart/13470/athletic-footwear-sales>]; Yang-Yi Goh, *The 50 Greatest Sneaker Collaborations in Nike History*, GQ (Aug. 22, 2022), <https://www.gq.com/story/nike-50-greatest-sneaker-collaborations> [<https://perma.cc/S5SZ-ECPY>] [<https://web.archive.org/web/20221016222519/https://www.gq.com/story/nike-50-greatest-sneaker-collaborations>]; Megan O'Sullivan, *From Sacai to Jacquemus: 14 Nike Sneaker Collabs to Know and Shop*, VOGUE, <https://www.vogue.com/article/14-nike-sneaker-collabs-to-know-and-shop> [<https://perma.cc/T7HL-T2BU>] [<https://web.archive.org/web/20221201203337/https://www.vogue.com/article/14-nike-sneaker-collabs-to-know-and-shop>] (last visited Dec. 1, 2022).

## B. BUSINESS CONSIDERATIONS FOR ARTISTS ALTERING TRADEMARKED GOODS

All trademark owners have a right to protect their trademarks, and trademark owners often have a strong incentive to do so as a lack of enforcement could lead to loss of goodwill or even trademark genericide, which would result in losing trademark protection entirely.<sup>114</sup> Artists working with altered authentic goods should determine whether it is worth including a trademark-bearing good in their work in the first place or whether the risk of liability outweighs the artistic impact of altering and reselling such a good. If the trademark is absolutely necessary to the artist's artistic goals, artists could consider licensing the trademark from its owner before using it. Of course, this option is not always feasible, as licensing can be an expensive and time-consuming pursuit.<sup>115</sup> Further, if an artist seeks to criticize or parody a brand through its work, the brand might not be amenable to licensing its trademark for that use.

If licensing is not an option, as it may not be in the vast majority of these cases, artists working with altered authentic goods should strongly consider selling or displaying their work with a disclaimer. Prominent and informative disclaimers can help prevent potential consumer confusion and trademark dilution because they put consumers on notice that the trademark owner is not associated with the work and did not authorize it.<sup>116</sup>

Finally, if both a license and a disclaimer would be anathema to the artist's artistic goals, the artist should ensure that when turning modified trademarked goods into artworks, they satisfy the function-in-the-market test to the best of their ability. Artists should create as few works as possible using trademarked goods to bolster the perception that their works are works of art rather than competing consumer goods. They should also offer their works at a resale price markedly different from the price that the trademarked good is usually sold for to reflect that their work is no longer a competing product, but rather a work of artistic expression whose value depends primarily on the artist's alterations. Further, artists should alter their works so that the trademarked goods are unlikely to be used (or are impossible to use) as originally

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114. Mark A. Lemley, *Fame, Parody, and Policing in Trademark Law*, 2019 MICH. STATE L. REV. 1 (2019) ("If [trademark owners] don't aggressively enforce their marks, they worry that the value of their marks will be weakened by multiple, conflicting uses. In extreme cases, they worry that they will lose their marks altogether by having courts deem them generic or abandoned or else lose the right to enforce them through laches.")

115. See Daniel Klerman, *Trademark Dilution, Search Costs, and Naked Licensing*, 74 FORDHAM L. REV. 1759, 1767–68 (2006) (discussing the transaction costs associated with licensing in the context of the naked licensing doctrine).

116. See, e.g., *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769 (8th Cir. 1994) (holding that Balducci publications infringed and diluted Anheuser-Busch's trademark by including a mock advertisement for "Michelob Oily" on the back page of its humor magazine and rejecting Balducci's First Amendment parody argument because the included disclaimer was "virtually undetectable"). "By using an obvious disclaimer, positioning the parody in a less-confusing location, altering the protected marks in a meaningful way, or doing some collection of the above, Balducci could have conveyed its message with substantially less risk of consumer confusion." *Id.* at 776. "By taking steps to insure that viewers adequately understood this was an unauthorized editorial, Balducci might have avoided or at least sharply limited any confusion, and thereby escaped from liability. Absent such measures, Balducci's ad parody was likely to confuse consumers and fall subject to federal trademark law." *Id.*

intended. Artists should be careful, however, not to create any health and safety concerns for the work's consumers, viewers, or audiences. Finally, artists should market and sell their works to those who are most likely to understand that they are buying art from the artist rather than a competing good or a good authorized by the trademark owner.

It is impossible to say whether MSCHF could have avoided liability had the *Nike v. MSCHF* case gone to trial or had MSCHF created a different version of their Satan Shoes. However, MSCHF could have laid a stronger First Amendment foundation for its Satan Shoes had it created one pair rather than 666, and had it altered the Satan Shoes such that they would have been impossible to use as sneakers. One pair of impossible-to-wear Satan Shoes potentially would have satisfied MSCHF's artistic goal of commenting on big brands' collaboration culture without causing as much opportunity for confusion and dilution. Those looking to make artistic works by altering trademarked goods without inviting litigation are advised to express their artistic viewpoints without creating works that consumers are likely to perceive as competing goods.

#### IV. CONCLUSION

The importance of artists' constitutional First Amendment rights should not be erased when the medium of artistic expression is an authentic, trademarked consumer good like a pair of sneakers. Trademark owners do have legitimate concerns in these contexts as to whether consumers will be aware that the alterations were unauthorized before purchasing the goods secondhand,<sup>117</sup> whether the unauthorized alterations could pose a safety hazard for consumers or a quality control issue for brands,<sup>118</sup> and whether the unauthorized alterations will negatively impact the brand's goodwill or reputation in the eyes of consumers.<sup>119</sup> Nevertheless, courts need a better test to balance the two mighty interests at play in these cases, and a test that asks whether an altered authentic good functions enough like art in the market to warrant a *Rogers*-like inquiry could provide essential guidance in an increasingly important area of trademark law.

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117. See, e.g., *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 67 S. Ct. 1136 (1947) (upholding an injunction against selling repaired and reconditioned sparkplugs bearing the plaintiff's mark unless notice was given to consumers that the products were repaired secondhand and were not new).

118. See, e.g., *Suzuki Motor Corp. v. Jiujiang Hison Motor Boat Mfg. Co.*, No. 1:12-CV-20626, 2012 WL 529967 (S.D. Fla. Feb. 17, 2012) (granting Plaintiff's motion for a temporary restraining order against defendant's use of a genuine Suzuki motor made for snowmobiles in a boat because of the potential harm to plaintiff's brand. The court also noted that consumers could be physically harmed when using the motor in a context for which it wasn't designed to be used.).

119. See, e.g., *PepsiCo, Inc. v. #1 Wholesale, LLC*, No. 07-CV-367, 2007 WL 2142294 (N.D. Ga. July 20, 2007) (ordering an injunction against defendant's use of Pepsi products as "can safes" that look like canned soft drinks but contain an unidentified liquid and hidden compartments that can be used to stash illicit items because the products were likely to cause dilution by tarnishment).