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IP Case of the Week

“[It’s All Good, Man],” Says S.D.N.Y. to AMC

***Jth Tax LLC d/b/a Liberty Tax v. AMC Networks Inc.*, 22-cv-06526 (S.D.N.Y. 2023)**

By: Reid Huefner & Daniel Zhang | Edited by: Jason Keener | October 2, 2023

This week, the U.S. District Court for the Southern District of New York dismissed Liberty Tax Services’ suit alleging trademark and trade dress infringement, trademark dilution, and defamation against AMC for AMC’s use of “Sweet Liberty Tax Services” (“SLTS”) in Season 6 of “Better Call Saul.” In Season 1, minor antagonist Craig Kettleman went to prison after embezzling $1.6 million. He returned for one episode in Season 6, starting a tax business, SLTS, and used it to “skim[] money from [customer] tax refunds.” Liberty Tax Services filed suit to protect its mark and trade dress, claiming that SLTS was “an obvious imitation . . . twisted to paint Liberty Tax in a negative and disparaging light . . . [with] just the word ‘Sweet’ added.” AMC moved to dismiss for failure to state a claim under the First Amendment.

The court first turned to the *Rogers* test, which offers First Amendment protections for “hybrid” works “combining artistic expression and commercial promotion.” First, the court must determine whether the *Rogers* test could even apply. If so, the court analyzes the case on the merits of the *Rogers* test. *Rogers* applies when use of a mark (1) is in an “artistic” or “expressive” work, (2) unless the mark was used as a designation of source for the infringer’s own goods. It was “undisputed” that Better Call Saul is an artistic or expressive work. Regarding whether the use of the allegedly infringed mark was “a designation of source” for AMC’s own goods—the court concluded that SLTS was not a designation of source for Better Call Saul because AMC did not use SLTS for anything sold by AMC (notwithstanding AMC’s brief use of SLTS in its Season 6 trailer). Accordingly, the court found that—unlike the Supreme Court’s recent *Jack Daniels v, VIP* case—*Rogers* applied. *Jack Daniels* was distinguishable because VIP filed a trademark application on Bad Spaniel, showing VIP used Bad Spaniel as a designation of source.

The court then turned to whether *Rogers* provided First Amendment protection over AMC’s use of SLTS. Specifically, the court considered whether (1) the use of the mark was “artistically relevant” and (2) was not “explicitly misleading.” The court found that SLTS is “clearly ironic . . . and the Kettlemans’ use of Plaintiff’s trade dress is a gaudy and shabby appropriation of patriotic imagery that highlights their hypocrisy . . . all of which has ‘genuine relevance to [the Episode’s] story.’” Thus, the court rejected Plaintiff’s conclusory statement that AMC “arbitrarily chose” to use SLTS. Finally, the court determined whether the use of SLTS was “misleading in the sense that it induces members of the public to believe [the work] was prepared or otherwise authorized [by the plaintiff].” Such a finding had to be “particularly compelling.” But the court found it unlikely that consumers would be confused (and, therefore, the mark was not explicitly misleading), given the different markets, consumers, and goods and services. Accordingly, the court dismissed Liberty Tax’s Lanham Act claims and state law claims because Liberty Tax could not state a plausible claim to relief given the protection offered by the First Amendment.

A notable distinction between this case and this year’s *Jack Daniels* ruling is that this court ruled on the applicability and merits of the *Rogers* test in a Rule 12(b)(6) motion ***at the pleadings stage***, whereas *Jack Daniels* was decided on summary judgment. While not guaranteed, this suggests that creators of works of art may avoid substantial trademark litigation by raising these First Amendment defenses early.