

Sports Litigation Alert

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Where's Jordan? Upper Deck v. Panini Am.

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On June 29, 2020, the U. S. District Court for the Southern District of California allowed the majority of Upper Deck Company's ("Upper Deck") claims to proceed against Panini America, Inc. ("Panini"), one of Upper Deck's main competitors in the sports trading card market, for Panini's use of Michael Jordan's ("Jordan") image on two trading cards. Jordan was drafted to the NBA in 1984 and won six championships with the Chicago Bulls. As a result, trading cards that feature Jordan's publicity rights are highly valuable and highly sought after in the marketplace. For example, a single rare trading card featuring Jordan sold on eBay for \$350,100.

In April 2018, Panini released a trading card featuring Scottie Pippen, which included a small image of Jordan in the bottom right corner of the card. In a 2018-2019 trading set, Panini included a card of Dennis Rodman, which included an image of Jordan prominently featured in the background. Upper Deck, who has an exclusive license with Jordan to use his image, name, and likeness in connection with trading cards, brought suit against Panini, alleging eight claims under the Lanham Act and related state law causes of action: 1) false endorsement and false advertising; 2) trademark dilution; 3) trademark infringement; 4) intentional interference with prospective economic relationship; 5) intentional interference with contractual relationship; 6) commercial misappropriation; 7) right of publicity; and 8) unfair competition.

Panini moved to dismiss the complaint for failure to state a claim on all causes of action. Only the fourth and fifth causes of action, for intentional interference with prospective economic relations and intentional interference with contractual relations, were dismissed, and Upper Deck was given leave to amend.

First Cause of Action for Unfair Competition

Panini moved to dismiss the unfair competition claim, arguing that Panini's use of Jordan's marks were not

likely to cause confusion. The court referred to an eight-factor test modeled after the Sleekcraft factors, used to determine likelihood of confusion in celebrity cases, which include: 1) the plaintiff's level of recognition that the plaintiff has among the segment of the society for whom the defendant's product is intended; 2) the relatedness of the fame or success of the plaintiff to the defendant's product; 3) the similarity of the likeness used by the defendant to the actual plaintiff; 4) evidence of actual confusion; 5) marketing channels used; 6) likely degree of purchaser care; 7) defendant's intent on selecting the plaintiff; and 8) likelihood of expansion of the product lines. The court found that Upper Deck sufficiently alleged all relevant factors. Panini's argument focused on the merits, specifically whether there actually was confusion as opposed to whether Upper Deck sufficiently alleged likely confusion, which was improper at the motion to dismiss stage.

The court next turned to the false advertising claim,

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which requires: 1) the defendant made a false statement either about the plaintiff's or its own product; 2) the statement was made in commercial advertisement or promotion; 3) the statement actually deceived or had the tendency to deceive a substantial segment of its audience; 4) the deception is material; 5) the defendant caused its false statement to enter interstate commerce; and 6) the plaintiff has been or is likely to be injured as a result. As to the first factor, Panini asserted that no "statement" was alleged, but the court held that a false advertising claim could apply to Jordan's image. Upper Deck sufficiently alleged Jordan's image misrepresented to consumers that Jordan held a reverence for Panini's products. As to the third factor, the court found Upper Deck adequately alleged that Panini sought to confuse consumers into thinking Jordan supported its products. As to the fourth factor, it was sufficiently alleged that Panini's use of Jordan would likely influence consumers' purchasing decisions and cause higher prices. Thus, the court denied Panini's motion to dismiss on this claim.

Second Cause of Action for Trademark Dilution

As to the second cause of action for trademark dilution, the court held that Upper Deck sufficiently alleged that it had an exclusive right to the trademarks, and denied Panini's motion to dismiss for lack of standing. The court reasoned that Upper Deck has an exclusive license with Jordan, and as part of the exclusive license, Jordan assigned Upper Deck the right to commence an action relating to a third party's infringing use of Jordan's rights under the agreement.

Third Cause of Action for Trademark Infringement

As to the third cause of action for trademark infringement, Panini alleged Upper Deck did to have standing to sue. For the same reasons above, the court found Upper Deck had sufficiently alleged standing. The court granted Panini's motion to dismiss on its argument that Upper Deck's counterfeiting allegation fails, because it was unopposed by Upper Deck. Finally, as to the likelihood of confusion issue, Panini argued that Jordan's de minimus appearance in the background of the cards was not likely to cause confusion, however, the court applied the likelihood of confusion analysis above, and found that Panini's argument failed at this stage.

Fourth and Fifth Causes of Action for Intentional Interference with Prospective Economic Relationship and Intentional Interference with Contractual Relationship

Next, the court analyzed Upper Deck's fourth cause of action of intentional interference with prospective economic relations and fifth cause of action for intentional interference with contractual relations. For a claim of intentional interference with prospective economic relationship, a party must allege: (1) an economic relationship between the plaintiff and some third party, with the probability of future economic benefit to the plaintiff; (2) the defendant's knowledge of the relationship; (3) intentional acts on the part of the defendant designed to disrupt the relationship; (4) actual disruption of the relationship; and (5) economic harm to the plaintiff proximately caused by the acts of the defendant. A cause of action for intentional interference with contractual relationship is similar, but the first element instead requires a party to show that there is a valid contract between plaintiff and a third party.

Panini sought dismissal of both claims based on the third, fourth, and fifth elements. As to the third element, the court held that because Upper Deck alleged that Panini knew its conduct diminished the value of Upper Deck's contract and interfered with its future relationship with Jordan, Upper Deck sufficiently alleged this element. However, the court held that the fourth and fifth elements were not sufficiently alleged, because Upper Deck provided only speculative allegations concerning economic harm, which were insufficient to state a claim. For example, Upper Deck did not allege that its contract with Jordan had been terminated, that its terms changed, or that performance became more costly due to the Pippen and Rodman Cards. Thus, the court granted Panini's motion to dismiss Upper Deck's fourth and fifth causes of action.

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Sixth Cause of Action for Commercial Misappropriation and Seventh Cause of Action of Publicity

As to the sixth cause of action for commercial misappropriation and seventh cause of action of publicity, the court denied Panini's motion to dismiss. The elements of a right-of-publicity claim under California common law are: (1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury. A statutory claim for right to publicity additionally requires a knowing use by the defendant and a direct connection between the alleged use and the commercial purpose.

Panini first argued that Upper Deck failed to allege standing, but for the same reasons stated above, the court found standing was sufficiently alleged. Next, Panini argued that the small image of Jordan on the Pippen Card was not readily identifiable. The court agreed with Upper Deck, and held that a basketball fan, through context, may immediately identify Jordan as a highly recognized player. Panini also argued that the use of Jordan's image was incidental, but the court

agreed that it was sufficiently alleged that Panini used the image to trade on Jordan's enormous brand value.

Additionally, Panini argued, without legal authority, that the seventh cause of action failed to state a claim because Jordan was featured as a definable group, not an individual. However, the court held that the cards at issue featured Pippen or Rodman in the forefront, and Jordan in the background. Thus, the court denied Panini's motion to dismiss on the sixth and seventh causes of action.

Eighth Cause of Action for Unfair Competition

Lastly, Panini moved to dismiss the unlawful prong of the unfair competition claim ("UCL"), by arguing that Upper Deck failed to sufficiently allege any other claims in the complaint. Because the court granted dismissal of the claims for intentional interference with prospective economic relations and with contractual relations, the court also granted dismissal of the UCL claim based on those two claims. The court denied the UCL claim as to the remaining claims.

In conclusion, the court granted in part and denied in part Panini's motion to dismiss, and allowed Upper Deck to amend its complaint.

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