

REVISED, May 27, 1998  
IN THE UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

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No. 97-20096

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ELVIS PRESLEY ENTERPRISES, INCORPORATED,  
Plaintiff-Appellant,

v.

BARRY CAPECE, A United States Citizen; VELVET  
LIMITED, A Texas Limited Partnership; AUDLEY  
INCORPORATED, A Texas Corporation,

Defendants-Appellees.

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Appeal from the United States District Court  
for the Southern District of Texas

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May 7, 1998

Before REYNALDO G. GARZA, KING, and BENAVIDES, Circuit Judges.

KING, Circuit Judge:

Plaintiff-appellant Elvis Presley Enterprises, Inc. appeals the district court's judgment that defendants-appellees' service mark, "The Velvet Elvis," does not infringe or dilute its federal and common-law trademarks and does not violate its right of publicity in Elvis Presley's name. See Elvis Presley Enters. v. Capece, 950 F. Supp. 783 (S.D. Tex. 1996). Because the district court failed to consider the impact of defendants-appellees' advertising practices on their use of the service mark and misapplied the doctrine of parody in its determination that "The Velvet Elvis" mark did not infringe Elvis Presley Enterprises,

Inc.'s marks, we reverse the district court's judgment on the trademark infringement claims and remand the case for entry of an injunction enjoining the use of the infringing mark.

### I. BACKGROUND

Plaintiff-appellant Elvis Presley Enterprises, Inc. (EPE) is the assignee and registrant of all trademarks, copyrights, and publicity rights belonging to the Elvis Presley estate. EPE has at least seventeen federal trademark registrations, as well as common-law trademarks, for "Elvis Presley" or "Elvis" and other registrations for his likeness. However, none of these marks is registered for use in the restaurant and tavern business. Prior to trial, EPE announced plans to open a Memphis nightclub as part of a possible worldwide chain. The Memphis nightclub opened subsequent to trial. EPE licenses a wide variety of products and operates Graceland, Elvis's home, as a tourist attraction with adjacent retail stores and restaurants. Over 700,000 visitors per year come from all fifty states and from around the world to visit Graceland. Merchandise sales have brought in over \$20 million in revenue over a five-year period and account for the largest portion of EPE's revenue.

In April 1991, defendant-appellee Barry Capece, operating through the limited partnership Beers 'R' Us, opened a nightclub on Kipling Street in Houston, Texas called "The Velvet Elvis." On August 28, 1991, Capece filed a federal service mark application for "The Velvet Elvis" for restaurant and tavern services with the United States Patent and Trademark Office

(PTO). In December 1992, the service mark was published in the Official Gazette of the United States Patent and Trademark Office as required by 15 U.S.C. § 1062(a). EPE was aware of this publication, but did not file an opposition to the mark's registration within thirty days under 15 U.S.C. § 1063. Accordingly, the PTO issued a service mark registration to Capece for use of "The Velvet Elvis" mark on March 9, 1993. The Kipling Street nightclub closed in July 1993 for business reasons.

After the Kipling Street location's closing, Capece began soliciting investors to reopen the nightclub at a new location. The new nightclub, to be located on Richmond Avenue, would have the same name, "The Velvet Elvis," but it would be run by a new limited partnership, Velvet, Ltd. Audley, Inc. is the general partner of Velvet, Ltd., and Capece is the sole shareholder of Audley, Inc.<sup>1</sup> Capece began renovating the new location in January 1994. In July 1994, EPE contacted Capece by letter, threatening him with legal action if the bar opened with "Elvis" in its name. The Richmond Avenue location opened in August 1994 under the name "The Velvet Elvis."

The Defendants' bar serves a wide variety of food and liquor, including premium scotches and bourbons. The menu items range from appetizers to full entrees. Live music is regularly featured at the bar, and the bar claims to be the first cigar bar in Houston. Its decor includes velvet paintings of celebrities

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<sup>1</sup> Hereinafter, we will refer to Barry Capece; Velvet, Ltd.; and Audley, Inc. collectively as the Defendants.

and female nudes, including ones of Elvis and a bare-chested Mona Lisa. Other "eclectic" decorations include lava lamps, cheap ceramic sculptures, beaded curtains, and vinyl furniture. Playboy centerfolds cover the men's room walls.

In addition to the velvet painting of Elvis, the bar's menu and decor include other Elvis references. The menu includes "Love Me Blenders," a type of frozen drink; peanut butter and banana sandwiches, a favorite of Elvis's; and "Your Football Hound Dog," a hotdog. The menu bears the caption "The King of Dive Bars," and one menu publicized "Oscar at The Elvis," an Academy Awards charity benefit to be held at the bar. Numerous magazine photographs of Elvis, a statuette of Elvis playing the guitar, and a bust of Elvis were also among the decorations. By the time of trial, many of these decorations had been removed from the Defendants' bar and replaced with non-Elvis items.

Pictures and references to Elvis Presley appeared in advertising both for the Kipling Street location and for the Richmond Avenue location from the date it opened through early 1995, and some ads emphasized the "Elvis" portion of the name by "boldly display[ing] the 'Elvis' portion of 'The Velvet Elvis' insignia with an almost unnoticeable 'Velvet' appearing alongside in smaller script." Elvis Presley Enters. v. Capece, 950 F. Supp. 783, 789 (S.D. Tex. 1996). The Defendants made direct references to Elvis and Graceland in advertisements with phrases such as "The King Lives," "Viva la Elvis," "Hunka-Hunka Happy Hour," and "Elvis has not left the building." Advertisements

also included a crown logo above the "V" in "The Velvet Elvis" mark. Advertised promotional events at the Defendants' bar have included parties commemorating Elvis's birth and death and appearances by Elvis impersonators and Elvis Presley's drummer. Some advertisements publicizing the opening of the Richmond Avenue location included direct references to Elvis and used the tag-line "the legend continues" without using "The Velvet Elvis" mark.

In April 1995, EPE filed suit against the Defendants, alleging claims for federal and common-law unfair competition and trademark infringement, federal trademark dilution, and violation of its state-law rights of publicity in Elvis Presley's name and likeness. EPE sought injunctive relief, costs, attorneys' fees, and an order to the Commissioner of Patents and Trademarks to cancel Capece's registration for "The Velvet Elvis." The case was tried to the district court, which ruled in favor of EPE on its claims of trademark infringement and unfair competition relating to the Defendants' advertising practices, but not those claims relating to their use of "The Velvet Elvis" service mark. Id. at 796-97. In addition, the court ruled in favor of EPE on its right of publicity claim in relation to the use of Elvis's name and likeness, but again not in relation to the use of "The Velvet Elvis" service mark. Id. at 801-02. As to the claims upon which EPE succeeded, the district court granted injunctive relief barring the use, in connection with the promotion or advertising of the bar, of "the image or likeness of Elvis

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