

Disney Teddy Bear Case Offers Tricky Tryout of Trademark Test

Media Mentions

June 26, 2023 | *Bloomberg Law* | 2 minute read | Houston

Bracewell's **Jonathon Hance** discussed with *Bloomberg Law* the impact of the US Supreme Court reviving Diece-Lisa Industries Inc.'s lawsuit over Disney's "Lots-O'-Huggin'" bear character from "Toy Story 3."

SCOTUS' order in the Disney case comes on the heels of its ruling in favor of Jack Daniel's over dog-toy maker VIP Products, which reined in a test that can provide an escape hatch from liability when a trademark is used in First Amendment-protected expressive works.

Hance said Disney and Diece-Lisa may be inclined to settle the 11-year-old litigation, adding that Disney, given all of its brand placement in movies, might want to get precedent on the books limiting the reach of the Jack Daniel's case if it thinks facts line up well.

"Look for a significant fight in the Ninth to broaden the 'Rogers' doctrine as much as it can without running over the Jack Daniel's decision," said Hance.

The "Rogers" doctrine, which allows artistically relevant use of trademarks, had single-handedly cleared Disney's "Lots-O'-Huggin'" bear character and merchandise from Diece-Lisa's claims they infringed its "Lots of Hugs" toys trademark. In Jack Daniel's win over VIP, the high court cabined the test by saying it didn't apply to use as a trademark, but it expressly declined to ax it. Lower courts must now decide how to apply the new "trademark use" threshold, and the fight over hug-inclined bears will provide an early indicator of how they will answer questions the high court raised.

Diece-Lisa sells a patented stuffed "hugging toy" with sleeves in its limbs, first registering "Lots of Hugs" in 1997 and again in 2007 after a brief lapse. Hance noted VIP had used a Jack Daniel's-invoking "Bad Spaniels" logo on a merchandise tag, as well as on the product, and the Supreme Court found

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clear trademark use. Putting Lotso on a similar tag might hurt Disney under the new standard, he explained.

“Once you take the bear out of the film and put it in a Disney store, that starts to look like trademark branded use of the name,” Hance said.

Similarity of the marks is just one factor in a likelihood of confusion analysis for determining trademark infringement. Hance noted that the “Toy Story” series presented particular challenges, as Disney created some toy characters for the movie that long predated the franchise.

“Those could be some really weird survey results” for gauging potential consumer confusion, Hance said. “There are lots of ways for the rightholder to win their suit.”